

## TANDRIDGE DISTRICT COUNCIL

### AUDIT & SCRUTINY COMMITTEE

Minutes and report to Council of the meeting of the Committee held in the Council Chamber - Council Offices on the 11<sup>th</sup> April 2024 at 7:30pm.

**PRESENT:** Councillors Booth (Chair), Allen (Vice-Chair), Chotai, Cooper, Anna Jones, Patel, Sharp, Colin White, and Nicholas White

Katharine Eberhart (Independent Person)

**PRESENT (Virtually):** Councillor Sue Farr

**APOLOGIES FOR ABSENCE:** Councillor North

#### **290. MINUTES OF THE MEETING HELD ON 6TH FEBRUARY 2024**

The minutes were confirmed and signed as a correct record.

#### **291. EXTERNAL AUDIT UPDATE**

Since the Committee's previous meeting on 6<sup>th</sup> February 2024, Deloitte and the finance team had been working to address outstanding queries and to complete an internal quality review to enable the Council's 2021/22 Statement of Accounts to be signed off. This had culminated in Deloitte's 'Draft Audit Findings Report 2021/22' which was presented to the Committee and:

- stated that the audit had progressed to 80% completion
- contained several recommendations regarding 'control deficiencies' and 'adjusted / unadjusted misstatements', some of which had not been reported previously
- confirmed TDC management responses and remediation plans.

Deloitte anticipated issuing an unqualified opinion on the Statement of Accounts.

The Committee was also informed about a review undertaken by Public Sector Audit Appointments (PSAA) of Deloitte's fee proposals for 2019/20 and 2020/21. PSAA's initial response was to reduce the total fee from £345k to £265k. It was confirmed that Officers, in consultation with the Chair and Vice-Chair, were continuing to discuss the position with PSAA and that the fees would not be presented for approval until certain issues had been clarified. Regarding the external audit fee for 2021/22, Deloitte had proposed a provisional £66k (against PSAA's scale fee of £36k) plus £63k to cover additional costs incurred by delays in providing information. These sums would also be challenged if not deemed to offer adequate value for money.

Arising from the debate, the Director of Resources acknowledged that responsibility for finalising the Council's financial accounts rested with officers and the external auditors, although the current position reflected difficulties throughout the local government sector and were not unique to Tandridge. He also emphasised that the audit findings identified by Deloitte did not impact upon the General Fund of Housing Revenue Account and had largely been resolved during 2022/23. While accepting that too many audit findings has arisen, he reflected that, nationally, audit expectations about the depth of local authority accounts had become more demanding and that, in his view, the financial statements which the Council was required to prepare were too complex for an organisation of its size. Indeed, he confirmed that the sector was seeking adjustments in reporting requirements to make local authority accounts more straightforward and to achieve better value for money, without compromising transparency. He considered that the finance team, strengthened by the transformation programme initiated during 2021/22, was capable of resolving the issues, although the challenges of having three years of financial accounts (2021/22 to 2023/24) open impeded the availability of officers to focus fully on a single year. Furthermore, he did not consider the outstanding issues of contention to be material, but that officers and Deloitte had formed different opinions about which accounting matters amounted to errors and which were a matter of judgement. In future, he hoped to provide Members with greater insight into issues raised by the external auditors.

Michelle Hopton (Deloitte) advised that the 2021/22 audit had now progressed to 85% completion. She confirmed that the outstanding 15% did not involve new audit work, but comprised equal elements of:

- audit testing, where outstanding queries have yet to be resolved
- finalising the financial statements
- the concluding steps of pulling the audit findings together (e.g. the 'ISA 260').

Deloitte had committed resources to the end of April 2024 to complete the audit testing, although the work would have to be revisited in July 2024 if not finished by then.

