

MINUTES
OF A MEETING OF THE
STANDARDS AND AUDIT COMMITTEE

held on 4 March 2021

Present:

Mrs C Storey (Chair)
Cllr I Johnson (Vice-Chair)

Cllr J E Bond Cllr N Martin
Cllr L S Lyons

1. MINUTES

RESOLVED

That the minutes of the Committee held on 26 November 2020 be approved and signed as a true and correct record.

2. APOLOGIES FOR ABSENCE

No apologies for absence were received.

3. DECLARATIONS OF INTEREST

In accordance with the Members' Code of Conduct, Councillor I Johnson declared a non-pecuniary interest in agenda item no. 7, External audit Plan, arising from his wife's position as the Chairman of Woking Football Club. The interest was such that speaking and voting were permissible.

In accordance with the Officer Procedure Rules, the Director of Legal and Democratic Services, Peter Bryant, declared a disclosable personal interest (non-pecuniary) in any items concerning the companies of which he was a Council-appointed Director. The interest was such that speaking was permissible.

In accordance with the Officer Procedure Rules, the Finance Director, Leigh Clarke, declared a disclosable personal interest (non-pecuniary) in any items concerning the companies of which she was a Council-appointed Director. The interest was such that speaking was permissible.

In accordance with the Officer Procedure Rules, the Director of Legal and Democratic Services, Peter Bryant, declared a disclosable personal interest (non-pecuniary) in agenda item no. 7, External Audit Plan, arising from his position as a Council appointed Director of Kingfield Community Sports Centre Ltd, being a member of the Cards Trust; and on occasion providing advice and assistance to Woking Football Club on an unpaid basis. The interest was such that speaking was permissible.

In accordance with the Officer Procedure Rules, the Finance Director, Leigh Clarke, declared a disclosable personal interest (pecuniary) in agenda item no. 7, External Audit Plan, arising from her husband holding a small shareholding in Woking Football Club. The interest was such that speaking was permissible.

4. URGENT BUSINESS

There were no items of Urgent Business.

5. MEMBERS' CODE OF CONDUCT

The Director of Legal and Democratic Services, Peter Bryant, introduced the report on the Members' Code of Conduct and stated that the Local Government Association (LGA) had undertaken a consultation on a new Model Members' Code of Conduct that could be adopted by Councils, as part of the LGA's work on supporting the local government sector to continue to aspire to high standards of leadership and performance. All members of Woking Borough Council and neighbouring authorities had been given the opportunity to respond to the consultation and, following consideration of the responses, the LGA published its new Model Code of Conduct in December 2020. The Committee was requested to recommend to Council that the new Model be adopted from the start of the next Municipal year (20 May 2021).

The Chairman noted that breach of locally approved protocols under the existing code of Conduct would continue under the new Model, as set out in paragraph 2.9 of the report, and that the Confidentiality Protocol would continue to apply to Member complaints regarding another Member.

A change to the existing Code was that there was an option for Disclosure of Pecuniary Interests to be extended to include unpaid Council-appointed Directors, which the Council was recommended to adopt. Under section 33 of the Localism Act, the Monitoring Officer held authority to grant dispensations to Members who held a Disclosable Pecuniary Interest and the intention was that the authority would be used to allow Councillors to participate in business affecting the companies of which they were an unpaid Council-appointed Director. It was also noted that Councillor and Officer Directorships were unpaid, with only the Independent Directors receiving a small payment, and any proposal to change that arrangement would require a decision by Full Council.

The dispensations granted by the Monitoring Officer would be recorded in the Register of Members Interests, received by the Committee annually and available on the Council's website. There would also be a stand-alone Register of Dispensations available in hard copy form for inspection and also included as a Register on the website.

RECOMMENDED TO COUNCIL That

- (i) the Local Government Association's Model Code of Conduct appended to this report be adopted with effect from the start of the 2021/22 Municipal Year (20 May 2021);**
- (ii) Council notes the intention to grant dispensations to Members to participate in items where they have an interest arising from being appointed, by the Council, to the body concerned; and**

- (iii) **Council resolves that compliance with Standards Protocols shall be deemed to be a requirement of the Local Government Association's Model Code of Conduct, as adopted by the Council.**

6. ANNUAL AUDIT LETTER 2018/19

The Committee received the Annual Audit Letter 2018/19 from the Council's External Auditors, BDO, which summarised the key findings and provided information on the reports issued and the final audit fee. The Letter was also intended to inform key external stakeholders, including members of the public, and would be published on the Council's website.

Leigh Lloyd-Thomas advised that BDO had given a clean, fair and true opinion of the Council's Statement of Accounts 2018/19, including its subsidiaries, along with a clean Use of Resources conclusion. The highlights were stated to be that there had been material corrections required to the pension liability, land and building valuations, and the group consolidation. In addition, there had been some non-material suggestions made for the Council's consideration regarding the year-end cut-off date for recognising expenditure in the correct year; data accuracy for information provided to the valuers; the process for group consolidation; and the Minimum Revenue Provision (MRP) Policy for loans to subsidiary companies.

It was noted that asset valuations had been affected by the pandemic and that the Royal Institute of Chartered Surveyors had issued guidance in March 2020, leading to valuers including Valuation Uncertainty Disclaimers to reflect the uncertainty. The business plans of the subsidiary companies would be considered in light of whether it would be prudent to expand the MRP Policy to set aside funds for their loan repayments owed to the Council. Leading up to the Budget being approved by Full Council in February, the Council's Treasury Management Advisors had been requested to advise whether any changes should be made for the year ahead, which had subsequently been included. It was added that work was taking place to enhance the process for subsidiary group consolidations and ensuring that the companies' Auditor was provided with BDO's requirements for Income and Expenditure and Asset Liability Testing.

