

## **Minutes of the Meeting of the AUDIT AND SCRUTINY COMMITTEE held at the Council Chamber, Epsom Town Hall on 25 July 2024**

### **PRESENT -**

Councillor Steven McCormick (Chair); Councillor Phil Neale (Vice-Chair); Councillors Chris Ames, Alex Coley, Alison Kelly (as nominated substitute for Councillor James Lawrence), Jan Mason, Kim Spickett (as nominated substitute for Councillor Graham Jones) and Alan Williamson

In Attendance: Natalie Jerams (Deputy Head of Partnership) (Southern Internal Audit Partnership (Internal Auditor)) (for minutes items 7 to 13 ONLY), Matt Dean (Partner at the Council's External Auditor) (Grant Thornton) and Lucy Nutley (Audit Manager) (Grant Thornton)

Absent: Councillor Graham Jones and Councillor James Lawrence

Officers present: Andrew Bircher (Interim Director of Corporate Services), Brendan Bradley (Chief Finance Officer), Piero Ionta (Head of Legal Services and Monitoring Officer), Alex Awoyomi (Principal Solicitor), Will Mace (Business Assurance Manager) and Phoebe Batchelor (Democratic Services Officer)

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### **1 QUESTIONS AND STATEMENTS FROM THE PUBLIC**

One public question was received and redirected to be submitted to the relevant Committee.

### **2 DECLARATIONS OF INTEREST**

Councillor Neale, Kelly, and Coley declared they are Members of the Strategy and Resources Committee.

### **3 MINUTES OF THE PREVIOUS MEETING**

The Committee confirmed as a true record the Public and Restricted Minutes of the Meeting of the Committee held on 28 March 2024 and authorised the Chair to sign them.

### **4 EXTERNAL AUDIT UPDATE**

The Committee received a report presenting the External Audit Plan for 2023/24.

The following matters were considered:

- a) **Clarification.** The Chair asked the External Auditors to explain what the 'group', referenced within the report, encompasses. The External Auditor explained that the Epsom & Ewell Group is the Borough Council's accounts and EEPIC's accounts. The External Auditor informed the Committee that the EEBC accounts and EEPIC accounts are audited separately, but are both brought within the group accounts, as the Council controls EEPIC.
- b) **Terminology.** A Member of the Committee asked for a definition of materiality and PY. The External Auditor explained that an item is deemed material if its omission or error would affect the view of a reader of the accounts, so if a particular item wasn't there, someone would look at those accounts and form a different view of the Council's financial position. The External Auditor explained that PY stands for Prior Year.
- c) **Section 114.** A Member of the Committee asked for the opinion of the External Auditors on EEBC's accounts and whether they believe the Council could be at risk over the next 3-5 years of section 114 territory. The External Auditor responded to inform the Committee that Grant Thornton felt that at the end of 2023 the financial sustainability position of the Council was green, which would put the Council in a relatively strong position. The External Auditor made clear to the Committee that no one can predict the future, in regard to the central government and the economy, but EEBC are in a positive position, but should always remain cautious.
- d) **Lease register.** A Member of the Committee asked if the Council would ever be expected to look at how its leaseholders perform against the conditions or whether that would be separate to an audit report. The External Auditor responded to explain that is not something they would look at or comment on and if there were concerns the Council could get Internal Auditors to look into it.
- e) **Progress against prior year audit recommendations.** The Chair asked why there is an assessment of TBC and why it has not been completed. The External Auditor responded to explain that they will only be able to form a detailed view on that item when it comes to the year-end account, then they will be able to form an assessment.
- f) **IFRS 16.** A Member of the Committee raised that they had submitted questions via email that they would like answered and circulated to Committee Members. The Member asked if EEBC and EEPIC are now maintaining a register which includes immaterial leases, in compliance with IFRS 16, effective from April 1<sup>st</sup>, 2024. The Chief Finance Officer confirmed to the Committee that IFRS 16 must be implemented this financial year, and the information will be presented in the 2024/25 statement of accounts which will be published at the end of the current financial year. The Chief Finance Officer informed the Committee that the Finance Team have been preparing, having completed a data collection exercise with budget holders to determine what assets the Council leases

that are affected by IFRS 16 and expect to be fully ready to produce the statement of accounts and present the information required.

