

WAVERLEY BOROUGH COUNCIL

MINUTES OF THE AUDIT COMMITTEE – 20 MARCH 2012

SUBMITTED TO THE COUNCIL MEETING – 17 APRIL 2012

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

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|------------------------------------|--------------------------|
| * Cllr Stephen Mulliner (Chairman) | * Cllr Tony Gordon-Smith |
| * Cllr Tom Martin (Vice-Chairman)  | * Cllr Stephen Hill      |
| Cllr Brian Adams                   | * Cllr Donal O'Neill     |
| * Cllr Jim Edwards                 |                          |

\* Present

Paul Grady and Kathryn Sharp from the Audit Commission were also present for Agenda Items 6-8 (Minute Nos. 40-42 refer)

37. MINUTES (Agenda Item 1)

RESOLVED that the Minutes of the Meeting held on 22 November 2011 be confirmed and signed.

38. DISCLOSURE OF INTERESTS (Agenda Item 3)

There were no interests raised under this heading.

**PART I – RECOMMENDATIONS TO THE COUNCIL**

There were no matters falling within this category.

**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**

39. INTERNAL AUDITORS (Agenda Item 5)

The Committee welcomed representatives of RSM Tenon who had been appointed as the new Internal Audit Contractors and Deloitte and Touche who were reaching the end of their contract. The Chairman had invited representatives from both companies to attend the meeting to talk about handover procedures.

RSM Tenon gave a brief presentation to the Committee about the company and its work within local government for the past twenty years. Assurances were given about supporting the Internal Audit Client Manager, the external audit colleagues and the Audit Committee when necessary.

Ben Deeley from Deloitte and Touche thanked the Chairman and the management of the Council for being so supportive during their work and commented that there was likely to be minimal disruption during the handover between providers because of the Internal Audit Client Manager remaining in post and overseeing the transfer. The Chairman thanked Ben and his colleagues for their work at Waverley.

40. AUDIT COMMISSION – OPINION AUDIT PLAN (Agenda Item 6; Appendix A)

Paul Grady introduced the Audit Plan and took the Committee through the significant risks relevant to the audit of the accounting statements, the main one being the HRA debt being taken on by Waverley through the HRA Self-Financing model. With regard to specific risks, the Committee discussed IT Controls in place, particularly with regard to the policy for disabling leavers from using IT on their day of departure, and more specifically whether there was a policy in place for leavers working in IT. With regard to the risk of single person's council tax discount, it was reported to the Committee that contact had now been made with the portfolio holder at Surrey County Council about the possibility of a shared exercise being undertaken following the outcome of the National Fraud Initiative data-matching exercise.

The other element of the plan related to ensuring that arrangements were in place conducive to achieving value for money. The Committee was informed that the fee for the audit was now set centrally by the Audit Commission and currently represented a 5% reduction on the audit fee set for 2010/11.

RESOLVED that the report be received.

41. CERTIFICATION OF CLAIMS AND RETURNS – ANNUAL REPORT (Agenda Item 7; Appendix B)

Paul Grady introduced this report and recognised that the Council had performed well in preparing claims and returns. The report concluded that the Council had good arrangements in place for the preparation and administration of grant claims, the claims were submitted on time and there were no material weaknesses identified. With regard to the certification fees, the Committee noted that the fees had significantly reduced again in 2010/11 from the level in 2009/10 but recognised that there was limited scope for them to reduce much further.

RESOLVED that the report be received.

42. UPDATE ON AUDIT ARRANGEMENTS (Agenda Item 8)

Paul Grady provided the Committee with an update on external audit arrangements going forward. The Department for Communities and Local Government had decided that the Audit Commission should outsource all of its local government audit work and have no in-house practice. Ten contract lots were made available, and Waverley falls under the contract for South London, Surrey and Kent. Grant Thornton won the contract for this lot and is now the largest supplier of local government audit in the country, having won 4 of the 10 contract lots.

Staff currently employed by the Audit Commission will TUPE across to Grant Thornton and it was envisaged that there would be minimal disruption to Waverley as the client, because Paul Grady and Kathryn Sharp would transfer across and should continue to work with Waverley.

RESOLVED that the update be noted.

43. REVIEW OF PROGRESS IN IMPLEMENTATION OF INTERNAL AUDIT RECOMMENDATIONS (Agenda Item 9; Appendix C)

The Committee reviewed the one outstanding recommendation relating to Fraud Refresher Training and noted that it would be completed by the end of March. The Committee was impressed that the number of outstanding recommendations being reported had reduced dramatically over time and recognised that this was as a result of Heads of Service being more actively involved and challenging recommendations that were not practical to implement, as well as the emphasis being placed on the importance of Heads of Service completing actions promptly.

RESOLVED that the report be noted.

44. INTERNAL AUDIT PLAN 2011/12 UPDATE (Agenda Item 10; Appendix D)

An updated version of the Audit Plan for 2011/12 was circulated at the meeting.

RESOLVED that the progress of the Internal Audit Plan for 2011/12 be noted.

45. PROPOSED INTERNAL AUDIT PLAN 2012/13 (Agenda Item 11; Appendix E)

The Committee considered the proposed Internal Audit Plan for 2012/13. It was noted that the plan included an audit on the review of Audit Committee Effectiveness which would be undertaken during Quarter 1.

RESOLVED that the draft Audit Plan for 2012/13 be adopted.

46. RISK MANAGEMENT FRAMEWORK (Agenda Item 12; Appendix F)

*[This item contains exempt information by virtue of which the public is likely to be excluded during the item to which the report relates, as specified in Paragraph 3 of the revised Part 1 of Schedule 12A to the Local Government Act 1972, namely;-*

*Information relating to the financial or business affairs of any particular person (including the authority holding that information).]*

The Committee had requested that this item be brought back again to its March meeting and recognised that setting out the risks in order of significance was a great improvement. It was suggested that in future the report should be printed in colour to show the analysis more clearly and the code for each risk should be included in the summary to make cross-referencing easier.

Having made some improvements to the risk categories at its last meeting, the Committee now proposed that 5 likelihood ranges would be better than 6 and suggested merging the lowest two to read 'less than 10% chance of occurring'.

The Committee was informed that a meeting was being arranged for Corporate Management Team and Heads of Service to review all risks in line with the new corporate priorities. It was proposed that once this had taken place, sufficient time in the June meeting of the Audit Committee be set aside to allow the Committee the opportunity to look at each risk in greater detail. If necessary a special meeting would be arranged. The Committee requested that a rationale be provided for any changes proposed by officers.

RESOLVED that the risk registers be noted and that a detailed session be held at the next Audit Committee to discuss the risk management framework in greater detail.

47. NATIONAL FRAUD INITIATIVE 2010/11 (Agenda Item 13; Appendix G)

RESOLVED that the progress made during the National Fraud Initiative data matching exercise be noted and the resources applied to investigate each of the data matches recognised.

The Chairman concluded the meeting by informing the Committee that he had decided to stand down as Chairman. He had found chairing the Committee extremely interesting and thanked officers for their support over the last three years.

**The meeting commenced at 7.00 p.m. and concluded at 8.45 p.m.**

Chairman