***RESOLVED*** – that the contents of the draft Audit Findings Report be noted.

## **292. EXTERNAL AUDIT PROGRESS 23/24**

The Committee considered a report from Grant Thornton, who had been appointed by Public Sector Audit Appointments (PSAA) as the Council's external auditor under the terms of a five-year contract beginning with the 2023/24 Statement of Accounts. The report included:

- scheduled actions ('audit deliverables') for fulfilling Grant Thornton's responsibilities during the remainder of 2024, culminating in the intended provision of an audit opinion on the 2023/24 Statement of Accounts by 31<sup>st</sup> December 2024 (however, this deadline remained provisional given the uncertainties referred to below); and
- a local government 'sector update' reflecting emerging national issues and developments.

A detailed audit plan would be submitted to the Committee's meeting on 2<sup>nd</sup> July 2024 with Grant Thornton's proposed approach to the 2023/24 audit.

Members were also advised that PSSA had set the 2023/24 scale fee at £151,288, although this could be subject to additional costs as the proposals to address the backlog of previous audits were still being finalised.

Ade Oyerinde (Grant Thornton) advised that the timetable for completing the 2023/24 audit depended on whether additional work would be required to verify opening balances in light of prevailing national audit guidance. He also:

- referred to the possibility that the Government's statutory backstop date for completing all audits up to the 2022/23 financial year could slip beyond September 2024
- stated that Grant Thornton's fees and actual timescales for undertaking the 2023/24 audit would be determined by the complexity of work required by the Financial Reporting Council and, in that respect, Grant Thornton would be advocating more proportionate accountancy standards in a response to a consultation by the Chartered Institute of Public Finance and Accountancy (CIPFA)
- explained the distinct roles of the internal and external audit functions and why certain tasks could not be shared between them
- in response to a question from the Independent Person, commented on the role of Audit & Scrutiny Committee members (referred to on page 9 of the report) and the need to allow sufficient time to focus on managing risk and to challenge auditing arrangements.

**RESOLVED** – that the 2023/24 external audit progress and plan for completion be noted.

## 293. 2023/24 INTERNAL AUDIT PROGRESS REPORT

The Committee received a progress report from the Southern Internal Audit Partnership (SIAP) which included:

- an analysis of live audit reviews that still had management actions pending or overdue (Members welcomed the reduction in the number of outstanding actions since the previous meeting from 24 to 6)
- progress against the internal audit work programmes for 2022/23 (carried forward) and 2023/24 (24% of planned audit work had been completed with the remaining 76% in progress – work was on track for completing the programme and for a report to be submitted to the Committee's meeting on 2<sup>nd</sup> July 2024)
- adjustments to the 2023/24 audit plan, namely:
  - the addition of 'Community Infrastructure Levy / Section 106 collections and distributions' and 'Security of IT assets'
  - rescheduling of 'housing voids'
  - removal of 'cyber security'.

The Director of Resources confirmed that officers remained focused on maintaining cyber security, the processes for which would be audited during 2024/25 (subject to committee approval).

Members requested that the more detailed summary of overdue management actions (identifying the 'audit sponsors' and measures to complete or reschedule the actions concerned) be circulated shortly before the relevant committee meeting.

Natalie Jerams (SIAP) confirmed that follow up reports arising from previous audit reviews with only 'limited' opinions would be factored into future audit plans.

**RESOLVED** – that the Internal Audit Progress Report (February 2024) be noted.

## 294. INTERNAL AUDIT QUARTERLY PLANNING APPROACH

The Committee considered a proposal from the Southern Internal Audit Partnership (SIAP) to implement a quarterly approach to internal audit planning for 2024/25 and beyond. This would replace the existing process whereby an annual plan is presented for committee approval in March with projected audit activity over the subsequent 12 months, with any necessary adjustments being made during the year. It was explained that such adjustments were often necessary due to competing capacity or timing issues, as reviews may have been given speculative windows several months prior. It was therefore suggested that quarterly planning would facilitate a more agile and effective approach, as evidenced by experience elsewhere.

