

TANDRIDGE DISTRICT COUNCIL

AUDIT & SCRUTINY COMMITTEE

Minutes and report to Council of the meeting of the Committee held in the Council Chamber, Council Offices, Station Road East, Oxted on the 30 September 2021 at 6.30 p.m.

PRESENT: Councillors Langton (Chair), Allen (Vice-Chair), Bloore, Crane, Davies, Dennis, Flower, Gray, O'Driscoll and N.White (substitute in place of C.White)

ALSO PRESENT: Councillors Farr and Lockwood

APOLOGIES FOR ABSENCE: Councillors C.White

132. MINUTES OF THE MEETING HELD ON THE 8TH JULY 2021

The actions in the minutes of the meeting of 8 July 2021 were reviewed and it is noted that:

- Grant Thornton had reported to the Committee following the completion of their investigation;
- the Committee had not received an update on the contents of the Planning Advisory Service report. It was noted that the report had been circulated to Councillors via Group Leader or Deputy Group Leader;
- SIAP would produce a paper for the next meeting that would outline the standards that SIAP had to comply with in respect of internal audit planning and the role of the Committee in that process;
- project management would be an agenda item for a future committee meeting;
- the TDC Anti-Fraud Policy had not been circulated but this would be completed as soon as possible;
- case papers from the Council Tax fraud criminal investigation could be circulated;
- the Chair of the Committee who has the power to sign off the council's accounts;
- a verbal update would be given at the relevant agenda item regarding the steps taken by each policy committee where a risk had been identified in its own exception report. Further work was continuing in respect of the financial exposure for each of the missed targets; and
- further information regarding the high level Police performance metrics would be sought by the committee clerk from the relevant team and details provided to the Committee.

Taking into account these responses, the minutes from the meeting were agreed.

133. EXTERNAL AUDIT UPDATE

Laura Rodgers from Deloitte presented a verbal update on the current position of the signing off of the Council's accounts for the years 2019/20 and 2020/21.

Neither of the accounts were ready to be signed off. The delay to 2020/21 sign off was due to the delay in the finalising of the Council's outturn report. The delay to the 2019/20 sign off had been caused by an error in the level of aggregation used which had been difficult to remedy. The issue was almost fixed and it was anticipated that there would be a short time to completion once fully resolved. A rough estimate of 120 working hours was suggested as a possible time frame until completion. Deloitte regretted the position with the 2019/20 sign off and stated that the accounts would not be signed off until all issues had been resolved and checked. The audit process for 2020/21 was in a much better position and has been a process as a result of the lessons learnt from the previous year's audit.

It was confirmed that the regulatory deadlines for both 2019/20 and 2020/21 has been missed but it was believed that there were no sanctions imposed on the Council for not signing the accounts in time. It was noted that the auditing of Councils was a national issue and there were issues across the sector.

Councillor Langton proposed a recommendation which was seconded by Councillor O'Driscoll. Upon being put to the vote this was agreed.

Following the recommendation, Deloitte informed the Committee that, on the issue of costs, there was likely to be an overrun for 2019/20 on the original costings and that negotiations would be entered into with the Chief Finance Officer regarding this. This had already been agreed with Mr Ben Sheriff and minuted. However, Deloitte would be mindful of their actions that resulted in the overrun and take their share of the responsibility.

Councillor Langton requested that the CFO scrutinise any invoice received from Deloitte and proposed a further recommendation that the outcome of this be referred back to the Committee. The recommendation was seconded by Councillor O'Driscoll. Upon being put to the vote the recommendation was agreed.

RESOLVED – that:

- A. the Committee requests further details from Deloitte on:
 - i. the overall reason for the 19/20 accounts sign off delay;
 - ii. what principal actions are needed to complete sign off; and
 - iii. a forecast sign off date.
- B. once the proposed division of costs has been made, the findings be brought back to the Audit & Scrutiny Committee to approve.

134. INTERNAL AUDIT PROGRESS REPORT - AUGUST 2021

Natalie Jerams presented a report which provided an overview of

- the current status of live internal audit reports;
- an update on progress against the annual audit plan;
- a summary of internal audit performance, planning and resourcing issues; and
- a summary of significant issues that impact on the Chief Internal Auditor's annual opinion.

