

## 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 27 September 2022 at 7:30pm.

**PRESENT:** Councillors Gillman, Allen, Booth, Botten, Chotai, Cooper, Flower, C.White and N.White

**PRESENT (Virtually):** Councillor Mansfield

**ALSO PRESENT (Virtually):** Councillors S.Farr and C.Farr

**APOLOGIES FOR ABSENCE:** Councillor O'Driscoll

#### **109. MINUTES OF THE MEETING HELD ON 5 JULY 2022**

The minutes were confirmed and signed as a correct record.

#### **110. REVIEW OF MINUTED ACTIONS FROM THE PREVIOUS COMMITTEE MEETING**

The actions arising from the meeting on 5 July 2022 were reviewed and it was noted that:

- Minute 287: Information in respect of payments to staff was still outstanding. The Chair had been advised that this information should not be discussed in a public meeting. However, if any Councillor had any concerns they were invited to contact the Chief Executive directly.
- Minute 288 and 291: The external audit plan had been included in the agenda for the meeting (agenda item 7 / minute 111).
- Minute 288: The Chair confirmed that a reply had been sent to Deloitte. A copy of this letter would be circulated to the committee.
- Minute 289: The Future Tandridge Programme will be discussed at a future meeting once the Strategy & Resources Committee had reviewed the current progress.
- Minute 289: The internal audit charter had been included in the agenda for the meeting (agenda item 9 / minute 113).
- Minute 289: The Audit & Scrutiny Committee Terms of Reference would be reviewed following the recent agreement to the internal audit charter to ensure compatibility.
- Minute 289: The spreadsheet setting out the number of unresolved internal audit items would be discussed during the meeting (agenda item 11 / minute 115).
- Minute 291: Due to the recent cancellation of the Housing Committee, the Chair had not been able to speak to the Chair of the Housing Committee but would do so as soon as possible.

- Minute 293: Discussions had yet to take place in respect of Deloitte's scale of charges. The Committee would be updated once this had taken place.
- Minute 293: The mapping of the findings from the external audit 2019/20 Value for Money report against the Tandridge Finance Transformation Programme had been completed. A draft document had been circulated to the Chair and Vice Chair who had provided feedback. There has since been a further Value for Money report for 20/21 (agenda item 8 / minute number 111) which would now also be incorporated to give a full response to the Committee.
- Minute 294: The Annual Governance Statement had been deferred and the intention was for it to be discussed at the next meeting on 6 December 2022.
- Minute 296: The internal auditors were now reviewing project management as part of the current audit. Consequently, this item would be deferred until their report was available for the committee to consider.
- Minute 297: The estimate of costs was included in the agenda pack for the meeting on 5 July 2022. This matter was now closed.

Additional unresolved items from the 5 July 2022 meeting were highlighted by Councillor Allen. These related to details relating to the implementation of supporting statements and the database management audit review. The Chair stated that these items would be picked up at the next meeting.

## **111. EXTERNAL AUDIT - FINALISATION OF 2020/2021 ACCOUNTS**

A report was presented by the Council's external auditors, Deloitte, informing the Committee of current position of the audit of the 2020/21 financial statements.

- The audit was at an advanced stage but there were still a number of outstanding items still to be completed, despite significant progress in recent months. A summary of the outstanding items was provided by Deloitte.
- No significant financial reporting issues had been identified by Deloitte, although a potential adjustment of £608k in respect of the Surrey Pension Fund pension liability was being reviewed.
- Concerns had been raised in respects of the Council's ability to provide Value for Money and the report set out a qualified opinion in this area. The concerns raised were being addressed by the Tandridge Finance Transformation Programme and the Future Tandridge Programme. Consequently, any improvements in the Council's approach in this area occurred after 2020/21 and therefore were not captured by in the audit.
- It was expected that some of the Value for Money issues would persist into the 2021/22 report.

In response to Members' questions, the Committee was advised that the error highlighted with the Surrey Pension Fund would increase the assets for the Tandridge Pension Fund and therefore reduce pension liability. Discussions would take place between the Council and Deloitte as to how this would be reported as it was the Council's view that there had not been an error on their part. It was noted that there was no immediate effect on taxpayers or the General Fund revenue budget.

**RESOLVED** – that the current position with regard to the Statement of Accounts 2020/21 be noted.

## **112. EXTERNAL AUDIT - AUDIT PLAN UPDATE FOR 2021/2022 ACCOUNTS**

The Council's external auditor Deloitte presented the indicative plan for auditing the Council's Statement of Accounts for 2021/22. It was noted that the plan would remain indicative until the financial statements for 2020/21 were finalised Deloitte were able to complete their detailed risk assessment processes. A detailed plan for the completion of the 2021/22 audit would be agreed following the signing of the 2020/21 accounts. It was confirmed that the Committee would receive updates as to when both sets of accounts would be signed off.

In terms of comparison, it was noted that 40% of Local Authorities were in the same position as the Council whilst 11% still had still yet to sign off their 2019/20 accounts.