The Committee was advised that the Audit Fee agreed with the Public Sector Audit Appointments Ltd (PSAA) of £42,000 was based on local authorities being no larger than in 2010 and the Council had increased its assets held to circa £1.5bn from £500m since that time. The view of BDO was that the Audit was now a complex procedure and that the baseline Audit Fee was inadequate, therefore it had proposed that a fee of £107,000 be agreed. A Fee Variation Request had been submitted to the PSAA which would contact the Council shortly.

RESOLVED That Annual Audit Letter 2018/19 be received.

7. EXTERNAL AUDIT PLAN

The Committee welcomed Steve Bladen from BDO who introduced the External Audit Plan for 2019/20, which was an update on the version of the report received by the Committee in March 2020.

The Plan had been updated to reflect the Risk Assessments undertaken during the 2018/19 Audit, with the changes highlighted in the paper. Due to the pandemic, it was stated to be very likely that a material uncertainty would be issued over property valuations,

which would also apply to other local authority audits with large property portfolios. In addition, the Plan would look at risks around bad debt provisions and loan balances along with the business plans of the subsidiaries. The Council was classed as a large group and so the risks of group consolidation and MRP Policy had been increased this year. The Plan was stated to make reference to the independent investigation undertaken around Woking Football Club and would look at some of the recommendations in light of the Council's governance arrangements as part of the Value for Money consideration.

Regarding the recoverability of loans, the Plan referred to Victoria Square in light of the increased funding for the development and the risk that some of the loans could become impaired. It was noted that there were no specific risks highlighted other than the effects of the pandemic.

Steve Bladen stated that work on the 2019/20 Audit had begun and was expected to be completed later in the Summer. Leigh Clarke stated that the final set of group accounts would be available soon after all the individual companies had been completed, although this had not held up the Audit to date as the focus had been on the Council's set of accounts.

RESOLVED That the External Audit Plan be agreed.

8. INTERNAL AUDIT STRATEGY AND PROPOSED 2021/22 PLAN

The Committee received the Internal Audit Strategy and proposed Annual Plan for 2021/22, which detailed how the Council would meet its statutory requirements for Internal Audit.

Graham Clarke of Mazars introduced the report and the priority areas which had been set by meeting with key stakeholders, risks included in the Risk Register, the outcomes of previous assessments and wider horizon scanning. The number of resource days had increased slightly in comparison with the previous year. The Plan included a number of Key Performance Indicators which had been proposed regarding the delivery of the plan, timeliness and processes undertaken by Internal Audit. The Plan would lead to an Annual Audit Opinion being provided at the end of 2021/22.

The Committee noted the impact of Covid-19 on the Plan particularly at the start of the first lockdown, however regular contact was kept with the Council's Directors and the 2019/20 Plan had been completed with little delay. Good progress had been made on the 2020/21 Plan with much work able to be undertaken remotely. The prioritisation of work in the Plan would be carried out shortly in consultation with the Directors.

The Key Performance Indicators were welcomed which included notice of two weeks for scheduled plans in the Audit, although this would not apply to urgent or unplanned requests for Audit work.

RESOLVED That the Internal Audit Strategy and the indicative Audit Plan for 2021/22 be approved.

9. INTERNAL AUDIT PROGRESS REPORT

The Committee received the Internal Audit Progress report which covered Internal Audit activity and performance from 11 November 2020 to 22 February 2021. Juan Fosco of Mazars introduced the report and advised that progress against the Plan remained on track, with Quarter 2 and 3 audits either finalised or at draft report stage; and of the ten

Quarter 4 audits three were at draft report stage, three were in progress and two were scheduled to begin prior to April. The remaining two were related to IT Audits and would begin in May 2021, to be completed in time to be included as part of the Annual Audit Opinion. There had been three Audits postponed to the 2021/22 Plan. Overall, the situation was considered to be good in light of the pandemic.

A total of seven reports had been issued during the period in draft or final, with six being on an assurance basis and one on a compliance basis relating to key financial systems. There were no high priority recommendations raised during the period. Since the last meeting of the Committee, the Action Management System had been populated with new recommendations; there had been a total of 150 uploaded to the system, with 24 outstanding beyond their agreed due date and three of these being high priority.

The Procurement Audit report issued in January was discussed in light of it being in draft for some time. The initial timescale for officer comments on draft reports was noted to be set at two weeks and the officers were being reminded to reply to the recommendations in the report.

The Managing Agents Audit report was raised which included a high priority recommendation and it was noted that an Estates Officer had been recruited and a compliance tracker put in place. Work was taking place to establish responses and timescales for the recommendations.

The issue of Health and Safety reports undertaken by partner companies was raised in light of whether the outcomes should be reported to the Committee in the same way that an annual report for the Council's Health and Safety activities was received. The Committee was advised that third party contractual arrangements were in place and the existing officer oversight would be sufficient, however if officers considered that there was an issue with a particular contractor then it would be reported to the appropriate Committee. The work of the Standards and Audit Committee would continue on the areas within the Council's direct control and picking up any other Health and Safety matters by exception.

RESOLVED That the report be received and progress against the 2020-21 Internal Audit Plan and implementation of Internal Audit recommendations be noted.

The meeting commenced at 7.00 pm
and ended at 8.45 pm

Chairman: _____

Date: _____