

MINUTES
OF A MEETING OF THE
STANDARDS AND AUDIT COMMITTEE

held on 25 November 2021

Present:

Mrs C Storey (Chair)
Cllr D E Hughes (Vice-Chair)

Cllr N Martin Cllr M A Whitehand
Cllr D Roberts

Absent: Councillors M A Bridgeman

1. MINUTES

RESOLVED

That the minutes of the Committee held on 16 September 2021 be approved and signed as a true and correct record.

2. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Mary Bridgeman and the Director of Legal and Democratic Services, Joanne McIntosh, with Kuldip Channa from Legal Services attending in her place.

3. DECLARATIONS OF INTEREST

In accordance with the Officer Procedure Rules, the Finance Director, Leigh Clarke, declared a disclosable personal interest (pecuniary) in any items including reference to Woking Football Club, arising from her husband holding a small shareholding in the Club. The interests were such that Mrs Clarke could advise the Committee on those items.

4. URGENT BUSINESS

There were no items of Urgent Business.

5. REVIEW OF CODE OF CONDUCT ARRANGEMENTS STA21-020

The Chairman reported that as Joanne McIntosh had been unable to attend the meeting, it had been agreed that the Review of Code of Conduct Arrangements item be deferred to the next meeting of the Committee. Members had been asked to circulate comments on the report circulated in advance of a substantive debate at the next meeting.

RESOLVED

That the item be deferred to the meeting of the Committee on 3 March 2022.

6. PUBLIC SECTOR AUDIT APPOINTMENTS STA21-021

The Finance Director, Leigh Clarke, reported that the report before the Committee related to the procurement process for the appointment of external auditors for audits taking place from 2023/24 to 2027/28. All local government bodies were required to consider whether to arrange their own procurement, work in conjunction with other bodies, or join the national scheme administered by Public Sector Audit Appointments (PSAA).

The report set out the options before the Committee and that the recommendation was that the Council opted into the sector-led appointment of external auditors by PSAA for five years from 1 April 2023. The option was noted to have a number of benefits to the Council, including the reduction in the procurements costs incurred; no requirement to set up a separate auditor panel and manage an audit contract; and the best opportunity to secure the appointment of a qualified, registered auditor.

The Committee unanimously supported the proposal for recommendation to Full Council.

RECOMMENDED TO COUNCIL

That the Council opts into the sector-led appointment of external auditors by Public Sector Audit Appointments (PSAA) for five financial years from 1 April 2023.

7. UPDATE ON EXTERNAL AUDIT STA21-017

The Chairman welcomed Steve Bladen from BDO to the meeting for an update on the progress of the External Audit for the 2019/20 and subsequently 2020/21 accounts. Steve advised that previously it had been hoped to bring a final report to this meeting setting out the results of the Audit. Unfortunately this had not been possible due to resourcing issues at BDO, and Steve noted that the Council's Group accounts were required to be signed off before an audit opinion could be provided. Across the sector the situation was challenging with audits taking longer than expected, adversely affected by the pandemic. It was noted that the Council's subsidiary accounts had been signed off recently, with consolidation into the group accounts to take place.

Work had resumed by BDO last week around the valuations of property, plant and equipment alongside valuations, with activity to take place next week on the Collection Fund. It was difficult to say definitively when the Audit would be completed, however it was hoped to be early next year. There were no significant matters of concern to bring to the Committee's attention.

The Chairman stated that the situation was extremely disappointing, leaving aside the Council's group accounts, as at the September meeting of the Committee assurance had been provided by BDO that the team was resourced and ready to continue with the audit. That had not happened and the resource had only been recently applied. The Council needed to have reliance on its auditors, however to find now that the planned work was only just beginning was of great concern.

It was noted that the work currently taking place should be completed within the two weeks that the BDO team were onsite. Steve acknowledged the frustrations that the Committee felt, stating that the BDO had been prioritising its resources and that the consolidation of group accounts was required for its opinion. However, the Chairman noted that the

position was known at the September meeting and that the Committee had been advised that resources would be in place shortly afterwards.

Regarding the 2020/21 Audit, BDO staff had been resourced to begin work in January with the aim of having continuity in the Audit team. In the event that the accounts for 2019/20 had not been completed the staff time would be reallocated to this Audit, which BDO would need to complete before beginning the 2020/21 Audit.

Members expressed disappointment at the current position. It was noted that BDO would review the work of the Thameswey subsidiary companies' auditor and deal with comments made regarding the judgements reached, noting BDO would provide an opinion on going concern and any risks of fraud for the group accounts as a whole. Auditing standards required oversight of the subsidiary auditor and their working files, as the balances of the subsidiary accounts would form part of the group balance sheet. As the subsidiary year accounts had a December year end and the Council had a March year end, movements between the subsidiary and Council accounts would also be audited.

