

WAVERLEY BOROUGH COUNCIL

MINUTES OF THE AUDIT COMMITTEE - 5 NOVEMBER 2018

SUBMITTED TO THE COUNCIL MEETING – 11 DECEMBER 2018

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

Present

Cllr John Gray (Chairman)	Cllr Jerry Hyman
Cllr Richard Seaborne (Vice Chairman)	Cllr Robert Knowles
Cllr Mike Band	Cllr Stephen Mulliner
Cllr Pat Frost	

Apologies

Cllr Liz Townsend

Also Present

Sarah Ironmonger – Engagement Lead, Grant Thornton
Graeme Clark – Strategic Director (s.151 Officer)
Robin Taylor – Head of Policy and Governance
Peter Vickers – Head of Finance
Vicki Basley – Senior Accountant
Gail Beaton – Internal Audit Manager
Amy McNulty – Democratic Services Officer

AUD 34/18 MINUTES (Agenda item 1.)

RESOLVED that the Minutes of the Meeting held on 25 September be confirmed as a correct record and signed.

AUD 35/18 APOLOGIES FOR ABSENCE (Agenda item 2.)

Apologies for absence were received from Cllr Liz Townsend.

AUD 36/18 DISCLOSURE OF INTERESTS (Agenda item 3.)

Cllr John Gray declared a non-pecuniary interest in Item 9, Review of value for money aspects of Waverley Borough Council's decision to allocate funding to defend CPRE Surrey and POW Campaign Ltd's High Court challenges, as he was a resident of Dunsfold, a member of the Parish Council, a member of CPRE and was acquainted with members of POW.

AUD 37/18 QUESTIONS BY MEMBERS OF THE PUBLIC (Agenda item 4.)

A question had been received from Mr Bob Lees on behalf of the POW Campaign, in accordance with Procedure Rule 10:

“The Council has received letters requesting that the Audit Committee examine the value-for-money of the £200,000 budgeted for Waverley Borough Council's (WBC) defence against the s113 challenge concerning the Local Plan Part 1 and the

£100,000 budgeted for the s288 challenge to the Secretary of State concerning the development of Dunsfold Park, noting that WBC is only an "Interested Party" to the s288 challenge. POW notes that this is item 9 on the agenda for the 5th November Audit Committee meeting, and the detail of the review was only made available on Friday 2nd November.

Please will the Chairman of the Audit Committee confirm that the comprehensive review of this expenditure decision will properly examine whether due process was followed and what advice was given to Councillors by Officers including whether legal advice was taken what, if any, value-for-money evaluation was done at the time and whether the "do nothing" option was fully considered.

According to para 2.1 of WBC's Governance statement it has a duty to make "sure that public money is ... used economically, efficiently and effectively", and to act in the public interest (para 3.1). Therefore will the Chairman also confirm that the review will include investigating whether allocating £200,000 to defend the s113 challenge and £100,000 to defend the s288 challenge as an "Interested Party" was an economic and/or an effective use of public money?"

The answer from the Chairman was as follows:

"At its last meeting the Audit Committee discussed undertaking a review of the way in which the decisions to approve funding to defend the recent legal challenges from POW and CPRE had been presented to Council. The Committee was interested in this matter from the perspective of ensuring the Council was delivering value for money for its residents.

A scope for this review has now been prepared and will be considered by the Committee later in the meeting. If the Committee chooses to agree the scope, then the review will be carried out in accordance with terms of reference as set out in that scoping document.

The terms of reference, should they be agreed by the Committee, include provision to explore and understand the extent to which the value for money implications of allocating funding to defend the legal challenges were evaluated and documented."

AUD 38/18 QUESTIONS FROM MEMBERS (Agenda item 5.)

There were no questions received from Members.

PART I - RECOMMENDATIONS TO THE COUNCIL

There were no matters falling within this category.

PART II - MATTERS OF REPORT

The background papers relating to the following items are as set out in the reports included in the original agenda papers.

AUD 39/18 EXTERNAL AUDIT PROGRESS AND SECTOR BRIEFING REPORT (Agenda item 6.)

Sarah Ironmonger introduced the report which provided the Committee with an update on Grant Thornton's progress in delivering their responsibilities as the Council's external auditors.

The 2017/18 work had been completed, and Grant Thornton was now finalising the certification work on the Council's annual Housing Benefit Subsidy claim. This work would be concluded by the end of November 2018 with the report to come to the next Audit Committee meeting. The report also set out the milestones for the 2018/19 External Audit, with interim visits to take place in February and March.

