



Waverley Borough Council
Council Offices, The Burys,
Godalming, Surrey
GU7 1HR
www.waverley.gov.uk

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

When calling please ask for:

Gary Wood, Trainee Democratic Services
Officer

Policy and Governance

E-mail: gary.wood@waverley.gov.uk

Direct line: 01483 523570

Calls may be recorded for training or monitoring

Date: 10 June 2016

Membership of the Audit Committee

Cllr Mike Band
Cllr John Gray
Cllr Christiaan Hesse
Cllr Nicholas Holder

Cllr Wyatt Ramsdale
Cllr David Round
Cllr Richard Seaborne

Dear Councillors

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

DATE: TUESDAY, 21 JUNE 2016
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

Agendas are available to download from Waverley's website (www.waverley.gov.uk/committees), where you can also subscribe to updates to receive information via email regarding arrangements for particular committee meetings.

Alternatively, agendas may be downloaded to a mobile device via the free Modern.Gov app, available for iPad, Android, Windows and Kindle Fire.

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. **APPOINTMENT OF CHAIRMAN**

To confirm the appointment of Cllr John Gray as the Chairman of the Audit Committee for the Council Year 2016/17.

2. **APPOINTMENT OF VICE-CHAIRMAN**

To confirm the appointment of Cllr David Else as the Vice-Chairman of the Audit Committee for the Council Year 2016/17.

3. **MINUTES**

To sign and confirm the minutes of the last meeting of the Audit Committee held on 15 March 2016 as a correct record (to be laid on the table half an hour before the meeting).

4. **APOLOGIES FOR ABSENCE**

To receive apologies for absence.

5. **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.

6. **QUESTIONS RECEIVED FROM MEMBERS OF THE PUBLIC PRIOR TO PUBLICATION OF THE AGENDA**

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

7. **AUDIT COMMITTEE ANNUAL ACTIVITY REPORT 2015/16 (Pages 7 - 40)**

Good practice indicates that an annual appraisal of the work of the Committee would be beneficial and an Annual Activity Report for 2015/16 is attached.

Recommendation

It is recommended that the work carried out by the Audit Committee in 2015/16 be noted.

8. **AUDIT COMMITTEE TERMS OF REFERENCE FOR 2016/17** (Pages 41 - 46)

Each year, the Audit Committee is invited to review its Terms of Reference. The aim of this report is to propose some minor changes to the Terms of Reference of the Audit Committee for the year 2016/17 in order that their wording better reflects current internal titles and policies.

Recommendation

It is recommended that the Audit Committee:

- 1. reviews its terms of reference;**
- 2. agrees to adopt the proposed changes highlighted in red to be adopted by Council;**
- 3. recommends any further amendments it wishes to be adopted by Council (if necessary)**

9. **PROGRESS ON THE INTERNAL AUDIT PLANS FOR 2015/16 AND 2016/17**
(Pages 47 - 54)

The Committee's Terms of Reference include provision for the Committee to comment on the progress made in the achievement of the Audit Plan. An update on the current position of the reviews in 2015/16 and 2016/17 is presented.

Recommendation

It is recommended that the Committee:

- 1. notes the progress for the Internal Audit Plan 2015/16 as attached at Annexe 1;**
- 2. notes the progress for the Internal Audit Plan 2016/17 as attached at Annexe 2**

10. **PROGRESS ON THE IMPLEMENTATION OF INTERNAL AUDIT RECOMMENDATIONS** (Pages 55 - 60)

To inform the 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 to likely to be implemented later than the target date.

Recommendation

1. considers the information contained in Annexe 1 and identifies any action it wishes to be taken;

2. agrees an appropriate implementation date for the recommendations listed in Annexe 2

11. INTERNAL AUDIT CHARTER 2016-17 (Pages 61 - 72)

The report provides an update to the Committee on the revised Internal Audit Charter that has been developed in accordance with the updated Public Sector Internal Auditing Standards (March 2016). The standards apply to all internal audit service providers, whether in-house, shared services or outsourced. The PSIAS (Attribute Standard 1000) requires organisations to have an Internal Audit Charter that formally defines the purpose, authority and responsibility of the internal audit activity, consistent with the Definition of Internal Auditing, the Code of Ethics and the Standards. The Charter is required to be approved by senior management and the board (Audit Committee).

Recommendation

It is recommended that the Audit Committee approves the Internal Audit Charter.

12. EXTERNAL AUDIT UPDATE REPORT (Pages 73 - 84)

To receive the Audit Committee Update Report from Grant Thornton.

Recommendation

It is recommended that the Audit Committee notes the Update Report.

13. INTERNAL AUDIT ANNUAL REPORT 2015/16 ACTIVITY (Pages 85 - 100)

The Accounts and Audit Regulations require local authorities to maintain an adequate and effective internal audit of their accounting records and control systems. This report is a summary of the work carried out by Internal Audit during the financial year 2015/16 and provides an assurance opinion to support the Annual Governance statement.

Recommendation

It is recommended that the Audit Committee notes the progress and the activity completed by the Internal Audit Service for 2015-16

14. DRAFT ANNUAL GOVERNANCE STATEMENT 2015/16 (Pages 101 - 112)

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 draft Annual Governance Statement for 2015/16 is attached.

Recommendation

It is recommended that the Audit Committee passes comment on the draft Annual Governance Statement and proposes any amendments it wishes to be made.

15. **COUNTER FRAUD REPORT** (Pages 113 - 118)

The report provides an update to the Committee on the progress made by Waverley Borough Council officers on the work being completed as part of the Surrey Counter Fraud Partnership, investigating all types of fraud (excluding Housing Benefit which is now investigated by the Department for Work & Pensions through the introduction of the Single Fraud Investigating Service). This work has been supported with funding from the Department for Communities & Local Government to assist with combating fraud.

Recommendation

That the Audit Committee continues to support this investigation activity and notes the successes being achieved in safeguarding Waverley's assets and ensuring that only those that are legitimately eligible receive housing services.

16. **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 the appropriate paragraph(s) of the revised Part 1 of Schedule 12A to the Local Government Act 1972 (to be identified at the meeting).

17. **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
Gary Wood, Trainee Democratic Services Officer, on 01483 523570
or by email at gary.wood@waverley.gov.uk**

This page is intentionally left blank

WAVERLEY BOROUGH COUNCIL

AUDIT COMMITTEE – 21 JUNE 2016

REPORT TO THE COUNCIL MEETING – 19 JULY 2016

Title:

AUDIT COMMITTEE ANNUAL ACTIVITY REPORT 2015/16

Purpose:

This report details the work undertaken by the Audit Committee over the municipal year 2015/16. An audit of the Audit Committee suggested that an annual appraisal of the work of the Committee would be beneficial. It would help Members review the previous year's work and plan for the coming year.

The Committee met four times in June, September and November 2015 and March 2016. The membership was as follows:-

Cllr Jim Edwards (Chairman)	Cllr Ged Hall
Cllr John Gray (Vice-Chairman)	Cllr Stephen Hill
Cllr Andrew Bolton	Cllr Richard Seaborne
Cllr Jenny Else	

Please find a summary of the key work of the Committee during 2015/16 below:

Summary:

Meeting 1 – 23 June 2016

- Reviewed its Terms of Reference for 2016/17 and requested amendments be made to reflect the risk management aspects of the Committees role.
- Noted the progress and activity completed by the Internal Audit Service for 2014/15, and the outcomes being achieved by investigating housing issues and working collaboratively between services and other organisations.
- Received the Annual Governance Statement for 2014/15 and requested amendments be made.