It was noted that there had been a slight adjustment to the report since publication; there were now 32 management actions overdue (15 medium and 17 high). A summary was provided on six new reports that had been finalised since the last report. The subsequent discussion on these reports included reference to the following issues:

- On the issue of cyber security, it was agreed not to discuss the actions in an open forum. Melanie Thompson agreed to provide a written update to the Committee in response to questions raised in respect phishing and cyber security awareness training;
- In respect of Building Control, it was noted that the new Temporary Chief Planning Officer had only been in position a few weeks and was unable to provide an update but would do so at the next meeting of the Committee;
- On the issue of Treasury Management, the Chief Finance Officer stated that some of the report recommendations had been completed and others in progress. A new treasury management provider (Orbis) had been taken on and were working towards updating all relevant documentation in order to comply with internal audit recommendations;
- In respect of Information Governance, it was noted by the Head of Legal that a new Data Protection Officer was now in post who would primarily be dealing with the report recommendations and would be supported by a new Deputy DPO. FOI reports were now taken to the ELT and Information Governance Management Team. The Record Retention and Disposal Schedule was being reviewed and would be circulated to Senior Managers, SLT and ELT to update. Work had commenced on the Information Asset Register and it was planned for this work to be completed by November;
- It was agreed that a copy of the current document deletion policy would be circulated to the Committee. It was noted that the document required updating and it was agreed that a final copy of the updated policy would also be circulated to the Committee.
- It was noted in the audit report that the Council did not maintain a grant register, which had resulted in a 'No' assurance position. The Finance Department would create a template for the rest of the organisation to complete to allow review on a regular basis along with associated policies and procedures;
- On the issue of Health and Safety, it was noted that a further 'No' assurance opinion had been given due to policies and procedures not being updated following internal reorganisation. A project team had been set up to address the issues raised by the report and to make sure all updated information is properly presented to staff. It was confirmed that HSE have carried out inspections where required.

- It was noted that the number of outstanding issues was worrying and performance needed to improve which would be reflected in the proposed recommendations under the next agenda item.

RESOLVED – that the report be noted.

135. INTERNAL AUDIT ANNUAL REPORT & OPINION 2020/21

Neil Pitman presented a report which set out the Chief Internal Auditors opinion on the adequacy and effectiveness of the Council's framework of risk management, internal control and governance for the financial year 2020/21.

A 'Limited' overall assurance opinion had been provided. It was noted that a 'Limited' assurance is not given lightly and that the same opinion had been given in financial year 2019/20 – this situation was described as uncommon. It was commented on that Officers had been engaged and supportive of the audit work throughout the year and resources were now focused in the key areas. It was noted that 'Limited' opinions probably make up about 10% of the reviews undertaken by SIAP elsewhere.

The Chief Executive highlighted that a greater degree of control was required on the actions arising from Audit & Scrutiny Committee meetings and this was being addressed by the ELT team. It was also confirmed that discussions were taking place between authorities to investigate the sharing of governance responsibilities.

Councillor Langton proposed an additional recommendation relating to the reporting of underlying reasons for internal audit delays. The recommendation was seconded by Councillor Davies. Upon being put to the vote the recommendation was agreed.

RESOLVED – that:

- A. the report be noted; and
- B. the Executive Leadership Team set out in a brief report to be presented at the 2 November Audit & Scrutiny Committee meeting the underlying reasons for the late closures of internal audit actions and what steps will be taken to address them.

136. FORENSIC REVIEW AND FACT FINDING INVESTIGATIONS INTO A POTENTIAL BUDGET GAP FOR 2020/21 AND IMPLICATIONS FOR 2021/22

In accordance with the Strategy & Resources Committee's decision of 8th June 2021, Grant Thornton LLP UK had been commissioned to undertake a review following the discovery of a potential £920,000 budget gap in 2020/21. Grant Thornton had since completed its investigation and had made 15 recommendations for the Council to consider. Its report, presented by Thomas Foster, confirmed that:

“there was an unfunded revenue deficit of £920,500 within the 2020/21 outturn position that was not detected during the year. The implications of this are that the Council’s outturn position is £920,500 less favourable than had been expected ... It also appears that this error was not identified during the 2021/22 budget setting process and was therefore rolled forward as part of the baseline budget for 2021/22 that was approved by Council in February 2021. This means that its impact will continue to be relevant for the General Fund in each financial year until it is resolved.”

The deficit arose from a reduction in notional pension costs which should have been offset to zero without any budgetary affect. Grant Thornton’s report sets out the relevant chronology of events, together with key learning points and recommendations.

A short discussion took place regarding the investigation process and Grant Thornton’s findings.

