

To: All Members of the AUDIT COMMITTEE
(Other Members for Information)

When calling please ask for:

Amy McNulty

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Calls may be recorded for training or monitoring

Date: 5 September 2014

Membership of the Audit Committee

Cllr Richard Gates (Chairman)

Cllr Wyatt Ramsdale (Vice Chairman)

Cllr Tony Gordon-Smith
(Vacancy)

Cllr Stephen Hill

Cllr Peter Isherwood

Cllr Stewart Stennett

Dear Councillors

A meeting of the AUDIT COMMITTEE will be held as follows:

DATE: WEDNESDAY, 17 SEPTEMBER 2014

TIME: 7.00 PM

PLACE: COMMITTEE ROOM 1, COUNCIL OFFICES, THE BURYS,
GODALMING

The Agenda for the meeting is set out below.

Yours sincerely

ROBIN TAYLOR

Head of Policy and Governance

**NOTE: A BRIEFING ON THE ACCOUNTS FOR ALL MEMBERS OF THE AUDIT
COMMITTEE WILL BE HELD ON WEDNESDAY 10 SEPTEMBER 2014
IN COMMITTEE ROOM 1 AT 4PM**

Most of our publications can be provided in alternative formats. For an audio version, large print, text only or a translated copy of this publication, please contact committees@waverley.gov.uk or call 01483 523351

NOTE FOR MEMBERS

Members are reminded that contact officers are shown at the end of each report and members are welcome to raise questions etc in advance of the meeting with the appropriate officer.

AGENDA

1. **MINUTES**

To confirm the Minutes of the Meeting held on 25 June 2014 (to be laid on the table half an hour before the meeting).

2. **APOLOGIES FOR ABSENCE**

To receive apologies for absence.

3. **DISCLOSURE OF INTERESTS**

To receive from Members, declarations of interests in relation to any items included on the Agenda for this meeting, in accordance with the Waverley Code of Local Government Conduct.

4. **QUESTIONS BY MEMBERS OF THE PUBLIC**

The Chairman to respond to any questions received from members of the public of which notice has been duly given in accordance with Procedure Rule 10.

5. **PROGRESS ON THE IMPLEMENTATION OF INTERNAL AUDIT RECOMMENDATIONS** (Pages 5 - 12)

To inform the Audit Committee of Senior Management's progress in implementing the recommendations raised by Internal Audit following a review in their service areas. The report at Appendix A will enable the Committee to consider what action is required in respect of those that are overdue or appear likely to be implemented later than the target date.

Recommendation

It is recommended that the Audit Committee

- 1. considers the information contained in Annexe 1 and identifies any action it wishes to be taken; and**
- 2. approves the proposed change detailed in Annexe 2.**

6. PROGRESS ON THE INTERNAL AUDIT PLAN FOR 2014/15 (Pages 13 - 18)

The Committee's terms of reference include provision for the Committee to comment on the progress made in the Audit Plan. An update on the current position of the reviews in 2014/15 is presented at Appendix B.

Recommendation

It is recommended that the Audit Committee notes the progress for the Internal Audit Plan 2014/15 as attached at Annexe 1.

7. ANNUAL GOVERNANCE STATEMENT (Pages 19 - 32)

Each year Waverley is required to produce an 'Annual Governance Statement' which sets out the key elements of the Council's internal control framework and identifies any issues that need addressing in the coming year. The report at Appendix C contains the Annual Governance Statement for 2013/14.

Recommendation

It is recommended that the Audit Committee approves the Annual Governance Statement.

8. STATEMENT OF ACCOUNTS 2013/14 (Pages 33 - 40)

The purpose of the report at Appendix D is for the Audit Committee to consider and approve the Statement of Accounts for the year ended 31st March 2014.

Recommendation

It is recommended that the Audit Committee:

- 1. approves the Statement of Accounts for the financial year ended 31st March 2014;**
- 2. approves the Letter of Representation for 2013/2014; and**
- 3. confirms that the accounts have been prepared on a going concern basis**

9. AUDIT FINDINGS REPORT (Pages 41 - 72)

The report at Appendix E, produced by Grant Thornton, details the Audit Findings for the year ended 31 March 2014.

Recommendation

It is recommended that the Audit Committee receives and notes the Audit Findings Report produced by Grant Thornton.

10. EXCLUSION OF PRESS AND PUBLIC

To consider the following recommendation on the motion of the Chairman:

Recommendation

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 paragraph 7 of the revised Part 1 of Schedule 12A to the Local Government Act 1972, namely:

Information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime.

11. INTERNAL AUDIT INVESTIGATION - UPDATE

To receive a verbal update from the Director of Finance and Resources.

12. ANY OTHER ISSUES TO BE CONSIDERED IN EXEMPT SESSION

To consider any matters relating to aspects of any reports on this agenda which, it is felt, may need to be considered in exempt session.

**For further information or assistance, please telephone
Amy McNulty, Trainee Democratic Services Officer, on 01483 523492
or by email at amy.mcnulty@waverley.gov.uk**

WAVERLEY BOROUGH COUNCIL

AUDIT COMMITTEE – 17/09/2014

Title:

**PROGRESS ON THE IMPLEMENTATION OF INTERNAL AUDIT
RECOMMENDATIONS**

[Wards Affected: All]

Summary and purpose:

To inform the Audit Committee of Senior Management's progress in implementing the recommendations raised by Internal Audit following a review in their service areas. This report will enable the Committee to consider what action is required in respect of those that are overdue or appear likely to be implemented later than the target date.

How this report relates to the Council's Corporate Priorities:

Internal Audit work contributes to the safeguarding of assets against loss and waste and for identifying other value or money issues.

Financial Implications:

Internal audit work helps management in achieving good value for money and, individual recommendations may have value for money implications.

Legal Implications:

There are no direct legal implications, although good governance is strengthened by attention to the matters raised in audit recommendations.

Introduction

1. This report provides the Audit Committee with the latest position regarding the implementation of Internal Audit recommendations. The Audit Committee should note that the recommendations detailed in the June Audit Committee Report at Annexe 2 relating to Housing Responsive Repairs – Contract Management IA14/14.10 & IA14/14.012 have now been implemented as a result of the completion of Project Purple which went live on 21 July 2014, which included the areas raised in these recommendations.
2. Annexe 1 to this report provides the current position on recommendations due for completion by 31st October 2014.
3. Annexe 2 details the request to extend an implementation date due to the change in the System Software consultants visit, original intended for June 2014 but now postponed until later in the year. The Head of Service is requesting a change of implementation date to the end of December 2014.

Conclusion

4. Recommendations relate to the control environment and hence the overall governance and risk management of the Council, and it is important that agreed actions are completed within timeframes agreed with the relevant Head of Service.

Recommendation

It is recommended that the Audit Committee

1. considers the information contained in Annexe 1 and identifies any action it wishes to be taken; and
2. approves the proposed change detailed in Annexe 2.

Background Papers

There are no background papers (as defined by Section 100D(5) of the Local Government Act 1972) relating to this report.

CONTACT OFFICER:






Name: Gail Beaton

Telephone: 01483 523260



E-mail: gail.beaton@waverley.gov.uk




Audit Recommendations overdue or due within next month

Generated on: 28 August 2014


| Action Status | |
|---|---------------------------------------|
|  | Cancelled |
|  | Overdue; Neglected |
|  | Unassigned; Check Progress |
|  | Not Started; In Progress; Assigned |
|  | Completed |

Head of Service Standing, Roger

| | | | | |
|--|---|---|--------------------------|----------------|
| Action Code & Description | IA14/01.001 Administrator Duties and Responsibilities | Management should ensure that SharePoint administrator management duties and responsibilities are documented and communicated to all appropriate staff. A review and update schedule should be defined. | Exit Meeting Date | 02-Jun-2014 |
| | | | Due Date | 30-Sep-2014 |
| Audit Report Code and Description | | IA14/01 Sharepoint | | |
| Agreed Action | | Agreed | | |
| Status |  | In Progress | Progress | 85% |
| | | | Head of Service | Roger Standing |
| All Notes | Duties and responsibilities being documented and will be communicated to relevant staff - on schedule for completion. | | | 21-Aug-2014 |
| Action Code & Description | IA14/01.004 Access Control Arrangements | Management should ensure that the access control arrangements for SharePoint are documented and communicated securely to all IT technical staff with SharePoint system/user administration responsibilities. | Exit Meeting Date | 02-Jun-2014 |
| | | | Due Date | 30-Sep-2014 |
| Audit Report Code and Description | | IA14/01 Sharepoint | | |
| Agreed Action | | Team Requires Training | | |
| Status |  | In Progress | Progress | 80% |
| | | | Head of Service | Roger Standing |
| All Notes | Underway and on schedule for completion by end September. | | | 21-Aug-2014 |
| Action Code & Description | IA14/01.006 Patch Management | Management should ensure that: § Patching procedures are designed, documented and made available to all technical staff with responsibility for the process. They should also be reviewed on a regular e.g. annual, | Exit Meeting Date | 02-Jun-2014 |
| | | | Due Date | 30-Sep-2014 |

| | | | | |
|--|--|--|--------------------------|----------------|
| | | basis and updated as required. A process should be documented and issued to technical staff with SharePoint administration responsibilities for reviewing the web services available on the system's web front end servers and disabling or removing those that present security vulnerabilities and are not essential to the running of the SharePoint service. Access to those which do present a security risk should be limited to essential technical staff only. | | |
| Audit Report Code and Description | | IA14/01 Sharepoint | | |
| Agreed Action | | Agreed | | |
| Status |  | In Progress | Progress | 80% |
| | | | Head of Service | Roger Standing |
| All Notes | On schedule for end September completion process being documented. | | | 21-Aug-2014 |
| Action Code & Description | IA14/05.003 Backup Policy | A backup policy and standard operating procedure should be documented by the Council; this should also inform the disaster recovery plan. It should include: · the Council's requirements for backing up and replicating data and servers; · define the retention policy for all types of backup; identify responsibilities for performing the backup e.g. tape changing/recycling and for confirming that the backup has been completed as scheduled and that tapes have been moved between sites as required | Exit Meeting Date | 05-Mar-2014 |
| | | | Due Date | 30-Sep-2014 |
| Audit Report Code and Description | | IA14/05 San Environment | | |
| Agreed Action | | This will be completed and presented to the IT Strategy within 6 months | | |
| Status |  | In Progress | Progress | 75% |
| | | | Head of Service | Roger Standing |
| All Notes | Documentation of Backup Policy underway to be added to IT Disaster Recovery on target. | | | 21-Aug-2014 |
| Action Code & Description | IA14/05.005 Business Continuity Plan | The BC plan should be completed and assurance obtained that the facilities provided at Mole Valley will support Council critical services | Exit Meeting Date | 05-Mar-2014 |
| | | | Due Date | 30-Sep-2014 |
| Audit Report Code and Description | | IA14/05 San Environment | | |
| Agreed Action | | Testing has been carried out in separate modules, target is 2 major system per year. However a complete shut down of the system to test Mole Valley resilience is unrealistic. Website has been tested and successfully completed. The IT disaster Recovery Plan will be updated. | | |
| Status |  | In Progress | Progress | 85% |
| | | | Head of Service | Roger Standing |
| All Notes | Progress made testing and regular 'mirroring' of data proves the arrangement with Mole Valley is working - IT Disaster Recovery Plan on schedule to be updated by end of September | | | 21-Aug-2014 |