Meeting 2 – 15 September 2016

- Agreed the changes to its Terms of Reference for 2016/17 which were later adopted by the full Council on 20 October 2015.
- Received the Annual External Audit Findings Report from Grant Thornton for the year ended 31 March 2015.
- Received and approved the Statement of Accounts for the year ended 31 March 2015 confirming that the accounts had been prepared on a going concern basis.

- Received and approved the Letter of Representation for 2014/15.
- Approved the Annual Governance Statement for 2014/15.
- Received the updated Risk Management Framework

Meeting 3 – 17 November 2016

- Received and approved the annual Audit Letter from Grant Thornton.
- Received a presentation from the Surrey County Council Pension Fund.
- Received a verbal update from the Head of Finance & Resources on an internal audit investigation.
- The Committee agreed to make a request to full Council that the Audit Committee be given a role in the pre-scrutiny of the Trust accounts and this was adopted on 15 December 2015.

Meeting 4 – 15 March 2016

- Received the findings of the Grant Thornton Audit of Waverley's Housing Benefit Subsidy Return.
- Noted the External Audit Plan for 2015/16 from Grant Thornton.
- Adopted the Internal Audit Plan for 2015/16 subject to amendments requested by Members during the meeting.
- Received an update on the Counter Fraud Investigation that had recovered £543,310 based on notional Audit Commission figures.
- Received a verbal update from the Head of Finance & Resources on an internal audit investigation.
- Received a verbal update from the Head of Finance & Resources on the pay by phone contract.

Standing items on the agendas of all meetings included:

- Updates from Grant Thornton on the progress being made with the External Audit
- Updates on the progress in the implementation of Internal Audit Recommendations
- Updates on the progress in achieving the Internal Audit Plan.

Please find a detailed breakdown of items considered at each meeting and its corresponding minute overleaf.

The Audit Committee Chairman Role Description is given at Annexe 2 and the Audit Committee Member Role Description is given at Annexe 3.

Details of Members' attendance at Audit Committee meetings during 2015/16 are given at Annexe 4.

Detail:

1. INTRODUCTION

1.1 At its first meeting on 23 June 2015, the Committee reviewed its terms of reference and asked for them to be amended to clearly reflect that the scope of the Committee was not just financially orientated but also included risk management.

1.2 Amended terms of reference were presented and agreed by the Committee at the second meeting on 15 September 2015 and then adopted by full Council on 20 October 2015. The Audit Committee's Terms of Reference are set out below:

Audit Committee

The Audit Committee is the means of bringing independent, effective assurance into the Council's corporate governance arrangements. This covers:-

- Risk management framework
- Control environment and arrangements
- Financial performance
- Non-financial performance (processes and controls)
- Financial reporting.

8.03 Terms of Reference

The Terms of Reference are as follows:

1. Corporate Governance

1.1 To consider the Council's arrangements for corporate governance and recommend necessary actions to ensure compliance with best practice as set out in the current CIPFA/SOLACE Framework "Delivering Good Governance in Local Government" and any revision thereof.

1.2 To maintain an overview of the Council's Constitution in respect of contract procedure rules, financial regulations and codes of conduct and behaviour.

1.3 To consider the Council's compliance with its own and other published regulations, standards and controls, covering both financial and general issues.

1.4 To monitor Council policies in "Raising Concerns at Work" and the anti-fraud and anti-corruption strategy.

1.5 To monitor the effective development and operation of internal control in the Council with particular reference to all aspects of risk management.

1.6 To consider the Council's Annual Governance Statement and, if thought fit, recommend its adoption by the Council.

1.7 To consider any reports published by bodies, other than the external auditor, charged with inspecting the Council's performance or arrangements for corporate governance.

1.8 To review any issue referred to it by the Head of Paid Service or a director or any Council body.

1.9 To request a report from any Head of Service relating to an outstanding internal audit recommendation issue.

2. External scrutiny

2.1 To consider whether appropriate accounting policies have been followed in the preparation of the annual statement of accounts.

2.2 To consider all communications from the external auditor to the Audit Committee, including:

2.2.1 the audit letter;

2.2.2 the report on issues arising from the audit of the accounts; and

2.2.3 any other reports requested by the Audit Committee from the external auditor.

2.3 To consider whether there are concerns that need to be brought to the attention of the Council that arise from:

2.3.1 the audit; or

2.3.2 the accounts.

2.4 To consider and, if thought fit, approve the annual statement of accounts.

2.5 To comment on the scope and depth of external audit work and to ensure that it gives value for money, especially with regard to reports dealing with risk management and performance matters.

2.6 To oversee all aspects of risk management, including Waverley's Corporate Risk Registers

3. Internal audit

3.1 To consider the Annual Review of the system of Internal Audit.

3.2 To consider the Internal Audit Client Manager's Annual Report.

3.3 To consider the annual Internal Audit Service Plan.

3.4 To consider the current Internal Audit Plan and summaries of internal audit activity by department and consider the level of assurance this can give concerning the effectiveness of the Council's corporate governance arrangements.

3.5 To consider internal audit reports detailing recommendations not implemented within the specified timescale.

3.6 To consider proposed internal audit activity and the range of departments to be covered and the level of assurance this can give concerning the effectiveness of the Council's corporate governance arrangements.

3.7 To commission work or reports from the Internal Audit Service.

3.8 To consider any specific internal audit reports requested by the Audit Committee.

3.9 To monitor the progress of any specific internal audit projects.

3.10 To consider reports dealing with the management and performance of the providers of internal audit services.

3.11 To comment on the scope and depth of internal audit work and to ensure that it gives value for money, especially with regard to reports dealing with risk management and performance matters.

8.04 Composition of Audit Committee

(a) Membership and Meetings

The Audit Committee will

be composed of seven councillors, with no members from the Executive;

meet four times per year, as set out in the Calendar of Meetings, and on an ad hoc basis when necessary.

(b) Quorum

The quorum for meetings will be three Councillors.

2. REVIEW OF PROGRESS IN IMPLEMENTATION OF INTERNAL AUDIT RECOMMENDATIONS

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

2.2 23 June 2015

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

2.2.2 The Committee asked questions on those actions that were overdue including an extension request for the Safeguarding Children and Safeguarding Adults Policies. This had been due to the internal staff appraisals process occurring at the same time which had resulted in a delay in completion.

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

2.2.4 Members were advised that it was hoped that savings would be made available as a result of work undertaken as part of the Surrey Counter Fraud Partnership, a joint arrangement of seven Surrey Boroughs and Districts and Surrey County Council which received funding from the Department for Communities and Local Government. The largest monetary area for fraud was deemed to be tenancy fraud, particularly Right to Buy.

2.2.5 The Committee noted the progress on the implementation of internal audit recommendations and agreed to extend the implementation dates as requested in Annexe 2.

2.2.6 The Committee considered it would be helpful to identify within the Progress of Implementation of Internal Audit Recommendations report whether the impact of delayed actions on recommendations would be low, medium or high.

2.3 15 September 2015

2.3.1 The Committee noted that in respect of IA15/14 (request to revise due date of the approval of purchases by the vacant Financial Services Manager) an internal candidate had been appointed to the post of Financial Services Manager so that the stated due date could be bought forward. Regarding IA15/03.001 (interface between the Orchard and Keystone I.T. systemes), Members were advised that an interface was in place and that the target had been achieved.