The proposal would involve all potential audit areas being reviewed and reassessed on a quarterly basis, to be informed through meetings with key stakeholders. Once all meetings had concluded, the quarterly internal audit plan would be compiled and presented to the Extended Management Team and the Committee for approval. The potential benefits of a quarterly reporting approach included:

- more flexibility to react to new and emerging risks
- more effective engagement with officers
- more efficient and effective end to end delivery of reviews
- enhanced engagement with the Committee
- real time approval of the plan by the Committee, rather than retrospective acknowledgement of changes.

Neil Pitman (SIAP) confirmed that a transition to quarterly reporting would not impact upon SIAP's fees and should not require much more Officer time.

Councillor Allen, seconded by Councillor Cooper, moved an amendment to the recommendation in the report, seeking:

- (i) replacement wording whereby the approach to quarterly internal audit planning would be 'approved' as opposed to 'endorsed'; and
- (ii) an additional resolution enabling any member of the Committee to request an oral update from officers explaining why any reported proposed changes to the Internal Audit Plan were required.

Upon being put to the vote, the amendment was carried.

**RESOLVED** – that:

- A. the approach to quarterly internal audit planning be approved; and
- B. following publication of an Audit & Scrutiny Committee agenda, any member of the Committee may request an oral update from officers explaining why any reported proposed changes to the Internal Audit Plan were required.

## 295. 2024/25 (Q1) INTERNAL AUDIT PLAN

As reported under Minute 5, the Southern Internal Audit Partnership wished to adopt a quarterly approach to audit planning from 2024/24, whereby all areas of review would remain subject to ongoing assessment and the audit plan staying fluid to enable SIAP to react to the changing needs of the Council. The Internal Audit Plan for the first quarter of 2024/25 was duly presented.

Following a question from the Independent Person, Natalie Jerams (SIAP) agreed to consider how future reports could indicate the number of 'SIAP days' allocated to each audit. She would also seek to provide more specific references to the corporate and committee risk registers.

**RESOLVED** – that the Internal Audit Plan for the first quarter of 2024/25, as attached at Appendix A to the report, be approved.

## 296. 2024/25 INTERNAL AUDIT CHARTER

The Public Sector Internal Audit Standards (PSIAS) (attribute standard 1000) required that, *“The purpose, authority, and responsibility of the internal audit activity must be formally defined in an internal audit charter ...”*. Such charters were required to be reviewed at least annually and, on that basis, the Southern Internal Audit Partnership’s Internal Audit Charter for 2024/25 was presented for approval. The Charter included the following sections:

- mission and core principles
- International Professional Practices Framework (IPPF)’s mission (*i.e. to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight*) and the PSIAS underlying core principles
- authority for SIAP to act (Accounts and Audit (England) Regulations 2015) and the Public Sector Internal Audit Standards (updated 2017)
- the Council’s responsibility to establish and maintain appropriate risk management processes, control systems, accounting records and governance arrangements
- internal audit’s role in advising the Council that appropriate arrangements are in place and operating effectively
- the responsibilities of the Chief Internal Auditor and his organisational relationships with senior officers and Members
- internal audit resources

- requirements for internal auditors to be independent and objective and to exercise due professional care
- scope of internal audit activities and the internal audit reporting regime.

**RESOLVED** – that the Internal Audit Charter 2024/25, attached at Appendix A to the report, be approved.

## 297. FUTURE TANDRIDGE PROGRAMME UPDATE

The Committee considered a report which confirmed that the delivery phase of the FTP was progressing. Plans had been developed by all service workstreams, with key milestones, resource requirements and associated risks. The latest programme roadmap, risk register and highlight report were attached.

The report also provided an update regarding the delivery of the savings delivery plan, i.e. £990k of savings were 'marked as complete'; £263k were rated 'green' with clear delivery plans in place; £255k were rated 'amber' with some risks to delivery or with delivery plans still being developed; while £146k of savings targets would not be achieved in 2023/24.

