

WAVERLEY BOROUGH COUNCIL

MINUTES OF THE AUDIT COMMITTEE - 23 JUNE 2015

SUBMITTED TO THE COUNCIL MEETING – 21 JULY 2015

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

**Present**

Cllr Jim Edwards (Chairman)  
Cllr John Gray (Vice-Chairman)  
Cllr Ged Hall

Cllr Stephen Hill  
Cllr Richard Seaborne

**Apologies**

Cllr Andrew Bolton and Cllr Jenny Else

**Also Present**

Matthew Dean and Iain Murray from Grant Thornton

1. APPOINTMENT OF CHAIRMAN (Agenda item 1.)

RESOLVED that Cllr Jim Edwards be appointed Chairman of the Audit Committee for the Council Year 2015/16.

2. APPOINTMENT OF VICE-CHAIRMAN (Agenda item 2.)

RESOLVED that Cllr John Gray be appointed Vice-Chairman of the Audit Committee for the Council Year 2015/16.

3. MINUTES (Agenda item 3.)

The Minutes of the Meeting held on 23 March 2015 were confirmed and signed.

4. APOLOGIES FOR ABSENCE (Agenda item 4.)

Apologies for absence were received from Cllrs Andrew Bolton and Jenny Else.

5. DISCLOSURE OF INTERESTS (Agenda item 5.)

There were no interests declared.

**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.

6. ANNUAL REPORT 2014/15 AND TERMS OF REFERENCE (Agenda item 7.)

The Audit Committee received a report for information summarising the work undertaken by the Committee over the municipal year 2014/15.

The Committee also reviewed its Terms of Reference. Members would like the Terms of Reference to be amended in order to identify that the Committee's work scope was broader than financially orientated and it should be clearly reflected that the scope includes Risk Management. Officers would bring draft changes to the Terms of Reference back to the September 2015 meeting.

RESOLVED that

1. the Terms of Reference be endorsed taking into account the above clarification; and
2. the Audit Committee Annual Report for 2014/15 be noted.

7. EXTERNAL AUDIT UPDATE REPORT (Agenda item 8.)

Iain Murray, the Grant Thornton Engagement Lead was present at the meeting and presented the External Audit Update Report for the year ended 31 March 2015.

The Committee noted that work on planned dates for January and March 2015 had been completed on time and work on the 2014-15 final accounts audit planned for July 2015 was on track for the completion date. The Value for Money (VFM) conclusions were being finalised and would be presented to the September meeting. There were no key issues to bring to the Committee's attention at this stage.

The Committee's attention was drawn to the impact of welfare reform on local government and the Council should be made aware of the financial pressures this could bring to local authorities. The impact of the introduction of Universal Credits, a new benefit for people of working age, was at present a grey area and difficult to assess what the impact on the Council might be. The DWP was in discussion with local authorities to keep them updated with their policies.

Councils would need to look how to reduce costs, generate income and improve efficiency by introducing commercial structures and Grant Thornton drew attention to their report that looked at the use of alternative models to protect and develop services. The report focused on the setting up of Local Authority Trading Companies (LATC) for alternative service delivery.

RESOLVED that the External Audit Update Report be noted.

8. PROGRESS ON THE IMPLEMENTATION OF INTERNAL AUDIT RECOMMENDATIONS (Agenda item 9.)

The Committee received the report outlining internal audit recommendations overdue or due within the next month. The Internal Audit Client Manager tabled an updated Annexe 1 which provided the current position on recommendations due for completion by 31 July 2015 and was updated by Heads of Service as actions were completed.

The Committee asked questions on those actions that were overdue.

The extension requested for the Safeguarding Children and Safeguarding Adults Policies was due to the process being required to be completed during the appraisal process and to align with that timetable an extension had been requested to 1 August 2015.

Some questions were asked as to why it would appear that Housing actions regularly dropped behind schedule and whether this might be due to lack of staff resources. The Internal Audit Client Manager explained that although she could not comment on staffing issues, the Housing Service had recently been restructured and there were many different areas of work currently being undertaken to improve the service. The recommendation in the report target date had been delayed due to IT resource availability on the proposed integration of the Asset Management Database.

Members were advised that it was hoped that savings would be made as a result of work undertaken as part of the Surrey Counter Fraud Partnership, a partnership of seven Surrey Boroughs and Districts and Surrey County council which received funding from the Department of Communities and Local Government. The largest monetary area for fraud was deemed to be tenancy fraud, particularly Right to Buy. The Waverley non-benefit Fraud Investigator is focussing on this area and would be invited to attend the September meeting of the Committee to introduce himself and report some of the results being achieved..

Committee considered it would be helpful to identify within the report whether the impact of delayed actions on recommendations would be low, medium or high, and asked that their formal agreement to requested extensions be minuted.

RESOLVED that, taking into account the comment above,

1. the information contained in Annexe 1 be noted;
2. the proposed changes in implementation dates in Annexe 2 be formally approved.

9. PROGRESS ON THE INTERNAL AUDIT PLANS FOR 2014/15 AND 2015/16  
(Agenda item 10.)

The Committee received the report with updated tabled Annexes showing the progress on the completion of the Internal Audit Plan for 2014/15 and the progress on the commencement of the Internal Audit Plan for 2015/16, including the relevant quarters as agreed by the Heads of Service and Service Managers.

The Internal Audit Client Manager assured the Committee that the work agreed for last year was fundamentally completed. The request to defer work on Asbestos in Waverley properties had been made by the Head of Service to enable the conclusion of work carried out by external consultants, as previously agreed at the March 2015 Audit Committee. The deferral was of low impact.

The Internal Audit Client Manager drew the Committee's attention to the updated Annexe 2 where there was some movement of work as some reports were in progress.

RESOLVED that

1. the progress for the Internal Audit Plan 2014/15 be noted; and
2. the progress for the Internal audit Plan 2015/16 be noted.

10. INTERNAL AUDIT ANNUAL REPORT 2014/15 ACTIVITY (Agenda item 11.)

The Committee received the Internal Audit Annual Report which was required under the Accounts and Audit Regulations to maintain an adequate and effective internal audit of accounting records and control systems.

With regard to the Internal Audit Opinion, the Committee noted that the direction of travel had remained the same but Risk Management and Control were amber, unlike green for Governance, which recognised the need to work on improvement for Risk Management and Control. However, the Committee noted that overall excellent progress had been made in implementing agreed recommendations.

With regard to Fraud Prevention, Detection and Investigation, an analysis of the work carried out by the Housing Benefits Investigation Team together with progress being made in other Housing Tenancy Fraud investigations was reported. The Committee noted that work had been accelerated through funding provided by the Department of Communities and Local Government to form the Surrey Counter Fraud Partnership and to appoint a temporary Fraud Investigator to initially focus on housing tenancy fraud.

The Committee noted the figures of reported fraud cases over a 4-year period and following a question from the Internal Audit Client Manager the Committee concurred that reporting cases over a 4-year period was of value and this period should not be extended.

Regarding service performance the Committee noted that the contractors had not undertaken any work or activity during 2014/15 that would lead them to declare any conflict of interest. The Committee noted service performance during 2014/15 across a range of indicators and were disappointed to see the increase in the average number of days between the IACM Exit meeting and obtaining management comments and the issuing of Final Report. Members asked that Heads of Service be advised that this was not satisfactory.

RESOLVED that the progress and the activity completed by the Internal audit Service for 2014-15 be noted, and the outcomes being achieved by investigating housing issues and working collaboratively between services and other organisations be noted.

11. ANNUAL GOVERNANCE STATEMENT 2014/15 (Agenda item 12.)

The Head of Finance introduced the report and explained that the Annual Governance Statement (AGS) was part of the final accounts process and drawn up in accordance with the CIPFA/SOLACE framework. The AGS explained the processes and controls that comprised the Council's governance framework, as explained in Section 3. It also showed the corporate involvement by Waverley's Corporate Management Team, S151 Officer and Monitoring Officer, Heads of Service and the Audit Committee in drawing up the document. The AGS 2014/15 was complete and would be signed off by the Leader of the Council and the Executive Director in September.

The Head of Finance advised that no specific governance issues had been identified but officers continued to identify scope for further improvement in the future. The key areas under review were identified in Section 7.

Members asked whether the Council undertook anonymous third-party staff surveys as members considered this would give useful feedback on any issues that might be raised and could be addressed in the following year. Officers advised that staff surveys were undertaken and the Committee felt it would be helpful to include councillors in the survey.

The Head of Finance confirmed that the corporate plan was assessed by Audit and Star Chamber and the procurement comparison through Value for Money reviews built into the procurement process.

The Committee agreed that they would like to have further time to read the AGS and they would send any comments to the Head of Finance before finally approving the AGS at the September meeting of the Committee.

RESOLVED that the Annual Governance Statement be approved at the September meeting subject to comments received by Committee members.

**The meeting commenced at 7.00 pm and concluded at 7.57 pm**

**Chairman**