

WAVERLEY BOROUGH COUNCIL

MINUTES OF THE AUDIT COMMITTEE - 14 SEPTEMBER 2020

SUBMITTED TO THE COUNCIL MEETING – 20 OCTOBER

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

Present

Cllr Peter Marriott (Chairman)	Cllr John Gray
Cllr Jerome Davidson (Vice Chairman)	Cllr Richard Seaborne
Cllr Richard Cole	Cllr George Wilson

Apologies

Cllr Jan Floyd-Douglass and Cllr Michaela Gray

Also Present

Councillor Michael Goodridge MBE and Councillor Jerry Hyman

AUD 14/20 MINUTES (Agenda item 1.)

The Minutes of the meeting held on 20 July 2020 were confirmed as a correct record of the meeting.

AUD 15/20 APOLOGIES FOR ABSENCE (Agenda item 2.)

Apologies had been received from Cllrs Jan Floyd-Douglass and Michaela Gray.

AUD 16/20 DISCLOSURE OF INTERESTS (Agenda item 3.)

There were no disclosures in relation to matters on the agenda.

AUD 17/20 QUESTIONS BY MEMBERS OF THE PUBLIC (Agenda item 4.)

There were none.

AUD 18/20 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 specified in the reports included in the original agenda papers.

AUD 19/20 AUDIT ACTION LOG (Agenda item 6.)

- 19.1 The Committee noted the completed actions in relation to the circulation of the costed Internal Audit Plan, and the briefing on the Strategic Risk Register which had been held on 17 August.
- 19.2 A review of the governance aspects of the Property Investment Strategy was still outstanding. The Committee noted that the Property Investment Strategy was being revised to reflect the challenging market conditions and the council's financial situation, and agreed to pick up this action as part of the next informal session on risk matters.
- 19.3 The Committee asked that other outstanding items be added to the Action Log: sharing findings of the AQ investigation with Managers; review of Terms of Reference; and report back on the Internal Audit review of posts with sole responsibility for data collection and reporting to third parties.

AUD 20/20 AUDIT COMMITTEE ANNUAL ACTIVITY REPORT 2019/20 (Agenda item 7.)

- 20.1 The Committee noted the Annual Activity Report for 2019/20, which was a factual summary of the matters the Committee had looked at over the past year and the key actions or recommendations arising therefrom.
- 20.2 The Chairman highlighted the reference to the Application of the Habitats Regulations needing to be addressed in the 2019/20 Annual Governance Statement, and he felt that there were some outstanding issues that should be covered at the appropriate point of the agenda.
- 20.3 There were no other comments of the Annual Activity Report for 2019/20, which was agreed.

AUD 21/20 REVIEW OF THE AUDIT COMMITTEE TERMS OF REFERENCE (Agenda item 8.)

- 21.1 The Democratic Services Manager, Fiona Cameron, introduced the report that referred to previous discussions the Audit Committee had had regarding its Terms of Reference, and perceived areas of overlap with the role of the Value for Money Overview & Scrutiny Committee. The report referred to the 2018 CIPFA Guidance for Local Authority Audit Committees, and compared the Audit Committee's current Terms of Reference with the Model Terms of Reference proposed by CIPFA.
- 21.2 The Model Terms of Reference put greater focus on the role of an audit committee in relation to the External Audit function than did Waverley's currently. The Model also suggested that the Audit Committee membership should be independent of Executive and Scrutiny members; and, should include an Independent Member. The Audit Committee membership was closely connected with various of Waverley's Overview & Scrutiny Committees, so a recommendation to follow the CIPFA best practice would have a knock-on effect.