Head of Service Vickers, Peter

| | | | | | |
|--|---|--|--------------------------|------------------------|---------------|
| Action Code & Description | IA14/18.004 Attachments applied to Debtors Account | It should be investigated whether it is possible to attach e-mail correspondence directly to a debtor's account on the Agresso system. | Exit Meeting Date | 18-Feb-2014 | |
| | | | Due Date | 30-Jun-2014 | |
| Audit Report Code and Description | | IA14/18 Sundry Debtors | | | |
| Agreed Action | | Will explore when Agresso Representative comes in on June 2014. | | | |
| Status |  Overdue | Progress | 0% | Head of Service | Peter Vickers |
| All Notes | Will be actioned in June 2014 | | | 29-May-2014 | |

ANNEXE 2

Internal Audit Recommendations presented to the Audit Committee For status change of Due Date on Covalent

| Report Ref/ Recommendation Ref No | Title | Recommendation | Justification/Reason for change in implementation date | Responsible Officer |
|---|----------------|---|--|--------------------------------------|
| IA14/18.004 | Sundry Debtors | It should be investigated whether it is possible to attach email correspondence directly to a debtors account on the Agresso System | Request to extend an implementation date due to the change in the System Software consultants, original intended for June 2014 but now postponed until later in the year. Proposed revised date end of December 2014. | Head of Finance Peter Vickers |

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WAVERLEY BOROUGH COUNCIL

AUDIT COMMITTEE – 17/09/2014

Title:

PROGRESS ON THE INTERNAL AUDIT PLAN FOR 2014/15

[Wards Affected: All]

Summary and purpose:

The Committee's terms of reference include provision for the Committee to comment on the progress made in the Audit Plan. This report updates the committee on the current position of the Internal Audit reviews detailed in the 2014/15 Audit Plan.

How this report relates to the Council's Corporate Priorities:

The work of the Internal Audit service can have an impact upon all the Council's priorities as its work covers all service areas.

Financial Implications:

There are no specific financial implications from this report, however the delivery of the Audit Plan will contribute towards the Council's sound financial and management processes and help to ensure that sound probity and governance arrangements are in place.

Legal Implications:

The Council must have an operational plan that must cover a period of no more than a year in order to fully comply with the requirements of the Code of Practice issued by CIPFA, which is given mandatory status by the Accounts and Audit Regulations.

Introduction

1. The Internal Audit Plan work is completed by our contractors Baker Tilly who are currently procured to provide approximately 230 days per year. The progress on the completion of the Internal Audit Plan for 2014/15 previously agreed by the Audit Committee on 18th March 2014 is shown as attached at Annexe 1.

Conclusion

2. The Committee is asked to note the progress made on the 2014/15 Internal Audit Plan.

Recommendation

It is recommended that the Audit Committee notes the progress for the Internal Audit Plan 2014/15 as attached at Annexe 1.

Background Papers

There are no background papers (as defined by Section 100D(5) of the Local Government Act 1972) relating to this report.

CONTACT OFFICER:

Name: Gail Beaton

Telephone: 01483 523260

E-mail: gail.beaton@waverley.gov.uk

AUDIT PLAN AGREED BY 18 MARCH 2014 AUDIT COMMITTEE

| Report No. | AUDIT PLAN AS AT 22/08/2014 | 2014/15 PRIORITY | Proposed No. of Plan Days | Variations | Revised plan (a) + (b) | B/F from Previous Month | Actual Total to date | Days Planned to end March '15 | Total expected time ((d)+(e) to match (c)) | Balance | Progress | Details | Last Audited | Quarter to be started | Head of Service & Manager Responsible for Area | Contact Details | Auditor |
|-----------------------|---|------------------|---------------------------|-------------|------------------------|-------------------------|----------------------|-------------------------------|--|-------------|---------------------------|---|--------------|--------------------------------|---|-------------------------------|---------|
| | | RISK BAND | 2014/15 | (b) | (c) | | (d) | (e) | | | | | | | | | |
| | Systems and Services Audit | | | | | | | | | | | | | | | | |
| | IT SERVICES | | | | | | | | | | | | | | | | |
| HOS | Payment Card Industry Std (PCI) | H | 5.00 | 0.00 | 5.00 | 0.00 | 5.00 | 0.00 | 5.00 | 0.00 | Awaiting Draft Report | Assurance on system controls in operation re security and information held. | N/A | QTR 2 - TM in contact with RS. | Head of Customer, IT and Office Services - Roger Standing, Linda Frame - IT Development Manager | 01483 523221 - 01483 523157 | BT |
| HOS | Wireless Network | M | 5.00 | 0.00 | 5.00 | 5.00 | 5.00 | 0.00 | 5.00 | 0.00 | Draft Report Stage | Assessment of security control in place | N/A | QTR 2 - TM in contact with RS. | Head of Customer, IT and Office Services - Roger Standing, Martin Wilson - Operations Manager | 01483 523221 - 01483 523155 | BT |
| Deferred from 2013-14 | Systems Review of Orchard Management System | H | 15.00 | 0.00 | 15.00 | 0.00 | 0.00 | 15.00 | 15.00 | 0.00 | 11th September 2014 | Request by Housing Management re connectivity and functionality over all modules of the system. | N/A | QTR 2/3 | Head of Housing Operations, Hugh Wagstaff | 01483 523363 | BT |
| | Contingency | | 5.00 | 0.00 | 5.00 | 0.00 | 0.00 | 5.00 | 5.00 | 0.00 | | | | | | | |
| | IT Total | | 30.00 | 0.00 | 30.00 | 5.00 | 10.00 | 20.00 | 30.00 | 0.00 | | | | | | | |
| | GENERAL SYSTEM REVIEWS | | | | | | | | | | | | | | | | |
| | Key Financial Systems | | | | | | | | | | | | | | | | |
| AS | Payroll | H | 7.00 | 0.00 | 7.00 | 0.00 | 0.00 | 7.00 | 7.00 | 0.00 | | Production of payroll by SLA | 2013-14 | QTR 3 | Head of Finance - Peter Vickers, Karen Booker, Payroll and Employee Services Manager | 01483-523539, 01483-523248 | BT |
| AS | Housing Benefit and Council Tax Support | H | 10.00 | 0.00 | 10.00 | 0.00 | 0.00 | 10.00 | 10.00 | 0.00 | | Embedding in of revised scheme | 2013-14 | QTR 3 | Head of Finance - Peter Vickers, Benefits Manager - Nicky Harvey | 01483-523539 & 01483 5233021 | BT |
| AS | Council Tax | H | 7.00 | 0.00 | 7.00 | 0.00 | 0.00 | 7.00 | 7.00 | 0.00 | | Embedding in of revised scheme | 2013-14 | QTR 3 | Head of Finance - Peter Vickers, Revenues Manager - Simon Piper | 01483-523539 & 01483 523104 | BT |
| Deferred from 2013-14 | Asset Register | H | 10.00 | 0.00 | 10.00 | 0.00 | 0.00 | 10.00 | 10.00 | 0.00 | Planned for end Sept 2014 | New accounting principles for leases to come into force in 2015. | 2012-13 | QTR 3 | Head of Finance - Peter Vickers Senior Accountant - Vicki Basley, Estates and Valuation Manager - Ailsa Woodruff. | 01483-523539, & 01483 523459. | BT |
| AS | Reconciliations of all Key Financial systems incl, Debtors Creditors, General Ledger, HB, Ctax etc) | H | 10.00 | 0.00 | 10.00 | 0.00 | 0.00 | 10.00 | 10.00 | 0.00 | | Reconciliations of key financial systems | 2013-14 | QTR 4 | Head of Finance - Peter Vickers | 01483-523539 | BT |
| AS | NNDR | H | 7.00 | 0.00 | 7.00 | 0.00 | 0.00 | 7.00 | 7.00 | 0.00 | | Mandatory and Discretionary relief, Insolvency status appropriately claimed. | 2013-14 | QTR 3 | Head of Finance - Peter Vickers, Revenues Manager - Simon Piper | 01483-523539 & 01483 523104 | BT |
| HOS | Cash Income System | H | 5.00 | 0.00 | 5.00 | 0.00 | 0.00 | 5.00 | 5.00 | 0.00 | | New Project running form Apr-Aug 2014 upgrade CIVICA and Adelante | 2012-13 | QTR 4 | Head of Finance - Peter Vickers Senior Accountant Vicki Basley & L Heath | 01483-523539 & 01483 523250 | BT |
| | Payments | H | 10.00 | 0.00 | 10.00 | 0.00 | 0.00 | 10.00 | 10.00 | 0.00 | | Provide assurance that controls are in place for any payments made by the council. | | QTR 2 | Head of Finance - Peter Vickers | 01483-523539 | BT |