The Chief Finance Officer presented her report in response to Grant Thornton’s findings, which confirmed that:

- all the recommendations proposed by Grant Thornton would be implemented as part of the ongoing Finance Transformation Programme;
- there were some issues not covered by the limited scope of the Grant Thornton report that still needed to be reviewed;
- a fundamental ‘root and branch’ review of the more fundamental areas of finance will be carried out as part of the Transformation programme;
- a detailed review of all 2021/22 budget lines to ensure a correct starting position for future budget setting in 2022/23;
- the team who is leading the Finance Transformation Programme has been commissioned to develop one plan which brings together transformation programme items, all of the Grant Thornton recommendations and all other related issues to give confidence and assurance to Members that:
 - a balanced budget can be set for 2022/23;
 - the 2020/21 outturn can be finalised and published; and
 - the 2020/21 Accounts can be finalised and signed off.

In response to Member questions it was confirmed that:

- a skills and training requirements of the Finance team will be part of the new Target Operating Model (comprised as part of the Finance Transformation Programme);
- despite the position of uncertainty, there is no reason to believe a Section 114 Notice would need to be issued. If no other mitigation was available (to be determined through the 2021/22 budget review) the budget gap could be met out of Reserves;

- other areas of concern still exist in respect of Council finances which were outside the scope of the Grant Thornton report. The Chief Finance Officer stated that she would bring a report back to the Committee on 2 November which would set out the urgent activities finalise and publish the 2020/21 Outturn, sign the Accounts for 2021/22 and allow enough confidence in the underlying position for a budget to be set for 2022/23;
- an Organisational Development workstream is included as part of the Finance Transformation Programme to assist senior managers in understanding their accountabilities, roles and responsibilities in respect of budget setting and management;
- the Grant Thornton recommendations would be reviewed by SIAP as part of the Financial Resilience Audit that was currently on hold in the 2020/21 review cycle;
- a Member training and development programme will be introduced in in the next financial year which would assist Members in respect of council finances.

Councillor Langton proposed the following slightly amended recommendation to note the Grant Thornton report. Councillor O'Driscoll seconded the recommendation. Upon being put to the vote, the recommendation was agreed.

Councillor Langton proposed the following additional recommendation relating to the prioritising and reporting of the Action Plan recommendations to the Committee. Councillor White seconded the recommendation. Upon being put to the vote, the recommendation was agreed.

RESOLVED – that:

- A. the Grant Thornton report be noted; and
- B. that the Executive Leadership Team prioritises the recommendations in the Action Plan set out in Annex A of the report and agrees owners and dates for these prioritised actions to be in a brief report to be presented at the 2 November Audit & Scrutiny Committee meeting.

137. ANNUAL GOVERNANCE STATEMENT 2020/21

The Head of Legal presented a report on the Council's updated Annual Governance Statement ("AGS") for 2020/21. Councillors were asked to consider and approve the report which contained further actions to be undertaken during the course of 2021/22. It was noted that an additional section had been added to the AGS to reflect the impact of the Covid pandemic over the course of the year.

It was noted that a list of questions had recently been sent to the Head of Legal to answer in respect of the AGS and that a response to these would be given in the form of a revised AGS at the next committee meeting on 2 November.

It was confirmed that the external auditor had received and reviewed the AGS and although they had not yet commented on its content they would be doing so during the course of the audit.

Councillor Langton proposed a further recommendation relating to the prioritising of the actions to be taken in 2021/22 and for a report to be presented at the next committee meeting. The recommendation was seconded by Councillor O'Driscoll. Upon being put to the vote, the recommendation was agreed.

RESOLVED – that:

- A. the Committee notes the Annual Governance Statement as set out in Appendix A to the report; and
- B. the Executive Leadership Team prioritises the actions to be taken in 2021/22 as set out from page 26 onwards in paragraph 16 of the Annual Governance Statement Action Plan and agrees owners and dates for these actions in a brief report to be presented at the 2 November Audit & Scrutiny Committee meeting.

138. COMPLAINTS UPDATE

The Head of Communications and Customer Experience presented a quarterly report, covering the period of April to June 2021, which provided an update on complaints and Freedom of Information requests received by the Council.

In the last quarter, there had been 69 Stage 1 complaints, 15 of which had since escalated to Stage 2 complaints. Members were provided with a breakdown and further information relating to the complaints received. Additional details were also provided on the lessons learnt when dealing with past complaints and improvements that have been introduced to the complaints procedure. Further work was being undertaken on the complaints system to provide officers with more information relating to the complaints received.

The Head of Communications and Customer Experience offered to send out a note to Councillors after of the meeting on how the Council uses complaints to improve its services to aid in their understanding of the process. This offer was accepted.

In the last quarter 91 Freedom of Information requests had been received, with the majority received in respect of Business Rates, Public Health and Waste and Recycling. Information on the responses to these requests was provided.

The subsequent discussion included reference to the following:

- information relating to the number of complaints that proceeded from Stage 2 to the Local Government Ombudsman was not collated quarterly but there was an intention to include this in future reports;
- in respect of providing detail in respect of the nature of complaints received, the ongoing refinement to the complaints system should be able to produce this information in the future;
- in respect of compliments received, an internal medium was used to publicise this information and it may be possible to bring a general summary of this to Committee;

- it was requested that details relating to the outcome from a complaint be made available, such as amounts of compensation paid or actions taken to address issues raised in the complaint. It was noted that managers were involved in the complaints process to deal with any repeat issues or to provide additional training or praise to Officers as appropriate;
- it was confirmed that there is a statutory policy in place for Housing complaints which makes payments from the Housing Revenue Accounts, but there is no wider policy for all other complaints. Consideration was being given as to whether a policy should be put in place. It was noted that the Local Government Ombudsman may instruct the Council to make compensatory payments;
- it was agreed that it was important that details contained in anonymous complaints be reviewed and assessed although it was noted that few were received;
- there was a public duty to report complaints even though there was no statutory duty to report to any of the committees regarding the Council's performance;
- it was noted that vexatious complainants should also be identified in the complaints process and dealt with under the relevant procedure;
- it was noted that it was National Customer Service week from 4 October and Councillors were encouraged to meet with the Customer Service team next week to understand the role that they undertake;
- that ELT should consider whether complaints received in respect of services that are not supplied, such as planning pre-applications, should be recorded as complaints;
- it was noted that information relating to payments made to staff in employment cases would be provided to the Committee as requested by Councillor Flower;
- complaint benchmarking between difference councils was difficult as each organisation recorded complaints differently and there was no County-wide approach to assist with this;
- the Temporary Chief Planning Officer made the Committee aware that he was very focused on the level of complaints in the Planning Team and was keen to fully restore the pre-application process.

RESOLVED – that the Committee note and accept the report.

139. POLICY COMMITTEES' QUARTER 1 21/22 EXCEPTION PERFORMANCE REPORT

The Programme Management Officer presented an exception performance report which set out the performance and risk headlines from the performance and risk reports which had already been reported to the four main policy committees earlier in the committee cycle.

The subsequent discussion made reference to the following issues:

- a response to a question raised at the Community Services Committee on 21 September about the Food Hygiene Rating Scheme target and its potential impact on new businesses opening would be supplied to the Committee after the meeting by the Executive Head of Communities;
- in respect of the Housing Committee target of the average time taken to re-let local authority sheltered housing, the high number of days had been caused by three properties only and the delays were attributable to Covid. The Executive Head of Communities offered to email members of the Committee to provide further information;
- it was noted that the missed target relating to people in 'Urgent Need' would keep being raised on the report as it is undeliverable but this should be owned by the Council as a serious failure. It was noted by the Executive Head of Communities that the Council was doing all it could to meet this target via various schemes and it was important to highlight this as an important issue for the Council;
- in respect of the monitoring of the quality of private rented accommodation, it was noted that the Environmental Health team work on the investigation and enforcement of housing standards. The Executive Head of Communities offered to provide a briefing note to Councillors on this issue.
- it was requested that financial exposure associated to the risks in the report be included in the report to the next Committee;
- The Chairman emphasised again that the aim of this agenda item is to have presented only those Performance exceptions deemed High Impact and those Risks categorised Red. The Committee then reviews the effectiveness of the respective Action agreed by the relevant Committee and proposes if additional/alternative actions be sought.
- it was noted that staff sickness was very high and had been for a long period of time. The Chief Executive agreed that this was an issue that had to be taken very seriously and the underlying reasons for this would be investigated and addressed;

The Chair proposed a recommendation that a proposal be brought to the next committee by the Programme Management Officer in respect of the format of future reports. This recommendation was seconded by Councillor O'Driscoll.

RESOLVED – that:

- A. the Committee notes the performance and risk exceptions for Quarter 1 2021/22;
and
- B. the Programme Management Officer will liaise with Committee Members and put together a proposal for the rationalisation and prioritisation of exceptions that the Committee needs to review and a verbal update be provided at the next Committee meeting.

140. ANY OTHER BUSINESS WHICH, IN THE OPINION OF THE CHAIR, SHOULD BE CONSIDERED AS A MATTER OF URGENCY

It was agreed that any pre-prepared alternative recommendations be circulated to the Committee at the start of a meeting.

It was noted that the Audit and Scrutiny meeting on 12 October would be cancelled. The next meeting of the Committee would be on 2 November.

The Chair suggested that it may be necessary to review, simplify and prioritise all of the action plans and lists that the Council was currently working to with a view to amalgamating into one manageable document. This observation was supported by the Chief Executive and this has already been raised with ELT.

Rising 10.05 pm