

AUDIT COMMITTEE ANNUAL ACTIVITY REPORT 2020/21

This report details the work undertaken by the Audit Committee over the municipal year 2020/21. The purpose of this annual review of the work of the Committee is to help Members review the previous year's work and plan for the coming year.

The Committee met five times in July, September, twice in November 2020 and March 2021. Additional informal briefing sessions were held throughout the year and are summarised at section 7 of this report. The membership of the Committee was as follows:

Cllr Peter Marriott (Chairman)	Cllr Jan Floyd-Douglass
Cllr Jerome Davidson (Vice-Chairman)	Cllr John Gray (from Sept 2020)
Cllr Richard Cole	Cllr Richard Seaborne
Cllr Simon Dear (to July 2020)	Cllr George Wilson
Cllr Michaela Gray/Wicks	

A summary of the work undertaken by the Committee in 2020/21 is outlined in the table below and further details are set out at Sections 1 – 6 of this report.

July 2020	September 2020	November 2020	March 2021
External Audit Scope 2019/20	Audit Committee Annual Activity Report 2019/20	09/11/2020 SIAP External Quality Assessment	Annual Audit Letter
Audit Committee Members Briefing – Risk Register	Review of the Audit Committee Terms of Reference	Annual Governance Statement – Interim Review	Annual Governance Statement – Consideration of Potential Governance Issues
Review of Progress in the implementation of Internal Audit Recommendations	Risk management Update	Sign off External Accounts	Accounting Policies
Progress of the Internal Audit Plan 2019/20 and 2020/21	Audit Findings Report 2019/20	Review of Informal Meeting on the Audit Terms of Reference	Proposed Internal Audit Plan for 2021-22
Internal Audit Charter	Statement of Accounts 2019/20	Review of the Progress in the Implementation of the Internal Audit Agreed Actions	Progress in the Implementation of the Internal Audit Agreed Actions

Annual Internal Audit Report 2019/20	Annual Governance Statement 2019/20	Review of the Progress in achieving the Audit Plan	Review of the Progress in achieving the Audit Plan
Fraud Investigation Summary	Consideration of Potential Governance Issues	Fraud Investigation Summary	Fraud Investigation Summary
	Review of Progress in the Implementation of Internal Audit Agreed Actions	30/11/2020 Updated Audit Findings Report	
	Review of the progress in achieving the Internal Audit Plan	2019/20 Accounts	

1. Standing Items

The Audit Committee has a recurrent work programme, with several items received at each meeting.

1.1 Progress on the implementation of Internal Audit Recommendations

At each meeting the Audit Committee receives an update on Senior Management's progress in implementing the recommendations raised by Internal Audit following a review in their Service area. The Committee considers what action is required in respect of recommendations that are overdue or appear likely to be implemented later than the target date.

At the July meeting it was highlighted there were three actions not implemented by the agreed date but would be completed by the end of the month. The Committee felt that 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.

At the September meeting the Committee were advised of several 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. They recognised the difficult conditions over recent months due to Covid-19 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.

At the November meeting the Committee were updated on the outstanding actions and agreed revised dates.

1.2 Progress in achieving the Internal Audit Plan

The Audit Committee's terms of reference allow the Committee to comment on the progress made against the Internal Audit Plan. At each meeting the Committee receives a report summarising the status of the reviews within the plan, including details of any reports where only a *limited* or *no* assurance opinion is given.

At the July meeting the Committee received a report setting out the closure of the plan for 2019/20 and the lessons learnt, as well as a report on the 2020/21 Audit Plan where most of the actions were in progress.

In September it was 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.

At the 9 November meeting it was suggested that a review of COVID-19 and remote working be carried out to evaluate the effect on staff performance as well as their mental health. The committee were advised that, as part of the RCT programme, the Agile Working project and Staff & People project were monitoring these effects and the lessons learnt. The council were commended on their employee assistance programme. It was asked how much use it has had.