AUDIT PLAN AGREED BY 18 MARCH 2014 AUDIT COMMITTEE

| Report No. | AUDIT PLAN AS AT 22/08/2014 | 2014/15 PRIORITY | Proposed No. of Plan Days | Variations | Revised plan (a) + (b) | B/F from Previous Month | Actual Total to date | Days Planned to end March '15 | Total expected time ((d)+(e) to match (c)) | Balance | Progress | Details | Last Audited | Quarter to be started | Head of Service & Manager Responsible for Area | Contact Details | Auditor |
|-----------------------|---|------------------|---------------------------|-------------|------------------------|-------------------------|----------------------|-------------------------------|--|-------------|------------------------------|--|-------------------------------|-----------------------|--|--------------------------------------|---------|
| | | | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | | | | | | | |
| | | | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | | | | | | | |
| | Sub total for Key Financial Systems | | 66.00 | 0.00 | 66.00 | 0.00 | 0.00 | 66.00 | 66.00 | 0.00 | | | | | | | |
| Deferred from 2013-14 | Housing tenancy void management and terminations | H | 10.00 | 0.00 | 10.00 | 0.00 | 0.00 | 10.00 | 10.00 | 0.00 | | Review of revised processes introduced in 2013-14 | Pre 2008 | QTR 3 | Head of Housing Operations Hugh Wagstaff | 01483 523363 | BT |
| Risk Reg | Asbestos in Waverley Properties | H | 10.00 | 0.00 | 10.00 | 0.00 | 0.00 | 10.00 | 10.00 | 0.00 | | Review of revised processes introduced in 2013-14 | 2011-12 | QTR 4 | Head of Housing Operations Hugh Wagstaff | 01483 523363 | BT |
| Risk Reg | Legionella, Electrical, Fire checks etc re Waverley Property | H | 10.00 | 0.00 | 10.00 | 0.00 | 0.00 | 10.00 | 10.00 | 0.00 | | Review of revised processes introduced in 2013-14 | Allocations reviewed 2011-12. | QTR 4 | Head of Housing Operations Hugh Wagstaff | 01483 523363 | BT |
| AS | Housing property database (Keystone) | H | 10.00 | 0.00 | 10.00 | 10.00 | 10.00 | 0.00 | 10.00 | 0.00 | Draft Report Stage | Assurance on the accuracy and reliability of the Keystone System. | Pre 2008 | QTR 1/2 | Head of Housing Operations Hugh Wagstaff | 01483 523363 | BT |
| Risk Reg | Gas Maintenance in Waverley Properties | H | 10.00 | 0.00 | 10.00 | 0.00 | 0.00 | 10.00 | 10.00 | 0.00 | Planned start date Sept 2014 | Review of revised processes introduced in 2013-14 | 2011/12 | QTR 2 | Head of Housing Operations Hugh Wagstaff | 01483 523363 | BT |
| AS | Rent Deposit Scheme | H | 5.00 | 0.00 | 5.00 | 5.00 | 5.00 | 0.00 | 5.00 | 0.00 | Awaiting Draft Report | Document process, provide assurance that Rent deposits are recovered where possible. | Fees reviewed previously | QTR 2 | Head of Housing Strategy - Jane Abrahams | 01483- 523096 | BT |
| IA15-02 | Planning - Procurement of specialist professional services (Agricultural appraisals, Counsel etc) | H | 10.00 | 0.00 | 10.00 | 10.00 | 10.00 | 0.00 | 10.00 | 0.00 | Final Report Stage | Provide assurance that the procurement of specialist professional services are in accordance with CPR's with the appropriate approvals obtained. | New | QTR 1 | Head of Planning - Matthew Evans | 01483- 523298 | BT |
| AS | Health & Safety | H | 7.00 | 0.00 | 7.00 | 0.00 | 0.00 | 7.00 | 7.00 | 0.00 | | Assurance that H & S inspections completed by the Environmental Health | Pre 2008 | QTR 3 | Head of Environment - Rob Anderton | 01483 523411 | BT |
| AS | Safeguarding | H | 7.00 | 0.00 | 7.00 | 0.00 | 0.00 | 7.00 | 7.00 | 0.00 | | Assurance that clear responsibilities, policies, procedures and training are in place. | 2011-12 | QTR 3 | Kelvin Mills Head of Community Service and Major Projects | 01483 523432 | BT |
| AS | Car Parking | H | 10.00 | 0.00 | 10.00 | 0.00 | 0.00 | 10.00 | 10.00 | 0.00 | | Assurance on the collection of fees through to the recovery of fines and write offs. | 2012-13 | QTR 3/4 | Head of Environment - Rob Anderton | 01483 523411 | BT |
| AS | Refuse Collection | M | 10.00 | 0.00 | 10.00 | 0.00 | 0.00 | 10.00 | 10.00 | 0.00 | | Post review of Green Waste collection | 2011-12 | QTR 2/3 | Head of Environment - Rob Anderton | 01483 523411 | BT |
| AS | Environmental Protection Team | H | 10.00 | 0.00 | 10.00 | 0.00 | 0.00 | 10.00 | 10.00 | 0.00 | Planned start date Sept 2014 | Reviewing the way in which the Environmental Protection team and the Planning Team work together on planning consultations. | Pre 2008 | QTR 2 | Head of Environment - Rob Anderton & Deputy Environmental Health Manager - Colin Giddings | 01483 523411 - 01483 523435 | BT |
| IA15-01 | Fuel Cards (WBC Owned Vehicles, Pool cars and Countryside) | M | 5.00 | 0.00 | 5.00 | 5.00 | 5.00 | 0.00 | 5.00 | 0.00 | Final Report on Covalent | Assurance that Fuel cards are being appropriately used by those staff they were issued to. | New | QTR 1 | Kelvin Mills Head of Community Service and Major Projects | 01483 523432 | BT |
| Risk Reg | Sport Centre Refurbishment (Hérons) | H | 10.00 | 0.00 | 10.00 | 0.00 | 0.00 | 10.00 | 10.00 | 0.00 | | Assurance that project controls are in operation and being complied with. | New Project | QTR 4 | Kelvin Mills Head of Community Service and Major Projects | 01483 523432 | BT |

AUDIT PLAN AGREED BY 18 MARCH 2014 AUDIT COMMITTEE

| Report No. | AUDIT PLAN AS AT 22/08/2014 | 2014/15 PRIORITY | Proposed No. of Plan Days | Variations | Revised plan (a) + (b) | B/F from Previous Month | Actual Total to date | Days Planned to end March '15 | Total expected time ((d)+(e) to match (c)) | Balance | Progress | Details | Last Audited | Quarter to be started | Head of Service & Manager Responsible for Area | Contact Details | Auditor |
|------------|--|------------------|---------------------------|-------------|------------------------|-------------------------|----------------------|-------------------------------|--|-------------|------------------------------|---|--------------|-----------------------------|---|-----------------|---------|
| HOS | Document Scanning service | M | 7.00 | 0.00 | 7.00 | 0.00 | 0.00 | 7.00 | 7.00 | 0.00 | | Assurance re compliant with Info Security, certification of copy of original - time and motion re utilisation of resources. | 2010 | QTR 2/3 | Roger Standing Head of Customer, IT and Officer Services | 01483 523221 | BT |
| CMT | Waverley Training Services | H | 10.00 | 0.00 | 10.00 | 0.00 | 0.00 | 10.00 | 10.00 | 0.00 | Planned start date Sept 2014 | Growth and expansion of service. | 2012-13 | QTR 2/3 | Kelvin Mills Head of Community Service and Major Projects | 01483 523432 | BT |
| | Governance and Risk Reviews | | | | | | | | | | | | | | | | |
| AS | Member Allowances | H | 7.00 | 0.00 | 7.00 | 0.00 | 0.00 | 7.00 | 7.00 | 0.00 | Planned start Date Sept 2014 | Assurance that system in operation is compliant with documented and agreed scheme | 2009-10 | QTR 1/2 (June 2014 onwards) | Head Of Policy and Governance - Robin Taylor | 01483 523222 | BT |
| | In Progress | | | | | | | | | | | | | | | | |
| | Completed | | | | | | | | | | | | | | | | |
| | New review utilising contingency days | | | | | | | | | | | | | | | | |
| | Management Contract Liaison Meetings | | 5.00 | 0.00 | 5.00 | 1.00 | 1.00 | 4.00 | 5.00 | 0.00 | | | | | | | BT & GB |
| | Contingency | | 1.00 | 0.00 | 1.00 | 0.00 | 0.00 | 1.00 | 1.00 | 0.00 | | | | | | | |
| | Sub Total for Operational Reviews (Inc Cont) | | 134.00 | 0.00 | 134.00 | 31.00 | 31.00 | 103.00 | 134.00 | 0.00 | | | | | | | |
| | Subtotal Financial Systems Reviews | | 66.00 | 0.00 | 66.00 | 0.00 | 0.00 | 66.00 | 66.00 | 0.00 | | | | | | | |
| | Subtotal of IT Reviews | | 30.00 | 0.00 | 30.00 | 5.00 | 10.00 | 20.00 | 30.00 | 0.00 | | | | | | | |
| | Total Contractor Plan Review Days | | 230.00 | 0.00 | 230.00 | 36.00 | 41.00 | 189.00 | 230.00 | 0.00 | | | | | | | |
| | Inhouse Service (GB) | | | | | | | | | | | | | | | | |
| HOS | Sale of and repurchase of Council Houses | H | 10.00 | 0.00 | 10.00 | 0.00 | 0.00 | 10.00 | 10.00 | 0.00 | | | Pre 2008 | QTR 2/3 | Head of Housing Operations Hugh Wagstaff | 01483 523363 | GB |
| | Other reviews to be decided | H | 20.00 | 0.00 | 20.00 | 0.00 | 0.00 | 20.00 | 20.00 | 0.00 | | | | | | | |
| | Total Inhouse Internal Audit Reviews | | 30.00 | 0.00 | 30.00 | 0.00 | 0.00 | 30.00 | 30.00 | 0.00 | | | | | | | |
| | | | | | | | | | | | | | | | | | |
| | Total Part 1 of Plan | | 260.00 | 0.00 | 260.00 | 36.00 | 41.00 | 219.00 | 260.00 | 0.00 | | | | | | | |

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ANNUAL GOVERNANCE STATEMENT 2013/14

1. SCOPE OF RESPONSIBILITY

Waverley is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and is used economically, efficiently and effectively.

In discharging this overall responsibility, Waverley must put in place proper arrangements for governing its affairs to help it exercise its functions, which include arrangements for managing risk. Waverley's Code of Corporate Governance accords with the CIPFA/SOLACE Framework "Delivering Good Governance in Local Government". This Annual Governance Statement has been prepared in accordance with the proper practices as defined in the Code. A copy of the Code is available on the Council's website.

The purpose of this Annual Governance Statement (AGS) is to explain how Waverley has complied with the principles of the Code. It also meets the requirements of Regulation 4 of the Accounts and Audit Regulations 2011 in relation to the publication of an Annual Governance Statement. Where there is scope to improve current arrangements when compared with the Code, the actions have been identified and are contained in the action plan at the end of this Statement.

The Annual Governance Statement underpins Waverley's Corporate Plan and other key corporate strategies, including the Medium Term Financial Strategy, the workforce plan, equalities and diversities action plan and the Council's environmental policies.

The evidence for this Statement is drawn from Council, Executive, Corporate Management Team and Heads of Service Team work. The work of internal and external audit is also taken into account. The system of internal control also covers the Council's group activities.

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The "governance framework" comprises the systems, processes and controls, and the culture and values by which Waverley is directed and controlled and its activities through which it accounts to, engages with, and leads, the community. It enables Waverley to monitor how it achieves its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services. It has a key role in maintaining public confidence that Waverley is following high standards of governance.

The system of internal control is a significant part of that framework and is designed to manage, but not eliminate, risk of failure to achieve policies, aims and objectives and it provides reasonable assurance of its effectiveness. The system of internal control is based on a continuing process designed to identify and prioritise the risks to achieving Waverley's policies, aims and objectives.

The purpose of the governance framework is to allow Waverley to –

- Focus on the outcomes for the area and its community;
- Engage with local people and other stakeholders to ensure robust public accountability;
- Foster a leadership community that sees Members and Officers working together to achieve a common purpose with clearly defined roles and responsibilities;
- Promote values and behaviours for the Council that will demonstrate how it will uphold good governance and high standards of conduct;
- Take informed and transparent decisions which manage risk and opportunity and are subject to effective scrutiny;
- Develop the capacity and capability of its Members and Officers to be effective and innovative.

The governance framework has been in place at Waverley for the year ended 31 March 2014 and up to the date of approval of the Statement of Accounts.

3. THE GOVERNANCE FRAMEWORK

The key elements of the systems and processes that comprise the Council's governance framework are described below. Further details in relation to each element can be viewed through the Council's website <http://www.waverley.gov.uk>.

a) Corporate Plan 2012 to 2015 – The Council adopted its current Corporate Plan 2012 – 2015 in February 2012. It sets the direction of the Council until the Borough Elections in 2015. The plan is available on Waverley's website at www.waverley.gov.uk/corporateplan.

Waverley's Core priorities are **VALUE:**

Value for money

The Council is committed to providing customer focused services at the best value for money. The Council will ensure that sound financial management is at the core of everything it does.

Affordable housing

Waverley will work hard to provide more affordable housing in the Borough for people in housing need. The Council aims to be an excellent landlord, managing its own housing stock well and improving the fabric and condition of its properties.

Leisure and lives

The Council will continue to support opportunities for all to take part in sport, recreation and other leisure activities to promote health and well-being for all.

Understanding our residents' needs

It is important to the Council that it understands its residents and that it focuses on providing the services they want, by consulting with them and ensuring its services are designed to meet people's needs across the Borough. The Council will be active in consulting and working with residents, service users and local businesses.

Environment

Waverley will continue to do everything within its powers to protect and enhance the area's unique mix of rural and urban communities throughout its towns, villages and hamlets. It will set an example in protecting the environment through its promotion of recycling and environmental sustainability.

Each of the Corporate Plan priorities has a number of measurable outcomes and targets. Each year, every Head of Service prepares, in conjunction with their Portfolio Holders, a Service Plan to deliver the Corporate Plan objectives and other service priorities. The draft 2014/15 Service Plans were presented to a joint meeting of the Overview and Scrutiny Committees in January 2014 before being agreed by the Executive in February 2014.

b) Council Constitution - The Council Constitution was updated in February 2014, and is available on Waverley's website, sets out how the Council operates, how decisions are made, and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. Each agenda for a Council or business meeting contains an item requiring members at the outset of the meeting to declare any relevant interests. The agendas and minutes of all the public meetings of the Council and its Committees are available on Waverley's website. Waverley webcasts the majority of public meetings live via its website and makes available archive webcast recordings following the meetings.

c) Council Structure - The Council operates under a 'Strong Leader' model, with members of the Executive responsible for individual Portfolios. At the full Council meeting held on the 14 May 2013 the following Executive portfolios and responsibilities were agreed for the 2013/14 year:

- Leader of the Council – Corporate Strategy including Democratic Services, Representing Waverley, Wider Issues
- Finance, e Property and Capital Resources, Human Resources, Housing Delivery
- EnvironmentCar Parks and Community Safety
- Planning
- IT and Customer Services,
- Leisure and CultureCommunications and Partnerships
- Major Projects and Economic Development

Housing – Operational

The Executive can only make decisions which are in line with the Council's overall Policy and Budget Framework. If it wishes to make a decision which is contrary to

the Policy and Budget Framework, it must be referred to the full Council to decide. The Executive collectively make recommendations to the Council about the policy framework and take decisions that ensure services are provided within the framework. For most "key" decisions made by the Executive, the Council is required to publish in advance information about:

- (a) the matter to be decided;
- (b) who will be making the decision, and
- (c) the date or timescale for the decision and the place where the decision will be made.

Most day to day service decisions are taken by Council Officers, and these powers are set out within Waverley's Scheme of Delegation which forms part of the Council's constitution. The Council appoints committees with power to carry out non-executive and other functions (e.g. planning and licensing where there is a statutory requirement for the Council to maintain committees). Non-executive functions are those which the Executive does not have the power to carry out.

d) Policy Development & Scrutiny- During 2013/14 Waverley had two Overview and Scrutiny (O&S) Committees:

- Corporate Overview & Scrutiny Committee – remit includes Finances, Corporate Services and Housing.
- Community Overview & Scrutiny Committee – remit includes Community matters, Environment, Planning and Community Safety.

These Committees, and their respective Sub-Committees, hold the Executive to account for its decisions, provide an opportunity for a methodical review of performance and the effectiveness of policies and have a key role in the policy development process.

e) Standards Committee/Panel - The Localism Act 2011 gave Councils an explicit duty to promote and maintain high standards of Member conduct and the statutory model Code of Conduct was abolished. In July 2012 the Council adopted a new Code of Conduct and local arrangements for dealing with complaints about councillors which were substantially simpler and clearer, and both came into effect from July 2012.

The roles and responsibilities of the Panel include:

- (a) promoting and maintaining high standards of conduct by councillors and co-opted members;
- (b) assisting councillors and co-opted members to observe the Members' Code of Conduct;
- (c) monitoring the operation of the Members' Code of Conduct; and

- (d) where the Monitoring Officer has decided a hearing is necessary, to hear complaints received concerning the conduct of Waverley Borough and Town and Parish councillors, and the determination as appropriate.

The new arrangements replaced the Standards Committee with a Standards Panel of 8 Waverley councillors and 2 Town and Parish representatives. The Panel would only convene in its entirety on an ad hoc basis and would operate more as a pool from which to draw councillors should a councillor complaint need to be progressed. The Council also appointed two Independent Persons whose views must be sought by the Council before it takes a decision on an allegation which it has decided shall be investigated, or at any other stage. The Member against which an allegation has been made can also consult them.

The Monitoring Officer arranged briefing sessions for all councillors on the updated code and arrangements. He also arranged a series of briefings for staff on working successfully with councillors that covered the staff code of conduct and the Member-Officer protocol. These were attended by over 100 members of staff and will be repeated every year.

At the Council Meeting on 14 May 2013, the Leader of the Council offered one additional place on the Standards Panel to the UKIP Group, bringing the total number of places to 9.

The Council undertook a review of the new arrangements in July 2013, and agreed minor changes to the Code and arrangements for handling allegations; and, to update the Constitution to reflect the new Standards regime. The Council agreed that the Code of Conduct be reviewed again after the next Borough Elections in May 2015.

f) Audit Committee - The Audit Committee is made up of seven Councillors. The Council has delegated to this Committee responsibilities including:

- To consider the Council's arrangements for corporate governance and recommend necessary actions to ensure compliance with best practice
- To maintain an overview of the Council's Constitution in respect of contract procedure rules, financial regulations and codes of conduct and behaviour.
- To consider the Council's compliance with its own and other published regulations, standards and controls.
- To monitor Council policies in "Raising Concerns at Work" and the anti-fraud and anti-corruption strategy and the Council's complaints-handling process.
- To monitor the effective development and operation of internal control in the Council with particular reference to risk management.
- To approve the Council's Annual Governance Statement
- To consider whether appropriate accounting policies have been followed in the preparation of the annual statement of accounts.
- To consider all communications from the external auditor to the Audit Committee,

- To approve the annual statement of accounts.
- To consider the Annual Review of the system of Internal Audit.
- To consider the Internal Audit Client Managers Annual Report.
- To approve the annual Internal Audit Service Plan.

On 10 December 2013, the Council agreed a new senior management structure including, *inter alia*, the deletion of the post of Chief Executive; the re-designation of the post of Deputy Chief Executive as Executive Director; and a establishment of a new post of Director of Finance and Resources. As a result of these changes, with effect from 1st January 2014.

g) Head of Paid Service - The Executive Director is the designated Head of Paid Service with overall corporate management and operational responsibility (including overall management responsibility for and authority over all officers). He provides professional advice to all parties in the decision making process; and, together with the Monitoring Officer, is responsible for the system of record keeping for all Council's decisions.

h) Monitoring and Returning Officer – is designated as Waverley's Monitoring Officer with the responsibility for ensuring that the Council's decision-making processes meet the requirements of the law and comply with principles of good governance and Waverley's Codes of Conduct for Officers and Members.

i) Chief Finance Officer - The Director of Finance and Resources replaced Deputy Chief Executive is designated as Chief Finance Officer in accordance with Section 151 of the Local Government Act 1972.

In March 2010 CIPFA issued a Statement on the role of the Chief Financial Officer in Local Government. This required the Chief Finance Officer (S 151 Officer) to:

- 1) be a key member of the Leadership Team, helping it to develop and implement strategy and to resource and deliver the authority's strategic objectives sustainably and in the public interest;
- 2) be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the authority's financial strategy; and
- 3) lead the promotion and delivery by the whole authority of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.

To deliver these responsibilities the Chief Financial Officer must:

- a) lead and direct a finance function that is resourced to be fit for purpose; and
- b) be professionally qualified and suitably experienced.

Waverley's financial management arrangements conform with the governance requirements of the CIPFA/SOLACE Statement.

The S151 Officer has responsibility for establishing sound financial management within the Council and ensuring adherence to the Council's own financial standards and rules including the Financial Regulations (January 2012) and Contract Procedure Rules (January 2012). The Council has put in place a Medium Term Financial Strategy to support the aims of the Corporate Plan and a system of regular reporting of its financial position and performance during the year.

j) Code of Corporate Governance – The Council has adopted a Code of Corporate Governance which sets out Waverley's definition of corporate governance, the Values it stands for and the Key Principles of Corporate Governance that it has adopted.

k) Anti Fraud, Corruption and Bribery Arrangements - The Council has an Anti-Fraud, Corruption and Bribery Policy that demonstrates its commitment to tackling fraud and corruption whether within or external to the Council. It details:

- The key principles of the policy;
- The roles and responsibilities of Members and Officers;
- Investigation procedures to be followed in a suspected case of fraud.

The Council's Whistleblowing Policy is a component of the Anti Fraud, Corruption and Bribery Policy. Fraud policies are in place and are reviewed every 2 years for example, Housing Benefit Fraud, Tenancy Fraud and Prosecutions.

l) Corporate Complaints System - The Council has a Corporate Complaints Procedure which describes how complaints can be made and how the Council will deal with them. Waverley has adopted a three stage approach to ensure that if the complainant is dissatisfied with the initial response they can have the complaint investigation reviewed again:

- Stage 1 – Complaints dealt with by the contact officer
- Stage 2 – Complaints dealt with by the Head of Service
- Stage 3 – Complaints dealt with by the Chief Executive

If the complainant is still dissatisfied they can request that their complaint is examined by the Local Government Ombudsman. Since April 2013 Housing complainants who have exhausted Waverley's procedure and remain dissatisfied with the response are able to raise their complaint with the Housing Ombudsman.

m) Customer and Stakeholder Engagement - The Council has an established strategy to engage with citizens and the Community. Examples of this include:

- **Waverley's Citizens Panel** – A representative panel of Waverley residents who have signed up to give their views and feedback on a regular basis. One consultation was carried out with the panel in 2013/14.
- **Forums** which ensure the on-going consultation and communication with different groups in the Community including the Waverley Disability Forum, Faith Forum, and Tenants Panel.
- **Waverley's Website and social media**, which is updated daily, and provides information about the Council & online access to services;

- **'Making Waves'**, Waverley's newsletter, is produced three times a year and sent to all households within Waverley.

The Council also undertakes additional one off consultations on specific subjects, for example on the development of Waverley's Planning Core Strategy or potential creation of a new Parish Council in Rowledge.

n) Performance Management - Quarterly performance results across all services were considered by the Overview and Scrutiny Committees and the Executive. The Overview and Scrutiny Committees had specific Performance Sub Committees which went through the reports in detail with officers and reported their findings, concerns and recommendations back to the main Committees and on to the Executive. Individual staff performance is managed through Waverley's annual appraisal system.

o) Risk & Opportunity Management – Waverley's Risk Management Policy and Process Document was reviewed during the year and was approved in March 2014 with minor amendments. The Risk Management Policy will be reviewed thoroughly when the new Corporate Plan has been developed. The Heads of Service Team maintain Corporate Risk Registers which define and assess risks to the Council's objectives and they record actions to manage these risks. The risks and actions are monitored on a quarterly basis. Strategic Directors review Service risk management processes. The Audit Committee monitors the risk management plan periodically.

p) Internal Audit - Internal Audit operates to the standards set out in the Chartered Institute of Public Finance Accountant's 'Public Sector Auditing Standards for Internal Audit in Local Government' adapted from the application of the Institute of Internal Auditors International Auditing Standards. The Council's appointed External Auditor will then assess Internal Audit against these standards and its most recent assessment is that Internal Audit satisfies these standards. The Internal Audit Client Manager reports annually to the Audit Committee on the performance of the Internal Audit Service in the Annual Internal Audit Report providing details of the activities completed in the financial year.

q) External inspectorates - The Council maintains an objective and professional relationship with external auditors and statutory inspectors to seek assurance that the Council is providing efficient, effective and economic services and are proactive in securing continuous improvement in the way its functions are exercised.

