

Minutes of a meeting of the Audit Committee held on 08 March 2018 at Pippbrook, Dorking from 7.00pm to 9.00pm

Present: Councillors Paul Kennedy (Chairman), Simon Ling (Vice-Chairman), Tim Ashton, Simon Edge, Paul Elderton, James Friend and Paul Newman.

40. Minutes

At the last Audit committee meeting held on 08 February 2018, Members raised a number of queries in relation to the Treasury Management reports, and these were recognised in the Council's resolution taken on the 20 February 2018: "That, subject to the s151 Officer, in consultation with the Chairman of the Council and the Chairman of the Audit Committee, being authorised to make any final amendments, following consideration of the responses from the Financial Services Manager to comments made by Members of the Audit Committee at its 8 February meeting" ... the Treasury Management Strategy be approved for 2018/19 to 2020/21. Answers to these queries, together with additional final amendments to the Treasury Management Strategy Report and Treasury Management Mid year Report were outlined in an addendum circulated to Members prior to the meeting. Following this consultation, it was agreed that the s151 Officer could make the amendments set out in the addendum as authorised by the Council's approval of the Treasury Management Strategy 2018/19 to 2020/21 and Treasury Management Mid Year Monitoring Report 2017/18.

Subject to the inclusion of the addendum outlined above, the Minutes of the Audit Committee meeting held on 08 February 2018 were approved as a correct record and signed by the Chairman.

41. Apologies for Absence

None.

42. Disclosure of Interests

None.

43. Internal Audit (RSM UK) Progress Report 2017/18 (Item 4)

The Committee received the report as set out on pages AC1 to AC26 of the agenda which provided a summary of the findings of the Internal Audit reviews. The Committee was asked to note the progress against the 2017/18 Audit Plan as detailed in the attached appendix to the agenda.

A representative from RSM was in attendance at the meeting to introduce the report. It was advised that seven reports had been finalised since the last Audit Committee meeting in November 2017, and of the 'traffic light' opinions delivered by RSM UK; four were Green, one was Amber/Green, another one Amber/Red, and one was an advisory report. The latter report was in relation to the Disabled Facilities Grant and it was explained that RSM provided an advisory opinion as it was still under development, and RSM felt that it would be more appropriate to offer suggestions at this point rather than assurances.

The Committee discussed the contents of each report and a number of questions were asked for clarification. It was explained that the Casual Payments and Member Expenses report was given a 'Partial Assurance' opinion because there were issues around Parking and Dorking Halls. One of the issues was for not having a standard procedure for the Civil Enforcement Officers to claim overtime. The other issue was in relation to the difficulty of reconciling claims accurately due to different sources of

data. Some Members raised some concerns about the Council having different systems in place to collect data from different parts of the organisation, and questioned the lack of any recommendation to look at this in order to simplify matters. It was explained it would be difficult to justify an action asking to change the systems in place as these currently deliver adequately and it would incur a large expense to the Council when it would benefit only a small percentage of the overall Payroll expenditure (approximately 3%).

Members also sought further clarification on the Disabled Facilities Grant report as Contractors were labelled as the Responsible Officers rather than Council Employees. It was explained that although the relevant Managers would ensure that these action would be completed, the actual work would be carried out by the Contractors. However for the purposes of the Internal Audit reporting, it was agreed that the Responsible Officer should be assigned to an Officer of the Council in the future.

RESOLVED: That, subject to the minor changes discussed above, the progress against the 2017/18 Audit Plan be noted.

44. Internal Audit Strategy 2018/2021, incorporating Internal Audit Work Plan 2018/19 (Item 5)

The Committee received the report as set out on pages AC27 to AC51 of the agenda. The representative from RSM presented the proposed work plan and responded to queries.

It was agreed to amend the tense of the first bullet point on page AC35 to reflect the actual position. It was also agreed to use the term 'Strategic Risks' instead of 'Key Risks' in future reports to avoid confusion and to maintain consistency with the Council's description of those risks. It was noted that the Council's Strategic Risks did not include all risks, but that RSM had taken account of a broader set of risks to which all local authorities are subject in formulating the strategy.

It was reported that the Asset Investment strategy was scheduled to be reviewed in late 2017/2018. RSM would be comparing the Council's processes with other Local Authorities that have gone through the same procedures, to ensure that the Council would be complying with its processes in terms of due diligence.

Members questioned the absence of a follow up to the Casual Payments and Member Expenses report in the Internal Audit Plan for 2018/19 given that it was awarded a 'Partial Assurance' opinion. Officers confirmed that assurance had been given by the HR and OD manager that all actions identified have now been completed and as such a follow-report was therefore not required.

RESOLVED: That, subject to the minor amendments agreed above, the Committee approved the proposed Internal Audit Strategy and Internal Audit Work Plan 2018/19 as set out in the published reports.

45. External Auditor's Update and closing of accounts (Item 6)

The Committee received the report as set out on pages AC52 to AC79 of the agenda, which asked it to note the update on the Statement of Accounts 2017/2018 and the certification of housing benefit subsidy claims for 2016/17.

The Committee was conscious of the shorter statutory deadlines for production of the audited 2017/18 accounts, and sought assurance from Officers that this would be delivered in a timely manner. The Council's Chief Accountant assured Members that both the Council's Officers and Grant Thornton, the External Auditors, were fully aware of the earlier deadlines and the risks attached to this, and both parties have

agreed a mitigation plan to avoid any delay. This included issues around resources and bringing some items forward to facilitate these earlier deadlines. Members noted that Grant Thornton had run an Audit workshop with Officers in December 2017 in preparation for this year's audit and that the interim audit in progress demonstrated a good relationship facilitated by prior planning.