2.3.2 The Committee noted the progress on the implementation of internal audit recommendations and agreed to extend the implementation dates as requested in Annexe 2.

2.4 17 November 2015

2.4.1 Members requested that officers reviewed the presentation format of the information and suggested use of colours/coding to ensure that members can see the current status of actions at a glance. An idea to use a black coloured spot to identify overdue items might be useful.

2.4.2 Members also asked that the cause of an issue be included on the report in the form of a couple of words such as `staffing` or `legal delays` for example. It was felt that the current format presented effects but not causes and that it was important to understand the cause before agreeing to requests to change implementation dates.

2.4.3 Officers responded that they were happy to make any presentational changes requested to help Members with their work and would look at adding causes to the reports where changes in implementation dates was being requested.

2.4.5 Members requested that further information regarding recommendation ref. IA16/05/001 (request for extension for the issue of a Deed of Variation in relation to kitchen and bathroom basket rates) be provided to the Committee from the Head of Housing and Borough Solicitor.

2.4.6 With regard to IA15/28/001 (Legionella, Electrical and Fire Checks) it was agreed that the Chairman of the Committee be advised when the action had been completed given the need to move from 16% to 100% by 30 November 2015.

2.4.7 The Committee noted the progress on the implementation of internal audit recommendations and agreed to extend the implementation dates as requested in Annexe 2.

2.5 15 March 2016

2.5.1 In relation item IA15/28.002 (Legionella, Electrical and Fire Checks) Members asked about the reason why the due date for the recommendation had been changed. Officers responded that contracts for electrical and fire checks were already in place but that the contract for Legionella checks had not yet been procured. Members were reassured that Legionella checks were continuing to be carried out under the existing contract and that the delay requested was for the procurement of the contract and not the actual checks themselves. The Committee agreed that the Head of Housing, Hugh Wagstaff, provide the Committee with details on the specific reasons for the delay in procuring the Legionella checks.

2.5.2 The Committee were concerned by the amount of time it had taken for the Legal Service to issue the Deed of Variation in regards to item IA16/05.001 (kitchen and bathroom basket rates). The Borough Solicitor, Dan Bainbridge, explained that staffing issues had been the reason for the delay. The Committee agreed that the Head of Housing, Hugh Wagstaff, should attend the next meeting to allow Members to discuss any general concerns that they may have.

2.5.3 The Committee noted the progress on the implementation of internal audit recommendations and agreed to extend the implementation dates as requested in Annexe 2.

3. INTERNAL AUDIT PLAN

3.1 The Audit Committee's terms of reference include provision for the Committee to comment on the progress made in the Audit Plan. At each meeting the Committee receives an update on the current position of the review.

3.2 23 June 2015

3.2.1 The Committee was pleased to note that the work that had been agreed the previous year had predominately been completed.

3.2.2 The Internal Audit Client Manager explained that the request to defer work on Asbestos in Waverley Properties had been proposed by the Head of Service to enable the conclusion of work carried out by external consultants, as previously agreed at the March 2015 meeting. The deferral was of low impact but the issue itself was of-course highly important.

3.2.3 The Committee noted the progress for the Internal Audit Plans for 2014/15 and 2015/16.

3.3 15 September 2015

3.3.1 The Internal Audit Client Manager circulated an updated version of Annexe 1 to the report, which showed that several reviews from the 2015/16 Audit Plan had now been completed or were in progress.

3.3.2 The Committee noted that most Quarter 1 and Quarter 2 reviews had been achieved on target and that it was anticipated that those outstanding in Quarter 3 and Quarter 4 would be completed by the end of the financial year. If any were still outstanding at that time they would be bought back to the Committee for agreement to carry over.

3.3.3 The Committee noted the progress for the Internal Audit Plans for 2015/16.

3.4 17 November 2015

3.4.1 Officers summarised the progress on the Internal Audit Plan for 2015/16 which included the use of contingency for three new reviews on Section 106 agreements, payroll & return to work policies, and revenue premises visits which would be added to the Audit Plan.

3.4.2 Following the verbal summary, Members commented that the format of the Plan would benefit from having information presented in groups relating to specific Heads of Service and Executive portfolio holders to help Members better analyse the data and develop constructive responses.

3.4.3 Officers explained that some issues fell into the remit of more than one Head of Service/Executive portfolio holder. However, these could be placed at the bottom of the Plan with grouped items above and that this format could be introduced for the next meeting.

3.4.4 The Committee noted the progress for the Internal Audit Plan 2015/16 and endorsed the inclusion of the new reviews.

3.5 15 March 2016

3.5.1 The Internal Audit Client Manager presented an update on the current position of the reviews for 2015/16.

3.5.2 Councillor John Williamson (in attendance as a non-committee member using his constitutional right to attend as a fellow councillor) asked about the proposal to defer the review of the Councils internal I.T. system, `Sharepoint`, to 2016/17 and Members also expressed similar concerns. Officers explained that this had been requested due to contractor staffing issues within I.T. services and a lack of technical knowledge of `Sharepoint`. Members were reassured that the aim was to complete the review in Q1 of 2016/17 by obtaining alternative resources.

3.5.3 The Committee noted the progress for the Internal Audit Plan 2015/16 and approved the deferral of the `Sharepoint` review to be completed in 2016/17 by another service provider with the necessary expertise.

4. REVIEW OF EXEMPT ITEMS CONSIDERED BY THE AUDIT COMMITTEE 2015/16

Please see Annexe 1 for a review of exempt items considered by the Audit Committee during 2015/16.

4.1 Risk Management

4.2 Internal Audit Investigation

4.3 Update on Fraud Investigation

4.4 Update on Pay-By-Phone Contract

5. REVIEW OF OPEN ITEMS CONSIDERED BY THE AUDIT COMMITTEE 2015/16

5.1 External Audit Plan 2015/16

5.1.1 Iain Murray, the Grant Thornton External Audit Engagement Lead was present at the meeting on 23 June 2015 and introduced the report on the External Audit Plan for 2015/16.

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

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

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

5.2 External Audit Progress Report

5.2.1 At the meeting on 17 November 2015, Iain Murray of Grant Thornton provided the Committee with a verbal update on the progress of the External Audit Report.

5.2.2 Current work included the certifying of housing benefits claims and auditing the two charities of which the Council was a trustee. It was expected that the Report would be completed and that the Audit Plan would be brought to the next meeting of the Committee in March.

5.2.3 Members were also updated on the Local Audit & Accountability Act. This new legislation would require authorities to procure their own external auditor and had been due to take effect from 2017/18. A 1 year extension on current providers had subsequently been introduced meaning that Grant Thornton would remain as the Council's external auditor until 2018. A new procurement procedure would need to be arranged by the end of 2017 to ensure cover from the 2018/19 financial year.

5.2.4 After the update, Members expressed concern regarding Trust accounts. There was some confusion around whether the signing off of accounts by the Committee for 2014/15 at the last meeting had included the Trust accounts.

5.2.5 Officers explained that it was not within the terms of reference of the Audit Committee to provide an audit function on the Trust accounts. These were separate from the Waverley accounts and were considered by the full Council sitting as Trustees.

5.2.6 Members felt that there was a role for the Audit Committee in the pre-scrutiny of these accounts and officers advised that a request could be made to the Trusts to ask this and it was agreed to do so at the next meeting of the full Council in December 2015.