The Director of Resources commented on the reductions to certain risk scores in light of mitigating actions. In response to a question from the Independent Person, he confirmed:

- the intention to retain 'stakeholder engagement' as a live issue and (while Officers were doing as much as possible to involve Councillors regarding the FTP) the risk of insufficient Member engagement, or lack of Member support for emerging issues, might need to stay at the mitigated score of 8 (reduced from an original score of 12);
- that the delivery of savings for 2024/25 and 2025/26 would feature in future risk registers.

The Director of Resources confirmed that the FTP report to the Committee's meeting on 2<sup>nd</sup> July 2024 would confirm the actual delivery of savings against targets. He would also seek to clarify the meaning of the wording '*savings marked as complete*' within future FTP reports.

**RESOLVED** – that the following be noted:

- (i) the direction of travel for the FTP and the savings identified for delivery in 2023/24;
- (ii) progress made and next steps on the savings identified for delivery in 2024/25; and
- (iii) the approach to risk management being applied and the current programme level risks identified in Appendix B to the report.

## 298. QUARTER 3 PERFORMANCE EXCEPTIONS

A report was presented which highlighted the following 'off-target' KPIs for the third quarter (October to December 2023) of 2023/24 which fell under the remit of the relevant policy committees:

### Community Services

- percentage of roads, footpaths and public open spaces which the Council is responsible for maintaining and which meet the environment cleanliness standard, was off target by 5% at 90%.

### Housing

- HO2b: The average time taken to re-let local authority sheltered housing was 33.5 days against a target of 30 days (a significant reduction of 33.7 days when compared to the same period in 2022/23 when the average re-let time was 67.2 days).
- HO4: The number of households living in temporary accommodation was 62 against a target of 32 households (a reflection of the difficulties being experienced in preventing or relieving homelessness and the lack of affordable housing).
- HO5: The number of households in urgent need (bands A&B) on the Housing Register was 475, against a target of 275.

### Strategy & Resources

- SR4: Days to process housing benefit and council tax changes was off target at 15.33 days (the target being 12 days). The target had not been met due to an issue in the NEC system, which had since been fixed.
- SR5: The number of working days / shifts lost due to sickness absence (long and short-term) was just off target by 0.83 days at 7.93 days.
- SR10: The percentage of calls answered within 60 seconds by Customer Services was off target at 63.6% (the target being 80%) although this was an improvement on Q2.

The report also confirmed that six risks within the corporate risk register were flagged as red, namely:

### Community Services

CS2: Loss of Goods Vehicle Operating Licence at the depot (due to lack of resilience).

CS3: Delays in monitoring council owned trees and impact of Ash dieback creates greater risk of tree falls.

### Housing

H1: Council fails to deliver the target number of properties in the Council House Building Programme, due to poor performance of the contractor, planning delays, unplanned costs, availability of materials and utility providers.

### Planning Policy

P1: Lack of up-to-date adopted district wide local plan makes resisting inappropriate green belt applications more challenging.

P2: Lack of a five-year housing land supply, including gypsy and traveller land.

P3: Lack of capacity in the planning team, difficulty in recruiting permanent staff and issues with IT systems negatively impacting performance.

Following a Member question, Officers undertook to provide further information to the Committee regarding the date to which the HO4 figures above relate. In that respect, the Director of Resources suggested that, in future, Councillors give prior notice of any questions on KPI / risk reports to enable specialist officers to provide timely responses, either by attending the meeting in person or circulating written updates in advance.

The Independent Person considered that future reports would benefit from a greater emphasis on measures to address areas of under-performance or high risk, together with more contextual information via benchmarking data to better inform the setting of targets and to help identify potential actions to improve performance.

**RESOLVED** – that the policy committees' performance exceptions for Quarter 3 (2023/24) and the committee and corporate risks be noted.

Rising 9.30 pm