

WAVERLEY BOROUGH COUNCIL

MINUTES OF THE AUDIT COMMITTEE - 20 JULY 2020

SUBMITTED TO THE COUNCIL MEETING – 11 AUGUST 2020

(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

Also Present

Councillor Jerry Hyman

AUD 1/20 MINUTES (Agenda item 1.)

The minutes of the previous meeting were noted.

The Chairman advised there were two outstanding actions and two implied actions set out in the notes:

- AUD43/19 Car Parking Charges – Graeme Clark advised that the item had been transcribed prior to the Council meeting as requested.
- AUD48/19 - Air Quality data capture and lessons learned - Internal Audit reviews relating to sole staff dealing with a function and the collation and reporting of data to third parties would be added to the revised Audit Plan in September.
- Detailed discussion on the Property Investment Strategy – This would be held offline and reported back to the Committee.
- Costed Internal Audit Plan – to be circulated to Members.

AUD 2/20 APOLOGIES FOR ABSENCE (Agenda item 2.)

Apologies were received from Cllr Michaela Gray.

AUD 3/20 DISCLOSURE OF INTERESTS (Agenda item 3.)

There were no interests declared in relation to matters on the agenda.

AUD 4/20 QUESTIONS BY MEMBERS OF THE PUBLIC (Agenda item 4.)

There were none.

AUD 5/20 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 6/20 UPDATED EXTERNAL AUDIT SCOPE 2019/20 (Agenda item 6.)

Jon Roberts, Grant Thornton, outlined the report set out in the agenda focussing on the impact of the COVID-19 pandemic on the external audit plan. From a logistical perspective, he expected that it would be possible to carry out the audit remotely, and the firm was building up expertise in operating in this way. The Secretary of State had extended the audit timeline, to 30 November, and whilst it was not expected that the audit would take that long it was reassuring that time was being allowed to maintain the quality of the audit process.

With regard to the audit, the Letter set out the current view on the main technical areas affected by COVID as applied to the statement of accounts, with particular reference to valuations of property, plant, equipment and investments, and disclosures around going concern. Whilst the audit of the 2019/20 year was a backwards look, from a going concern perspective, the audit would be looking for evidence to support the council's going concern disclosures for the 12 months following the date of the audit opinion; so up to 30 September 2021. The value for money element of the audit would not be materially impacted by the COVID situation, as the focus was on the period to 31 March 2020. Obviously, it would feature in the audit for 2020/21.

In concluding his remarks, Mr Roberts confirmed that a planning meeting had been held with Waverley officers and there was a shared understanding of the issues and how the audit team and Waverley officers would be working together to complete the audit. The target completion date was 30 September, which would allow some contingency time before the deadline of 30 November.

In response to questions from the Committee, Mr Roberts advised:

- The risk to reserves in the event of further COVID expenses or income loss would be addressed as part of the 'going concern' considerations, as it was looking forward over the next 12 months.
- Similarly, Waverley's revised budget for 2020/21 would be looked at in the context of financial sustainability.
- The risks around the proposals for local government reorganisation and unitary authorities would be a matter for next year's audit.

- Valuations would be carried out in line with statutory guidance and codes of practice, and the Council engaged experts to perform professional valuations. These would be tested and challenged by Grant Thornton to ensure that they were robust and appropriate as the impacts of COVID emerge over the next few months.

In conclusion, the Committee discussed the impact of COVID on future ways of the external audit team carrying out their work. The Committee noted that Waverley had published the draft accounts for 2019/20 last week and they had been handed over to the External Auditors.

AUD 7/20 AUDIT COMMITTEE MEMBERS BRIEFING - RISK REGISTER (Agenda item 7.)

The Committee thanked Officers for the briefing on Risk Management last week, and agreed that there should be a follow-up session to review the Strategic Risk Register and look at mitigations in place.

Action: Session on Strategic Risk Register be booked for Mid to End August.

The Committee commented that it had been agreed at the briefing that the committee would break down the categorisation of risks to drill down in more detail and that they would like to looking at what mitigation means.

AUD 8/20 REVIEW OF PROGRESS IN THE IMPLEMENTATION OF INTERNAL AUDIT RECOMMENDATIONS (Agenda item 8.)

Gail Beaton explained that the report outlined those recommendations not implemented by the agreed target date. There were only three, and the Head of Service involved had assured would be completed by the end of the month. Therefore it would not be necessary to extend the deadline for completion.

The Committee felt that regarding IA20/08.002, planning enforcement was not always as vigorous as Members would like, and suggested that the Environment O&S Committee might want to follow-up on the policy element of the work. Officers advised that a review of the Local Planning Enforcement Plan was underway and this would be considered by the O&S committee in due course, which would give Members an opportunity to understand the role and scope of the Planning Enforcement Team.

The Committee **considered** the information in Annexe 1 and felt no actions were necessary.

AUD 9/20 PROGRESS ON THE INTERNAL AUDIT PLAN 2019/20 AND 2020/21 (Agenda item 9.)

Gail Beaton introduced the reports set out in the agenda. The Committee were advised that the first report set out the closure of the plan for 2019/20 and the positive customer feedback received. All reviews have been completed.