4. REVIEW OF EFFECTIVENESS

The Council has the responsibility for conducting an annual review of the effectiveness of its governance framework including the system of internal control which is then summarised in the Annual Governance Statement. The review was undertaken by a group of service heads and assurance was gained as follows:

Management Assurance -

- A review of the implementation of the Risk Management Strategy and review of risk registers by Corporate Management Team.
- A review of Internal Audit Report findings and recommendation and the Audit Committee's consideration of these
- A review of audits completed during the year by Internal Audit including specific reviews on the authority's corporate governance arrangements, risk management, effectiveness of the Audit Committee and the corporate counter fraud arrangements, which provided an independent review of Waverley's governance arrangements.
- CMT sign-off of committee reports to Members for decision
- Monthly budget management meetings with Heads of Service.
- Audit reports, performance and risk information accessible on corporate 'Covalent' system

Statutory Officer Assurance -

- The Head of Paid Service reviews and signs the Annual Governance Statement
- The Section 151 Officer provides assurance to external auditors.
- All internal audit reports are referred to the Head of Paid Service and the S151 Officer.

Service Assurance -

- Heads of Service Team meetings review HR Policies and Risk Registers.
- Heads of Service team review audit recommendations
- Governance covered on all induction courses which include all new staff
- Connectors management group reviewed HR Policies

Performance Management -

- A review of performance management reports to CMT and Members including performance sub-committees
- A review of budget management reports to CMT and Members

External Review Assurance -

- An examination of external audit reports
- A review of complaints to the Local Government Ombudsman in 2012/13 as set out in the report to Corporate Overview and Scrutiny Committee in September 2013

Other Sources -

- An examination of the work of the Audit Committee in the year.
- An examination of Standards Panel and Overview & Scrutiny Committee minutes
- A review of the adequacy of the complaints procedure including monitoring and reporting outcomes.
- A review of Corporate Management Team meetings and Heads of Service Team reports and minutes.

5. PRODUCTION OF THE ANNUAL GOVERNANCE STATEMENT

The publication of the Annual Governance Statement represents the end result of the review of the effectiveness of the governance framework. Corporate involvement in the production of the Statement included:

- **Corporate Management Team** – Throughout the year, Corporate Management Team have scrutinised all key governance reviews prior to being reported to Members – including HR policies, fraud strategy, risk management policy and review of risk registers, review of Standards Committee and internal audit plans.
- **Statutory Officers** -The S151 Officer and Monitoring Officer have been involved in all key governance issues during the year and the S151 officer reports on arrangements to the external auditors to meet international audit requirements. The Monitoring Officer is a key member of the corporate governance officer group that prepares the AGS.
- **Audit Committee** - The Committee has considered key aspects of the Governance Framework during the year including the Risk Management Policy, Fighting Fraud Locally and the National Fraud Initiative.
- **Heads of Service** – Have been involved in considering risks, HR policies and fraud reviews.
- **Leader of the Council & Chief Executive** - The Annual Governance Statement 2013-14 will be signed by the Leader of the Council and the Chief Executive.

6. UPDATE ON SIGNIFICANT GOVERNANCE ISSUES 2013/14

The actions identified in the previous AGS have been progressed during the year and more detail has been included in the preceding paragraphs. In summary, positive action has been taken on all as follows:

| Action | Progress |
|---|---|
| Review key business risks in the light of the revised Corporate Plan | Comprehensive review undertaken by CMT, Heads of Service and Audit Committee Members in July 2012 and January 2014. |
| Initial review of the implementation of the Ethical Standards Framework | Code of Conduct reviewed in July 2013. Further review to be undertaken following Borough Elections in May 2015. |

| | |
|---|--|
| Monitor new Internal Audit Contract | On going with performance measures reported in the Annual Internal Audit Report. |
| Continue to monitor audit recommendations at the Audit Committee to ensure timely and thorough implementation | Each Audit Committee meeting in 2013/14 has received a report highlighting all recommendations that are outstanding or are approaching their agreed completion date. Members have debated the issues and challenged officers. |
| Review contract monitoring arrangements for major contracts | <p>A new management structure in Housing was implemented in July 2012. The structure has been regularly reviewed in the light of emerging business demands relating to Responsive Repairs, Planned Maintenance, and new affordable housing development. Temporary appointments have been agreed to strengthen capacity in contract management and to work with contractors to establish clear expectations, robust performance management and develop a partnership ethos. These posts were added to the staffing establishment with effect from 1 May 2014. -</p> <p>A robust approach has been taken to develop sound practices on matters with the council's contractors.</p> |
| Implement specific budget monitoring arrangements for the HRA Business plan capital and revenue spending | <p>Business Plan annual and 6-month review considered by CMT and reported to Members.</p> <p>HRA capital monitoring group in place meeting monthly throughout the year</p> <p>Housing Delivery Board considers strategic development opportunities and asset issues.</p> |
| | |

7. SIGNIFICANT GOVERNANCE ISSUES IDENTIFIED IN 2014/15

Whilst the actions identified in the previous year have largely been addressed, as the review of Waverley's arrangements becomes even more challenging, officers continue to identify scope for further improvement in future. Whilst no specific significant governance issues have been identified, the key areas under review are as follows:

| Action | Responsible | Review Period |
|---|------------------------------|---------------|
| | | |
| | | |
| | | |
| | | |
| | | |
| Corporate risk register | Head of Finance | March 2015 |
| Performance framework | Executive Director | March 2015 |
| Transparency agenda | Head of Finance | March 2015 |
| Review Contract Procedure Rules and Finance Regulations | Head of Finance | December 2014 |
| Review fraud resilience and financial controls | Head of Corporate Governance | December 2014 |

Level of assurance

This Annual Governance Statement demonstrates that the systems and processes that comprise Waverley's governance arrangements provide a comprehensive level of assurance to the Council.

Certification

This Governance Statement has been prepared by officers with knowledge of the key governance issues. They have compiled a list of items of evidence to support an assessment against the Council's Code of Corporate Governance and to support the action plan mentioned above. That assessment has been referred to in the preparation of this Governance Statement, which also draws upon the knowledge and understanding of those officers.

We therefore commend the Governance Statement to the Council.

Signed

Leader of the Council

Executive Director

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WAVERLEY BOROUGH COUNCIL

AUDIT COMMITTEE – 17 SEPTEMBER 2014

Title:

STATEMENT OF ACCOUNTS 2013/2014

[Wards Affected: N/A]

Summary and purpose:

The purpose of this report is for the Audit Committee to consider and approve the Statement of Accounts for the year ended 31st March 2014.

How this report relates to the Council's Corporate Priorities:

Waverley's published Accounts are a key document that helps to demonstrate the Council's accountability for public funds. The accounts support the Council's key objective of providing good value for money by showing how the Council's resources have been utilised.

Equality and Diversity Implications:

There are no implications arising from this report. The Statement of Accounts can be provided in larger print if required.

Resource and legal implications:

There are no direct resource implications resulting from the 2013/2014 Statement of Accounts. The Accounts set out Waverley's financial position at the year-end in a format which is prescribed by Regulations and the Local Government Accounting Code of Practice.

Introduction

1. The Accounts and Audit Regulations set out the requirements for the production and publication of the annual Statement of Accounts. These Regulations, as revised in 2011, incorporate a statutory requirement for the Draft Statement of Accounts to be approved by a resolution of a Committee of the relevant body by 30th September.
2. The Section 151 Officer (Deputy Chief Executive) retains responsibility for the preparation of the Statement of Accounts and is required to certify their fair presentation by the 30th June. The Members' role in approval is to demonstrate their ownership of the Statement of Accounts and their confidence in both the responsible financial officer and the process by which the accounting records are maintained and the Statement of Accounts prepared. In February 2007, the Council formally delegated the authority for approving Waverley's annual accounts to the Audit Committee. In June 2014

Members of the Audit Committee received the draft 2013/2014 Accounts and were invited to meet with officers to receive detailed training and/or to respond to any questions about them.

Statement of Accounts 2013/14

3. The Statement of Accounts for 2013/2014 is included with the Agenda as a separate document at Annexe 1. The Foreword to the Accounts highlights the key issues and shows the headline figures.
4. The audit of the Council's accounts for 2013/2014 by Grant Thornton is complete and the Audit Findings Report is included on this agenda. The Audit Findings Report did not identify any adjustments affecting the Council's reported financial position and the report gives the following key messages:
 - The Council's draft financial statements were of a high standard.
 - The Council's excellent working papers and early highlighting of potential financial reporting issues again contributed to a smooth audit process.
5. The format and content of the accounts is largely prescribed by regulation and codes of practice. It is a requirement that the accounts are arranged with all core financial statements grouped together with all notes to these statements following after in a separate section. The supplementary statements, Housing Revenue Account and Collection Fund, are grouped separately with their corresponding notes section.
6. The full draft Statement of Accounts and a Summary Statement is available on the Council's website. This will be replaced with the final version following the Audit Committee meeting on the 17th September.
7. It is a requirement that the Council issues a Letter of Representation to its external auditors at the conclusion of the Accounts and audit and this is referred to in Grant Thornton's Audit Findings Report also on this agenda. The draft Letter of Representation is attached at Annexe 2.

Going Concern Report

8. International Audit Standards require the Audit Committee to provide confirmation that the 2013/14 Accounts have been prepared on a 'going concern' basis. The going concern concept is one of the core principles underpinning local authority accounting practice and refers to the assumption made when the Accounts are prepared that the organisation will continue to operate for at least 12 months following the accounting period in question, taking into consideration best estimates of future activity and cash flows.
9. The main issues around the application of the 'going concern' concept are to consider the medium term financial plans and cash flow forecasts in existence at the time of the accounting year-end. Waverley's Medium-Term Financial Strategy (2014/15 to 2017/18) was reviewed by Members in February when

setting the Budget and again in June when considering the outturn position. More recently, the latest Strategy projections were presented to Members at the annual finance seminar on the 9th September. The latest strategy statement shows a strong position going forward with general Fund and HRA balances at a level which exceeds the minimum amount projected for at least the next 4 years. Also, the projections show that reserves and revenue contributions should be sufficient to deliver the Council's capital programme requirements in the medium term. Material cash flow movements are monitored and outflows are expected to be covered by revenues and treasury management activity in the year ahead.

10. Waverley has prepared a detailed Medium Term Financial Strategy that forecasts the Council's financial performance during the 4 year period from 2014/15 to 2017/18, therefore, it is clear that the Council has sound plans to continue operating and there is no uncertainty concerning the continuing operations of the Council.

Recommendation

It is recommended that the Audit Committee

1. approves the Statement of Accounts for the financial year ended 31st March 2014; and
2. approves the Letter of Representation for 2013/2014; and
3. confirms that the accounts have been prepared on a going concern basis

Background Papers

There are no background papers (as defined by Section 100D(5) of the Local Government Act 1972) relating to this report.