- g) **Risk of homelessness.** A Member of the Committee asked if the Council are recording a risk for our homelessness in the Private Sector Leasing scheme relating to IFRS 16. The Chief Finance Officer responded to explain that IFRS 16 is an accounting change, not an operational change, meaning there is no impact on how these properties are operated.
- h) **Right of Use Assets.** A Member of the Committee asked how EEBC and EEPIC are incorporating IFRS 16 requirements into the valuation of Right of Use assets. The Chief Finance Officer responded to confirm that the Council will fully implement IFRS 16 and incorporate right of use assets onto the balance sheet in the 2024/25 statement of accounts. The Chief Finance Officer confirmed that the Council already maintains a lease register.
- i) **Key decisions.** A Member of the Committee asked what key decisions still need to be made regarding the Council's accounting policy for IFRS 16. The Chief Finance Officer informed the Committee that IFRS 16 is an accounting change, it won't affect the Council's revenue budget at all, so there are no key operational decisions to be made related to IFRS 16, other than for the Council's accountants to implement IFRS 16's requirements into the 2024/25 Statement of Accounts.
- j) **Legal implications.** A Member of the Committee asked how the legal implications of committee reports are identified and managed. The Chief Finance Officer informed the Committee that all reports are reviewed by Legal, and not all decisions have material legal implications, and where there aren't any, that will be reflected in the no significant legal implications arising from the contents of this report comment.
- k) **Surrey Treasurers Group.** A Member of the Committee asked who EEBC send to the Surrey Treasurers group and if EEBC attend all meetings and arrange substitutes when the nominated officer is unable to attend. The Chief Finance Officer confirmed that they personally attend the Surrey Treasurers Group meetings, and the Chief Accountant would attend in their absence.
- l) **Training.** A Member of the Committee raised a query about training for substitutes for Audit and Scrutiny Committee. The Chair noted the comments and informed the Committee that training for A&S Members and nominated substitutes will be followed up on.

Following consideration, the Committee unanimously resolved to:

- (1) **Receive the External Audit Plan for 2023/24;**
- (2) **Consider and approve the management responses to Grant Thornton's enquiries, as set out in Appendix 2.**

## 5 PERFORMANCE AND RISK REPORT - JULY 2024

The Committee received a report providing an update of the Council's performance, containing:

The end of year corporate performance report, with respect to the 2023-2024 Annual Plan objectives, key performance indicators, corporate risks and annual governance statement actions (**Appendix 1**); and

A progress report on the Four-Year Plan, which highlights key achievements between April 2020 and March 2024 (**Appendix 2**).

The following matters were considered:

- a) **Icon Key.** A Member asked if the icons used on page 102 and 103 of the full report pack could be explained and a key included for reference. The Business Assurance Manager responded to explain the icons are a RAG status and confirmed that an icon key will be present in future iterations of the report.
- b) **Waste sent for recycling.** A Member of the Committee asked what the status is for the waste sent for recycling annual metric. The Business Assurance Manager directed the Committee to page 108 of the full report pack and explained that there isn't usually a big change from the previous three quarters, as shown in the graph. The Business Assurance Manager informed the Committee that the September Committee Report will include the Q4 data.
- c) **Private Rented Housing.** A Member of the Committee asked what proactive private rented housing inspections involve and how properties are identified. The Business Assurance Manager informed the Member that the query would be referred to the relevant Head of Service and an answer provided.
- d) **Car Park Revenue.** A Member of the Committee queried the Car Park Revenue being below the revenue target in a Strategy & Resources Committee report but meeting the revenue target in the Audit & Scrutiny Committee report. The Chief Finance Officer explained that the KPI compares the current years income with the previous year's income, so the 2023/24 income is an improvement on the 2022/23 income, however it is still behind the budgeted target, which is what was set out in Strategy & Resources Committee report.
- e) **Town Hall Site.** A Member of the Committee asked for an update on the status of the Town Hall Site proposal options. The Business Assurance Manager informed the Member that they would take this update request to the relevant Head of Service.
- f) **RAG ratings.** The Chair asked the Committee if they would like to see a change in how the information in Appendix 1 is presented and invited

