

WAVERLEY BOROUGH COUNCIL

MINUTES OF THE AUDIT COMMITTEE – 29 JUNE 2009

SUBMITTED TO THE COUNCIL MEETING – 21 JULY 2009

(To be read in conjunction with the Agenda for the Meeting)

- |                        |                         |
|------------------------|-------------------------|
| * Cllr Mike Causey     | * Cllr Tom Martin       |
| Cllr Tony Gordon-Smith | * Cllr Stephen Mulliner |
| * Cllr Nicholas Holder | * Cllr Ken Reed         |
| Cllr Mrs Diane James   |                         |
- \* Present

1. ELECTION OF CHAIRMAN (Agenda Item 1)

RESOLVED that Councillor Stephen Mulliner be elected Chairman of the Committee for the Council year 2009/2010.

2. ELECTION OF VICE-CHAIRMAN (Agenda Item 2)

RESOLVED that Councillor Mike Causey be elected Vice-Chairman of the Committee for the Council year 2009/2010.

3. MINUTES (Agenda Item 3)

RESOLVED that the Minutes of the Meeting held on 10 March 2009 be confirmed and signed. It was also agreed that, in future, minutes would be drafted within one week of the meeting and circulated to all Members of the Committee by email. The Committee was informed that draft minutes would also be placed on the Waverley website.

4. APOLOGIES FOR ABSENCE (Agenda Item 4)

Apologies for absence were received from Cllr Tony Gordon-Smith and Cllr Mrs Diane James.

5. DISCLOSURE OF INTERESTS (Agenda Item 5)

There were no interests raised under this heading.

**PART I – RECOMMENDATIONS TO THE COUNCIL**

6. TERMS OF REFERENCE (Agenda Item 7; Appendix A)

- 6.1 Each year the Audit Committee is invited to review its Terms of Reference. The Committee considered some revised Terms of Reference which more clearly reflected the areas of work that the Committee would be looking at in future. These are set out at Annexe 1 and include an additional item which was raised at the meeting:-

- “1.9. To request a report from any Head of Service relating to an outstanding internal audit recommendation issue”.

6.2 The Committee accordingly

**RECOMMENDS that**

- 1. the revised Terms of Reference for the Audit Committee, as set out at Annexe 1, be adopted and the constitution amended accordingly.**

Background Papers (CEx)

There are no background papers (as defined by Section 100D(5) of the Local Government Act 1972) relating to this report.

**PARTS II AND III – MATTERS OF REPORT**

Background Papers

The background papers relating to the following report items in Parts II and III are as specified in the agenda for the Audit Committee.

**Part II – Matters Reported in Detail for the Information of the Council**

There were no matters falling within this category.

**Part III – Brief Summaries of Other Matters Dealt With**

7. PROGRESS REPORT - IMPLEMENTATION OF ITIL (Agenda Item 8; Appendix B)

The Committee received an update report on progress made with regard to the implementation of ITIL and was reassured by officers that IT access rights issues, which had been raised by the Audit Commission in 2007/08, had now been addressed.

RESOLVED that

1. the project plan attached to the report be noted;
2. the Committee continue to receive updates on progress at each meeting; and
3. members of the Committee be sent revised dates within two weeks of the date of the Committee meeting for the areas of the project plan which were outstanding.

8. DRAFT STATEMENT OF ACCOUNTS 2008/2009 (Agenda Item 9; Appendix C)

The Committee gave detailed consideration to the draft Statement of Accounts for 2008/2009 and received comprehensive responses from the officers on a number of issues raised. The Deputy Chief Executive explained that there had been a volume of movements in the last financial year and that budget monitoring was undertaken on a quarterly basis and reported to the Executive to ensure that the Council was as best placed as possible to deal with budget variations.

The Committee expressed concern about the viability of the Local Government Pension Scheme and officers clarified that, taking a long-term view, the scheme was managed in a very prudent way on an actuarial basis and that any decisions to change the conditions of the scheme could only be initiated by Central Government.

With regard to VAT Tribunal Disclosure referred to on page 40 of the Statement of Accounts, the Committee agreed to change the word 'may' to 'should' in the final sentence so that it now reads "If HMRC lose this appeal, Waverley should be entitled to recover this sum".

RESOLVED that the Draft Statement of Accounts for the financial year ended 31 March 2009 be approved, as amended.

9. ANNUAL GOVERNANCE STATEMENT (Agenda Item 10; Appendix D)

The Committee received the Annual Governance Statement which sets out the key elements of the Council's internal control framework and identifies any issues that need addressing in the coming year. Officers agreed to make the following amendments to the document:-

- i. to amend paragraph 53 to clearly identify that both the Community and the Environment and Leisure Overview and Scrutiny Committees had Sub-Committees in place to review performance management information, but that the Corporate Overview and Scrutiny Committee undertook this role itself; and
- ii. to remove the final sentence of paragraph 62 because a review of the Area Planning Committee structure had already been undertaken during 2008/09.

