

WAVERLEY BOROUGH COUNCIL

MINUTES OF THE AUDIT COMMITTEE - 26 NOVEMBER 2019

SUBMITTED TO THE COUNCIL MEETING – 10 DECEMBER 2019

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

**Present**

Cllr Peter Marriott (Chairman)	Cllr Michaela Gray
Cllr Jerome Davidson (Vice Chairman)	Cllr Richard Seaborne
Cllr Richard Cole	Cllr George Wilson
Cllr Simon Dear	

**Apologies**

Cllr Jan Floyd-Douglass

AUD 28/19 MINUTES (Agenda item 1.)

The minutes which took place on 24 September 2019 were confirmed and signed.

AUD 28/19 MINUTES (Agenda item 1.)

The Minutes of the meeting held on 24 September 2019 were confirmed and signed.

AUD 29/19 APOLOGIES FOR ABSENCE (Agenda item 2.)

There were no apologies for absence.

AUD 30/19 DISCLOSURE OF INTERESTS (Agenda item 3.)

There were no disclosures of interest.

AUD 31/19 QUESTIONS BY MEMBERS OF THE PUBLIC (Agenda item 4.)

There were none.

AUD 32/19 QUESTIONS FROM MEMBERS (Agenda item 5.)

There were none.

**PART I - RECOMMENDATIONS TO THE COUNCIL**

Background Papers

Unless specified under an individual item, there are no background papers (as defined by Section 100D(5) of the Local Government Act 1972) relating to the reports in Part I of these minutes.

AUD 33/19 FINANCIAL REGULATIONS UPDATE (Agenda item 7.)

Peter Vickers, the Head of Finance and Property, advised the Committee that the Audit Committee was required to maintain an overview of the Council's Constitution in respect of financial regulations. Members noted that the regulations were last updated in September 2018 and in line with the commitment of continual review within the Annual Governance Statement the Financial Regulations had been reviewed and three changes were proposed, in relation to:

- Carry forwards of budget
- Approval of fees and charges
- Definition of key financial system

It was proposed that the Section 151 Officer, rather than the Executive, would approve all budget carry forwards, and these would then be reported to the Executive as part of the end of year out-turn reporting. The Committee noted that monitoring of the capital programme had improved following the work of the Value for Money O&S Committee, and capital budgets were rescheduled as necessary in-year. The budget carry-forwards requiring approval were revenue budgets of relatively low value. Members were satisfied with this amendment.

It was proposed that the Section 151 Officer be able to approve changes to fees and charges, including car park fees, to speed up the process and give more flexibility to change charges during the year to respond to market demand. Officers assured the Committee that changes to fees would be considered in consultation with the relevant Portfolio Holder, and it was recognised that there was a political element to certain fees and charges. The Committee felt that the case for flexibility was stronger for services where the council was in competition with other providers; also, that Licensing fees and charges should remain within the remit of the Licensing Committee. It was agreed that the approval of the S151 Officer to amend fees and charges should be in consultation with the relevant Portfolio Holder.

The Committee was content with the addition of a definition of Financial Systems to the Financial Regulations.

The Committee RESOLVED to RECOMMEND the update to the Financial Regulations to Council, as amended in relation to the S151 Officer's approval of fees and charges; and any consequential changes to the scheme of delegation to the Council for adoption

## **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 34/19 CONTRACT PROCUREMENT RULES UPDATE (Agenda item 6.)

Patrick Tuite, the Council's Procurement Officer, advised the Committee that the Contract Procedure Rules (CPR) were maintained and updated as and when

required to adopt legislative changes, reflect best practice in the industry and support the Council's corporate objectives.

The current CPRs had last been updated and approved by full Council in October 2018. Whilst they were still for purpose, there were a small number of amendments required to reflect new/current legislation as well as the Council's newly adopted Corporate Strategy.

The Committee considered proposed amendments in relation to:

#### 1. Modern Slavery

The Modern Slavery Act 2015 was put in place to tackle modern slavery and Government was putting more obligations on local authorities. Whilst the council was not an in-scope organisation for the purpose of the act, it was felt important to reflect the spirit of the Act, and the CPRs should ensure that proportionate due diligence was undertaken to certify that council-appointed contractors did not participate in modern slavery, either directly or within their supply chains.