CONTACT OFFICER:

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Graeme Clark
Director of Finance and Resources
E-mail: graeme.clark@waverley.gov.uk
Direct line: 01483 523099
Calls may be recorded for training or monitoring
Date: 17 September 2014

Dear Emily,

Waverley Borough Council Group Financial Statements for the year ended 31 March 2014

This representation letter is provided in connection with the audit of the group financial statements of Waverley Borough Council and its subsidiary undertakings as shown in appendix I to this letter for the year ended 31 March 2014 for the purpose of expressing an opinion as to whether the group financial statements give a true and fair view in accordance with International Financial Reporting Standards.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Group Financial Statements:

- i We have fulfilled our responsibilities for the preparation of the group financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ("the Code") as adapted for International Financial Reporting Standards; in particular the financial statements give a true and fair view in accordance therewith.
- ii We have complied with the requirements of all statutory directions and these matters have been appropriately reflected and disclosed in the group financial statements.
- iii The Council has complied with all aspects of contractual agreements that could have a material effect on the group financial statements in the event of non-compliance.
- iv We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

- vi** We are satisfied that the material judgements used by us in the preparation of the group financial statements are soundly based, in accordance with the Code, and adequately disclosed in the group financial statements. There are no further material judgements that need to be disclosed.
- vii** Except as stated in the group financial statements:
 - a.** there are no unrecorded liabilities, actual or contingent
 - b.** none of the assets of the Council has been assigned, pledged or mortgaged
 - c.** there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii** We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities for IAS19 disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant retirement benefits have been identified and properly accounted for.
- ix** Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- x** All events subsequent to the date of the group financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- xi** Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xii** The group financial statements are free of material misstatements, including omissions.
- xiii** We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the group financial statements.
- xiv** We believe that the group financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the group's needs. We believe that no further disclosures relating to the group's ability to continue as a going concern need to be made in the group financial statements.

Information Provided

- xv** We have provided you with:
 - a.** access to all information of which we are aware that is relevant to the preparation of the group financial statements such as records, documentation and other matters;

- b. additional information that you have requested from us for the purpose of your audit; and
 - c. unrestricted access to persons within the Council from whom you determined it necessary to obtain audit evidence.
- xvi** We have communicated to you all deficiencies in internal control of which management is aware.
- xvii** All transactions have been recorded in the accounting records and are reflected in the group financial statements.
- xviii** We have disclosed to you the results of our assessment of the risk that the group financial statements may be materially misstated as a result of fraud.
- xix** We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:
 - a. management;
 - b. employees who have significant roles in internal control; or
 - c. others where the fraud could have a material effect on the financial statements.
- xx** We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the Council's group financial statements communicated by employees, former employees, regulators or others.
- xxi** We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing group financial statements.
- xxii** We have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which we are aware.
- xxiii** We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the group financial statements.

Annual Governance Statement

We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Approval

We confirm that this letter of representation has been discussed and agreed by the Council's Audit Committee at its meeting on 17 September 2014.

Signed

Signed

Graeme Clark
Director of Finance and Resources
and Section 151 officer

Councillor Richard Gates
Chairman of the Audit Committee

Date.....

Date.....

Appendix I

List of subsidiary undertakings

Waverley Borough Council:

- Shottermill Recreation Ground Trust
- Ewart Bequest

Yours sincerely

Graeme Clark
Director of Finance and Resources

The Audit Findings Report for Waverley Borough Council

Year ended 31 March 2014

September 2014

Emily Hill

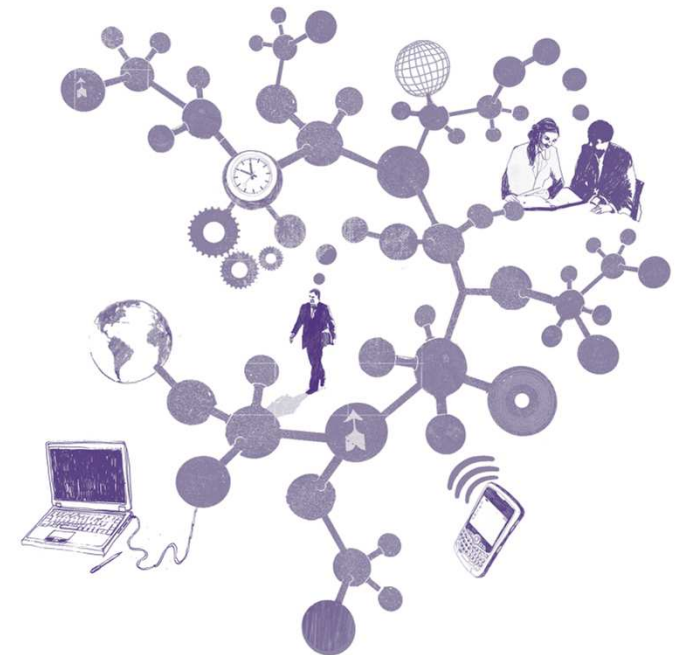
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Contents

| Section | Page |
|--|-------------|
| 1. Executive summary | 3 |
| 2. Audit findings | 6 |
| 3. Value for Money | 19 |
| 4. Fees, non audit services and independence | 23 |
| 5. Communication of audit matters | 25 |
| Appendices | |
| A Action plan | 27 |
| B Audit opinion | 29 |

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify.

We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Section 1: Executive summary

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

Executive summary

Purpose of this report

This report highlights the key matters arising from our audit of Waverley Borough Council's (the Council) financial statements for the year ended 31 March 2014. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing (ISA) 260.

Under the Audit Commission's Code of Audit Practice we are required to report whether, in our opinion, the Council's financial statements present a true and fair view of the financial position, its expenditure and income for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting (the Code). We are also required to reach a formal conclusion on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (the Value for Money (VfM) conclusion).

Introduction

In the conduct of our audit we have not had to alter or change our planned audit approach, which we communicated to you in our Audit Plan dated 25 June 2014. Our audit is substantially complete although we are finalising our work in the following areas:

- completion of sample of HRA revenue testing
- completion of sample of Council Tax support discount and single person discount and arrears testing
- completion of grant revenues testing
- completion of NNDR arrears testing
- completion of four third party confirmations for investments
- completion of PPE testing including additions samples, reconciliation of HRA asset numbers and assets funded by grants

- completion of payroll analytical review
- completion of operating expenditure testing, including sample of operating expenditure and review of Service Reporting Code of Practice, and also a sample of accrued liabilities
- review of the final version of the financial statements
- obtaining and reviewing the final management letter of representation and Annual Governance Statement after approval by the Audit Committee
- updating our post balance sheet events review, to the date of signing the opinion.

We will provide a verbal update on progress on the small element of work outstanding to Audit Committee members.

We received draft financial statements and accompanying working papers at the start of our audit, in accordance with the agreed timetable.

Key issues arising from our audit

Financial statements opinion

We anticipate providing an unqualified opinion on the financial statements.

We did not identify any adjustments affecting the Council's reported financial position. We have agreed a number of minor narrative adjustments to the notes to the accounts to improve the presentation of the financial statements.

The key messages arising from our audit of the Council's financial statements are:

- The Council's draft financial statements were of a high standard.
- The Council's excellent working papers and early highlighting of potential financial reporting issues again contributed to the smooth audit process.

Further details are set out in section 2 of this report.

Value for Money conclusion

We are pleased to report that, based on our review of the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources, we propose to give an unqualified VfM conclusion.

Further detail of our work on Value for Money is set out in section 3 of this report.

Whole of Government Accounts (WGA)

We have substantially completed our work on the Whole of Government Accounts and have no issues which we wish to highlight for your attention.

Controls

The Council's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to the Council. We identified five areas during our audit where controls could be enhanced.

Further details are provided within section 2 of this report.

The way forward

Matters arising from the financial statements audit and review of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources have been discussed with the Director of Finance and Resources and the Head of Finance.

We have made a number of recommendations, which are set out in the action plan in Appendix A. Recommendations have been discussed and agreed with the Director of Finance and Resources, the Head of Finance and the finance team.

Acknowledgment

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

Grant Thornton UK LLP
September 2014

Section 2: *Audit findings*

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

Audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of our work. We set out on the following pages the work we have performed and findings arising from our work in respect of the audit risks we identified in our audit plan, presented to the Audit Committee on 25 June 2014. We also set out the adjustments to the financial statements arising from our audit work and our findings in respect of internal controls.

Changes to Audit Plan

We have not made any changes to our Audit Plan as previously communicated to you on 25 June 2014.

Audit opinion

We anticipate that we will provide the Council with an unmodified opinion. Our audit opinion is set out in Appendix B.

Audit findings against significant risks

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty" (ISA 315).

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards.

| | Risks identified in our audit plan | Work completed | Assurance gained and issues arising |
|----|--|--|---|
| 1. | <p>Improper revenue recognition</p> <p>Under ISA 240 there is a presumed risk that revenue may be misstated due to improper recognition</p> | <ul style="list-style-type: none"> • review and testing of revenue recognition accounting policies • testing of material revenue streams including grants, housing rents and other revenues such as fees and charges • review of unusual significant transactions | <p>Our audit work has not identified any issues in respect of revenue recognition.</p> |
| 2. | <p>Management override of controls</p> <p>Under ISA 240 there is a presumed risk of management over-ride of controls</p> | <ul style="list-style-type: none"> • review of accounting estimates, judgements and decisions made by management • testing of journal entries • review of unusual significant transactions | <p>Our audit work has not identified any evidence of management override of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgments.</p> |

Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses, are attached at Appendix A.

| Transaction cycle | Description of risk | Work completed | Assurance gained & issues arising |
|--|---|---|--|
| Operating expenses | Creditors understated or not recorded in the correct period | <p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> documented our understanding of processes and key controls over the transaction cycle to assess the whether those controls are designed effectively undertaken walkthrough of the key controls to confirm our understanding and ensure controls were implemented carried out attribute and substantive testing of expenditure and creditors including accruals, for existence, completeness, classification, occurrence and cut-off review of control account reconciliations review of the allocation and apportioning of expenses to meet the requirements of the Service Reporting Code of Practice | Subject to the satisfactory resolution of outstanding matters summarised on page 4, our audit work has not identified any significant issues in relation to the risk identified. |
| Employee remuneration (Payroll) | Employee remuneration accrual understated | <p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> documented our understanding of processes and key controls over the transaction cycle to assess the whether those controls are designed effectively undertaken walkthrough of the key controls to confirm or understanding and ensure controls were implemented carried out attribute and substantive testing of payroll records and remuneration disclosures and cut-off testing review of the reconciliation of payroll to the general ledger trend analysis of employee remuneration expenses | Subject to the satisfactory resolution of outstanding matters summarised on page 4, our audit work has not identified any significant issues in relation to the risk identified. |

Audit findings against other risks

| Transaction cycle | Description of risk | Work completed | Assurance gained & issues arising |
|---|---|---|---|
| Welfare expenditure (Housing benefits) | Welfare benefit expenditure improperly computed | We have undertaken the following work in relation to this risk: <ul style="list-style-type: none"> • documented our understanding of processes and key controls over the transaction cycle to assess the whether those controls are designed effectively • undertaken walkthrough of the key controls to confirm our understanding and ensure controls were implemented • carried out certification work on the housing benefit claim, including testing a sample of claims, reconciliation of expenditure to the subsidy claim, completing the software diagnostic and analytical review • Analytical review and testing of Council tax support | Our testing of a sample of benefits in payment identified an error within cell 094 Rent Allowances, that required us to carry out additional 40+ testing. We also identified an error within modified schemes and the Council reviewed all modified scheme cases for this error. We are satisfied that these errors would not lead to a material misstatement in the financial statements. |
| Housing Rent Revenue Account | Revenue transactions not recorded | We have undertaken the following work in relation to this risk: <ul style="list-style-type: none"> • documented our understanding of processes and key controls over the transaction cycle to assess the whether those controls are designed effectively • undertaken walkthrough of the key controls to confirm our understanding and ensure controls were implemented • analytical review and cut-off testing • review of the reconciliation of the Orchard rental system to the general ledger • substantive testing of rental income | Subject to the satisfactory resolution of outstanding matters summarised on page 4, our audit work has not identified any significant issues in relation to the risk identified. |
| Property, plant & equipment (PPE) | PPE activity not valid Revaluation measurement not correct | We have undertaken the following work in relation to this risk: <ul style="list-style-type: none"> • documented our understanding of processes and key controls over the transaction cycle to assess the whether those controls are designed effectively • undertaken walkthrough of the key controls to confirm our understanding and ensure controls were implemented • substantive testing of PPE records to deeds • review of the reconciliation of PPE records (fixed asset register) to the general ledger • testing that expenditure classified as operating expenditure was not capital in nature • substantive testing of revaluations | Subject to the satisfactory resolution of outstanding matters summarised on page 4, our audit work has not identified any significant issues in relation to the risk identified. The Council carries out a rolling programme of revaluations (except for Council dwelling assets which are revalued annually), so that each general fund asset is revalued at least once every five years. We comment on the Council's treatment of this in more detail on p13 of our report under key estimates and judgements. |