1.3 Annual Governance Statement – Consideration of Emerging Governance Issues

Every year, the Audit Committee is required to formally review the Council's governance arrangements and approve the Annual Governance Statement (AGS). However, the statement is monitored throughout the year, to identify potential governance issues as they arise.

At the meeting on the 9 November the Committee received an interim review:

Areas highlighted were:

- Redmond Report likely to come into legislation. Will need to move this along as it develops. WBC responded to the consultation.
- Call Ins – It was requested that the call-in procedure be discussed at next meeting.
- Terms of Reference Review – needs progressing and overlap with O&S to be considered.
- Overriding Constraints of Governance and legal compliance – it was suggested that the Council had no real system to ensure the veracity of information provided by the officers and this should be looked at.

- Suggestion that there should be a web base of questions raised by Councillors and the answers given so the answers are a matter of public record.

At the March meeting the Committee were asked to review last years' AGS and consider what changes are required for the Annual Governance Statement for 2020/21.

The committee requested narrative on:

- our response to COVID-19
- governance appetite
- Air Quality/Habitats Regulations in relation to planning reports as despite it being raised several times it is felt that we are not meeting our statutory obligations to include full environmental reports with the planning reports. An update is required from the Head of Planning on the adoption and processes in place to ensure that planning committees are provided with reports on biodiversity, habitat directives and environmental reports supporting the relevant planning applications.

1.4 Updates on Counter Fraud Work

At each meeting, the Committee is updated on the progress made by officers on the work being completed in investigating all types of fraud, but primarily focusing on Housing Tenancy fraud.

At the July meeting the following areas were discussed:

- 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.

In November it was reported that there had been very little financial change to the report since the last meeting due to COVID-19 but there had been changes in the number of cases. An updated report will be brought to the meeting in March where there would be more of an update that will include the activity up to quarter 3. It was asked if there had been any systematic changes during lockdown and was advised that the teams had been working with the appropriate government agencies in relation to the award of COVID-19 grants when any dubious or fraudulent claims had been identified, these had been shared with other local authorities.

2. **Accounts and Annual Governance Statement**

It is within the Committee's Terms of Reference to approve the Statement of Accounts and Annual Governance Statement (AGS) each year.

The Committee considered the Statement of Accounts and Annual Governance Statement for 2019/20 at its meeting in September.

The Audit Committee members had had an off-line session on the Statement of Accounts a couple of weeks prior to the meeting to go through the detail of the document. Regarding 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. 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.

The Audit Committee resolved to approve the Annual Governance Statement 2019/2020, subject to the inclusion of the suggestions from the committee

An update was provided at the 9 November meeting advising that a revised Audit Findings letter from Grant Thornton, External Auditors, had still not been submitted. This was because they were struggling with getting information around the pensions (it was pointed out all Surrey partners were). The Financial Reporting Council had increased their expectations which meant the auditors had a lot more information to gather.

At the 30 November meeting it was advised a revised Audit Findings Letter had been received and the Committee noted the amendments to the 2019/20 Accounts as identified from the Audit Findings Report item

3. Internal Audit Reports

In addition to the standing items presented by the Internal Audit Service, the Committee received several additional reports during 2020/21.

3.1 Annual Internal Audit Report

The Annual Internal Audit Report is linked to the Internal Audit opinion set out in the Annual Governance Statement and details the audit recommendations made throughout the year, as well as highlighting those still to be actioned.

3.2 Internal Audit Charter

The Internal Audit Charter is reviewed by the Committee on an annual basis and was considered and approved at the July Meeting.

3.3 Internal Audit Plan

The Proposed Internal Audit plan for 2021-22 including those reviews that were deferred from 2020-21 were outlined at the March meeting.

Highlighted for note was:

- IT risk assessment was to complete in 2021-22, outcomes would direct reviews in the year.
- The Horizon planning system would have a post implementation review.
- The Property Terrier would have a review of its completeness to ensure it is up to date.
- Fraud and Irregularities – NFI 2021-22 exercise includes COVID grants.

3.4 SIAP External Quality Assessment

The Committee were advised of the process applied by the Institute of Internal Auditors and who the partners are in the partnership.

