

WAVERLEY BOROUGH COUNCIL

MINUTES OF THE AUDIT COMMITTEE - 24 SEPTEMBER 2019

SUBMITTED TO THE COUNCIL MEETING - 22 OCTOBER 2019

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

Present

Cllr Peter Marriott (Chairman)	Cllr Jan Floyd-Douglass
Cllr Jerome Davidson (Vice Chairman)	Cllr Richard Seaborne
Cllr Richard Cole	Cllr George Wilson
Cllr Simon Dear	

Apologies

Cllr Michaela Gray

AUD 14/19 MINUTES (Agenda item 1.)

The minutes of the meeting held on 22 July 2019 were confirmed as a correct record and signed.

AUD 15/19 APOLOGIES FOR ABSENCE (Agenda item 2.)

Apologies for absence were received from Cllr Michaela Gray.

AUD 16/19 DISCLOSURE OF INTERESTS (Agenda item 3.)

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

AUD 17/19 QUESTIONS BY MEMBERS OF THE PUBLIC (Agenda item 4.)

There were none.

AUD 18/19 QUESTIONS FROM MEMBERS (Agenda item 5.)

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 19/19 ANNUAL AUDIT LETTER (Agenda item 6.)

Jon Roberts from Grant Thornton presented the Annual Audit Letter to the Committee. This report, which followed on from the External Audit Findings report

received at the last meeting, provided a more accessible summary of the audit work carried out in 2018/19. Jon reported that it had been a very successful audit, with an unqualified opinion being issued. He added that it was very positive that the target date of 31 July had been achieved, as this had been challenging for the whole sector this year.

A small number of issues had arisen during the course of the audit, and these had been efficiently resolved thanks to the good working relationship between the external auditors and Waverley's accountants. The first issue related to the McCloud judgement, which had implications for the entire local government pension scheme and required an amendment to the council's accounts. The other two issues were technical matters relating to the valuation of Plant, Property and Equipment.

In relation to the fees, Jon explained that within the audit world there had been an increased focus on certain areas, and this had resulted in the fee being higher than initially anticipated, but still lower than the previous year. The PSAA, who appointed the council's auditors would review the fees to determine whether this change was reasonable. Graeme Clark, Strategic Director, informed the Committee that he had written to the PSAA to ask for confirmation that they were aware of the situation, and to express disappointment that they had not highlighted the emerging issues in the audit world sooner. A number of other councils would be in a similar position so it was likely that they would also raise these issues and it would be interesting to hear the response from the PSAA.

Cllr Floyd-Douglass sought some additional information in relation to the pensions issue, and the longer term impacts of the judgement. Graeme responded that Waverley, as a member of the Surrey pension fund, had asked the actuary to re-issue a set of assumptions based on the outcome of the court ruling. The timing for this had been unfortunate, but the issue was now resolved and should not reoccur.

In response to further questions from the Committee, Jon confirmed that this audit team would remain with the council for the coming year, so it would be far less rushed next time. He also advised that in terms of comparison with other councils, Waverley's performance was towards the top end of the scale.

With reference to the External Audit Findings report considered at the last meeting, the Chairman noted that a further draft of this report had been issued on 31 July, after the meeting, and had been signed off under delegation. He queried whether this had been formally recorded. Graeme assured the Committee that this had been correctly recorded, and that the latest version of the report had been published on the website.

Overall, the Committee was very pleased with the work of both the council's finance team and the external auditors, particularly given the short time frame.

The Committee therefore RESOLVED to note the Annual Audit Letter.

AUD 20/19 AUDIT COMMITTEE ANNUAL ACTIVITY REPORT (Agenda item 7.)

The Committee received the report which summarised the work of the Committee in 2018/19. Members noted that over the course last year, the Committee had considered some items where work was ongoing, or where the Committee had recommended further action. It was felt that in order to provide closure on these matters, the report should include some conclusions on these outstanding items.

The Chairman noted that last year, the Committee had reviewed the Council's Tax Strategy, which was an annual document, and therefore requested that this be added to the Committee's work programme for the current year.

The Committee RESOLVED to note the work carried out by the Audit Committee in 2018/19.

AUD 21/19 INTERNAL AUDIT CHARTER (Agenda item 8.)

Gail Beaton, Internal Audit Manager, presented the Internal Audit Charter to the Committee. She explained that the purpose of the charter was to define the purpose, authority and responsibilities of the internal audit service. Only minor changes had been made to the since the last version had been published, and these were highlighted in the document.

The Committee had concerns about the content of one section, relating to the Chief Executive reviewing and countersigning the performance reviews of the Internal Audit Manager, which Members felt did not secure the independence of the internal audit service. It was suggested that it might be more appropriate for the Head of Policy and Governance to fulfil this role instead. Officers agreed to review the wording of this section to make it clearer.

The Committee therefore RESOLVED to approve the Internal Audit Charter subject to a delegation to the Section 151 Officer, in consultation with the Chairman of the Audit Committee, to finalise the wording of the final paragraph under heading 9. Independence and Objectivity.

AUD 22/19 PROGRESS ON THE INTERNAL AUDIT PLAN FOR 2019/20 (Agenda item 9.)

Gail Beaton presented the report setting out the current status of the reviews contained within the 2019/20 Internal Audit Plan. She explained that the reviews in relation to CIL, Property Investment and Management of Major Projects had all been carried forward from the 2018/19 Audit Plan, which had otherwise been fully completed.