- 21.3 In addition to considering the Committee Terms of Reference and membership, the Committee were invited to considering undertaking a self-evaluation of their effectiveness as a Audit Committee, using the CIPFA evaluation framework, to inform future development needs of the Committee.
- 21.4 Jon Roberts, Key Audit Partner, Grant Thornton, advised the Committee that the recently published Redmond Review report dealt with Audit Committees and recommended all Audit Committees should have an Independent Member; he also talked about training arrangements, so the self-evaluation would help to tailor training plans properly. Mr Roberts also noted that there was a gap between the current Terms of Reference and CIPFA recommendations in relation to external audit, and an in-depth review would be beneficial. Whilst there would be a delay before any consequential legislation, it was important that the Committee reflected on the outcomes of the Redmond Report without delay.
- 21.5 Cllr John Gray referred to the discussions he had initiated as the previous Audit Committee Chairman on the lack of clarity between the roles of the Audit Committee and the Value for Money Overview & Scrutiny Committee, and welcomed the opportunity to continue these in an off-line session to take the matter forward. Cllr Gray was unsure of the role of the Governance Review Working Group in the process of reviewing the Audit Committee Terms of Reference.
- 21.6 Cllr Michael Goodridge echoed concerns about the role of the Governance Review Working Group; and, as Vice-Chairman of the Standards Committee, highlighted his own concerns about the possible conflict between the roles of the Audit Committee and Standards Committee. He suggested that if the Audit Committee was going to meet informally to consider its terms of reference, it would be helpful to include the chairmen and vice-chairmen of the Standards Committee in that discussion.
- 21.7 The Committee agreed to note the report, and asked that an informal meeting of the committee be arranged, including the chairmen and vice-chairmen of the Audit Committee, and possibly Value for Money O&S, to discuss the CIPFA Guidance on Terms of Reference and the Redmond Review report.

Actions:

- **Circulate the [Redmond Review report](#) to Audit Committee members.**
- **Informal meeting to be arranged for AC members, plus chair/vice-chair of Standards & VFM O&S to discuss committee ToR in relation to governance issues. Jon Roberts to attend to present on the Redmond report.**

AUD 22/20 RISK MANAGEMENT UPDATE (Agenda item 9.)

- 22.1 The Head of Finance and Property, Peter Vickers, gave a verbal report following the informal meeting at which the Committee looked at the corporate strategic risk register that sits behind the delivery of the corporate plan. There had been some key themes coming out of that review, including

the need for more detail around business continuity, the impact of possible unitary councils, and the impact another Covid-19 escalation. Members had also discussed the sensitivity of the heat matrix used to score the risks, and the need to bring in a new risk domain reflecting the environmental impact risk.

- 22.2 Officers were reviewing the Risk Register in the light of these comments, and in the context of the emerging revised Corporate Strategy, and to bring the next iteration of the Risk Register back to the Audit Committee for a further informal discussion in October.
- 22.3 The Committee noted the update, and agreed to meet informally to review the next iteration of the Risk Register.

Action:

- **Informal meeting for Audit Committee members on the Risk Register in October.**

AUD 23/20 AUDIT FINDINGS REPORT 2019/20 (Agenda item 10.)

- 23.1 Jon Roberts, Grant Thornton, introduced the Audit Findings Report, which had been prepared in accordance with reporting responsibilities. It was a comprehensive report, but also incomplete; the external audit was being carried out remotely but this did mean the process was taking longer than usual. The report listed the areas where work was continuing, and that list had already reduced since the report was written. Mr Roberts confirmed that there were no issues identified that would impact on the General Fund position, and he was proposing an unqualified conclusion on value for money, going concern, and around the annual governance statement.
- 23.2 There were two main areas that were more difficult to resolve – pensions, and property valuations. The pensions issue was partially dependent on the progress of the Surrey Pension Fund audit, and also a review of further information requested from the actuary. With regard to the property valuations, this was a bigger issue and whilst it did not impact on the General Fund it was taking longer to resolve despite the strong working arrangements with the Finance team.
- 23.3 Mark Bartlett, Audit Manager, took the Committee through the Audit Findings report in detail, including the commentary on the pension fund valuation and property valuations. He confirmed that there were no matters of concern to raise with the Committee including in relation to value for money and governance arrangements for commercial property investment. The Committee noted that some of the issues on property valuations were the same as seen last year, and Graeme Clark gave an assurance that there was a full commitment to put measures in place to address the concerns for the future.
- 23.4 The Committee noted that there was probably another three weeks needed to complete the outstanding issues in the audit. They could either await

receipt of the final report before approving the Statement of Accounts which would require an additional committee meeting; or, give a delegation to the S151 officer and Chairman to review the final Audit Findings Report and if satisfactory, approve the Statement of Accounts.