The remainder of the report provided a summary of emerging national issues and developments relevant to the sector. Cllr Hyman noted that the report referred to a CIPFA consultation on developing a financial resilience index for Local Authorities and queried what the outcome of this had been. Sarah responded that a diverse range of views had been expressed as part of the consultation and therefore further work was being undertaken. It would be quite challenging to develop a single index that would work for all Local Authorities, however the Committee welcomed the eventual introduction of benchmarking information.

Members also noted that a consultation was taking place on the Social Housing Green Paper. A query was raised in relation to increased flexibility with reference to Right to Buy (RTB) receipts. Sarah explained that this would enable Local Authorities to do more with RTB receipts, for example, buying property to convert to social housing rather than just building it. Graeme Clark added that the Council had submitted a response to the consultation, welcoming the proposed flexibilities that would support the delivery of social housing.

The Committee noted that Surrey had been part of the business rates retention pilot and asked whether this would continue for the next year. Graeme advised that Surrey had applied again, but would have to wait until the financial settlement was received in December to find out if it had been successful.

The Committee RESOLVED to note the External Audit Progress and Sector Briefing Report.

AUD 40/18 AUDIT COMMITTEE TERMS OF REFERENCE 2018/19 (Agenda item 7.)

The Committee considered its current Terms of Reference. Cllr Seaborne reminded Members that last year, a review had been undertaken collaboratively with Members and officers to tighten up some of the wording.

Members felt that it would be useful to review the Committee's Terms of Reference in a wider context, taking into account the remit of other Committees, e.g. Overview and Scrutiny. Some suggestions were made to tighten up the wording and review terminology used. Cllr Frost suggested that the s.151 Officer and Head of Policy and Governance should prepare an updated draft and present this to the Committee for approval.

The Committee therefore RESOLVED to defer this item to enable further discussion between the s.151 Officer and Head of Policy and Governance on the Committee's role and remit; this item would then be brought back to next meeting of the Committee.

AUD 41/18 ANNUAL GOVERNANCE STATEMENT - INTERIM REVIEW (Agenda item 8.)

Peter Vickers explained that every year, the Committee was required to formally review the Council's governance arrangements. He added, however, that this should be a live conversation throughout the year, not just at the July Audit Committee meeting. He invited Members to discuss any governance issues that were of significant merit. The Committee welcomed the addition of this regular agenda item and had nothing to raise at the current time.

The Committee RESOLVED that this be added as a standing item on future Audit Committee agendas.

AUD 42/18 REVIEW OF VALUE FOR MONEY ASPECTS OF WAVERLEY BOROUGH COUNCIL'S DECISION TO ALLOCATE FUNDING TO DEFEND CPRE SURREY AND POW CAMPAIGN LTD'S HIGH COURT CHALLENGES (Agenda item 9.)

Cllr Seaborne introduced the scope that had been prepared for this review. He explained that there was no structure in place for carrying out Member-led Audit Committee reviews and therefore he had followed the format used by O&S Committees.

Having considered the report, the Committee expressed concern that the scope was too specific, and should not be reviewing one single decision, but the way in which all requests for supplementary estimates were put forward to ensure that Members were properly informed. Cllr Mulliner added that while the reasons for this particular supplementary estimate may have been obvious to Members, it may not have been as clear to the public and so it was important that decisions to seek supplementary estimates were properly documented.

Members were also unsure as to whether this review fitted within the remit of the Audit Committee, and Cllr Band suggested that the topic might be more suited to the Value for Money O&S Committee.

Additionally, Cllr Knowles warned against setting a precedent for carrying out reviews based on letters from a very small minority. He added that there was no question of the authority of the Executive and Council to approve the funds, and he felt that it would not be good value for money to spend officer time on the proposed review.

Cllr Mulliner felt that the process for approving supplementary estimates was a governance matter, and therefore did fall within the remit of the Audit Committee. He added that the independence of the Audit Committee was crucial, and it was for the Committee to now decide how it wished to proceed. He therefore suggested that it might be more appropriate to carry out a very short review of process for presenting requests for supplementary estimates to the Council. Cllr

Frost agreed that it would be useful for the Committee to receive a report outlining how requests for supplementary estimates were documented.

Cllr Seaborne thanked Members for their comments; he acknowledged that there had been challenges when drafting the scope, and felt that the alternative suggestions made by the Committee would achieve the same objective.

The Chairman put the original recommendation, that the Audit Committee proceed with the review and agree the scoping document. Upon being put to the vote, the recommendation was lost with no votes in favour, four against and three abstentions.