5.3 External Audit Plan 2015/16

5.3.1 At the meeting on 15 March 2016, the Committee was presented with the latest draft version of the Grant Thornton External Audit Plan for the Council for 2015/16 which gave an overview of the planned scope and timing of the audit.

5.3.2 Iain Murray described the major challenges and opportunities facing the Council, namely:

- 24% reduction in central government funding to local government over 5 years as announced by the Chancellor in his Autumn Statement 2015.
- Requirement to identify an additional £800,000 savings for 2016/17 and further savings in 2017/18 and 2018/19.
- The Autumn Statement also included a 1% reduction in local authority housing rents and changes to Right-to-Buy that would have a significant impact on the Council's housing revenue account business plans.

- Major developments across the Borough including Brightwells and regeneration plans for Farnham together with the recently received significant planning application from Dunsfold Park.
- The Local Plan was last formally updated in 2001 and the Council has not yet been able to agree a new version with central government. It is critical that a new Local Plan is formulated and agreed as it will play a key part in decisions about how the Council develops the local area and its communities.

5.3.3 Key sector developments that will need to be considered were also identified and included:

- The adoption of a new fair accounting standard (IFRS 13) to apply from 2015/16. This will have a particular impact on the valuation of surplus assets within property, plant and equipment which were now required to be valued at `fair value` rather than the previous `use value` of the asset.
- The replacement of the `Explanatory Foreward` by the new `Narrative Statement` as required by the Accounts and Audit Regulations 2015.
- Councils involved in pooled budgets and alternative delivery models are required to be accounted for in their financial statements. Waverley produces group accounts to include Shottermill Recreation Ground and Ewart Bequest.
- The Accounts and Audit Regulations 2015 require councils to bring forward the approval and audit of financial statements to 31 May and 31 July respectively by the 2017/18 financial year.

5.3.4 Iain Murray also summarised the significant potential risks identified in the Plan including:

- Presumed risk under ISA 240 that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud related revenue recognition.
- Presumed risk under ISA 240 that management over-ride of controls is present in all entities.

5.3.5 Other potential risks identified included:

- Understatement of operating expenses.
- Understatement of employee remuneration.
- Valuation of property, plant and equipment.
- The Council's pension fund asset and liability as reflected in its balance sheet represent significant estimates in the financial statements.

5.3.6 In completing his summary of the Plan, Iain Murray explained that the Local Audit & Accountability Act 2014 and the National Audit Office Code of Audit Practice required them to consider whether the Council had put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This was known as the `Value for Money` conclusion.

5.3.7 The guidance identified that for local government bodies, auditors are required to give a conclusion on whether the proper arrangements have been put in place. The criteria used to evaluate this were listed on page 13 of the draft Plan.

5.3.8 Following the presentation, as part of the Council's Rules of Debate that allow any member of the Council to attend and speak at a committee for which they are not a member, provided they had made the request to speak by 12pm on the day of the meeting, Councillor John Williamson was given 4 minutes to remark on the draft Plan.

5.3.9 He argued that there were risks that had not been included that should be and that the aims of the new corporate plan were vague, subjective and a wish list. As a result, Councillor Williamson felt the stated aims of the draft Plan could not be achieved as there were no measurable targets.

5.3.10 During the discussion, the Committee requested an update on when they will be able to view the Shottermill Recreation Ground and Ewart Bequest Trust accounts.

5.3.11 Officers explained that it had not been within the terms of reference of the Audit Committee to provide an audit function on the Trust accounts. These were separate from the Waverley accounts and were considered by the full Council sitting as Trustees and formed part of the Group accounts.

5.3.12 Members felt that there was a role for the Audit Committee in the pre-scrutiny of these accounts as they did impact two lines on the Waverley accounts.

5.3.13 Due to scheduling differences between the Group and Waverley accounts, the timings of when the Committee would be able to scrutinise them was different.

5.3.14 It was agreed that Members would be provided with a schedule to enable them to plan forward to ensure that they meet agreed deadlines for approving accounts.

5.3.15 Members also asked about the concept of `materiality` as set out on page 7 of the draft Audit Plan. In performing their audit, Grant Thornton applied the concept following the requirements of the `International Standard on Auditing (UK & Ireland) (ISA) 320: Materiality in Planning and Performing an Audit`.

5.3.16 The standard states that `misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements`.

5.3.17 Grant Thornton had determined materiality for the statements as a whole proportion of Waverley's gross revenue expenditure. For the purposes of planning the audit, they had determined the Council's overall materiality to be £1,598k, equating to 2% of the prior year gross revenue expenditure.

5.3.18 Members were surprised at the high figure with Iain Murray responding that 2% was an industry wide standard and that only substantial errors were considered material. In the case of the Council, this meant that anything under £80k would not be considered material.

5.3.19 ISA 320 also required Grant Thornton to determine separate, lower, materiality levels where there were `particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users`.

5.3.20 Grant Thornton had not identified any items where separate materiality levels would have been appropriate.

5.4 Annual Governance Statement

5.4.1 At its meeting on 23 June 2015, The Head of Finance introduced the Annual Governance Statement to the Committee. He explained that the Annual Governance Statement (AGS) was part of the final accounts process and drawn up in accordance with the CIPFA/SOLACE framework. The AGS explained the processes and controls that comprised the Council's governance framework, as explained in Section 3. It also showed the corporate involvement by Waverley's Corporate Management Team, S151 Officer and Monitoring Officer, Heads of Service and the Audit Committee in drawing up the document. The AGS 2014/15 was complete and would be signed off by the Leader of the Council and the Executive Director in September.

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

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

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

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

5.4.6 The Committee approved the Annual Governance Statement subject to comments received from Members and approval of the final Annual Governance Statement for 2014/15 was agreed at the meeting on 15 September 2015.

5.5 External Audit Findings Report 2014/15

5.5.1 At the meeting on 15 September 2015, Iain Murray and Matthew Dean from Grant Thornton presented their External Audit Findings Report for the year ending 31 March 2015 as set out on pages 11 to 42 of the Agenda.

Section 1: Executive Summary

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

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

Section 2: Audit Findings

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

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

Section 3: Value for Money

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

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

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

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

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

Resulting Members Questions

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

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

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

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

many other District and Borough Councils held similar levels of short term debt.

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

P31 Certificate

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

5.6 Statement of Accounts 2014/15

5.6.1 The Committee received a report that asked them to consider and approve the Statement of Accounts for the year ended 31 March 2015 (Annexe 1) and to approve the letter of Representation for 2014/15 at their meeting on 15 September 2015.

5.6.2 The Committee were content that the Statement of Accounts had undergone sufficient scrutiny via a series of meetings and e-mail exchanges with officers in recent weeks and were also content with the answers to questions from the auditors and members.

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

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

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

5.6.6 The Committee approved the Statement of Accounts and the Letter of Representation for 2014/15 and confirmed that the accounts had been prepared on a going concern basis.

5.7 Annual Audit Letter from Grant Thornton for 2014/15

5.7.1 Iain Murray, from the external auditor Grant Thornton, briefly summarised the Annual Audit Letter for 2014/15 at the meeting on 17 November 2015.

5.7.2 There had been no new messages to relay since the last meeting and the key issues and recommendations had remained the same. However, Mr Murray updated Key Issue no. 3 and confirmed its status was a medium priority item.

5.7.3 Members asked for clarification of the term `best consideration` as used in the recommendation for key issue no.3. Iain Murray advised that the term referred to the appointment of an independent property company to produce a report that considered how to obtain the best value from the disposal of authority land in landowner mode. Their specialist view would take more than just money into account and act as a crucial piece of evidence to support any subsequent decision made by the Council.