Members to provide feedback after the meeting. A Member asked why the approach to some risks, where the number is higher, is tolerate rather than treat. The Business Assurance Manager explained to the Committee that some high risks can be tolerated because there is little further action the Council can take to further mitigate them, whereas the approach with treat, is that there are still mitigating actions that the Council are working on to bring the risk down.

- g) **Carbon Emissions.** A Member of the Committee raised that the report references fleet emissions, but not building emissions, when carbon reduction in buildings is the number one source of emissions in the Council's climate change action plan.
- h) **Wells Road.** A Member of the Committee asked if there were any way residents could find out further information or updates on the Wells Road Bridge. The Chair told Members that if there are areas, they wish to see more commentary on, then they can be raised at the meeting and that will be actioned. The Interim Director of Corporate Services informed the Committee that the Wells Road Bridge risk had been discussed at a meeting with policy chairs where it was decided that due to the improvements in the road, this risk could now be removed.
- i) **Complaints.** A Member of the Committee asked who the Council's accountable person for complaints is. The Interim Director of Corporate Services informed the Committee that he is the Head of Service for Customer Services, and the Council also has a complaints officer, who is part of the Customer Service Team, and a complaints manager. The Member raised that they understood that the accountable person for complaints must be a Councillor. The Interim Director of Corporate Services noted the comment and agreed to look into this matter further.

Following consideration, the Committee unanimously resolved to:

- (1) **Note and comment on the corporate performance report (Appendix 1), including those targets which have not been achieved, and**
- (2) **Note and comment on the Four-Year Plan progress report (Appendix 2).**

## 6 PRODUCTIVITY PLAN

The Committee received a report accompanying the council's first 'Productivity Plan', publication of which is a new requirement introduced by Government as part of their review of productivity across all public services and Local Government.

Following consideration, the Committee unanimously resolved to:

- (1) **Endorse the appended Productivity Plan for submission to Government.**

## 7 USE OF DELEGATED POWERS ANNUAL REPORT

In accordance with the Council's Scheme of Delegation to officers, the Committee received a report setting out urgent decisions taken by officers in consultation with committee Chairs for the period 31 May 2023 to 3 June 2024.

The following matters were considered:

- a) **Government Notice.** A Member of the Committee asked how much notice Central Government normally give us for consultation responses, as most consultation responses are delegated decisions. The Chair acknowledged that often there was not adequate time for consultation responses to come to the relevant Committee Meetings and explained that although ad hoc Committee meetings can be scheduled, often the reports are only for Members to note. The Chair continued to explain that all delegated decisions are published on MemberNews, and consultation responses are in the public domain and can be accessed online.
- b) **Decision 118 and 119.** A Member of the Committee asked why decision 118 took two months to be authorised and then was subsequently closed alongside decision 119. The Business Assurance Manager informed the Committee that they would seek clarification on these urgent decisions and report back to Members.
- c) **Decision 132.** A Member of the Committee asked why this decision was not brought to the Environment Committee Meeting when it was raised 4 days prior and authorised the day following the Meeting. The Chair raised that it could have been due to a report not being able to be prepared in time. The Interim Director of Corporate Services responded to state that the comments have been noted and this was a decision that should have been taken to and agreed at the Environment Committee Meeting.
- d) **Delegated Decisions.** A Member of the Committee asked how they can view the delegated decisions. The Chair informed the Committee that all decisions are published on MemberNews.

Following consideration, the Committee unanimously resolved to:

- (1) **Note the urgent decisions taken by officers, in consultation with relevant committee Chairs, recorded using urgent decision forms from 31 May 2023 to 3 June 2024.**

## 8 ANNUAL GOVERNANCE STATEMENT 2023-2024

The Committee received a report seeking the Committee's approval of the draft Annual Governance Statement 2023-2024.