RESOLVED that the Annual Governance Statement be approved, as amended and attached as Annexe 2 for information.

10. INTERNATIONAL FINANCIAL REPORTING STANDARDS (Agenda Item 11; Appendix E)

The Committee received a report informing of the requirement for Waverley and all local authorities to convert to International Financial Reporting Standards (IFRS) for local authority accounting. The report highlighted the requirements which would need to be put in place over the forthcoming months in preparation for reporting on an IFRS basis in the Council year 2010/2011.

The Committee requested that an update report on progress be made to each future meeting.

RESOLVED that

1. the accounting changes associated with the conversion to IFRS be noted, along with the proposed actions to implement these changes;
2. the conversion timeline included at Annexe 1 to the report be noted;
3. officers provide update reports to each meeting of the Audit Committee, once the detailed requirements under the new IFRS Code are known, with an updated project plan and resource statement; and
4. a training session for members of the Committee be arranged at the appropriate time when the awaited guidance had been received, and the Audit Commission be invited to participate, if appropriate.

11. EXTERNAL AUDIT FEES (Agenda Item 12; Appendix F)

The Committee received a report setting out the fees proposed by the Audit Commission for the annual audit and the assessment and inspection of Waverley in 2009/10. The report also compared the fees with those incurred in recent years. Officers explained that the level of the fees was not known until the Council had already set its budget, and also provided clarification as to why the Commission's fees had increased over the last few years.

RESOLVED that the Committee notes the contents of the report and the possibility that a supplementary estimate may need to be sought during 2009/10 to cover external audit fees.

12. HEAD OF INTERNAL AUDIT'S ANNUAL REPORT 2008/2009 (Agenda Item 13; Appendix G)

The Committee received a written report of the Head of Internal Audit supporting the Annual Governance Statement and intended to be a key source of assurance regarding the governance of the Council. The Head of Internal Audit introduced the report and concluded that, based on the work of

Internal Audit during the year, there were no serious matters identified and he confirmed that officers gave serious consideration to audit recommendations.

The Committee recognised that it was a very detailed and comprehensive report which had now been better structured into the work of each section and department. It was suggested that the format could be further improved for the future to make it easier to identify the lessons learned during the year. It was also agreed that the summary of work undertaken and recommendations made would be easier to follow if presented in a tabular form. The Committee was keen to encourage Heads of Service to continue to think carefully about the implications of the audit recommendations before agreeing them.

The Committee was informed that the Covalent computer package would be a useful tool, when used to its full potential and kept up to date, for assisting members to identify progress being made by Heads of Service in implementing Internal Audit review recommendations in accordance with the agreed completion dates. It was noted that none of the 2008/09 audit recommendations had yet been entered into the Covalent database. However, it was agreed that the Chairman and Vice-Chairman would discuss arrangements to expedite this with the Head of Internal Audit and the Head of Finance and Performance outside of the meeting.

RESOLVED that

1. the contents of the report and the assessment of the Council's internal control and governance arrangements be received; and
2. the Committee notes that the Council's control environment is reviewed regularly and revised as necessary and that identified areas for improvement are being given due attention.

13. ANNUAL REVIEW OF THE SYSTEM OF INTERNAL AUDIT (Agenda Item 14; Appendix H)

The Committee considered a report prepared in accordance with the Accounts and Audit Regulations 2006 which require local authorities to undertake a review of its arrangements for internal audit. The Vice-Chairman of the Committee offered to be involved in the tendering process for the two audit contracts which were due to expire in March 2010.

RESOLVED that the achievements be noted and the improvements outlined in the report be supported.

14. PROGRESS ON IMPLEMENTATION OF 2007/08 INTERNAL AUDIT RECOMMENDATIONS (Agenda Item 15; Appendix I)

Members received an update to the report presented to the March meeting of the Committee detailing the outstanding implementation of internal audit recommendations from 2007/08. They were informed that, with the exception of the recommendation relating to a progress report on the National

Audit 6  
29.06.09

Procurement Strategy, all other recommendations had now been completed or implemented. With regard to the National Procurement Strategy it was noted that the Strategy was now several years old and had been overtaken at Waverley by local factors, such as Waverley's initiatives on support for local businesses. It was also noted that a report was being presented to the Executive in July seeking the appointment of a Procurement Officer who would be able to drive the project forward and an action plan was being prepared in respect of local economic development. The Committee noted that an update would be given at the September meeting of the Committee.

RESOLVED that the current position on the outstanding audit recommendations be noted and an update report on progress on the item relating to procurement be presented to the September meeting of the Audit Committee.

**The meeting commenced at 7.00 p.m. and concluded at 8.47 p.m.**

Chairman

Comms/audit/2008-09/006 minutes