

WAVERLEY BOROUGH COUNCIL

MINUTES OF THE AUDIT COMMITTEE – 25 JUNE 2014

SUBMITTED TO THE COUNCIL MEETING – 15 JULY 2014

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

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| * Cllr Richard Gates (Chairman) | Cllr Peter Isherwood |
| * Cllr Wyatt Ramsdale (Vice Chairman) | Cllr Jennifer O’Grady |
| * Cllr Tony Gordon-Smith | * Cllr Stewart Stennett |
| * Cllr Stephen Hill | |

* Present

Emily Hill from Grant Thornton and Liz Stewart from Navigation Partners were also present.

1. APPOINTMENT OF CHAIRMAN (Agenda Item 1)

RESOLVED to confirm the appointment of Cllr Richard Gates as Chairman of the Audit Committee for the Council year 2014/15.

2. APPOINTMENT OF CHAIRMAN (Agenda Item 2)

RESOLVED to confirm the appointment Cllr Wyatt Ramsdale as Vice Chairman of the Audit Committee for the Council year 2014/15.

3. MINUTES (Agenda Item 3)

RESOLVED that the Minutes of the Meeting held on 18 March 2014 be confirmed and signed.

4. APOLOGY FOR ABSENCE (Agenda Item 4)

An apology for absence was received from Cllr Peter Isherwood.

5. DISCLOSURE OF INTERESTS (Agenda Item 5)

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.

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

The Audit Committee received a report summarising the work undertaken by the Committee over the municipal year 2013/14, attached at Annexe 1 for information. The Committee also reviewed its Terms of Reference and

RESOLVED that:

1. the Terms of Reference be endorsed with no need for any amendments; and
2. the Audit Committee Annual Report for 2013/14 be noted.

7. EXTERNAL AUDIT PLAN 2013/14 (Agenda Item 8; Appendix B)

Emily Hill, the Grant Thornton External Audit Engagement Lead, was present at the meeting and introduced the External Audit Plan for 2013/14. She explained that in planning their Audit, Grant Thornton needed to consider the challenges and opportunities facing the Council which could affect the figures in the financial statements as well as developments in the sector which could affect financial reporting. It was explained that the 'significant risks' set out in the report were generic, 'presumed' risks, and had not been specifically identified in relation to Waverley. The other risks identified included those involving large expenditure (Payroll) or complex transactions (Benefits).

The results of the interim audit work were also presented, and Emily Hill added that the review of information technology controls had now been concluded and showed no significant issues. This review had been conducted by specialist IT auditors.

It was also noted that there were no changes to the audit fee as no extra work was required.

RESOLVED that the Audit Plan for 2013/14 be approved.

8. EXTERNAL AUDIT FEE LETTER 2014/15 (Agenda Item 9; Appendix C)

The Committee received the Audit Fee Letter from Grant Thornton.

RESOLVED that the External Audit Fee Letter be noted.

9. EXTERNAL AUDIT UPDATE REPORT (Agenda Item 10; Appendix D)

Emily Hill presented the External Audit Update Report; she also circulated a guide to local authority accounts, produced by Grant Thornton which she suggested members of the Committee should read in advance of receiving the accounts in September. The Director of Finance and Resources added that an informal briefing session would also be arranged in advance of the meeting in September.

It was explained that there was no longer a requirement to publish the draft accounts by the end of June, but that this was still considered best practice, and therefore the draft accounts would be published on the website 'subject to audit'. Members of the Committee asked to be supplied with a copy of the draft accounts, and the Director of Finance and Resources agreed to supply this in either hard copy or as link to the electronic format.

RESOLVED that the Update Report be noted.

10. PROGRESS ON THE IMPLEMENTATION OF INTERNAL AUDIT RECOMMENDATIONS (Agenda Item 11; Appendix E)

The Committee received the report outlining internal audit recommendations overdue or due within the next month. The Head of Finance was present at the meeting and confirmed that the recommendations falling within his service area would be completed by their due dates.

The Head of Housing Operations was also present at the meeting, and provided the Committee with a presentation on the work being done in the Housing Service to improve processes and therefore implement the audit recommendations which had not yet been completely put into effect. It was explained that a consultant had been appointed to identify where and how processes could be improved. Liz Stewart from Navigation Partners attended the meeting, and explained that a number of projects were being undertaken within the Housing Service, with the responsive repair interfaces and process project already being underway. This project sought to address a number of issues relating to Waverley's systems not interfacing with Mears', and therefore too much reliance being placed on the contactor's system. The project would mean that Waverley's 'Orchard' system would become the main system, with Mears' system automatically updating Orchard when a change was made. It was noted that tenants should not notice a difference when the new procedures were in place, but that with the process being much more automated, housing administration staff would have more time to conduct other work, such as customer satisfaction surveys.