5.7.4 The Committee also asked Iain Murray to define the use of the term `significant recommendations` in relation to the key issues. It was explained that the procedure for weighting recommendations was prescribed by the Audit Commission. The measurement took into account such matters as strategic planning, budgeting, assessment of risk and arrangements to achieve economy and efficiency.

5.7.5 The Committee agreed the approval of the Annual Audit Letter for 2014/15.

5.8 Internal Audit Annual Report 2014/15 Activity

5.8.1 At its meeting on 23 June 2015, the Committee received the Internal Audit Annual Report which was required under the Accounts and Audit Regulations to maintain an adequate and effective internal audit of accounting records and control systems.

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

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

Fraud Partnership and to appoint a temporary Fraud Investigator to initially focus on housing tenancy fraud.

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

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

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

5.9 Pensions Presentation From Surrey County Council

5.9.1 At the meeting on 17 November 2015, Phil Triggs of the Surrey Pension Fund at Surrey County Council, gave a presentation for Members on the Actuarial Valuation of the fund which would be revalued in 2016.

5.9.2 The LGPS Deficit in 2013 stood at £47bn but with the inclusion of CPI +3% this reduced to £27bn. The options for reducing this deficit included increased contributions, improved investment returns and strategic management of liabilities.

5.9.3 The revaluation in March 2016 would take into account 5 key assumptions:

1. Discount Rate

- Reflects how the value of money decreases over time
- Based on the CPI base rate 8 (which stood at 0.5% for 81 consecutive months) +3%.
- The higher the discount rate, the lower the valuation of the scheme's liabilities.

2. Longevity

- Increased life expectancy meant that pensions would be drawn for longer.
- A single year added to life expectancy resulted in a 3% reduction in funding level.

3. Inflation

- Index linking of pensions to inflation would be likely to help reduce the pension fund liability in the current environment of - 0.1% inflation.

4. Earnings/salary growth

5. Investment Strategy

In reaching the valuation, two calculations would be made. A valuation conducted by the pension fund Actuary and another based on the standardised assumptions specified by the Scheme Advisory Board. These would then be compared to create a final valuation. The 2013 calculation carried out by the Actuary of the Surrey fund came out at 72.3%, more pessimistic than the 79.3% figure coming from a valuation based on the standardised CPI+3% discount rate. It was commented that this reflected the prudence of the Surrey fund.

Other factors impacting the fund included the quality of data used in calculations; the stability and affordability of contributions; monetary based deficit payments; early retirement, ill health, significant salary increases and employer risk.

On closing the presentation, Members were invited to ask questions. Key concerns included the Chancellor's (RH George Osborne MP) plans to reduce the number of LGPS schemes by requiring them to merge leaving between 5 and 10 schemes nationally holding around £30bn each.

Phil Triggs explained that the Surrey scheme had already begun scoping possible mergers to pool assets and had held preliminary conversations with both the Cumbria and East Riding LGPS schemes. These had similar good governance arrangements and were seen as suitable potential partners. A further 9 funds had been approached.

Councillor Denise Le-Gal, speaking as the Chairman of the Surrey County Council Pension Fund Committee, also explained that these early discussions reflected a desire on Surrey's part to determine their own destiny. The Chancellor had stated that schemes that failed to pool resources could be forced to do so via back ended legislation. A combined Surrey/Cumbria/East Riding scheme would be valued at around £25bn.

Members also asked about the ability of the scheme to be proactive in managing future strains on the fund. Phil Triggs replied that the adaption of investment strategies, together with the

smoothing out of contributions to allow for peaks and troughs in conditions were key to cushioning the fund from such strains.

It was agreed that a graph would be sent to members of the Committee sharing Surrey's current position.

5.10 Grant Thornton Audit of 2014/15 Housing Benefit Subsidy Return

5.10.1 Iain Murray and Matthew Dean from Grant Thornton introduced the Committee to its certification work for the Housing Benefit Subsidy return for the year 2014/15 at the meeting on 15 March 2016.

5.10.2 They explained that they were required to certify claims and returns submitted by Waverley. The certification typically took place six to nine months after the claim period and represented a final but important part of the process to confirm the Council's entitlement to funding.

5.10.3 As part of their work, Grant Thornton had identified a number of low value individual errors regarding claimants Housing Benefit calculations including incorrect entry of earned income values, incorrect entry of rent values and incorrect application of Local Housing Authority rates.

5.10.4 These errors triggered a requirement for Grant Thornton to undertake further testing before determining whether they were able to adjust and/or issue a qualification letter because the Government allow no error margins in their audit requirements. This included the testing of a sample of 40 further cases in each of the six error areas identified. Iain Murray explained that this additional work was likely to have an impact on the final fee.

5.10.5 The Committee asked about the possible causes of the errors. Iain Murray responded that due to the nature of the work and the vast amount of data entry required, it was likely that the errors were due to mistyping and that some clerical errors had to be expected.

5.10.6 The Head of Finance agreed and explained that the department had spent 13,000 productive hours and dealt with over 22,000 phone calls in handling benefit claims during 2014/15. Regular quality checks were conducted within the department and 10% of cases sampled. He explained that the total value of the errors were relatively small and the extrapolated error of £7k needs to be considered in the context of a £30million claim.

5.10.7 Iain Murray responded that the qualification letter had been sent in November 2015 and there had been no response from the DWP so it was unlikely that they had any concerns. He explained that in context, the number and type of errors was nothing unusual and similar to those seen in other local authority returns. It was agreed that Grant Thornton would provide Members with a copy of the qualification letter to enable them to see the detail, following the meeting and the plan was adopted.

5.11 Proposed Internal Audit Plan 2016/17

5.11.1 At the 15 March 2016 meeting, the Internal Audit Manager introduced the draft Proposed Audit Plan for 2016/17 and invited the Committee to comment before adopting the Plan.

5.11.2 She explained that a different approach had been taken to previous years whereby the services of an internal audit contractor, RSM, in consultation with Heads of Service and the Corporate Management Team, had been involved in the preparation of the Plan.

5.11.3 The Director of RSM, Karen Williams, was present at the meeting and asked for input from Members regarding the draft Plan and to take any requests on amending the risks to be considered, wording and scope.

5.11.4 As part of the Council's Rules of Debate that allow any member of the Council to attend and speak at a committee for which they are not a member, provided they had made the request to speak by 12pm on the day of the meeting, Councillor John Williamson was invited to use his 4 minutes to remark on the Plan.

5.12.5 He expressed concern about two major projects, namely the SPA Avoidance Strategy and the Brightwells development in Farnham.

5.11.6 Members of the Committee made several requests regarding the risk areas identified on pages 18 to 22 of the draft Plan. This included amendment of wording to items such as `Health and Safety policy`, `Recruitment of permanent and agency staff and performance management`, and `Planning applications and building control` to make the description of any action and scope of the work to be carried out more explicit.

5.11.7 Additional risks to be considered were also suggested including scrutiny of the performance of sub-contractors working on behalf of contractors engaged by the Council and of procurement.

5.11.8 Karen Williams agreed to make the requested changes and reassured Members that the Plan was a fluid document that was not set in stone and could be amended throughout the period of its life.

5.11.9 Members also raised concerns about how the priorities for the Plan had been selected and asked for sight of the wider `audit universe` to enable them to see what items have been included and those that have not.

