

WAVERLEY BOROUGH COUNCIL

MINUTES OF THE AUDIT COMMITTEE - 22 JULY 2019

SUBMITTED TO THE COUNCIL MEETING - 22 OCTOBER 2019

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

Present

Cllr Richard Cole
Cllr Jerome Davidson
Cllr Simon Dear
Cllr Jan Floyd-Douglass

Cllr Michaela Gray
Cllr Peter Marriott
Cllr Richard Seaborne
Cllr George Wilson

Also Present

Laurelin Griffiths – Grant Thornton Audit Manager
Graeme Clark – Strategic Director (s151 Officer)
Peter Vickers – Head of Finance
Gail Beaton – Internal Audit Manager
Vicki Basley – Senior Accountant
Amy McNulty – Democratic Services Officer

AUD 1/19 APPOINTMENT OF CHAIRMAN (Agenda item 1.)

Cllr Peter Marriott was confirmed as Chairman of the Audit Committee for the 2019/20 Council year.

AUD 2/19 APPOINTMENT OF VICE CHAIRMAN (Agenda item 2.)

Cllr Jerome Davidson was confirmed as Vice Chairman of the Audit Committee for the 2019/20 Council year.

AUD 3/19 MINUTES (Agenda item 3.)

The minutes of the meeting held on 4 March 2019 were confirmed as a correct record and signed.

AUD 4/19 APOLOGIES FOR ABSENCE (Agenda item 4.)

There were no apologies for absence.

AUD 5/19 DISCLOSURE OF INTERESTS (Agenda item 5.)

There were no declarations of interest in connection with items on the agenda.

AUD 6/19 QUESTIONS BY MEMBERS OF THE PUBLIC (Agenda item 6.)

There were none.

AUD 7/19 QUESTIONS FROM MEMBERS (Agenda item 7.)

There were none.

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 8/19 EXTERNAL AUDIT FINDINGS REPORT (Agenda item 8.)

Laurelin Griffiths, Grant Thornton Audit Manager, presented the External Audit Findings Report to the Committee. She explained that the audit work had started later in the year than anticipated due to a change in the audit team that had been necessary in order to ensure the independence and integrity of the audit. She thanked staff in the Council's finance team for their hard work and assistance in meeting the tighter than usual timeframes.

Almost all of the audit work was complete, with testing on property valuations being the only major piece of work now outstanding. There had been no changes required to the audit plan which had been revived by the Committee at its March meeting. Laurelin also advised the Committee that Grant Thornton was proposing to issue an unqualified Value for Money conclusion.

The Committee was disappointed not to have a final report, but acknowledged the challenges that had arisen due to the late change of audit team. Laurelin confirmed that there had been no other issues which would have affected the team achieving the 31 July deadline. The Chairman asked when the work on property valuation was likely to be completed. Laurelin responded that she hoped this would be finalised by the end of the week (26 July).

One adjustment to the accounts had been required in relation to net pension liability, however Laurelin clarified that this was as a result of a national issue, not specific to Waverley. As a result of this matter, the Council had requested that its actuary carry out further work and officers had reviewed the findings to ensure that there was no impact on the integrity of the accounts.

In relation to the follow up on recommendations for the previous year's audit, Cllr Cole sought confirmation that the auditors were now content with the measures that were in place regarding sundry debtors. Laurelin advised the Committee that she was satisfied that management had remedied any issues from the previous year.

Graeme Clark, Strategic Director, thanked Laurelin and her team at Grant Thornton for all their efforts at short notice.

The Committee RESOLVED to note the External Audit Findings Report.

AUD 9/19 ANNUAL INTERNAL AUDIT REPORT (Agenda item 9.)

Gail Beaton, Internal Audit Manager, presented the Annual Internal Audit Report to the Committee. She explained that an internal audit opinion was required as part of the Annual Governance Statement process. The report provided assurance on the internal controls that were in place at the Council, as well as an analysis of the audit reviews that had been carried out during the year. Additionally, the report presented a summary of the anti-fraud and corruption work that the Council took part in as part of the National Fraud Initiative and Surrey Counter-Fraud Partnership.

The Chairman noted that two reviews had not culminated in an audit opinion as these had been 'advisory reviews', and he queried what these entailed. Gail responded that this type of review involved carrying out a walkthrough of a new system in order to ensure that it was operating effectively.

In relation to the counter-fraud activities, Members queried whether the Council was frequently the subject of fraud attempts. Gail responded that the Council could be subject to attempts of fraud via a number of different routes, however it had good controls in place to prevent this. These controls covered the IT systems as well as policies and procedures to minimise the risk of human error. Additionally, service areas such as Housing could be the subject of fraudulent applications, for example in relation to Right to Buy. A Fraud Investigation Officer was employed to identify and prevent fraudulent applications.