Reference was made to comments and concerns made by the subsidiary auditor as part of the Thameswey accounts and it was noted that BDO would have regard to how the Council oversaw its subsidiaries, however it was too early in the process for BDO to comment on such statements. It was suggested whether it would be appropriate for the Committee to meet with the subsidiary's auditors and the matter would be considered by the Chairman and Leigh outside the meeting, noting that the auditors reported to the Directors at Thameswey and did not have a relationship with the Council, although the Council was the major shareholder in Thameswey. It was noted that the Thameswey group had expanded significantly over the past few years and so would involve more work for the subsidiary auditors to provide their opinion.

The Council had initiated a Financial Review of the Borough's assets due next year, and Leigh confirmed that the appointed firm for the Review, EY, would be contacting BDO as part of the process to share knowledge and avoid duplication. EY had been provided with valuations as at 31 March 2021, which BDO would not have started work on as yet.

The Committee noted that auditing accounts from a couple of years ago was harder as the working papers would have been prepared some time ago and there may have been some staff turnover. Steve stated that it was hoped that the auditing sector would have caught up by 2023, although it was difficult to predict so far ahead.

A question was raised over loan finance to Moyallen stated on the Companies House website, and it was agreed to clarify the situation outside the meeting. Steve confirmed that as part of the value for money work BDO reviewed the Council's Medium Term Financial Strategy and had no significant concerns to raise over its financial standing.

Noting that the next meeting of the Committee was due to take place in March 2021, the Chairman asked Steve to provide early notice of any further issues in the interim, and it was anticipated that the groundwork planned for the next couple of weeks would be completed on time, leading to a sign-off of the accounts early in the New Year. The Chairman thanked Steve for attending the meeting and for his update.

RESOLVED

That the update be received.

8. INTERNAL AUDIT PROGRESS REPORT STA21-018

Juan Fosco, Internal Audit Manager of Mazars, introduced the Internal Audit Progress Report which contained work up to 5 November 2021. Progress remained good, with all activity for quarters two and three being finalised, at draft report stage or in progress.

As reported at the meeting in September, the Victoria Square Audit had been replaced by the HIF Audit, and the Audits planned for Careline and Thamesway Corporate Debt Management had been delayed. A total of 53% of the plan had been delivered to draft report stage or were in progress, Three Audits had been finalised since the last meeting: Capital Open Housing; Overview and Scrutiny Committee Effectiveness Review; and Insurance.

Management actions for Capital Open Housing were being revisited following consideration by the Council's Corporate Leadership Team (CLT). Two reports remained at draft report stage: Covid-19 Lessons Learned and Risk Management. Three reports had been issued since the last meeting, two of which had been finalised: Homesafe Plus and Housing Benefits. The remaining report related to the HIF Project, which was currently in draft and contained three high priority recommendations.

There had been eight outstanding recommendations which had passed their initially agreed implementation dates, three of which were classed as high priority relating to Counter Fraud and PCI Security Standards.

Following a request by the Chairman, for audits not yet having been cleared by CLT, it was agreed that they should be shown as draft and not final in the report, as they would not yet be available through the Members' Ipads.

In relation to the over-arching question of risk governance and project management, it was questioned whether there was a thematic piece of work to be carried out across the Council and it was agreed that it would be considered as part of next year's plan. Leigh added that much work had been taken place over the past year on the issue of risk in the organisation. An Audit of Insurance had last been audited in 2013/14 and it was felt that it should be carried out more regularly, at least every two years.

The Thamesway Corporate Debt Management report to be deferred was noted to be on the basis that the company's Chief Financial Officer did not see any immediate concern in the debt position of the subsidiary, however the purpose of the Audit was to consider the effectiveness of debt recovery as opposed to the debt position of the company. It would be included within the Internal Audit plan for next year.

Members noted the importance of the HIF Audit and expressed concern that there had been issues highlighted such as project management and risk assessments, and it was noted that the recommendations arising from the report would continue to be followed up. It was agreed that the name of the Overview and Scrutiny Effectiveness Review Audit be amended to the Overview and Scrutiny Resourcing Review.

RESOLVED

That the update be received.

9. INTERNAL AUDIT CHARTER STA21-019

Juan Fosco introduced the Internal Audit Charter which defined the Internal Audit's purpose, authority, and responsibility and was required under the UK Public Sector Internal

Audit Standards. The Chairman referred to the section entitled 'Authority and Access to Records, Assets and Personnel' and it was agreed to clarify whether checks were made to funding conditions to ascertain whether they contained information on the right of access to other bodies funded by the Council.

RESOLVED

That the Internal Audit Charter be approved.

The meeting commenced at 7.00 pm
and ended at 8.20 pm

Chairman: _____

Date: _____