

TANDRIDGE DISTRICT COUNCIL

AUDIT & SCRUTINY COMMITTEE

Minutes and report to Council of the virtual meeting of the Committee held on the 30 March 2021 at 7.30pm.

PRESENT: Councillors Bourne (Chair), Allen (Vice Chair), Bloore, Davies and Dennis

ALSO PRESENT: Councillors Farr, Mills, Swann and N.White

IN ATTENDANCE: Natalie Jerams and Neil Pitman (Southern Internal Audit Partnership)
Laura Rogers and Ben Sheriff (Deloitte LLP)

313. MINUTES OF THE MEETING HELD ON THE 28TH JANUARY 2021

These were confirmed as a correct record.

314. INTERNAL AUDIT PROGRESS REPORT - MARCH 2021

Natalie Jerams presented a report which provided an overview of:

- (i) audit activity against assurance work completed in accordance with the approved audit plan for 2020/21; and
- (ii) outstanding management actions.

The report confirmed that the 'Development Management' audit had been removed from the 2020/21 plan, pending a peer review by the Planning Advisory Service (PAS). The Committee was advised that the PAS review was in progress and that the findings were expected by the 9th April 2021.

Officer update on outstanding actions

A schedule regarding (ii) above, with Executive Leadership Team updates regarding each action in respect of the following audits was discussed (the schedule had been circulated to committee members prior to the meeting):

- **Procurement**

Work to initiate Contract Standing Order (CSO) waivers for expenditure that does not comply with CSOs is ongoing and would be addressed as part of the Procurement Improvement Programme.

- **HR policies and procedures**

A staff handbook had been completed and it was hoped to have detailed processes and guidelines in place by the end of June 2021.

- **Payroll / Authorisation and check controls**

A consequent review of Financial Regulations had begun. The Acting Chief Executive confirmed that dual controls for payroll functions had always been in place and that there was never a risk of a 'single point of failure'. In response to a request from the Chair, SIAP undertook to clarify the reported audit observation that the management action related to.

- **Customer First**

The newly appointed Programme Management Officer would be co-ordinating the necessary management actions arising from this audit and a further update would be provided at the 8th July 2021 meeting. The corporate skills audit was almost complete.

- **IT / Disaster Recovery and Business Continuity**

It was confirmed that SIAP would be reporting to the 8th July 2021 meeting regarding their 'follow up' review of management actions agreed via the original audit. Officers explained that the progress of Disaster Recovery action is on-track, although a revised date of completion (Summer 2021) was required due to the complexity of implementation. Consequently, a specific testing plan had not yet been scoped. In addition, officers clarified that, while processes were in place for recovering data from routine IT system failures, this audit addressed challenges associated with major unforeseen incidents such as the destruction of the Council Offices.

- **Accounts Receivable and Debt Management**

Following the transfer of the 'accounts receivable' function to the Finance team, a consultant would be engaged to help optimise the Council's use of the Agresso system and to help produce an action plan identifying training needs; opportunities for immediate process improvements; and the scope for investing in the service to achieve longer term benefits.

RESOLVED – that the report be noted.

315. INTERNAL AUDIT PLAN – 2021-22 / 2023-24

An Internal Audit plan for the three years 2021/22 to 2023/24 was presented. The plan comprised the scope of each proposed audit; the year in which it was due to take place; links to the Council's corporate risk register if applicable; and reference to any previous internal audit coverage. SIAP had allocated 190 days for the delivery of the plan which was 20 more than the contracted allocation.

Natalie Jerams advised that the audit plan had been developed in consultation with the Executive Leadership Team and that, consequently, it was expected that the relevant officers would be made available to support SIAP with each audit. However, it was not possible to generalise about the percentage of officer time required for this purpose.

Officers confirmed that work was in progress regarding the Corporate Improvement Plan (the implementation of which was due to be audited in 2023/24) and that different aspects of that plan would be relevant for other SIAP audits to be undertaken during the next three years.

Natalie Jerams explained that some audits did not relate directly to the Council's corporate risk register, although the Chair suggested that the outcome of such audits could, in themselves, identify a need for previously unforeseen risks to be added to the register.

RESOLVED – that the Internal Audit Plan, attached at Appendix A to the report, be approved.

316. INTERNAL AUDIT CHARTER – 2021/22

This Charter defined the internal audit activity's purpose, authority and responsibility. It established the role of internal audit within the Council and was presented to the Committee for approval in accordance with the Public Sector Internal Audit Standards. Neil Pitman explained that there were no changes from the 2020/21 Charter.

RESOLVED – that the Internal Audit Charter for 2021/22, attached at Appendix A to the report, be approved.

317. EXTERNAL AUDIT 19/20 FINAL AS260 REPORT AND THE 20/21 ACCOUNTS AUDIT PLAN

Ben Sheriff advised that there were two outstanding issues for Deloitte to resolve before the Council's 2019/20 statement of accounts could be finalised. He confirmed that he would endeavour to achieve sign-off within the next two weeks.

Ben Sheriff also presented Deloitte's planning report for the 2020/21 audit. He highlighted the following issues of concern which would add to the complexity of the audit:

- (i) the ongoing impact of the pandemic; and
- (ii) the revised Code of Audit Practice 2020 and related guidance which would require Deloitte to undertake additional work, including:
 - the need to understand the Council's arrangements to secure economy, efficiency and effectiveness in the use of resources against relevant reporting criteria (i.e. financial sustainability; governance; and improving economy, efficiency and effectiveness); and
 - the production of an 'auditor's annual report' in place of the previous 'annual audit letter'.