The Committee asked how officers could make a judgement on contractors and sub-contractors claims, and the cost to the council of trying to comply with the Act. Officers explained that the obligations on contractors were similar to those in relation to their health and safety, or equality and diversity, policies. Companies hoping to contract with the council would have to demonstrate how they complied with their requirements under the Modern Slavery Act, along with other types of compliance.

#### 2. Tax implications

A new section on tax implications was intended to raise awareness of specific circumstances where officers needed to be alert to tax implications of procuring services: the Construction Industry Scheme (CIS); IR35, relating to off-payroll working; and reverse charge of VAT.

#### 3. Accessibility standards

To comply with new regulations for accessibility of public sector bodies' websites, any procurement resulting in a public-facing website must comply with the Equality Act 2010 and the new Regulations.

#### 4. Carbon neutral

In relation to the section on being carbon neutral this would mean that for every procurement within the scope of the CPRs, the environmental impact must be considered as well as steps taken to minimise or offset the carbon impact where applicable. The Committee was pleased to see this addition being introduced and felt that it was an important way to drive improvements in the supply chain and demonstrate leadership. The Committee had some reservations about 'off-setting' and felt that this needed to be clarified, and the emphasis put on carbon reduction in the first place.

**The Committee agreed that the newly established Climate Change Advisory Group should be asked to consider the procurement requirements in relation to the carbon neutral target, in particular defining 'off setting'.**

5. Obtaining quotes

It was proposed to amend the current requirement of *seeking* quotes to a requirement that officers should have to *obtain* three quotes, with the intention that this would strengthen the procurement process. The Committee questioned whether this was always practicable, and suggested that CPR 19.7 should have an appropriate qualification, similar to CPR 19.6 and CPR 19.8.

**It was agreed that CPR 19.7 for purchases between £25,000 and £99,999 there should be a requirement to get sign-off from the Section 151 Officer if three quotes could not be obtained.**

6. Disposal of Council assets

In relation to paragraph 26.7 of the agenda report "*Any items that remain for disposal shall be sold at the highest price possible...*". A question was asked about whether this included land and buildings. Graeme Clark advised that there was separate legislation on disposal of council land and buildings which required best consideration to be achieved

The Chairman asked that in the CPRs themselves, CPR 14.2 should be more explicit about carrying out background checks relating to directors with previously dissolved companies.

It was agreed that Patrick would make the changes to the proposed amendments and circulate to the Chairman before these were submitted to Council for approval.

The Committee RESOLVED that, subject to the Chairman's sign-off of the further revisions agreed by the Committee, the revised CPRs be submitted to Council for approval.

*Secretary's note: the revised CPRs following the amendments will be submitted to the next available Council meeting for approval.*

AUD 35/19 TAX STRATEGY UPDATE (Agenda item 8.)

The Committee was advised that the Council was required to have in place a Tax Strategy to fulfil its responsibilities under the Legislation in Criminal Finances Act 2017, and to undertake to respond appropriately to the Corporate Criminal Offence guidance from HMRC issued in September 2017.

The Council's Tax Strategy had been adopted in September 2018. The Committee noted that the legislation was aimed more at the wider corporate world, and the

Council did not have any complex tax structures. It was therefore proposed that the Strategy be reviewed every two years, or sooner if there was a material change that impacted on it.

The Committee RESOLVED to RECOMMEND the Tax Strategy 2020/22 to the Executive for approval.

AUD 36/19 ANNUAL GOVERNANCE STATEMENT - CONSIDERATION OF POTENTIAL GOVERNANCE ISSUES (Agenda item 9.)

Graeme Clark, the Strategic Director, 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 had nothing to raise at this time.

AUD 37/19 DEBT RECOVERY UPDATE (Agenda item 10.)

Peter Vickers gave a verbal update to the Committee on debt recovery. In February 2019 the council had implemented a new Income Debt Management Policy which provided an over-arching framework for managing all the council's income streams. It was a significant update of the previous policy, driven by the need to reflect the capability of current systems and the principle of charging for services at the point of service whenever possible.