The Committee discussed how lessons learned from Internal Audit reviews were shared and cascaded to officers, and whether internal audit reports were available to Members. The Committee noted that lessons learned were shared through

training events, and updating practical guidance available to support officers. There had been training on project management on a standard project management methodology; and the Procurement Officer kept guidance updated on procurement procedures.

Internal Audit Reports were not automatically circulated to Members, but could be made available on request.

Cllr Jerry Hyman had registered to speak on this item and advised that he had asked the same question regarding the Review on the Management of Major Projects relating to the lessons learned from Brightwells and Memorial Hall projects and would like to see a copy of this report. He also felt these should also go to scrutiny and be publically available even if areas have to be redacted for the areas stated above.

With regard to the 2020/21 Audit Plan, a lot of the actions were in progress and dealing with completing the work through remote working. It was hoped that there would not need to be significant rescheduling of the Plan due to the COVID impact. The outcomes from the March meeting re sole responsible staff for a function and data government returns would be included in the plan for the September meeting.

The Committee asked why there was a question mark in the column for Post Payment Business Grant Compliance. Gail Beaton advised that the internal audit review could not begin until Government had provided the guidance on what they were looking for in post-payment assurance. Graeme Clark advised that the Council had paid out over £22m of grants, but he was satisfied with the level of controls that had been put in place at very short notice by the Finance Team.

The Audit Committee **NOTED** the contents of the:
Internal Audit Plan 2019-20 progress report as attached in Annexe 1; and
Internal Audit Plan 2020-21 progress report as attached in Annexe 2.

AUD 10/20 INTERNAL AUDIT CHARTER (Agenda item 10.)

Gail Beaton outlined the report set out in the agenda. The Committee were advised that the Charter had been approved last year and there had been some minor changes made which were outlined.

Cllr Floyd-Douglas asked for the word 'timely' to be added to the definition of Internal Audit (point 2.1). Gail Beaton advised that this definition belonged to the Public Sector Internal Auditing Standards it was not a locally set definition. However she could insert "timely" into Para 3 re Purpose of Internal Audit, last sentence re "appraise and report in a timely manner upon the adequacy of internal controls.....".

The Audit Committee **APPROVED** the Internal Audit Charter as attached in Annexe 1 subject to the amendment set out above.

AUD 11/20 ANNUAL INTERNAL AUDIT REPORT 2019/20 (Agenda item 11.)

Gail Beaton outlined the report set out in the agenda. She advised that the report set out the work completed in 2019/20. It was noted that there was a balanced coverage of work in all areas of the business. Assurances showed that most were adequate.

It was noted that in section 10 of the report a couple of metrics had not been included that had been there in previous years.. It was felt these were useful metrics that should be included. Gail Beaton explained these had been removed to make the report standard with other authorities covered by the contractor but could be reinstated and marked as local measures.

Councillor Jerry Hyman had registered to speak on this item.

He noted that *'the review relating to Ethics and Culture has been deferred to 2020-21 as the Governance review being completed by Members has not been finalised and it was deemed more effective to await the outcomes before any value can be obtained from an Internal Audit review of the governance arrangements around ethics.'* He therefore asked when the Governance review would be completed.

Cllr Hyman had also asked what systems and processes existed to enable residents, Members and the independent internal audit function to hold the Council Leadership, Monitoring and Legal functions to account in respect of legal compliance and fraud prevention, without having to resort to High Court action.

In response, Mrs Beaton directed Cllr Hyman to the corporate complaints process, or the option of contacting the Monitoring Officer, Standards Committee or External Auditors directly with evidence to support any allegations being made. Internal Audit would raise any concerns relating to the legal compliance and fraud prevention through the Council's Management Board, and with the External Audit function if this was necessary.

The Audit Committee **NOTED** the annual internal audit report and audit opinion for 2019/20.

AUD 12/20 FRAUD INVESTIGATION SUMMARY (Agenda item 12.)

Gail Beaton outlined the reports set out in the agenda. Annexe 1 related to 2019-20 and Annexe 2 related to Q1 of 2020/21.

In response to questions from the Committee, Mrs Beaton advised:

- In the case of council housing fraud, court action was a last resort to secure the return of a property but other solutions would be explored to avoid that.
- More resources were provided to support housing fraud investigation in 2016, which resulted in some historic cases being identified.
- It was not usual to get costs back as many tenants were on housing benefit or low income but if it could be proved that they had financially benefited then the council could apply to the court for the Proceeds of Crime.

The Audit Committee **NOTED** the results of the fraud investigation activity, attached in:

Annexe 1 for the full year (01 April 2019 to 31 March 2020).
Annexe 2 for the 1st quarter (01 April 2020 to 30 June 2020).

AUD 13/20 AUDIT COMMITTEE RECURRENT ANNUAL WORK PROGRAMME (Agenda item 13.)

The Committee noted that the work programme was a recurrent schedule but due to the pandemic and revision of target dates for audit reports that some items had been deferred from July to the September meeting.

The Annual Governance Report would now be presented to the September meeting alongside the accounts.

The Committee **NOTED** the annual work programme and the amendments due to the delay in reporting this year.

The meeting commenced at 6.00 pm and concluded at 7.39 pm

Chairman