It was proposed by Cllr Frost and seconded by Cllr Band that the s.151 Officer and Head of Policy and Governance be requested to produce a paper for the next meeting of the Audit Committee setting out the process and documentation required to support all future requests for supplementary estimates. Upon being put to the vote, the alternative recommendation was carried with six votes in favour, none against and one abstention.

The Committee therefore RESOLVED that the s.151 Officer and Head of Policy and Governance be requested to produce a paper for the next meeting of the Audit Committee setting out the process and documentation required to support all future requests for supplementary estimates.

AUD 43/18 PROGRESS ON THE INTERNAL AUDIT PLAN FOR 2018/19 (Agenda item 10.)

Gail Beaton presented the report outlining the current position of the reviews in the 2018/19 Audit Plan. She advised that since the publication of the agenda, the reviews on Grounds Maintenance, Flexi Time, and Complaints had been completed.

The Committee commented that some of the descriptions, particularly in relation to the car parking reviews, were quite confusing and it was requested that these be re-phrased in plain English to make them more accessible.

Cllr Hyman queried what the review of the Memorial Hall would involve as he stated that residents had concerns about the project, particularly in relation to costs. Gail responded that the review would be looking at the project management, and whether there were any lessons learnt. Graeme added that final financial position was not yet known but it was hoped that the project would still come in on budget.

There was also some concern that only partial assurance had been given in relation to the RTB processes, and Members asked for further details. Gail responded that the majority of recommendations were due to the fact that this function was mostly the responsibility of one person, and so were to ensure that the correct sign-off procedures were in place.

The Committee RESOLVED to note the status of the 2018/19 Audit Plan.

AUD 44/18 PROGRESS ON THE IMPLEMENTATION OF INTERNAL AUDIT RECOMMENDATIONS (Agenda item 11.)

Gail Beaton introduced the report highlighting the internal audit recommendations that were overdue or appeared likely to be implemented later than the target date. The report also included two requests from Heads of Service for changes to implementation due dates.

One of the requests for time extensions related to anti money laundering training, and Members queried how many staff this applied to. Graeme responded that this applied to anyone dealing with transactions of high financial values; this was around half of all Waverley staff. The Committee was also informed that an updated anti money laundering policy would be presented to its March meeting.

Cllr Seaborne noted that there were several requests for time extensions for the same item (RTB processes) and was concerned that the original target dates set by the auditors hadn't been realistic. Gail responded that these targets had been agreed by the Head of Service, and this was an exception due to a delay relating to the Orchard IT system.

The Committee RESOLVED to approve the requests for change in due dates as set out below.

Recommendation	Title	Revised Due Date
IA 19/02.001 (Procedures) IA 19/02.005 (Update and check discounts) IA 19/02.006 (Effective percentages in line with the Orchard action)	Right to Buy	30 November 2018
IA19/02.011	Anti Money Laundering Training	31 March 2019

AUD 45/18 FRAUD INVESTIGATION SUMMARY (Agenda item 12.)

The Committee considered the report which provided an update on the progress made by officers in investigating fraud, primarily focusing on Housing Tenancy fraud. Gail reported that so far this year, three properties had been returned and one RTB request had been refused.

There had been a slight drop in cases this year, and Members attributed this to the deterrent value of the work. The Committee was pleased that the Fraud Investigation Officer role ensured that Council properties were being used how they should be. It was noted that the current post holder was on a fixed term contract which would end in April, and the Head of Housing would be putting in a growth bid to make this post permanent.

The Committee RESOLVED to:

1. note the success of the housing fraud investigation activity and congratulate officers on the results achieved; and
2. endorse the growth bid by the Head of Housing to make the Fraud Investigation Officer post permanent.

AUD 46/18 RISK MANAGEMENT (Agenda item 13.)

Prior to the meeting, the Committee had received a briefing session on risk management. The risk registers were currently being refreshed with input from external consultants and a full report would be presented to the Committee at its March meeting.

The Committee RESOLVED to note the latest corporate risk register as refreshed by Heads of Service.

AUD 47/18 AUDIT COMMITTEE RECURRENT WORK PROGRAMME (Agenda item 14.)

The Committee RESOLVED to note its recurrent annual work programme.

AUD 48/18 CONSIDERATION OF WEBCASTING AUDIT COMMITTEE MEETINGS (Agenda item 15.)

The Committee considered whether its future meetings should be webcast. It was noted that the work of the Audit Committee complimented that of the O&S Committees and these meetings were webcast, so it was logical for Audit Committee meetings to be webcast too.

The Committee RESOLVED that future meetings of the Audit Committee should be webcast.

The meeting commenced at 7.00 pm and concluded at 8.22 pm

Chairman