The Committee noted that there were 3 key areas of work:

1. Updates to IT systems including Agresso, and Adelante the cash-handling system. Adelante had new functionality to allow recurring payments which allowed the process to be more efficient.
2. The Finance Team was liaising with all services to discuss the handling of debt and establish procedures appropriate to the service and their customers.
3. The Exchequer team was being reconfigured to make sure they had the right capacity to handle debt management, with increased resources in the debt recovery team to avoid reaching the point of having to use bailiffs and going to court. Recovery of Housing Benefit over-payments was a key focus. Officers were in contact with Reigate and Banstead Borough Council to benefit from their practices.

The Committee was pleased to hear about the work being done to manage income due to the Council, and that Internal Audit had reviewed the new systems.

AUD 38/19 PROGRESS ON THE INTERNAL AUDIT PLAN FOR 2019/20 (Agenda item 11.)

Gail Beaton, the Internal Audit Manager, provided an update on the current position of the internal audit reviews planned for 2019-20.

The Committee was disappointed to see there was still a vacancy on the internal audit team, and asked how this impacted on the programme of work for the year. Gail advised that in prior years it had only been herself and the contractors so they

had been in this position before. There was a shortfall of only 12 days and she was confident that they were still able to meet the Council's need and provide assurance to management. If she was not here for any reason, there was a business continuity plan in place where the external contractors could step in where necessary.

In relation to the audit on asbestos, a question was asked about the monitoring of recommendations arising from the report. Gail advised that there was monitoring by the Head of Service and she also followed up.

The Committee RESOLVED to note the contents of the Internal Audit progress report to the beginning of November 2019.

AUD 39/19 PROGRESS ON THE IMPLEMENTATION OF INTERNAL AUDIT RECOMMENDATIONS (Agenda item 12.)

The Committee received a report on Senior Management's progress in implementing the recommendations raised by Internal Audit following a review in their service areas. There was one overdue recommendation in relation to the review of the Financial Regulations, and this would be resolved once the updated Financial Regulations were approved by Council.

The Committee RESOLVED that to note the progress of the implementation of internal audit recommendations. .

AUD 40/19 FRAUD INVESTIGATION SUMMARY (Agenda item 13.)

The Committee received a report providing an update on the work being completed in investigating fraud, primarily focusing on Housing Tenancy Fraud. It was noted that the update also included the National Fraud Initiative (NFI) outputs which assisted in identifying any instances where applicants remained on the Councils records as requiring housing but had been adequately housed by other housing providers or died so could be removed from the waiting list. As requested by the Committee, the previous year outcomes had been included.

The Committee noted that an increased awareness by Housing staff had enabled cases to be dealt with more confidently and efficiently. This had lead to a reduction in cases being referred to the Fraud Investigation Officer, and supported the work to embed new ideas and processes to safeguard the Councils assets, and to improve the processes and controls in place to minimise the opportunity for fraudulent practices to be successful.

Members were advised that the notional value of financial savings detailed in the report up to 30 September 2019, was £504,736, of which £258,530 related to National Fraud Initiative, £55,992 to a Disabled Facilities Grant; and the balance of £190,214 was based on Cabinet Office figures related directly to housing fraud. However, these indicative values did not include the real value to Waverley Borough Council, as it cost on average £200,000 to build a new house. These outcomes highlighted the financial value of continuing to support the work being carried out, and also the ethical and social importance of securing the return of

properties back into housing stock which helped Waverley to meet the needs of legitimate housing applicants.

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

AUD 41/19 AUDIT COMMITTEE RECURRENT ANNUAL WORK PROGRAMME (Agenda item 14.)

The Committee noted the recurrent work programme.

AUD 42/19 ANY OTHER BUSINESS (Agenda item )

The Chairman, Cllr Peter Marriott, advised that he and Cllr Davidson had recently attended the 4<sup>th</sup> Quality Audit Forum and found it very useful with good presentations and speakers. Cllr Marriott suggested that it would be valuable to have the key note speakers present to the Audit Committee, and officers agreed to try and enable this. It was agreed that the Value for Money O&S Committees should be invited to any presentation or briefing arranged.

The main issue discussed was local authorities struggling to meet the July deadline for approval of the annual account, due to council and audit resource pressures. The Chairman commended the council's team and Grant Thornton for enabling Waverley to meet the deadline.

They had also been advised of a new Local Audit Code currently out for consultation which would be implemented in 2020 subject to government approval. It was felt that this would increase the workload on external audit with increased emphasis on value for money.

**The meeting commenced at 7.01 pm and concluded at 9.00 pm**

**Chairman**

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