- 23.5 Cllr Hyman had registered to speak on this matter and asked the auditors the extent to which they independently assessed matters in relation to laws and regulations including following up on recent judgements. Also, on page 19 of the Report, had any checks been made of how contractors had used the furlough scheme. Mr Roberts responded that they sought management assurances on compliance with laws and regulations through meetings with Statutory Officers. And, contractor use of the furlough scheme was outside the scope of the audit of Waverley's accounts.
- 23.6 Graeme Clark advised the Committee that most contractors had continued to provide a full service to the council, although Places Leisure had been severely affected at their leisure centre operations nationwide. The Council had paid overtime to staff only for specific Covid response purposes, and this had been covered by the Covid support grant. Non-essential recruitment had been stopped, and this would be clarified in the report.
- 23.7 The Committee thanked the auditors for their presentation of the Audit Findings Report for 2019/20, which was noted, and agreed to add a review of the Action Plan (Appendix A) to the Action Log for March 2021 to check on progress before the start of the next external audit cycle.

Action:

- **Add Review of Action Plan (Appendix A) to Action Log for March 2021, to check on progress before start of next external audit cycle.**

AUD 24/20 STATEMENT OF ACCOUNTS 2019/2020 (Agenda item 11.)

- 24.1 The Strategic Director and S151 Officer, Graeme Clark, introduced the Statement of Accounts for 2019/2020. This was a technical document, the content of which was prescribed in various statutory codes of practice. The Audit Committee members had had an off-line session on the Statement of Accounts a couple of weeks ago to go through the detail of the document.
- 24.2 Mr Clark reminded the Committee that the timetable for the External Audit and approval of the accounts was normally much tighter, with a deadline of 30 July. This had been extended due to the extraordinary circumstances of the Covid-19 pandemic. The Finance team had still managed to publish the unaudited accounts before the end of June, which was a remarkable achievement in the circumstances. Annexe 2 to the report reflected changes to the accounts that had been agreed with Grant Thornton during the course of the External Audit and provided a reconciliation between the published unaudited accounts and the final statement of accounts.
- 24.3 The Committee was asked to approve the Letter of Representation, which was a standard requirement of the local government audit process; and also the statement of going concern. With regard to the statement of going concern, compared to previous years this had needed strengthening to

address the impact of Covid-19 on the council's finances and medium term financial plan, and on the local economy. Officers had listened to advice from CIPFA and Grant Thornton in order to give the Audit Committee sufficient assurance about the council as a going concern and the accounts being robust.

- 24.4 Whilst there were still some areas of the external audit to be completed, in the light of the indication from Grant Thornton that an unqualified audit opinion would be issued, Officers recommended that these be dealt with under delegation to the Strategic Director in consultation with the Chairman of the Audit Committee. The Committee noted that the valuation aspect that was outstanding would not have any impact on the General Fund, and Officers were confident of reaching a satisfactory conclusion with Grant Thornton in the coming weeks.
- 24.5 The Audit Committee commended Officers and the External Audit Team for their work in challenging circumstances to be so far ahead of the deadlines for sign-off of the accounts. The Committee noted that the proposed delegation allowed the Chairman to call an ad hoc committee meeting if he was not happy with the outcome of the outstanding audit issues, and on this basis was content to approve the Statement of Accounts.
- 24.6 The Audit 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:
- (i) Approved the Statement of Accounts for the financial year ended 31 March 2020;
 - (ii) Approved the Letter of Representation for 2019/2020; and
 - (iii) Confirmed that the accounts had been prepared on a going concern basis

Details of any amendments to the accounts or Letter of Representation would be circulated to the Audit Committee.