The Annual Governance Statement (AGS) is an important document which provides assurance concerning the Council's governance arrangements, both financial and non-financial. It is prepared on an annual basis for inclusion in the Statement of Accounts.

The following matters were considered:

- a) **Standing Orders.** A Member of the Committee asked if one of the referenced changes to the Council's Constitution is the introduction of new standing orders, setting out the disciplinary process against statutory officers. The Monitoring Officer confirmed to the Committee that is one of the items, alongside several others that were approved by the Standards and Constitution Committee on the 4<sup>th</sup> of June.
- b) **Constitutional Changes Process.** A Member of the Committee asked what the process is for finding areas in the Constitution that need updating. The Business Assurance Manager informed the Committee that there is an annual review of the Constitution and a three-line defence model with Service Managers, Performance and Risk Management, and Internal Auditors. The Monitoring Officer explained to the Committee that although there is a process, a lot of constitutional updates are also down to individuals spotting issues and keeping up to date with central government changes and consulting other statutory officers. The Member commended the work that has been so far to make updates to the Constitution and raised that they would like to see a formal process enacted, whereby there is a clear list that is checked to ensure we are compliant and up to date in all areas.
- c) **Language.** A Member of the Committee asked why some of the language used in the statement is more hypothetical than definite. The Business Assurance Manager noted the comment and confirmed that the language could be tightened to signal the intent that those actions will be taken. The Business Assurance Manager informed the Committee that this will be addressed before the AGS goes to Full Council. The Chair invited the Member to email officers the areas where the wording needs amending.
- d) **Continuous Improvement.** A Member of the Committee suggested that the Council use LG Inform instead of Oflog data explorer in order to have more up-to-date data. The Business Assurance Manager informed the Committee that data presented in the report is captured internally and tagged as an Oflog KPI to flag this to officers.
- e) **Strategic Asset Management Plan.** A Member of the Committee raised that the Council should have something that it looks at as a performance indicator for how the Council are making more careful use of its assets given the cost of maintaining them. The Chair noted the comment.

Following consideration, the Committee unanimously resolved to:

- (1) **Approve the 2023-2024 draft Annual Governance Statement as set out at Appendix 1, prior to it being signed by the Chief Executive and the**

**Chair of the Strategy and Resources Committee and received to note by Full Council.**

- (2) Nominate and authorise the Chief Finance Officer, in consultation with the Chair and Vice-Chair, to make any required amendments to the Annual Governance Statement prior to its submission with the Statement of Accounts.**

## **9 WORK PROGRAMME**

The Committee received a report presenting its annual Work Programme.

The following matters were considered:

- a) **Agenda Items.** The Chair raised that Members can suggest items they would like to come to Committee Meetings, which can then be discussed and considered, before the Committee determine whether or not to incorporate it in the future work plans. The Chair reminded Members to take into account resource factors and the already extensive list of reports coming to future Committee Meetings.
- b) **Resource.** A Member of the Committee asked to distinguish between placing something on the agenda for a forthcoming meeting and having it placed on the Committee Workplan and the different resource implications of those two things so as to ensure that the Committee are not bound by the Workplan and are able to get agenda items added where future Workplan items can be determined and discussed. The Chair noted the comments and reminded the Committee that there must be a reason as to why an item is brought forward, and Members will need to make the decision as to what can be reprioritised.
- c) **Roof Repair.** A Member of the Committee raised that they were expecting to see a report on the Harrier Centre Roof Repair Audit on the agenda for the meeting. The Chair informed the Committee that the Roof Repair Audit item was presented to Strategy and Resources Committee on the 23<sup>rd</sup> of July. The Chair continued to explain that the report was an audit finding and if Members wanted scrutiny as to why and what happened, then that would need to be proposed and discussed. A Member of the Committee raised that they had asked questions on the item at Strategy and Resources Committee and had been told they will receive an email response. The Chair suggested that if the answers provided are not satisfactory then a request can be made, and the item brought back to the Committee to discuss further internal audit or scrutiny on the matter.