It was confirmed that the Government required local authorities to have audited 2020/21 accounts approved by the 30th September 2021. Members expressed reservations about whether that deadline could be achieved given the above-mentioned delay regarding the 2019/20 accounts. Ben Sheriff acknowledged the challenging timescale but considered that, in certain respects, Deloitte would be better prepared for the next audit. The Chief Finance Officer advised that she would pursue an action plan (following a debrief with Deloitte) for meeting the deadline and confirmed that a report in this matter would be submitted to the Committee on the 8th July 2021.

Ben Sheriff explained the process for setting external audit fees and referred to the possibility of significant fee increases as highlighted within the report. Deloitte's subsequent charges in light of the overrun in auditing the 2019/20 accounts would be discussed with the Chief Finance Officer in due course.

In response to questions from Members, both Ben Sheriff and the Chief Finance Officer explained the challenges being encountered throughout the whole local authority sector regarding the provision of audit services. In this respect, the Chief Finance Officer referred to the recent independent report (by Sir Tony Redmond) into "*the effectiveness of external audit and transparency of financial reporting in local authorities*".

RESOLVED – that the 2020/21 External Audit plan, attached at Appendix A to the report, be noted.

318. ANTI FRAUD BRIBERY AND CORRUPTION POLICY

The Committee was invited to approve an updated version of this policy (last reviewed in 2017) which identified the Council's arrangements for the prevention, detection and investigation of fraud, bribery and corruption. The changes to the previous version included:

- definitions of fraud, bribery, corruption, money laundering, theft and whistle blowing;
- a commitment to a stronger anti-fraud culture;
- identification of officer and councillor responsibilities;
- methods of deterrence and prevention
- guidelines regarding gifts and hospitality for both officers and Members
- guidelines for reporting concerns
- details regarding the methods of investigation
- sanctions and redress
- the need to guard against the possibility of defamation when investigating allegations of fraud etc
- the fact that the Monitoring Officer would report to the Committee on a bi-annual basis concerning relevant issues and activities in connection with the policy.

The Chair proposed amendments to paragraphs 3.5 and 8.15 of the policy. These were agreed as per the resolution below.

The Chair also referred to paragraph 4.6 of the policy which ended, "*Each Councillor is responsible for ... familiarising themselves with any relevant codes, protocols, policies and procedures.*" He questioned the fact that these documents are not readily available to Members who, unlike staff, do not have access to an intranet or IT hub. The Committee was advised that, as an initial solution, the documents could be uploaded to the publicly accessible library section of the Council's Modern.Gov web pages.

RESOLVED – that, subject to the following amendments, the new Anti-Fraud, Bribery and Corruption Policy, attached at Appendix A to the report, be adopted:

Paragraph 3.5

“Where fraud and corruption has occurred ~~because~~ despite of existing procedures, arrangements will be made to ensure that the appropriate improvements are introduced to prevent a reoccurrence.”

Paragraph 8.15

“All completed investigations will be reported to the Audit & Scrutiny Committee and may be taken into account when assessing the overall governance arrangements as part of the completion of the Annual Governance Statement.”

319. ANNUAL GOVERNANCE STATEMENT ACTION PLAN UPDATE - MARCH 2021

A progress report regarding the governance action plan (agreed by the Committee on the 26th November 2020) was submitted which identified:

- actions outstanding, including those with revised timescales; and
- actions from the original action plan which have been completed and/or are ongoing.

The Committee thanked Heather Wills (whose secondment from the Local Government Association as the Council’s Improvement Adviser would end on 31st March) for her work in enhancing the Council’s governance processes. It was confirmed that responsibility for the action plan would transfer to the newly established Programme Management Officer post. Members requested that more effective formatting tools (as opposed to italics) be used in future updates to help highlight changes.

RESOLVED – that progress made against the governance action plan be noted.

320. POLICY COMMITTEES’ QUARTER 3 PERFORMANCE & RISKS REPORT

A report was presented which replicated the Quarter 3 performance reports previously submitted to the Community Services, Housing and Strategy & Resources Committees.

Councillor Allen, seconded by Councillor Dennis, proposed additional resolutions (B and C below) regarding:

- the future submission of performance reports to this Committee whereby, to provide more focus and avoid duplication, the content would be limited to performance issues requiring attention; and
- the scope for streamlining the risk management process.

Upon being put to the vote, the additional resolutions were agreed.

A suggestion that performance reports should be circulated to Members on a monthly basis, to align with the frequency of budget monitoring reports, was also put forward. Officers would assess whether this might be feasible, although it was acknowledged that the production of certain data might not be compatible with monthly reporting timelines.

RESOLVED – that:

- A. the Quarter 3 (2020/21) performance and risks for the policy committees be noted;
- B. the Programme Management Officer be requested to streamline future performance reports to this committee to focus solely on the main issues of concern to the policy committees, including any actions being taken by the respective policy committee to address performance issues; and
- C. it be suggested to the policy committees that they review their risk registers and be more pragmatic with their approach to risk management so that we avoid recording and reviewing risks we cannot change.

Rising 10.20 pm