The committee **NOTED** the report and outcomes.

4. **External Audit**

During 2020/21, the Committee received several reports from Grant Thornton, the council's external auditors.

4.1 External Audit Findings Report

Grant Thornton introduced the Audit Findings Report, which had been prepared in accordance with reporting responsibilities, at the September meeting. It was 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.

A revised Audit Findings Report was presented to Committee on 30 November. They were advised that the key changes were around property valuations, indexation of council dwellings and leisure centre valuations due to COVID-19. Additional recommendations had been identified around audit adjustments and unadjusted misstatements.

4.2 Annual Audit Letter

At the March meeting the committee noted the Annual Audit Letter and were advised that this was the last one they would receive as there was no longer a requirement to produce one. It was outlined that the letter was a summary of the Audit Findings Document.

5. **Corporate Governance Policies**

The Audit Committee has a key role in reviewing Council policies relating to governance and may make recommendations to officers or the Council as appropriate.

5.1 At the March meeting the Committee considered the current policies Waverley had that outline the principles to govern many areas of the business. It was felt it was important for the Committee to review these policies regularly. The Committee were advised that there were several proposed changes last year on standards which were then delayed till April 2022 so there have not been many changes this year. It was highlighted there has been some changes to processes, but it was felt no changes to policies were required.

6. Risk Management

The Committee received a Risk Management Update at their September meeting. The Committee noted the update and agreed to meet informally to review the next iteration of the Risk Register.

7. Briefing Sessions

The Committee received several briefing sessions during 2020/21 and these are summarised below.

7.1 Risk Register

The Committee received a briefing session on Risk Management and agreed that there should be a follow-up session to review the Strategic Risk Register and look at mitigations in place. 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 look at what mitigation means.

7.2 Audit Terms of Reference

The Committee met twice to discuss this issue and it was agreed the revised Terms of Reference could be presented to full Council early 2021.

Annual Review Documents

At the September meeting the Committee received an update on the audit activity in 2019/20 and reviewed the Audit Committee 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.

Contact Officer:

Name: Kimberly Soane, Democratic
Services Officer

Tel: 01483 523258
Email: [Kimberly Soane@waverley.gov.uk](mailto:Kimberly_Soane@waverley.gov.uk)

ATTENDANCE AT AUDIT COMMITTEE MEETINGS**2019/2020**

The Audit Committee met four times, on 22 July, 24 September, 26 November 2019, and 2 March 2020. The membership and attendance at meetings are detailed below:

	22 July	24 Sept	26 Nov	2 March
Cllr Peter Marriott (Chairman)	Present	Present	Present	Present
Cllr Jerome Davidson (Vice Chairman)	Present	Present	Present	Present
Cllr Richard Cole	Present	Present	Present	Present
Cllr Simon Dear	Present	Present	Present	Present
Cllr Jan Floyd-Douglass	Present	Present	Apologies	Present
Cllr Michaela Gray	Present	Apologies	Present	Apologies
Cllr Richard Seaborne	Present	Present	Present	Present
Cllr George Wilson	Present	Present	Present	Present

2020/21

The Audit Committee met five times, on 20 July, 14 September, 9 November and 30 November 2020, and 1 March 2021. The membership and attendance at meetings are detailed below:

	20 July	14 Sept	9 Nov	30 Nov	1 March
Cllr Peter Marriott (Chairman)	Present	Present	Present	Present	Present
Cllr Jerome Davidson (Vice Chairman)	Present	Present	Present	Present	Present
Cllr Richard Cole	Present	Present	Present	Present	Present
Cllr Simon Dear	Present				
Cllr Jan Floyd-Douglass	Present	Apologies	Present	Apologies	Present
Cllr John Gray		Present	Present	Present	Present
Cllr Michaela Gray/Wicks	Apologies	Apologies	Apologies	Apologies	Apologies
Cllr Richard Seaborne	Present	Present	Present	Present	Present
Cllr George Wilson	Present	Present	Present	Present	Present