The Committee noted that while the whole Housing Process Improvement Programme was not due to be completed until mid 2015, the responsive repair interfaces and process project should be completed by the end of August, and therefore felt that it was unnecessary to postpone the implementation date for these particular recommendations until 30 March 2015. The Committee asked the Head of Housing Operations to liaise with the Internal Audit Client Manager to identify a target date in advance of 30 March, and to report progress at the September meeting.

RESOLVED that

1. the progress on the implementation of internal audit recommendations be noted; and
2. the Head of Housing Operations be asked to liaise with the Internal Audit Client Manager to identify a target date for recommendations IA14/14.010 and IA14/14.012 in advance of 30 March 2015, and to report new dates and progress at the September meeting.

11. PROGRESS ON THE INTERNAL AUDIT PLANS FOR 2013/14 AND 2014/15
(Agenda Item 12; Appendix F)

The Committee was pleased to note that all but one review had been completed from the 2013/14 Audit Plan, with a further three reviews having been deferred to the 2014/15 Audit Plan. The Committee asked that an update be provided at the September meeting to confirm that the one outstanding review had been completed.

The Internal Audit Client Manager circulated an updated version of Annexe 2 to the report, which showed that one review from the 2014/15 Audit Plan had been completed, and two were in progress. The Committee noted that two new reviews had been added, and were pleased that one of these, relating to documents scanning, had been requested by the Head of Service. It was explained that the scanning service had grown recently due to increasing workloads, and so the Head of Service had asked that a review be undertaken to ensure that all controls were still adequate.

RESOLVED that:

1. the progress for the Internal Audit Plan 2013/14 be noted;
2. the progress for the Internal Audit Plan 2014/15 be noted; and
3. the inclusion of the additional areas for Internal Audit Review be endorsed.

12. INTERNAL AUDIT ANNUAL REPORT 2013-14 ACTIVITY (Agenda Item 13;
Appendix G)

The Committee received the Internal Audit annual Report. With regard to the Internal Audit Opinion, the Committee noted that the direction of travel for Governance and Risk Management had remained the same; however Control had fallen to amber due to the number of 'red' recommendations relating to Housing. With regard to Fraud Prevention, Detection and Investigation, the Committee noted that 678 Single Person Discounts had been withdrawn. Officers reported that there were around 15,000 people in Waverley claiming Single Person Discount, and that they were very satisfied with 678 being withdrawn. This equated to approximately £266,000 which would be distributed between Waverley and the precepting bodies. It was hoped that Surrey County would agree to fund a similar exercise again on a periodic basis.

Regarding performance of the audit service, the Committee was disappointed to note that the average number of days for Heads of Service to return reports after signing had fallen from 5 days in 2012/13 to 20 days in 2013/14 against a target of 5 days. The Committee asked that the relevant Heads of Service be advised that their performance was not satisfactory and asked that an updated working figure for this performance indicator be reported to the Committee at its December meeting.

RESOLVED that:

1. the progress and the activity completed by the Internal Audit Service for 2013-14 be noted, and those involved be congratulated on the successful outcomes achieved by investigating housing issues and working collaboratively between services, resulting in the recovery and retention of 4 properties in our housing stock; and
2. a working figure for the 'average number of days for Heads of Service to return report after signing' Performance Indicator be reported to the December meeting.

13. ACCOUNTS 2013/2014 – KEY ISSUES (Agenda Item 14; appendix H)

The Committee received a report which followed up on the 'challenge questions' raised by Grant Thornton at the March meeting of the Committee. It was reiterated that the questions were not specific to Waverley, and some were more relevant than others. Members also emphasised that in future, any such questions should be raised in consultation with officers so that their response could be included in the report.

RESOLVED that the comments made in response to the 'challenge questions' raised by Grant Thornton be noted.

14. RISK MANAGEMENT UPDATE (Agenda Item 15; Appendix I)

[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 an updated Corporate Risk Register, following observations made by the Committee at its March meeting. The main update was the inclusion of the risk level after mitigation, and target risk levels.

The committee noted that the register was not yet in a form that could be made public, and

RESOLVED that officers be asked to work towards producing a version of the Corporate Risk Register that would be appropriate for wider publication for the September or December meeting of the Committee.

15. EXCLUSION OF PRESS AND PUBLIC (Agenda Item 16)

At 8.49 p.m. it was:

RESOLVED that pursuant to Procedure Rule 20 and in accordance with Section 100A(4) of the Local Government Act 1972, the press and public be excluded from the meeting during consideration of the following item(s) on the grounds that it is likely, in view of the nature of the business to be transacted

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or the nature of the proceedings, that if members of the public were present during the item(s), there would be disclosure to them of exempt information (as defined by Section 1001 of the Act) of the description specified in paragraph 7 of the revised Part 1 of Schedule 12A to the Local Government Act 1972, namely:

Information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime.

16. INTERNAL AUDIT INVESTIGATION (Agenda Item 17)

The Committee received a verbal update from the Director of Finance and Resources on the latest position on an investigation.

The meeting commenced at 7.00 p.m. and concluded at 9.33 p.m.

Chairman