5.11.10 It was agreed that Karen Williams of RSM would make the requested changes to the draft Internal Audit Plan, that the Internal Audit Manager would provide the Committee with the `audit universe`, and that the Plan be adopted for 2016/17 subject to the amendments requested.

5.12 Counter Fraud Investigation

5.12.1 The Internal Audit Manager provided the Committee with an update on the progress that had been made on work being completed as part of the Surrey Counter Fraud Partnership at the meeting on 15 March 2016. This included the investigation of all types of fraud barring Housing Benefit fraud which is now investigated by the Department for Work & Pensions. 1 Year of work had been supported in full with funding from the Department for Communities & Local Government to assist in combating fraud.

Key findings included:

- 5 Council properties that had not been occupied by the tenant in accordance with the Tenancy Agreements terms and conditions being recovered and subsequently made available to be re-let to residents on the waiting list.
- 3 housing applications and 5 right-to-buy applications had been refused as the information provided to the Council did not reflect the true circumstances of the applicant.

5.12.2 The value of financial savings was £534,310 based on notional Audit Commission figures. However, those notional figures did not include the real value to Waverley, as it cost on average £200,000 to build a new house and where tenancies had been relinquished these had then been allocated to those on the waiting list. As five tenancies had been recovered this equated to £1million not being required to replace those properties.

5.12.3 The Committee were very pleased with the success of the investigation and thanked Officers for their great work.

5.12.4 Members were advised that following further partnership funding together with money from savings made across the Council, the counter fraud investigation would continue for another year.

5.12.5 Officers commented that the outlay was money well spent when the potential returns were so high, especially at a time of financial strain.

5.12.6 It was agreed that the Committee continue its support of such work and the Internal Audit Manager will provide each meeting of the Audit Committee going forward with a quarterly summary of current progress of the continuing counter fraud investigation.

Recommendation

It is recommended that the work carried out by the Audit Committee in 2015/16 be noted.

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: Gary Wood, Trainee Democratic
Services Officer

Tel: 01483 523570

Email: gary.wood@waverley.gov.uk

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

ANNEXE 2

AUDIT COMMITTEE CHAIRMAN ROLE DESCRIPTION

Purpose

1. To provide leadership of and direction to the Committee
2. To demonstrate to the public that Waverley is committed to high standards of Corporate Governance
3. To ensure that adequate resources (financial and officer support) are identified and sought from the Council
4. To chair and manage Committee meetings and ensure the Committee achieves its terms of reference

Duties and responsibilities

1. To encourage Committee members to obtain necessary skills to contribute the work of the Committee and to work with officers to provide training if necessary
2. To endeavour to engage all members of the Committee in its activities
3. To lead the Committee, in consultation with officers, in prioritising its work
4. To develop a constructive relationship with the appropriate officers, their staff and where appropriate, with relevant portfolio holders
5. To be willing to learn about the professional disciplines and services relevant to the work of the Committee
6. To Chair the Committee in a fair and open manner and encourage members in their role of promoting and maintaining high standards of Corporate Governance.

AUDIT COMMITTEE CHAIRMAN PERSON SPECIFICATION

To fulfil his or her role as set out in the role description, an effective Audit Committee Chairman requires:

Providing leadership and direction:

- Commitment to highest standards of financial management
- Understanding of the Council's role in providing value for money
- Communication skills
- Knowledge of financial and governance issues
- Ability to manage the work of the committee
- Ability to support and develop necessary skills in fellow members of the committee

Promoting the role of the Audit Committee:

- Understanding and appreciation of the financial and governance framework
- Ability to inspire and enthuse Committee members for the work of the Committee
- Integrity and the ability to set aside own views and act impartially
- Knowledge and understanding of the relevant code(s) of conduct and protocols and the ability to champion them
- Reinforcing public confidence in the work of the Committee and the Council's commitment to value for money

Internal governance, ethical standards and relationships:

- Knowledge and understanding of the Corporate Governance processes and protocols
- Knowledge of and commitment to the values of the Council
- Knowledge of the basic financial framework of an Audit Committee.

ANNEXE 3

AUDIT COMMITTEE MEMBER ROLE DESCRIPTION

Purpose

1. To participate in the proactive work of the Audit Committee in maintaining and improving high standards of financial governance and developing value for money.

Duties and responsibilities

1. To be aware of the particular nature of the work of the Audit Committee
2. To have sufficient knowledge to contribute to the function of the Committee
3. To promote and support good financial governance by the Council
4. To understand the respective roles of members, officers and external parties operating within the Audit Committee's area of responsibility
5. To have an interest in all areas of Waverley's activities
6. To be committed to promoting value for money.

AUDIT COMMITTEE MEMBER PERSON SPECIFICATION

To fulfil his or her role as laid out in the role description, an effective Member of an Audit Committee requires the following:

Understanding the nature of the Audit Committee:

- Commitment to high standards of Corporate Governance
- Knowledge of financial management and procedures
- Maintenance of knowledge
- Objectivity and judgement

Governance, ethical standards and relationships:

- Knowledge and understanding of the audit process, Code of Conduct(s) and protocols
- Knowledge of and a commitment to the values of the Council
- Commitment to transparency and high standards of conduct.

-

ANNEXE 4

The Audit Committee met four times, on 23 June, 15 September and 17 November 2015, and 15 March 2016. The membership and attendance at meetings is detailed below:

	23 June 2015	15 Sept. 2015	17 Nov. 2015	15 March 2016
Cllr Jim Edwards (Chairman)	X	X	X	X
Cllr John Gray (Vice-Chairman)	X	X	X	X
Cllr Andrew Bolton		X	X	X
Cllr Jenny Else		X	X	X
Cllr Ged Hall	X	X		X
Cllr Stephen Hill	X	X	X	X
Cllr Richard Seaborne	X		X	X

X = In attendance.

■ = Not in attendance.

This page is intentionally left blank

WAVERLEY BOROUGH COUNCIL

AUDIT COMMITTEE – 21 JUNE 2016

REPORT TO THE COUNCIL MEETING – 19 JULY 2016

Title:

AUDIT COMMITTEE TERMS OF REFERENCE FOR 2016/17

Summary & Purpose

Each year, the Audit Committee is invited to review its Terms of Reference. The aim of this report is to propose some minor changes to the Terms of Reference of the Audit Committee for the year 2016/17 in order that their wording better reflects current internal titles and policies.

Introduction

1.1 The Terms of Reference of the Audit Committee were last adopted by full Council at the meeting of 20 October 2015 and reflected the changes requested by the Committee at its meeting on 23 June 2015 and then agreed on 15 September 2015.

1.2 Following a review of the Terms of Reference as part of the collation of the Annual Activity Report for 2015/16, Officers noted that some of the wording is now out of date. For example, the Council's policies on concerns at work is now called "Whistleblowing at Work" rather than "Raising Concerns at Work" as described in the Terms of Reference.

Proposed Changes

2.1 The proposed changes are detailed below with the current wording marked by a strikeout and the new wording coloured in red.

Audit Committee

The Audit Committee is the means of bringing independent, effective assurance into the Council's corporate governance arrangements. This covers:-

- Risk management framework
- Control environment and arrangements
- Financial performance
- Non-financial performance (processes and controls)
- Financial reporting.

An Audit Committee Charter was adopted in September 2013.