The Committee received a summary of the significant audit risks that would be included in the plan being capital expenditure, property valuation and management override of control. The plan would be finalised once the detailed risk assessments and preliminary analytical review procedures were completed. A final paper would come to the Committee for approval once these stages had been completed.

In response to Members' questions, it was confirmed that:

- Management Override of Controls was a mandated area for review in all Local Authorities. There was nothing specific in the financial systems or controls of the Council that left it open to this particular risk. It was noted that an internal audit of the main accounting system would also be completed this year in order to give further assurance in this area.
- The probability of a management override of controls occurring was low and there were controls in place to stop the diversion of funds. Additionally, a culture was being developed which was open about the Council's situation, which would prevent the misrepresentation of the Council's financial position.
- The wording for the management override of controls relates to management inappropriately using judgment, not judgment that occurs on a daily basis. It was requested that the wording is clarified in any future drafts of the audit plan.

**RESOLVED** – that the Committee approve the indicative External Audit Plan for the 2021/22 accounts.

## **113. INTERNAL AUDIT CHARTER 2022/23**

The Chair stated that the Committees' comments on the Internal Audit Charter, which had been circulated before the last committee meeting, had been submitted to the Southern Internal Audit Partnership ("SIAP") and the document had been updated accordingly. The changes had been discussed between SIAP and the Council's Head of Legal. It was noted that the Head of Legal would also review the committees' Terms of Reference to ensure compliance with the Internal Audit Charter.

In response to Member's questions it was confirmed that the appendix to the Internal Audit Charter was included as there was a requirement in the Public Sector Internal Audit Standards that SIAP had to be clear on other clients they provide for.

**RESOLVED** - that the Committee approves the Internal Audit Charter 2022/23.

## **114. INTERNAL AUDIT ANNUAL REPORT & OPINION 2021/22**

Neil Pitman of the Southern Internal Audit Partnership ("SIAP") 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 2021/22.

It was noted that 80% of all assurance opinions had concluded with a 'Limited' assurance and 20% had been 'Reasonable'. Consequently, a 'Limited' overall assurance opinion had been provided.

Although there were a high number of 'Limited' assurance opinions for 2021/22, SIAP had confidence that the Council was using internal audit correctly in focusing their resources on the areas which would provide optimum value. It was noted that both Officers and Members had been both cooperative and supportive during the course of the year which allowed SIAP to complete their annual opinion.

In response to Member's questions, it was confirmed that:

- A new leavers checklist was being put in place so that all relevant areas of the business, including the Emergency Planning Team, would be notified when someone leaves the Council.
- Approximately 300 stakeholder satisfaction questionnaires had been sent out by SIAP, the responses to which formed the basis of the performance figures included in the Internal Audit Opinion.
- There was provision in the 2022/23 internal audit plan to undertake a number of follow up audits of areas which had received 'Limited' assurance reviews. There was also provision to follow up on the 'No' assurance review for IT Disaster Recovery and Business Continuity that had occurred in a previous audit year.

It was noted that in future reports, a summary of instant actions taken to resolve issues highlighted by SIAP could be included. It was also noted by the Chair that, although this was still a 'Limited' opinion, there had been an improvement from the previous year.

**RESOLVED** - that the Committee notes the Internal Audit Annual Report & Opinion 2021/22.

## **115. INTERNAL AUDIT PROGRESS REPORT - SEPTEMBER 2022**

Natalie Jerams of the Southern Internal Audit Partnership ("SIAP") 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 the outstanding management actions had reduced from 42 to 25 since the last committee meeting although it was highlighted that these figures will fluctuate during the course of the year.

The Committee received the following updates on outstanding management actions:

- An update of the current progress with the project plan for the Disaster Recovery and IT Business Continuity action was provided. It was noted that unrealistic timescales had been assigned to the audit from the outset. It was confirmed that recent blockages with BT had been cleared and the site to site fibre link was now in place and issues with backups had been resolved so migration of data to the new equipment could be resumed. Currently, the plan was still on course to provide a functional system by January 2023. It was confirmed that any expenditure required for the project had been budgeted for.
- Building Control were asked to prepare their own disaster recovery plan which was nearing completion. Building Control's IT is cloud based rather than on premise. Consequently, the impact assessment for Building Control raises different issues to the Council. The impact of disasters at member authorities was also being reviewed to see if this would impact on service pressures.

**RESOLVED** - that the Committee notes the Internal Audit 2022/23 Progress Report – September 2022.

## 116. COMPLAINTS AND FREEDOM OF INFORMATION UPDATE

The Committee received a report that set out details of the complaints and Freedom of Information requests received by the Council in the last quarter. The report also provided an update on the Council's approach to managing complaints and what lessons had been learnt from recent experiences.

During the debate, the following points were noted:

- There was a mathematical error on Table A in the report which would be reviewed and corrected.
- The Chair would speak to the Interim Chief Planning Officer and seek clarification as to the current position of the three complaints which were currently at Stage 2.
- An update was asked for in respect of how the Council was intending to improve the way in which it responds to Freedom of Information requests.

**RESOLVED** – that the committee note and accept the report.

Rising 9.04 pm