Following consideration, the Committee unanimously resolved to:

- (1) Note and agree the ongoing Work Programme as presented in Section 2.**



## 10 LGO AND ICO UPDATES

The Committee received a report that contained information on recent council complaint decisions from the Local Government and Social Care Ombudsman (LGSCO) and the Information Commissioner's Office (ICO).

The following matters were considered:

- a) **Data Breaches.** A Member of the Committee asked what safeguards have been put in place to make sure data breaches aren't happening in the future. The Interim Director of Corporate Services noted that it is positive that people are recognising that they have done something which is wrong and then reporting it internally and the Council can then consider, these instances create a learning opportunity for the individual concerned. The Interim Director of Corporate Services explained that the Council has a training programme for members of staff and the removal of prepopulating email addresses is also being considered.

Following consideration, the Committee unanimously resolved to:

- (1) **Note the report.**

## 11 INTERNAL AUDIT - PROGRESS REPORT: JULY 2024

The Committee received a report summarising progress against the Internal Audit Plan 2023-2024.

The following matters were considered:

- a) **Clarification.** A Member of the Committee asked for clarification as to what the first sentence under Latest Service Update from Action Owner on page 10 of Appendix 1 meant. The Interim Director of Corporate Services explained that garden waste is managed through the Council's CRM system which the Council are looking to stop using in the near future, therefore the Council is prioritising moving garden waste off of the CRM system and onto the My Council Services system.
- b) **Planning Enforcement Notices.** A Member of the Committee asked what the Council are doing to keep the enforcement notice register up to date. The Chair informed the Committee that officers are working to address this and significant improvements have been made. The Chair highlighted that the due date has been revised and officers hope to have addressed this by the end of August 2024. The Internal Auditor informed the Committee that 15 management actions were identified and 9 have been completed, 1 is pending, and 5 are overdue, however more progress could have been made since this report was compiled. The Interim Director of Corporate Services informed the Committee that a lot of action has been taken to improve the services, including recruiting additional resource. The Interim Director of Corporate Services agreed to get an update on this item to feed back to Committee Members. The Chair raised

that a key performance indicator is now provided to the Planning Committee, as reports on enforcement notices to give insight into the number of cases the Council is dealing with.

- c) **Digital Inclusion.** A Member of the Committee raised the issue that not all residents will have computers or be well versed in how to navigate them, so it is not appropriate to only have enforcement notices online. The Chair noted the comments and agreed to take it away as an action. The Chair explained that this a part of a bigger task of digital inclusion and ensuring residents are included and information is accessible.
- d) **Paper enforcement register.** A Member of the Committee asked if they were to request to see the paper register, would it be available and up to date. The Chair invited the Member to do so and informed the Committee that the question would be fed back to the relevant officers.
- e) **Thanks.** The Vice Chair expressed their thanks to the Internal Auditor for the comprehensive report.

Following consideration, the Committee unanimously resolved to:

- (1) **Note the internal audit progress report 2023-2024 from Southern Internal Audit Partnership (SIAP) attached at Appendix 1.**

## 12 EXCLUSION OF THE PRESS AND PUBLIC

The Committee resolved (7 for, and 1 abstaining) to exclude the Press and Public from the meeting, at 21:36, in accordance with Section 100A (4) of the Local Government Act 1972 on the grounds that the business involved the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A to the Act (as amended) and that pursuant to paragraph 10 of Part 2 of the said Schedule 12A the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

## 13 INTERNAL AUDIT - ANNUAL REPORT AND OPINION 2023-2024

The Committee received a report presenting the Annual Internal Audit Report and Opinion 2023-2024.

The Committee's consideration of this item is recorded in a separate (not for publication) restricted Minute.

Following consideration, the Committee unanimously resolved to:

- (1) **Receive the Annual Internal Audit Report and Opinion 2023-2024 attached at Appendix 1.**

*The meeting began at 7.30 pm and ended at 9.45 pm*

COUNCILLOR STEVEN MCCORMICK (CHAIR)