Terms of Reference

The Terms of Reference are as follows:

1. Corporate Governance

- 1.1 To consider the Council's arrangements for corporate governance and recommend necessary actions to ensure compliance with best practice as set out in the current CIPFA/SOLACE Framework "Delivering Good Governance in Local Government" and any revision thereof.
- 1.2 To maintain an overview of the Council's Constitution in respect of contract procedure rules, financial regulations and codes of conduct and behaviour.
- 1.3 To consider the Council's compliance with its own and other published regulations, standards and controls, covering both financial and general issues
- 1.4 To monitor Council policies in "~~Raising Concerns at Work~~" "**Whistleblowing**" and the anti-fraud and anti-corruption strategy **and the Council's complaints handling process.**
- 1.5 To monitor the effective development and operation of internal control in the Council with particular reference to all aspects of risk management.
- 1.6 To ~~consider~~ **approve** the Council's Annual Governance Statement ~~and, if thought fit, recommend its adoption by the Council.~~
- 1.7 To consider any reports published by bodies, other than the external auditor, charged with inspecting the Council's performance or arrangements for corporate governance.
- 1.8 To review any issue referred to it by the Head of Paid Service or a director or any Council body.
- 1.9 To request a report from any Head of Service relating to an outstanding internal audit recommendation issue.

2. External scrutiny

- 2.1 To consider whether appropriate accounting policies have been followed in the preparation of the annual statement of accounts.
- 2.2 To consider all communications from the external auditor to the Audit Committee, including:
 - 2.2.1 the audit letter;
 - 2.2.2 the report on issues arising from the audit of the accounts; and
 - 2.2.3 any other reports requested by the Audit Committee from the external auditor.
- 2.3 To consider whether there are concerns that need to be brought to the attention of the Council that arise from:
 - 2.3.1 the audit; or
 - 2.3.2 the accounts.
- 2.4 To consider and, if thought fit, approve the annual statement of accounts.

- 2.5 To comment on the scope and depth of external audit work and to ensure that it gives value for money, especially with regard to reports dealing with risk management and performance matters.
- 2.6 To oversee all aspects of risk management, including Waverley's Corporate Risk Registers.
- 3. Internal audit**
- 3.1 To consider the Annual Review of the system of Internal Audit.
- 3.2 To consider the Internal Audit Client Manager's Annual Report.
- 3.3 To ~~consider~~ **approve** the annual Internal Audit Service Plan.
- 3.4 To consider the current Internal Audit Plan and summaries of internal audit activity by department and consider the level of assurance this can give concerning the effectiveness of the Council's corporate governance arrangements.
- 3.5 To consider internal audit reports detailing recommendations not implemented within the specified timescale.
- 3.6 To consider proposed internal audit activity and the range of ~~departments~~ **service areas** to be covered and the level of assurance this can give concerning the effectiveness of the Council's corporate governance arrangements.
- 3.7 To commission work or reports from the Internal Audit Service.
- 3.8 To consider any specific internal audit reports requested by the Audit Committee.
- 3.9 To monitor the progress of any specific internal audit projects.
- 3.10 To consider reports dealing with the management and performance of the providers of internal audit services.
- 3.11 To comment on the scope and depth of internal audit work and to ensure that it gives value for money, especially with regard to reports dealing with risk management and performance matters.

Composition of Audit Committee

(a) **Membership and Meetings**

The Audit Committee will

- be composed of seven councillors, with no members from the Executive;
- meet four times per year, as set out in the Calendar of Meetings, and on an ad hoc basis when necessary.

(b) **Quorum**

The quorum for meetings will be three Councillors.

Recommendation

It is recommended that the Audit Committee:

1. reviews its terms of reference;
2. agrees to adopt the proposed changes highlighted in red to be adopted by Council;
3. recommends any further amendments it wishes to be adopted by Council (if necessary);

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: Gary Wood, Trainee Democratic
Services Officer

Tel: 01483 523570

Email: gary.wood@waverley.gov.uk

This page is intentionally left blank

WAVERLEY BOROUGH COUNCIL

AUDIT COMMITTEE – 21 JUNE 2016

Title:

PROGRESS ON THE INTERNAL AUDIT PLANS FOR 2015/16 AND 2016/17

[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 achievement of the Audit Plan. An update on the current position of the reviews in 2015/16 and 2016/17 is presented.

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 involves exposure to 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 ensure 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 progress on the completion of the Internal Audit Plan for 2015/16 is shown as attached at Annexe 1.
2. The progress on the commencement of the Internal Audit Plan for 2016/17, including the relevant quarters as agreed by the Head of Services and Service Managers are attached at Annexe 2.

Conclusion

3. The Committee is asked to note that the review of IT Sharepoint deferred from 2015/16 is programmed for starting in Quarter 1 (13 June 2016).

Recommendation

It is recommended that the Committee:

1. notes the progress for the Internal Audit Plan 2015/16 as attached at Annexe 1;
2. notes the progress for the Internal Audit Plan 2016/17 as attached at 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
Internal Audit Client Manager