Group audit scope and risk assessment

ISA 600 requires that as Group auditors we obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework. The Council prepare Group Accounts including the Shottermill recreation ground and swimming pool and the bequest of Joseph Ewart.

| Component | Significant? | Level of response required under ISA 600 | Risks identified | Work completed | Assurance gained & issues raised |
|---|--------------|--|----------------------------------|---|--|
| Shottermill recreation ground and swimming pool | Yes | Targeted | PPE carrying value Cash value | We have undertaken the following work in relation to this risk: <ul style="list-style-type: none"> tested the consolidation schedules substantively tested PPE and the cash balance | Our audit work has not identified any significant issues in relation to the risk identified. |
| The bequest of Joseph Ewart | Yes | Targeted | PPE carrying value Cash value | We have undertaken the following work in relation to this risk: <ul style="list-style-type: none"> tested the consolidation schedules substantively tested PPE and the cash balance | Our audit work has not identified any significant issues in relation to the risk identified. |

Accounting policies, estimates & judgements



In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Council's financial statements.

| Accounting area | Summary of policy | Comments | Assessment |
|---------------------------------|---|--|---|
| Revenue recognition | <ul style="list-style-type: none"> • Income from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council. • Income from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council. • Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that <ul style="list-style-type: none"> – the Council will comply with the conditions attached to the payments, and – the grants and contributions will be received. | <p>The accounting policy is adequately disclosed in line with the requirements of the Code.</p> <p>Our testing of government grants and contributions, housing rents and other revenues did not identify any instances of inappropriate revenue recognition.</p> |  green |
| Judgements and estimates | <ul style="list-style-type: none"> • Key estimates and judgements include: <ul style="list-style-type: none"> – depreciation – useful life of PPE – impairments – pensions liability – bad debts – business rate appeals – PPE revaluation (overleaf) | <p>Critical judgements and estimation uncertainties are disclosed in Notes 3 and 4 of the financial statements and are in line with the requirements of the Code.</p> <p>In accordance with CLG guidance, the Council has based depreciation of its council dwellings (£5.6 million) on the former Major Repairs Allowance (MRA). This approach is allowed for a period of 5 years from the introduction of HRA self-financing in 2012/13. The Code specifies that depreciation should be based on the consumption of economic benefits and service potential. The Council has demonstrated that MRA is a materially reasonable estimate of depreciation.</p> <p>We have reviewed the Council's business rate appeals provision, which falls due on the Council for the first time in 2013/14 following changes to the business rate system. We are satisfied that the Council has taken an appropriate approach to estimating this provision, which has been correctly recognised within the Council's Collection Fund Account.</p> |  green |




Accounting policies, estimates & judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Council's financial statements.

Page 53

| Accounting area | Summary of policy | Comments | Assessment |
|---------------------------------------|--|--|---|
| Judgements and estimates – PPE | <ul style="list-style-type: none"> Page 54 of the accounts sets out the Council's rolling programme of revaluations. This shows that the date of valuations vary between 2009/10 and 2013/14. In our view, however, this rolling programme does not meet the Code's requirement in paragraph 4.1.2.35 to value items within a class or property, plant and equipment simultaneously. This paragraph of the Code, which is based on International Accounting Standard 16, Property, Plant and Equipment, does permit a class of assets to be revalued on a rolling basis provided that: <ul style="list-style-type: none"> the revaluation of the class of assets is completed within a 'short period' the revaluations are kept up to date. | <p>In our view, however, we would normally expect this 'short period' to be within a single financial year. This is because the purpose of simultaneous valuations is to 'avoid reporting a mixture of costs and values as at different dates'. This purpose is not met where a revaluation programme for a class of assets straddles more than one financial year.</p> <p>However, this approach is similar to many other authorities and the Council has demonstrated that the carrying amount of Property, Plant and Equipment (based on these valuations) does not differ materially from the fair value at 31 March 2014.</p> |  green |
| Other accounting policies | <ul style="list-style-type: none"> We have reviewed the Council's policies against the requirements of the Code and accounting standards. | <p>Our review of accounting policies has not highlighted any issues which we wish to bring to your attention</p> |  green |

Assessment

-  (red) Marginal accounting policy which could potentially attract attention from regulators
-  (amber) Accounting policy appropriate but scope for improved disclosure
-  (green) Accounting policy appropriate and disclosures sufficient

Adjusted and unadjusted misstatements

Our audit work to date has not identified any adjustments or unadjusted misstatements that are required to the financial statements.

Misclassifications & disclosure changes



Our audit work to date has not identified any misclassifications or disclosure changes that are required to the financial statements other than minor narrative changes to improve presentation.

Internal controls



The purpose of an audit is to express an opinion on the financial statements.

Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.


These and other recommendations, together with management responses, are included in the action plan attached at Appendix A.

| | Assessment | Issue and risk | Recommendations |
|----|--|--|---|
| 1. |  | <ul style="list-style-type: none"> Our work identified a high number of domain administrators with administrative privileges to the network, including generic naming conventions of guest administrator. The risk of having domain-level user accounts with elevated privileges to the network may bypass system-enforced internal control mechanisms through inappropriate use of administrative functionality; or encourage, making unauthorised changes to system configuration parameters, the creation of unauthorised accounts, making unauthorised updates to user's own account privileges, or the deletion of audit logs or disabling logging mechanisms. | <p>Management should review domain-level accounts that have elevated privileges to the network to ensure that the permissions are necessary. Management should be reminded that administrative privileges to the network should be kept to a minimum, but which also reflects the needs of the business to ensure that IT operations can be delivered effectively.</p> |
| 2. |  | <ul style="list-style-type: none"> At time of review, the System Administrator had end-user responsibilities within Agresso (general ledger) and iTrent (payroll). The combination of end-user duties and security administration is considered a segregation of duties conflict. It is appreciated that this is difficult to manage due to the size of the team and the need to provide administrative support to the application; however, there is a risk to Council that internal control mechanisms become ineffective if these mechanisms can be by-passed to perform inappropriate administrative functionality, unauthorised changes to system configuration parameters and creation, modification and deletion of user accounts and associated access rights include those belonging to the individual's own account privileges. There is an increased risk that security administration processes may not function consistently or reliably over time to control access to information assets and Internal access to information assets and administrative functionality may not be restricted. | <p>Where possible, management should consider either:</p> <ul style="list-style-type: none"> transferring the responsibility of administering security within Agresso and iTrent to specific IT system administrators who do not perform financial reporting or end—user processes or controls. All security administration rights within Agresso and iTrent granted to personnel performing financial reporting and end-user processes and controls should be revoked; implementing a formal / documented monitoring process designed to detect misuse of administrative functionality by personnel responsible for performing financial reporting and end-user processes or controls. |

Internal controls continued....

| | Assessment | Issue and risk | Recommendations |
|----|--|---|---|
| 3. |  Amber | <ul style="list-style-type: none"> We reviewed the aged-debtor listing at 31 March 2014 and identified a significant number of sundry debts and housing benefits debts that have been identified as very old and uncollectable on the system, but have not yet been written off. For example, we identified 275 debts totalling approximately £0.235m on the aged-debtor listing from 2010 or earlier. We note that these old debts have been fully provided for. | We recommend that the Council regularly reviews the aged-debtor listing and takes action to write-off debt once it has been identified as being uncollectable to improve the accuracy of its accounting information. |
| 4. |  Amber | <ul style="list-style-type: none"> The Council prepared its Annual Governance Statement (AGS) for 2013/14 in August 2014, in time for the September 2014 Audit Committee. The AGS however should be a live document, ideally prepared in draft towards the end of the financial year in question, and revisited by the Audit Committee during the year to ensure progress against the identified risks. The risk in producing an AGS late in the process is that it with the passing of time, it may not capture all the issues covering the full financial year and also limits the input and review of stakeholders. | We recommend that the Council takes a draft Annual Governance Statement to the March and the June Audit Committees to allow management and Members full sight and comment on the draft as it is formed, as well as the September Audit Committee for approval and sign-off. |

Assessment

 (red) Significant deficiency – risk of significant misstatement

 (amber) Deficiency – risk of inconsequential misstatement

Other communication requirements

We set out below details of other matters which we are required by auditing standards to communicate to those charged with governance.

| | Issue | Commentary |
|----|--|---|
| 1. | Matters in relation to fraud | <ul style="list-style-type: none"> We have previously discussed the risk of fraud with the Audit Committee and been made aware of an external fraud affecting the Council in April 2014. An investigation was immediately conducted and processes and awareness within the Finance team have been strengthened. We have not been made aware of any other incidents in the period and no issues have been identified during the course of our audit relating to 2013/14. |
| 2. | Matters in relation to laws and regulations | <ul style="list-style-type: none"> We are not aware of any significant incidences of non-compliance with relevant laws and regulations. |
| 3. | Written representations | <ul style="list-style-type: none"> A standard letter of representation has been requested from the Council |
| 4. | Disclosures | <ul style="list-style-type: none"> Our review found no material omissions in the financial statements |
| 5. | Matters in relation to related parties | <ul style="list-style-type: none"> We are not aware of any related party transactions which have not been disclosed |
| 6. | Going concern | <ul style="list-style-type: none"> Our work has not identified any reason to challenge the Council's decision to prepare the financial statements on a going concern basis. |
| 7. | Internal Audit | <ul style="list-style-type: none"> We have reviewed all reports issued by Internal Audit in the year. This review did not highlight any instance of material control weaknesses which have impacted on our risk assessment. The Annual Assurance Statement for the year ended 31 March 2014 has concluded that internal controls within financial systems and operational systems operating throughout the year are fundamentally sound. |
| 8. | Annual Governance Statement | <ul style="list-style-type: none"> We have reviewed the Annual Governance Statement to confirm it complies with the requirements of 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007. The disclosures made are consistent with our knowledge of the Council and the Council's key strategic risks. We have no matters to report in this respect. |

Section 3: Value for Money

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

Value for Money

Value for money conclusion

The Code of Audit Practice 2010 describes the Council's responsibilities to put in place proper arrangements to:

- secure economy, efficiency and effectiveness in its use of resources;
- ensure proper stewardship and governance; and
- review regularly the adequacy and effectiveness of these arrangements.

We are required to give our VFM conclusion based on two criteria specified by the Audit Commission which support our reporting responsibilities under the Code of Audit Practice. These criteria are:

The Council has proper arrangements in place for securing financial resilience. The Council has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.

The Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness. The Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

Key findings

Securing financial resilience

We have considered the Council's arrangements to secure financial resilience against the following themes:

- Key financial performance indicators
- Financial governance
- Financial planning
- Financial control

Our conclusion is whilst the Council faces some significant risks and challenges, its current arrangements for achieving financial resilience are adequate.

Challenging economy, efficiency and effectiveness

We have considered the Council's arrangements to challenge economy, efficiency and effectiveness against the following themes:

- Prioritising resources
- Improving efficiency & productivity

Our conclusion is that the Council has prioritised its resources to take account of the tighter constraints it is required to operate within.

Overall VFM conclusion

On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2014.

We set out below our detailed findings against six risk areas which have been used to assess the Council's performance against the Audit Commission's criteria. We summarise our assessment of each risk area using a red, amber or green (RAG) rating, based on the following definitions:

| | |
|--------------|---|
| Green | Adequate arrangements |
| Amber | Adequate arrangements, with areas for development |
| Red | Inadequate arrangements |

The table below and overleaf summarises our overall rating for each of the themes reviewed:

| Theme | Summary findings | RAG rating |
|--------------------------------------|---|--------------|
| Key indicators of performance | <ul style="list-style-type: none"> The Council achieved its recurrent savings target of £0.9m and a positive outturn of £0.73m against its revenue budget in 2013/14. It also underspent £1.9m against its capital budget of £3.4m. The Council has maintained the level of General Fund balance above the approved minimum level of £3.2m. | Green |
| Strategic financial planning | <ul style="list-style-type: none"> The Council considered the areas we would expect to see in setting its 2014/15 budget, updating this and future medium term budgets for the impact of the 2013 Spending Review. The Council has updated its Financial Strategy for key areas such as its investment in housing and the Brightwells redevelopment scheme. The Financial Strategy is closely linked to the annual budget and other key strategic plans, such as the Housing Revenue Account Business Plan. The Council has used a combination of its Star Chamber process and the Foresight Programme to identify schemes to reflect the savings required of £1.27m for 2014/15. | Green |
| Financial governance | <ul style="list-style-type: none"> There is an appropriate level of senior management and member engagement in the financial management process. Budgets are monitored by officers on a monthly basis and reported to members on a bi-monthly basis, supplemented by monthly exception reports. Issues affecting the current and forecast outturn position are described at both a summary and service level in relation to revenue budgets. There is regular Treasury Management reporting. The information provided to members is complete, accurate and reliable. Members regularly challenge senior officers and ensure progress has been made against recommendations. | Green |
| Financial control | <ul style="list-style-type: none"> The budget setting process is subject to a detailed scrutiny through the Star Chamber, which challenges the budget and savings proposals put forward by officers. There is also good monitoring against the budget during the year. The Council achieved its savings targets and underspent against its revenue budget. Internal Audit reviewed all of the key financial systems in 2013/14 and did not raise any high priority recommendations. | Green |

Detailed findings continued.....

| Theme | Summary findings | RAG rating |
|--|---|--------------|
| Prioritising resources | <ul style="list-style-type: none"> There is a good level of leadership and understanding of the financial challenges ahead. The Council uses timely and complete financial and non-financial information for decision making and understands the impact and outcomes from taking decisions that affect services within the Council. | Green |
| Improving efficiency & productivity | <ul style="list-style-type: none"> The Council understand costs and uses suitable benchmarking and performance indicators to monitor progress and reports this appropriately. The Council's rolling four year Medium Term Financial Plan focuses on the achievement of recurrent savings and on-going efficiencies. | Green |
| Management of Natural Resources | <ul style="list-style-type: none"> We were satisfied that the Council is meeting its obligations in regard to carbon emissions and other environmental impacts. | Green |

To support our VfM conclusion against the specified criteria we performed a risk assessment against VfM risk indicators specified by the Audit Commission and additional indicators identified by ourselves. Following completion of our work we noted the following residual risks to our VfM conclusion:

| Residual risk identified | Summary findings | Management response |
|--|--|---|
| Key indicators of financial performance and financial control – capital | <p>The Council underspent by a total of £1.9m against its capital budget, which has been rescheduled to 2014/15. A further £2.1m for the Herons Leisure Centre scheme was also rescheduled to 2014/15 in December 2013. Progress on the Council's New Homes programme also slipped, with £2.3m of the proposed £3.4m expenditure delayed into 2014/15.</p> <p>As investment in affordable housing and the Brightwells redevelopment remain key strategic priorities for the Council, it should ensure that it proactively manages its capital budget and maintains appropriate control over capital expenditure.</p> | Regular monitoring of capital budgets is in place at officer and Member level. Specific focus is on monitoring the HRA Capital programmes which is overseen by Member groups. Each Executive meeting receives capital monitoring reports. The Herons project is the largest general fund capital scheme currently and this is progressing well. |
| Strategic Financial Planning | The Council is in the process of updating the Local Plan and should ensure that it monitors and communicates progress to all stakeholders against its timetable for completion in 2015. Likewise, the Council must similarly closely monitor and communicate the progress being made on Brightwells (the East Street) development to help advance this on-going redevelopment project. | A detailed project plan is in place for the Local Plan development work and progress is overseen by Members in a dedicated meeting each month. Corporate Management Team monitor progress of the Local Plan and the Brightwells project on a weekly basis. |
| Strategic Financial Planning | The Council has estimated that the level of savings required for 2015/16 will be circa £1m and are already in the process of identifying these savings and those of future years. Whilst the Council has an excellent track record in identifying and delivering savings, savings over the medium term are likely to become progressively harder to achieve. | The Council recognises the financial challenges ahead and are in the process of revising the medium term financial strategy to reflect the latest position. A range of actions have been identified to address the shortfall in 2015/16 including the continuation of the Star Chamber process to review services and identify deliverable and sustainable savings. |

Section 4: Fees, non audit services and independence

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

Fees, non audit services and independence

We confirm below our final fees charged for the audit and provision of non-audit services.

Fees

| | Per Audit plan £ | Actual fees £ |
|-----------------------------------|---------------------|------------------|
| Council audit | 70,951 | 70,951 |
| Additional fee for business rates | 0 | 900 |
| Grant certification* | 16,031 | 16,031 |
| Total audit fees | 86,982 | 87,882 |

Fees for other services

| | £ |
|---|--------------|
| Independent examination of charitable funds | 4,000 |
| Audit of the Decent Homes grant | 4,000 |
| Total | 8,000 |

There is additional fee of £900 in respect of work on material business rates balances. This additional work was necessary as auditors are no longer required to carry out work to certify NDR3 claims. This is reflected in the reduced grant certification fee in comparison to the previous year. The additional fee is 50% of the average fee previously charged for NDR3 certifications for District Councils and is subject to final agreement by the Audit Commission.

*Certification work is on-going. The final fee will reported to the Audit Committee later in the year in our annual certification report.

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.

Section 5: Communication of audit matters

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

Communication of audit matters to those charged with governance

International Standard on Auditing (ISA) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

The Audit Plan outlined our audit strategy and plan to deliver the audit, while this Audit Findings report presents the key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

Respective responsibilities

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission (www.audit-commission.gov.uk).

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Council's key risks when reaching our conclusions under the Code of Practice.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

| | Audit Plan | Audit Findings |
|--|------------|----------------|
| Our communication plan | | |
| Respective responsibilities of auditor and management/those charged with governance | ✓ | |
| Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications | ✓ | |
| Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought | | ✓ |
| Confirmation of independence and objectivity | ✓ | ✓ |
| A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged Details of safeguards applied to threats to independence | ✓ | ✓ |
| Material weaknesses in internal control identified during the audit | | ✓ |
| Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements | | ✓ |
| Compliance with laws and regulations | | ✓ |
| Expected auditor's report | | ✓ |
| Uncorrected misstatements | | ✓ |
| Significant matters arising in connection with related parties | | ✓ |
| Significant matters in relation to going concern | | ✓ |

Appendix A: Action plan

Priority

High - Significant effect on control system

Medium – Effect on control system

Low – Best practice

| Rec No. | Recommendation | Priority | Management response | Implementation date & responsibility |
|---------|--|----------|--|---|
| 1 | Management should review domain-level accounts that have elevated privileges to the network to ensure that the permissions are necessary. Management should be reminded that administrative privileges to the network should be kept to a minimum, but which also reflects the needs of the business to ensure that IT operations can be delivered effectively. | Medium | Agreed. This review has been undertaken | Completed – Linda Frame IT Lead Officer |
| 2 | Where possible, management should consider either: <ul style="list-style-type: none"> transferring the responsibility of administering security within Agresso and iTrent to specific IT system administrators who do not perform financial reporting or end-user processes or controls. All security administration rights within Agresso and iTrent granted to personnel performing financial reporting and end-user processes and controls should be revoked; implementing a formal / documented monitoring process designed to detect misuse of administrative functionality by personnel responsible for performing financial reporting and end-user processes or controls. | Medium | Agreed. The Head of Finance will undertake a risk assessment and then consider any action necessary, balancing the need to ensure sound segregation of duties with recognition of the size of team and limited spread of expertise in these key systems. | Oct 2014 – Peter Vickers – Head of Finance. |

Appendix A: Action plan

Priority

High - Significant effect on control system

Medium – Effect on control system

Low – Best practice

| Rec No. | Recommendation | Priority | Management response | Implementation date & responsibility |
|---------|---|----------|---|--|
| 3 | We recommend that the Council regularly reviews the aged-debtor listing and takes action to write-off uncollectable debt once it has been identified as being uncollectable to improve the accuracy of its accounting information. | Low | Agreed – Significant number of write offs approved by Executive 2 Sept - this should be completed quarterly in future | Sept 2014 – Peter Vickers Head of Finance |
| 4 | We recommend that the Council takes a draft Annual Governance Statement to the March and June Audit Committees to allow management and Members full sight and comment on the draft as it is formed, as well as the September Audit Committee for approval and sign-off. | Low | The draft AGS will be considered at the June Audit Committee meeting in future with final sign-off at the September meeting | May 2015 – Peter Vickers head of Finance and Robin Pellow Head of Corporate Governance |

Appendix B: Audit opinion

We anticipate we will provide the Council with an unmodified audit report

Independent auditor's report to the Members of Waverley Borough Council

Opinion on the financial statements

We have audited the financial statements of Waverley Borough Council for the year ended 31 March 2014 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Group Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Group Comprehensive Income and Expenditure Statement, the Balance Sheet, the Group Balance Sheet, the Cash Flow Statement, the Group Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and Collection Fund and the related notes.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

This report is made solely to the members of Waverley Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Finance Officer and auditor

As explained more fully in the Statement of the Chief Finance Officer's Responsibilities, the Director of Finance and Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error.

This includes an assessment of: whether the accounting policies are appropriate to the Authority and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Finance and Resources and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Waverley Borough Council as at 31 March 2014 and of its expenditure and income for the year then ended;
- give a true and fair view of the financial position of the Group as at 31 March 2014 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and applicable law.

Opinion on other matters

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

Conclusion on the Authority’s arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Authority and the auditor

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2013, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2013, we are satisfied that, in all significant respects, Waverley Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

Certificate

We certify that we have completed the audit of the financial statements of Waverley Borough Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Practice issued by the Audit Commission.

Emily Hill
Associate Director
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

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xx September 2014



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