Cllr Seaborne commented that the Council had recently appointed a new internal audit contractor as well as strengthening the in-house audit team. This had not been mentioned in the report, but he felt that the new arrangements would provide a strong and resilient internal audit service going forward.

The Committee also commented that it was good practice for all documents to have a unique reference number, as well as version history, and recommended that a document numbering scheme be adopted for all key documents, such as the internal audit plan. It was agreed that document control should be added to the list of bullet points under the 'Quality Control' heading in order to enhance internal processes.

Subject to the comments above, the Committee RESOLVED to note the annual internal audit report and audit opinion for 2018/2019.

AUD 10/19 ANNUAL GOVERNANCE STATEMENT 2018/2019 (Agenda item 10.)

Peter Vickers, Head of Finance, presented the Annual Governance Statement (AGS) to the Committee. The AGS was published alongside the accounts and set out how the Council's corporate governance arrangements had been working over the last year. It was produced in accordance with CIPFA/SOLACE guidance, and provided a wider context for the financial statements.

During the past year, the Audit Committee had been invited to raise any matters that it thought should be included as governance issues in the AGS. Peter added that this collaborative approach throughout the year had been very helpful in shaping the 2018/19 AGS.

The Committee noted that the adoption of a Capital Strategy had been reported as a significant operational event in 2018/19 and it was queried what measures had been taken through the Strategy to ensure cost effectiveness. Officers responded that a Value for Money O&S working group had looked into the delivery of capital projects to ensure that they provided the best value for money. The Procurement Officer also worked to ensure that the best value for money was achieved in new contracts.

In relation to the air quality recording and reporting process, which had come under scrutiny in 2017/18, the Committee heard that the lessons learnt exercise had been undertaken, but that this couldn't be fully completed as the police investigation was still ongoing.

Cllr Floyd-Douglass commented that it would be useful to include links to other documents referred to in the AGS, such as the Planning Peer Review Report. Officers agreed that this was a good suggestion and agreed to circulate the Planning Peer Review Report following the meeting.

In relation to the approval of the AGS, Members queried whether this should be signed by the Leader and Chief Executive before being approved by the Audit Committee. From her experience of other Councils, Laurelin Griffiths advised that typically the Audit Committee would receive a version of the AGS that the Leader and Chief Executive were satisfied with, and once approved at Committee it would then be signed. Graeme Clark confirmed that both the Leader and Chief Executive had seen the AGS and were content with its content. Officers agreed to amend the wording of the covering report in future to make the approval process clearer.

The Committee RESOLVED to approve the Annual Governance Statement for 2018/2019.

AUD 11/19 STATEMENT OF ACCOUNTS 2018/2019 (Agenda item 11.)

Graeme Clark, Strategic Director, introduced the Statement of Accounts to the Committee. A briefing session had been held earlier in the month, and had provided an opportunity for members of the Committee to ask any detailed questions on the accounts. He was pleased to hear from Laurelin that the majority of the audit work was now complete. A number of pages within the accounts had been revised as a result of the net pensions liability issue.

The Committee had some concerns about approving the accounts before the audit was fully completed. Cllr Seaborne also highlighted that last year, a re-valuation of property had resulted in a change of £4m. Graeme Clark stated that he hoped there would not be any significant changes arising from the remaining work, but in order to make any minor amendments that may be required, he proposed a revised recommendation to give delegated authority to make changes subject to there being no fundamental misstatements.

The Committee agreed with this approach, and requested that it be informed of any changes made to the statement of accounts under this delegation. Additionally, the

Committee requested that Grant Thornton circulate a final Audit Findings Report once all the audit work had been completed.

In view of the ongoing audit work in relation to property valuations, the Committee RESOLVED that delegated authority be given to the Strategic Director (s151 Officer) in consultation with the Chairman of the Audit Committee to consider any changes to the External Audit Findings Report and, if satisfied with the report to make any necessary amendments to the accounts and/or Letter of Representation, and subject to this:

1. Approved the Statement of Accounts for the financial year ended 31 March 2019;
2. Approved the Letter of Representation for 2018/2019; and
3. Confirmed that the accounts had been prepared on a going concern basis.

AUD 12/19 RISK MANAGEMENT (Agenda item 12.)

Peter Vickers informed the Committee that he intended to bring an item on risk management to the next meeting. He proposed arranging an informal seminar to in advance of this to enable the Committee to familiarise itself in more detail with the Council's risk management framework.

The Committee agreed with this approach and welcomed an informal seminar being arranged.

AUD 13/19 AUDIT COMMITTEE RECURRENT WORK PROGRAMME (Agenda item 13.)

The Committee reviewed its recurrent annual work programme and noted that additional items could be scheduled if required.

The meeting commenced at 7.00 pm and concluded at 8.02 pm

Chairman