

WAVERLEY BOROUGH COUNCIL

MINUTES OF THE AUDIT COMMITTEE - 15 SEPTEMBER 2015

SUBMITTED TO THE COUNCIL MEETING – 20 OCTOBER 2015

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

**Present**

Cllr Jim Edwards (Chairman)  
Cllr John Gray (Vice Chairman)  
Cllr Andrew Bolton

Cllr Jenny Else  
Cllr Ged Hall  
Cllr Stephen Hill

**Apologies**

Cllr Richard Seaborne

**Also Present**

Iain Murray and Matthew Dean, Grant Thornton

13. MINUTES (Agenda item 1.)

The Minutes of the Meeting held on 23 June 2015 were agreed and signed.

14. APOLOGIES FOR ABSENCE (Agenda item 2.)

An apology for absence was received from Councillor Richard Seaborne.

15. DISCLOSURE OF INTERESTS (Agenda item 3.)

There were no disclosures of interest received.

16. QUESTIONS BY MEMBERS OF THE PUBLIC (Agenda item 4.)

There were no questions by members of the public.

**PART I - RECOMMENDATIONS TO THE COUNCIL**

17. UPDATED COMMITTEE TERMS OF REFERENCE (Agenda item 5.)

At the meeting on 23 June 2015, the Committee had asked for some updates to the Committee's terms of reference. These were presented to this meeting, as set out at Annexe 1. The Committee considered and agreed those changes and now

**RECOMMENDS that**

- 1. the revised Terms of Reference for the Audit Committee, as set out at Annexe 1, be adopted.**

## **PART II - MATTERS OF REPORT**

### 18. EXTERNAL AUDIT FINDINGS REPORT (Agenda item 6.)

Iain Murray and Matthew Dean from Grant Thornton presented their External Audit Findings Report for the year ending 31 March 2015 as set out on pages 11 to 42 of the Agenda.

#### Section 1: Executive Summary

It was affirmed that the draft Group and Council financial statements had been produced to a very high standard and that this had resulted in a minimal level of issues arising from Grant Thornton's work. These statements had been supported by an excellent set of working papers and the input of Members and Officers had been gratefully received.

They anticipated that an unqualified opinion in respect of the financial statements could be provided and that no adjustments affecting the Group and Council's reported financial position were required. It was also stated that the Council's strong financial reporting process meant that it was likely the accounts and audit process would be delivered earlier than deadlines planned for 2018.

#### Section 2: Audit Findings

Supplementary to the report, the key findings of the audit were highlighted including the following:

- No issues identified in respect of revenue recognition with accounting policy in line with the requirements of the CIPFA Code.
- No evidence of management override of controls and no significant issues in respect of journal controls and entries.
- No significant issues identified in terms of operating expenses and employee remuneration.
- Stated critical judgements and estimation uncertainties were in line with the CIPFA Code. The Council's approach regarding Business rate appeals provision and the calculation of depreciation of Council Housing stock was appropriate and satisfactory.
- The management's assessment of the Council and its services as a going concern were assessed as satisfactory and appropriate.
- A review of accounting policies had not identified any issues.
- Regarding Property, Plant & Equipment (PPE) estimates and judgements; it was stated that Grant Thornton were happy with the Council's approach. They did however highlight the importance of revisiting this at the end of each year where a full revaluation of PPE does not take place.
- Internal controls were found to have been operating effectively with no matters to report to the Committee.

### Section 3: Value for Money

It was explained that Grant Thornton's work had highlighted that the Council had robust financial management arrangements in place and that the Medium Term Financial Plan was updated on an annual basis.

However, the audit had identified the need for the Council to find an additional £900,000 of savings between 2016-17 and 2017-18. It was acknowledged that the Council had a proven track record of delivery cost savings, £10m since 2007-08. But, steps to achieve the needed savings had to be identified if the risk presented to medium term financial health was to be removed.

It was found that the Council's arrangements to challenge economy, efficiency and effectiveness by prioritising resources, improving efficiency & productivity were sound. However, two key areas of residual risk had been identified that would need to be managed closely to ensure that they did not have any adverse impact on the organisation. These were the development of the Local Plan, and the progress of the Brightwells Development in Farnham.

In their assessment, Grant Thornton believed that the decisions that had to be taken on both issues within the forward 6 month period would have a significant effect on the Council's financial position. Due to the size, scale and resource requirement of both, it was key that a successful outcome in both could be achieved.

In summary, it was restated that in all significant respects, the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2015. As a result, Grant Thornton confirmed its ability to propose an unqualified Value for Money conclusion.

### Resulting Members Questions

During the presentation, the Committee expressed concern that only material Group accounts were included in the Grant Thornton report.

Iain Murray and Matthew Dean explained that this was normal and that the Trust appointed their own external auditors to consider the full Group accounts. Officers explained that the role of the Audit Committee was to consider only the Council accounts, and any material Group accounts, but not all of them. This Committee did not approve the Trustees' accounts. Those were taken to Council (acting as Trustees) for approval.

Members also raised the issue of the number and size of short term debts as reported in the Annual Financial Report 2014-2015 (Agenda Item 7, Annexe 1) asking for the external auditors opinion on the situation.

Iain Murray and Matthew Dean explained that this had been reviewed as part of the external audit process and that they were satisfied with the level and size of short term debts as well as with the Impairment Allowance provision. Members were informed that the Council's situation was not unique and that many other District and Borough Councils held similar levels of short term debt.

Officers described some of the causes for the debt such as overpayment of benefits due to slow central Government processes and notification from the Department for Work & Pensions. Also recipients not advising of changes in their personal circumstances and some debts being repaid by nominal weekly amounts as a result of Court Orders were also cited.

### P31 Certificate

In concluding the presentation, Iain Murray explained that he would be required to keep the P31 Certificate open as a question from a member of the public regarding the Brightwells Development had been received. Time needed to be given to allow him to reply and to give the questioner a chance to respond before he would be able to close the Certificate. It was anticipated that this would not take longer than a few weeks. Iain Murray confirmed that this letter did not include any matters relating to the 14/15 Accounts and therefore there was no reason why it should prevent the Committee from approving the Accounts.

## 19. STATEMENT OF ACCOUNTS 2014/15 (Agenda item 7.)

The Committee received a report that asked them to consider and approve the Statement of Accounts for the year ended 31 March 2015 (Annexe 1) and to approve the letter of Representation for 2014/15. The Committee were content that the Statement of Accounts had undergone sufficient scrutiny via a series of meetings and e-mail exchanges with officers in recent weeks and were also content with the answers to questions from the auditors and members.

Members raised concern about the size of the current Pension Fund deficit and asked Matthew Dean and Iain Murray from Grant Thornton for their opinion.

Grant Thornton stated that they had looked at the issue as part of the audit process and found nothing significant to report. Surrey County Council administered the Pension scheme used by Waverley and Grant Thornton were happy with the assumptions made by the Actuary. It was emphasised that Waverley's position was not unique in relation to other similar sized District and Borough Councils, such as Mole Valley, and that the appropriate disclosures had been made.

Officers advised Members that representatives from Surrey County Council Pension Scheme would be attending the next meeting of the Audit Committee in November to answer any further questions they had.

### RESOLVED to

1. approve the Statement of Accounts for the year ended 31 March 2015;
2. approve the Letter of Representation for 2014-2015; and
3. confirm that the accounts have been prepared on a going concern basis.

20. PROGRESS ON THE INTERNAL AUDIT PLAN FOR 2015/16 (Agenda item 8.)

The Committee received a report on the progress made in the achievement of the Audit Plan an update to Annexe 1 was tabled reflecting the current position. The Committee noted that most Quarter 1 and Quarter 2 reviews had been achieved on target and that it was anticipated that those outstanding in Quarter 3 and Quarter 4 would be completed by the end of the financial year. If any were still outstanding at that time they would be brought back to the Committee for agreement to carry over.

RESOLVED to note the progress for the Internal Audit Plan 2015-16.

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

The Committee considered a report of Senior Management's progress in implementing the recommendations raised by Internal Audit following a review in their service areas. The Committee was asked to consider whether any action was required in respect of those reviews overdue or that appeared likely to be implemented later than the target date. An update to Annexe 1 and Annexe 2 was tabled reflecting the current position.

The Committee noted that in respect of IA15/14 an internal candidate had been appointed to the post of Financial Services Manager so that due date could be brought forward. Members were advised that regarding IA15/03.001 an interface was in place and the target had been achieved.

The Committee agreed to the revised due date of 20 November 2015 for the recommendation reference IA15/14.005 – Payments – Approval of Purchases (updated Annexe 2)

RESOLVED that

1. there was no action required for the information contained in Annexe 1; and
2. the proposed changes in implementation dates in Annexe 2 be approved.

22. ANNUAL GOVERNANCE STATEMENT (Agenda item 10.)

The Committee received the Annual Governance Statement 2014-15 following the decision at the last meeting to delay approval to allow further reading time and discussion.

RESOLVED to approve the Annual Governance Statement 2014-15.

23. RISK MANAGEMENT UPDATE (Agenda item 11.)

The Committee received a report presenting the latest corporate risk register as refreshed by Heads of Service. During discussion of this item the Committee

RESOLVED that pursuant to Procedure Rule 20 and in accordance with Section 100A(4) of the Local Government Act 1972, the press and public be excluded from the meeting during consideration of the following item(s) on the grounds that it is likely, in view of the nature of the business to be transacted or the nature of the proceedings, that if members of the public were present during the item(s), there would be disclosure to them of exempt information (as defined by Section 1001 of the Act) of the description specified in the appropriate paragraph(s) of the revised Part 1 of the revised Part 1 of Schedule 12A to the Local Government Act 1972, namely:-

Information relating to the financial or business affairs of any particular person (including the authority holding that information)

RESOLVED that the comments and observations recorded in the [Exempt] Annexe to these minutes be passed to officers.

**The meeting commenced at 7.00 pm and concluded at 8.09 pm**

**Chairman**