AUD 25/20 ANNUAL GOVERNANCE STATEMENT 2019/2020 (Agenda item 12.)

- 25.1 Peter Vickers introduced the Annual Governance Statement (AGS) for 2019/2020 which described the governance arrangements in place covering the period of the accounts. There was a standing item on the agenda of every Audit Committee to allow the committee to raise any concerns around governance arrangements, and any matters raised would be included in the AGS. The format and content of the AGS complied with the *Delivering good governance in local authorities* (2016) published by CIPFA.
- 25.2 The draft AGS had been reviewed at the Audit Committee briefing on the Statement of Accounts, and Cllr Seaborne had subsequently provided some detailed corrections of grammar to be amended in the final version.

- 25.3 The Chairman referred to previous comments about whether there would be any benefit of bringing elements of ISO9000 into the governance arrangements, particularly in relation to more a more structured approach to document control. He had also raised with the Head of Planning & Economic Development whether more evidence could be provided in planning reports in relation to environment, habitats and biodiversity, and it was confirmed that this was being followed up with the Development Manager.
- 25.4 Cllr Gray endorsed the comments in relation to ISO9000 and more rigorous document control, and there being more clarity around the governance framework. Cllr Seaborne referred to his suggested amendments, including
- clarifying that the reference to the Property Investment Strategy in paragraph 5.3 was to a revised or updated Strategy; and,
 - 5.4 Other issues, referring to the outstanding issue of looking at the committee Terms of Reference.
- 25.5 Cllr Hyman had registered to speak on the AGS. He stated that he would not be happy with the AGS being signed off with the current wording in relation to Air Quality and the Habitats Regulations, which in his opinion did not address outstanding historical and continuing legal omissions and oversights with regard to process in granting planning permission to Crest Nicholson, and in complying with EU and UK legal judgements. The Chairman expressed some sympathy with Cllr Hyman's concerns; however, these were matters that he had been raising for a great number of years and it was beyond the scope of the Audit Committee to resolve them.
- 25.6 The Audit Committee RESOLVED to approve the Annual Governance Statement 2019/2020, subject to the inclusion of the suggestions from Cllr Seaborne re 5.3 (updated or revised PIS), and p.6 reference to the Committee TOR review being a live issue.

AUD 26/20 CONSIDERATION OF POTENTIAL GOVERNANCE ISSUES (Agenda item 13.)

- 26.1 There were no matters raised by the Committee under this item.

AUD 27/20 REVIEW OF PROGRESS IN THE IMPLEMENTATION OF INTERNAL AUDIT AGREED ACTIONS (Agenda item 14.)

- 27.1 Gail Beaton, Internal Audit Manager, reported on a number of audit actions overdue or falling due by the end of September. These related to the Internal Audits on Planning Enforcement, Community Infrastructure Levy, Planning Fee Income, and Management of Major Construction Projects.
- 27.2 The Committee recognised the difficult conditions over recent months, and asked that there be a full update and explanation of progress at the next meeting, and a request for a time extension if necessary.

AUD 28/20 REVIEW OF THE PROGRESS IN ACHIEVING THE INTERNAL AUDIT PLAN
(Agenda item 15.)

- 28.1 Gail Beaton presented the progress report on the Internal Audit Plan. There had been a slow start due to the impact of Covid-19 on working arrangements, and the intention was to review the Plan with the contractor before the next Audit Committee meeting in November in order to bring forward any recommendations to amend the Plan or defer planned audits to 2021/22.
- 28.2 The Committee noted that working with the internal audit contractor remotely had sometimes been challenging, and documentation had not always been readily available in a format that could be sent to them. So, there had sometimes been delays, but nothing insurmountable with a little patience and co-operation on all sides.
- 28.3 The Committee noted the progress report, and that a further update would be brought to the November meeting.

AUD 29/20 AUDIT COMMITTEE RECURRENT ANNUAL WORK PROGRAMME (Agenda item 16.)

- 29.1 The Committee noted the updated recurrent annual work programme.

The meeting commenced at 7.00 pm and concluded at 9.25 pm

Chairman