Four reviews had been completed so far in 2019/20, with one, relating to asbestos, only providing limited assurance. The report included more detail about the management response to these recommendations.

The contractor was performing well, however a member of staff from the internal team had recently left the council so there was a shortfall in resource. Gail advised that she would be advertising shortly to fill this post. Members queried whether all the planned reviews could still be completed given the resource shortage. Gail responded that the plan was to fill the post as soon as possible, but otherwise it

would be possible to buy more hours from the contractor in order to fill the gap. The Committee heard that there was no statutory minimum level of internal audit service, but it felt that this was very important work, and agreed to monitor the situation closely.

Cllr Seaborne also noted that while the new format of the report included helpful milestones, it omitted other details that had been included in previous reports. The Committee agreed that future reports should also include details of which quarter each review was scheduled for, the number of days required as well as a priority RAG rating.

Subject to the comments above, the Committee RESOLVED to note the contents of the Internal Audit progress report.

AUD 23/19 PROGRESS ON IMPLEMENTATION OF INTERNAL AUDIT RECOMMENDATIONS (Agenda item 10.)

The Committee received the report setting out details of internal audit recommendations that were overdue or likely to be implemented later than the target date. The report also included requests from two Heads of Service for extensions to due dates.

Several of the requests for extensions to implementation dates related to staff flexi time procedures. The Committee heard that the delay in implementing this action was due to a requirement to review the policy alongside the implementation of the audit recommendations. Members felt that the operation of flexi time should be a straightforward management process, and were concerned by the delay. The Committee agreed to approve the requested time extension on these recommendations, but asked that in the event they had not been implemented by the date of the Committee's next meeting, the Head of Service be asked to attend to provide further assurance on the matter. Members were also keen to better understand the operation of flexi time procedures, and Graeme Clark agreed to circulate the Flexi Time Policy to the Committee for information.

In relation to the recommendation regarding WTS subcontractors, the Committee was satisfied with the justification set out in the report, but was keen to have some assurance that the same issue would not occur in future years. The Committee therefore requested an email update from the Head of Service on this matter.

Subject to the comments above, the Committee RESOLVED to approve the requests for extensions to implementation dates as set out in Annexe 2 to the report.

AUD 24/19 FRAUD INVESTIGATION SUMMARY (Agenda item 11.)

Gail Beaton presented the report setting out the progress made over the last quarter in investigating fraud, primarily focusing on housing tenancy fraud. The report also included the figures from previous years for comparison.

Additionally, a data matching exercise had been carried out through the National Fraud Initiative (NFI). This had helped to ensure that the council had the most up to date information, and therefore could remove people from the housing register who were no longer eligible.

The Committee was very pleased with the success of the anti-fraud work, which meant that more properties were available for residents who were in genuine need of a home. Additionally, the notional financial returns more than justified the dedicated post, which also had added benefits as a deterrent value.

Cllr Cole queried whether any of the investigations resulted in prosecutions. Gail explained that in some cases, the council did pursue civil prosecutions in the Magistrates Court; this year four cases had been taken to court so far. The Committee acknowledged that there needed to be balance between weighing the costs of court proceedings against the value of getting the properties back, although did feel that this was also a matter of principle.

The Committee noted that the high financial value for Quarter 1 was predominantly due to the NFI exercise. Additionally, the Cabinet Office had made some changes to the financial values, so it was difficult to provide an accurate comparison with previous years.

Members recalled that debt recovery had been an issue in the past, and asked how this was currently performing. Graeme responded that the council had strengthened its position following the adoption of a new Debt Policy, and he agreed to ask Peter Vickers, Head of Finance, to provide an update to the Committee on this.

The Committee RESOLVED to note the success of the fraud investigation activity.

AUD 25/19 RISK MANAGEMENT (Agenda item 12.)

Graeme Clark, Strategic Director, advised the Committee that the Corporate Risk Registers were being reviewed in light of the new Corporate Strategy and a report on this would be brought to the Committee's November meeting. In the meantime, risk appetite workshops had been arranged for all councillors, and a further session would be arranged for Audit Committee Members to go through the risk registers in more detail.

AUD 26/19 ANNUAL GOVERNANCE STATEMENT - CONSIDERATION OF POTENTIAL GOVERNANCE ISSUES (Agenda item 13.)

Graeme Clark advised the Committee that this was their opportunity to raise any potential governance issues that may need to be addressed in the Annual Governance Statement for 2019/20. A document setting out the classification for significant issues was provided to help the Committee determine whether something was or was not a governance issue.

The Committee discussed whether the overspend on the Memorial Hall project was a governance issue. Officers clarified that spend against budget was an Executive/O&S function, however the management of projects could be considered a governance issue. Members emphasised the importance of having good control of contractors, with a proper project management regime in place. Graeme

highlighted there was already an item on the audit plan in relation to review management control of projects and lessons learned from key projects such as Brightwells and the Memorial Hall. The Committee therefore requested that this review be prioritised so that it could determine whether any further work was required from a governance perspective.

Cllr Seaborne also noted that Air Quality had been an issue raised in previous Annual Governance Statements, and this matter was now reaching its conclusion. He expected that there would be some further lessons to be learnt in due course.

AUD 27/19 AUDIT COMMITTEE RECURRENT ANNUAL WORK PROGRAMME (Agenda item 14.)

The Committee noted its recurrent annual work programme, with the addition of the Tax Strategy to be reviewed at the next meeting.

The meeting commenced at 7.00 pm and concluded at 8.44 pm

Chairman