It was agreed that the risks discussed above were significant and for the Chairman to report these and challenges identified to the next Executive.

Grant Thornton was invited to give an update on the External Audit plan of year ending March 2018. Members were drawn to the significant risks identified, namely the valuation of property, plant and equipment and the valuation of pension fund net liability as detailed in their report. It was explained that any significant findings on these areas as well as any other significant matters arising from the audit would be communicated in their Audit Findings Report in July 2018. Members were also alerted to the group audit scope and risk assessment report. It was noted that it would be the first year the Council produces group accounts and Grant Thornton outlined their planned audit approach as detailed in the report. It was also clarified that MOVA Holdings LTD and MOVA Property Ltd would have their own audit, and separate External Auditors would be appointed to carryout this work in due course.

RESOLVED: The Committee noted the contents of the External Auditor's Update on the Statement of Accounts 2017/18 and the certification of housing benefit subsidy claims for 2016/17. In addition, the Committee agreed that the Chairman would report on the time scale challenges to the next Executive meeting as detailed above.

46. Draft Statement of Accounting Policies 2017/18 (Item 7)

The Committee received the report as set out on pages AC81 to AC99 of the agenda and the Council's Chief Accountant briefly went through the changes made to the policies. A Member questioned the heading of one of the newly adopted policies as detailed on page AC90 and titled 'Business Improvement Districts'- which stated the scheme applied across the whole of the Authority. It was clarified that this statement was incorrect as the BID only applied to a defined area of Dorking and that this would be amended in the report accordingly.

Furthermore, the Committee sought additional clarification with regards to the newly adopted policy of Community Infrastructure Levy (CIL). It was previously believed that apart from the District Council, other organisations such as Parish Councils, would be involved in the decision making on how to spend the CIL funds. It was argued that the policy was not very clear on how the funds would be managed and accounted for in respect of third parties. It was agreed that Officers would provide a clear statement on how the treatment of the money was operationalised at a future date.

RESOLVED: The Committee noted and approved the Council's Draft Statement of Accounting Policies 2017/18, subject to the amendment discussed above and any other minor changes agreed by the s151 Officer that may arise before finalising the Statement of Accounts in July 2018.

47. Corporate Governance – Progress Report (Item 8)

The Committee received the report as set out on pages AC100 to AC105 of the agenda, which asked it to note the progress made against the action plan in the 2017/18 Annual Governance Statement and to make observations or recommendations to the Executive, as appropriate.

MVDC's Senior Performance and Policy Officer gave an overview of the contents of the report. Members received an update on progress made against the areas of focus identified in the 2017/18 Annual Governance statement action plan. The Committee was assured that there was good progress made on the action plan, while clearly further work needed to be done with regards to the Council's governance arrangements of the shared services to ensure they were bedded in properly.

It was noted that both shared services of Environmental Health and Building Control formed a joint Partnership Board respectively to oversee and provide advice on strategic direction for the development, implementation and ongoing operation on behalf of the constituent authorities. Members sought further clarification on how the deliberations and decisions of these boards were reported to the Council? The Senior Performance and policy Officer explained that these arrangements were still at their early stages and such details were yet to be decided. It was agreed that details of these arrangements be communicated to Members of the Committee as soon as possible.

RESOLVED: The Committee noted the progress made against the Annual Governance Statement action plan for 2017/18. It was also agreed to make an observation to the Executive on further clarification on how the joint partnership boards would report their discussions and decisions back to the Council.

48. Risk Management Arrangements (Item 9)

The Committee received the report as set out on pages AC106 to AC119 of the agenda, which asked it to consider its contents and confirm that it was satisfied with the Council's risk management arrangements, and to review the Strategic Risk Register and determine whether there were any matters they wished to draw to the attention of the Chief Executive or to the Executive.

The Risk Management and Performance Manager explained to the Committee that the report provided an update on the Council's progress in implementing and embedding risk management arrangements throughout the organisation to ensure that the priorities contained in the Corporate Strategy were met.

Members' attention was drawn to the summary of key activity and the Strategic Risk Register as detailed on pages AC108 and AC109. It was explained that some of the changes implemented were the result of some the observations made at the Seminar held in March last year.

It was also noted that the annual review of the Strategic Risks was undertaken in January 2018 and the Senior Management Team approved two changes which refer to 'Funding Streams' and 'Organisational Capacity' as detailed in the report.

Members made general observations on the content of the report and asked that future reports be more consistent in the terminology used and to be mindful of the terms in order to make the report clearer and simpler to read. An error in the report on page AC116 of a duplication of one of the risks was highlighted and Officers took note to amend accordingly.

The Risk Management and Performance Manager confirmed that the Strategic Risk Register and other processes would continue to be updated as lessons are learnt from major projects and reviews, and that there would be continuing scrutiny and challenge of the Risk Implications and other corporate implications disclosures on Executive and Council reports.

It was acknowledged that the Risk Management Policy is due for review in 2019, and Members sought information on the timetable and process for review. It was explained that the Committee would be presented with an updated Risk Management Policy in February 2019 and the timetable and process will be identified. Members

suggested that another seminar be held to enable Members to discuss and provide feedback on the new proposed policies before seeking formal approval.

RESOLVED: the Committee confirmed that they were satisfied with the risk management arrangements.

The Chairman thanked Members of the Committee and Officers for all their support over the last year.

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Chairman

Date: