

WAVERLEY BOROUGH COUNCIL

MINUTES OF THE AUDIT COMMITTEE – 18 MARCH 2014

SUBMITTED TO THE COUNCIL MEETING – 15 APRIL 2014

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

- |                                 |                       |
|---------------------------------|-----------------------|
| * Cllr Richard Gates (Chairman) | Cllr Peter Isherwood  |
| * Cllr Jim Edwards              | Cllr Jennifer O’Grady |
| * Cllr Tony Gordon-Smith        | * Cllr Wyatt Ramsdale |
| Cllr Stephen Hill               |                       |
- \* Present

Emily Hill and Dominic Bradley from Grant Thornton were also present.

35. ELECTION OF CHAIRMAN (Agenda Item 1)

RESOLVED that Cllr Richard Gates be appointed Chairman of the Committee for the remainder of the 2013/14 Council year.

36. MINUTES (Agenda Item 2)

RESOLVED that the Minutes of the Meeting held on 19 November 2013 be confirmed and signed.

37. APOLOGIES FOR ABSENCE (Agenda Item 3)

An apology for absence was received from Cllr Peter Isherwood.

38. DISCLOSURE OF INTERESTS (Agenda Item 4)

There were no interests declared under this heading.

**PART I – RECOMMENDATIONS TO THE COUNCIL**

There were no matters falling within this category.

**PART II – MATTERS OF REPORT**

Background Papers

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

39. GRANTS AND CLAIMS 2012/13 (Agenda Item 6; Appendix A)

Emily Hill and Dominic Bradley from Grant Thornton introduced the report on the Certification of Grants and Claims for 2012/13. The Committee was pleased to note that only three small errors had been identified which related to Housing Benefit and Council Tax Benefit certification. Emily Hill added that Housing Benefit returns were very complex, and very few Councils required no amendments whatsoever in this area.

RESOLVED that the Certification report for 2012/13 be noted.

40. EXTERNAL AUDIT PROGRESS REPORT (Agenda Item 7; Appendix B)

Emily Hill introduced the External Audit Progress Report which provided the Committee with an update on the work of the external auditors. With regard to the interim accounts audit, it was noted that the material financial systems had been checked to ensure that the correct controls were in place and no issues had been found. The Committee was informed that it would be presented with a full External Audit Plan at its meeting in June.

The Progress report also included a summary of emerging national issues and 'challenge questions' for the Committee to consider. These included the implications of the Local Audit and Accountability Act which would allow Councils to appoint their own auditors in the future.

Members expressed concern that a number of open questions had been raised which officers had not had an opportunity to respond to. It was acknowledged that some of these issues may be more relevant to Waverley than others and that many of these issues had already been communicated to Councillors in other ways, such as at Overview and Scrutiny Committees.

The Committee requested that officers provide a brief response outlining Waverley's position regarding the challenges that had been raised by the external auditors. It was also suggested that if a similar report was to be presented to the Committee in future, this should be done in liaison with officers so that the Committee could also take into account how Waverley was addressing such challenges.

RESOLVED that:

1. Officers be asked to present a report to the June meeting of the Audit Committee covering Waverley's responses to the emerging challenges raised by Grant Thornton; and
2. the contents of the Progress Report be noted.

41. PROGRESS ON THE IMPLEMENTATION OF INTERNAL AUDIT RECOMMENDATIONS (Agenda Item 8; Appendix C)

The Committee received the report outlining the progress that had been made on the implementation of internal audit recommendations. Relevant Heads of Service had provided updates to explain their progress on achieving audit recommendations, and the majority of recommendations were due to be completed in the near future.

The Internal Audit Client Manager informed the Committee that the two housing recommendations relating to KPIs could not be implemented until after an upgrade of the Orchard IT system had been completed. Some Members were concerned by the lack of progress on these recommendations during 2013, as both had an exit meeting date of 23 May 2013. It was

explained that there had been staffing gaps in the Housing Service, but the new Property Services Manager was now in post and funding was being sought to review the Orchard IT system so that Housing would no longer have to rely on the contractor to provide performance data. The Committee noted the update provided by the Head of Housing Operations on 11 February 2014 that this work would take three months to complete, and therefore agreed the proposed changes as set out in Annexe 2 to the report.

The Committee nevertheless remained concerned over the lack of updates from the Head of Housing Operations, and requested that a project plan, including deadlines, be produced and presented by the Head of Housing Operations to the Committee at its next meeting in June to provide a clear update on how these audit recommendations would be implemented.

RESOLVED that the Head of Housing Operations be asked to produce a project plan outlining the progress and target dates for the completion of recommendations IA14/14.010 and IA14/14.012

42. INTERNAL AUDIT PLAN PROGRESS 2013/14 (Agenda Item 9; Appendix D)

The Internal Audit Client Manager outlined progress against the Internal Audit Plan 2013/14. It was noted that for operational reasons, both the Asset Register and Orchard Housing Systems Review were proposed to be deferred to the 2014/15 Audit Plan. An additional review of Housing Structural Repairs Works would be inserted to replace some of the deferred items. It was anticipated that this review would be completed within the next month.

RESOLVED that the changes to the Internal Audit Plan be endorsed and that the current progress on the Internal Audit Plan be noted.

43. PROPOSED AUDIT PLAN FOR 2014/15 (Agenda Item 10; Appendix E)

The Committee received the proposed Internal Audit Plan for 2014/15. The Internal Audit Client Manager informed the Committee that she had conducted a risk assessment and consulted with Heads of Services in order to determine which areas would benefit from an audit review. Ultimately, the areas for review were selected based on a number of criteria, including financial risk and the date of last audit.

Members were pleased to note that Waverley Training Services had been included as an area to be reviewed as it was felt that Waverley needed to make the most of this high-performing area. Following questions from Members regarding Building Control, officers reported that the Executive would be commissioning its own review of the Building Control service and therefore this did not need to be included in the Internal Audit Plan.

RESOLVED that the draft Internal Audit Plan for 2014/15 be endorsed.

44. RISK MANAGEMENT UPDATE (Agenda Item 11; 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 received the Risk Management Policy and Process Document which had been updated with some minor amendments since it had last been reviewed by the Audit Committee in March 2013. The Director of Finance and Resources explained that the Risk Management Policy Document would be reviewed more thoroughly when the new Corporate Plan had been devised.

The Committee was also presented with a revised Corporate Risk Register which had been developed by Heads of Service working in consultation with Zurich. It had been felt that Waverley's existing list of business risks had become too detailed, and therefore a more concise risk register had been produced, focusing on corporate, rather than operational risks.

Members found the document very useful, and hoped that an edited version could be produced that could be shared with the public. There were, however, some concerns around the ease of understanding the document, which, the Committee felt would need to be clarified if the document was to be made public.

The Committee was also concerned that some of the 'likelihood' ratings were unduly pessimistic and perhaps did not take into account the mitigation measures that were already in place. Members felt that this should be reviewed, and the Director of Finance and Resources agreed to take this back to Heads of Service. For increased clarity, it was suggested that two columns could be included, presenting the risk rating both before and after mitigation.

RESOLVED that:

1. the Risk Management Policy and Process Document set out in Annexe 1 to the report be approved; and
2. the revised Corporate Risk Register be reviewed with the observations set out above.

**The meeting commenced at 7.00 p.m. and concluded at 8.40 p.m.**

**Chairman**