Telephone: 01483 523260
E-mail: gail.beaton@waverley.gov.uk

AUDIT PLAN AGREED BY AUDIT COMMITTEE ON 23 MARCH 2015		Key	Deferred	Completed	Awaiting Draft Report	New review added											
Report No.	AUDIT PLAN AS AT 02 JUNE 2016	2015/16 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 '16	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	2015/16	(b)	(c)		(d)	(e)									
	Systems and Services Audit																
	IT SERVICES																
IA16-11	Mobile Devices and Remote/Home Working security	H	10.00	0.00	10.00	10.00	10.00	0.00	10.00	0.00	Final Report on Covalent	Roll out and increased use of devices	N/A	Q3	Head of Customer, and Corporate Service - David Allum, Linda Frame - IT Development Manager	01483 523221 - 01483 523157	BT
IA16-25	IT Service functionality	M	5.00	0.00	5.00	0.00	5.00	0.00	5.00	0.00	Final Report on Covalent	Reliance on service.	N/A	Q4+	Head of Customer and Corporate Service - David Allum, Head of Customer, Martin Wilson - Operations Manager	01483 523221 - 01483 523155	BT
CMT	Sharepoint	H	10.00	0.00	10.00	0.00	0.00	0.00	0.00	-10.00	Deferred to 2016/17	Technical Audit - Knowledge of Sharepoint - Resilience re volume of files, structure, hierarchy and permissions documented as to who can see what etc	N/A	Q4+	Head of Customer, and Corporate Service - David Allum, Linda Frame - IT Development Manager	01483 523221 - 01483 523157	BT
	Contingency		10.00	-10.00	0.00	0.00	0.00	0.00	0.00	0.00							
	IT Total		35.00	-10.00	25.00	10.00	15.00	0.00	15.00	-10.00							
	GENERAL SYSTEM REVIEWS																
	Key Financial Systems																
IA16-10	Treasury Management	H	7.00	0.00	7.00	7.00	7.00	0.00	7.00	0.00	Final Report on Covalent	Change in personnel and high value/risk.	2013-14	Q2	Head of Finance - Peter Vickers	01483-523539	BT
IA16-01	Sundry Debtors	H	10.00	0.00	10.00	10.00	10.00	0.00	10.00	0.00	Final Report on Covalent	Review on the effectiveness of debts recovery.	2013-14	Q1	Head of Finance - Peter Vickers	01483-523539	BT
IA16-04	Itrent (Leave recording and calculations methodolgy)	H	10.00	0.00	10.00	10.00	10.00	0.00	10.00	0.00	Final Report on Covalent	Assurance on the accuracy of output.	Pre 2012	Q1 June	Head of Finance - Peter Vickers	01483 523539	BT
IA16-09	Council Tax Support	H	10.00	0.00	10.00	10.00	10.00	0.00	10.00	0.00	Final Report on Covalent	Assurance on the system in place	2012-13	Q2	Head of Finance - Peter Vickers	01483-523539.	BT
IA16-06	Sundry Creditors	H	7.00	0.00	7.00	7.00	7.00	0.00	7.00	0.00	Final Report on Covalent	Review of the effectiveness of the systems in operation	2014-15	Q1	Head of Finance - Peter Vickers	01483-523539.	BT
IA16-08	Rents (Age Debt Analysis and write off of former tenants arrears)	H	10.00	0.00	10.00	10.00	10.00	0.00	10.00	0.00	Final Report on Covalent	Assessment and assurance on new arrangements	2013-14	Q2	Head of Housing Operations - Hugh Wagstaff	01483-523363	BT
IA16-02	Car Parking (Phone Payments)	H	10.00	0.00	10.00	10.00	10.00	0.00	10.00	0.00	Final Report on Covalent	New Project re 'Cade' Pay by phone system re Web Office/ Online Challenge	New	Q1	Head of Environment - Richard Homewood	01483 523411	BT
	Sub total for Key Financial Systems		64.00	0.00	64.00	64.00	64.00	0.00	64.00	0.00							
IA16-16	Housing Asbestos Review	H	10.00	0.00	10.00	0.00	10.00	0.00	10.00	0.00	Final Report On Covalent	Assurance on process in place to identify, react and resolve issues in a timely manner.	C/F 2013-14	Q3 - Dec 2015	Head of Housing Operations Hugh Wagstaff	01483 523363	BT
IA16-20	Gas Servicing Contract re Central Heating contractors service performance in accordance with contract terms.	H	10.00	0.00	10.00	0.00	10.00	0.00	10.00	0.00	Final Report On Covalent	Assurance on the contract performance measures in place.	2014-15	Q4	Head of Housing Operations Hugh Wagstaff	01483 523363	BT
IA16-05	Kitchen & Bathroom (Basket Rates) Review	H	10.00	0.00	10.00	10.00	10.00	0.00	10.00	0.00	Final Report On Covalent	Assessment and assurance on new arrangements	2013-14	Q1	Head of Housing Operations Hugh Wagstaff	01483 523363	BT
IA16-21	Fire & Legionnaires Risk Assessments at Sheltered Housing Units	H	5.00	0.00	5.00	0.00	5.00	0.00	5.00	0.00	Final Report On Covalent	Follow up from 2014/15 review	2011/12	Q4	Head of Housing Operations Hugh Wagstaff	01483 523363	BT
IA16-24	New Homes Build	H	10.00	0.00	10.00	0.00	10.00	0.00	10.00	0.00	Draft Report Stage	Increased activity and value high	2011-12	Q4	Head of Strategic Housing Jane Abraham	01483 323096	BT

AUDIT PLAN AGREED BY AUDIT COMMITTEE ON 23 MARCH 2015		Key	Deferred	Completed	Awaiting Draft Report		New review added										
Report No.	AUDIT PLAN AS AT 02 JUNE 2016	2015/16 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 '16	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
IA16-07	Disability facilities Grants (Private Sector House)	M	5.00	0.00	5.00	5.00	5.00	0.00	5.00	0.00	Final Report On Covalent	Assurance over controls re awarding of grants	2012-13	Q2	Head of Strategic Housing Jane Abraham	01483 323096	BT
IA16-03	Waste Collection Management Contract	H	10.00	0.00	10.00	10.00	10.00	0.00	10.00	0.00	Final Report On Covalent	Major contract - assurance on contract management function and Performance Management	2012-13	Q1	Head of Environment - Richard Homewood	01483 523411	BT
IA16-23	Pest Control - SDK	H	7.00	0.00	7.00	0.00	7.00	0.00	7.00	0.00	Final Report On Covalent	Assurance on the process re handling of income and invoicing.	New	Q4	Head of Environment - Richard Homewood	01483 523411	BT
IA16-19	Grounds Maintenance contract	H	10.00	0.00	10.00	0.00	10.00	0.00	10.00	0.00	Final Report On Covalent	Contract management and performance management of contractor.	2012-13	Q4	Kelvin Mills Head of Community Service and Major Projects	01483 523432	BT
IA16-13	Grants to other organisations	H	5.00	0.00	5.00	5.00	5.00	0.00	5.00	0.00	Final Report On Covalent	Assurance on the controls in place and justification re verification on the use of grants.		Q3	Kelvin Mills Head of Community Service and Major Projects	01483 523432	BT
IA16-12	Official Orders - Sharepoint system	M	10.00	0.00	10.00	10.00	10.00	0.00	10.00	0.00	Final Report Stage	Assurance on the accuracy of generation of official orders.	New	Q3	Head of Finance - Peter Vickers & IT Services	01483-523539	BT
IA16-17	Revenue premises visits	H		7.00	7.00	0.00	7.00	0.00	7.00	0.00	Final Report Stage	Review of the effectiveness of the systems in operation	2014-15	Q4	Head of Finance - Peter Vickers	01483-523539.	BT
IA16-18	Payroll and Return to Work Policy	H		7.00	7.00	0.00	7.00	0.00	7.00	0.00	Final Report On Covalent	Review of the effectiveness of the systems in operation	2014-15	Q4	Head of Finance - Peter Vickers	01483-523539.	BT
IA16-15	Section 106 funds	H		7.00	7.00	0.00	7.00	0.00	7.00	0.00	Final Report On Covalent	Review of the effectiveness of the systems in operation	2011	Q4	Head of Planning - Matthew Evans	01483-523298.	BT
	Governance and Risk Reviews																
IA16-22	Information Governance security	H	15.00	0.00	15.00	0.00	15.00	0.00	15.00	0.00	Draft Report Stage	Information Governance Security group Action Plan		Q4	Corporate - Dan Bainbridge Borough Solicitor	01483 523235	BT
IA16-14	Intend - Procurement Portal	H	10.00	0.00	10.00	0.00	10.00	0.00	10.00	0.00	Final Report on Covalent	Assurance on the implementation to meet transparency code		Q3 - Dec 2015	Head of Finance - Peter Vickers	01483-523539.	BT
	Management Contract Liaison Meetings		5.00	3.00	8.00	3.00	6.00	0.00	6.00	-2.00							
	Contingency		19.00	-14.00	5.00	0.00	3.00	0.00	3.00	-2.00		Plus IT contingency of 10 days					
	Sub Total for Operational Reviews (Inc Cont)		141.00	10.00	151.00	43.00	147.00	0.00	147.00	-4.00							
	Subtotal Key Financial Systems Reviews		64.00	0.00	64.00	64.00	64.00	0.00	64.00	0.00							
	Subtotal of IT Reviews		35.00	-10.00	25.00	10.00	15.00	0.00	15.00	-10.00							
	Total Plan Contractor Review Days		240.00	0.00	240.00	117.00	226.00	0.00	226.00	-14.00		Sharepoint Review (10) and contingency and contractor liaison days (4)					

Report No.	AUDIT PLAN AS AT 09 JUNE 2016	Proposed No. of Plan Days	Key Variations	Revised Plan (a) + (b)	Deferred B/F from Previous Month	Actual Total to date	Days Planned to end March '17	Total expected time ((d)+(e) to match (c))	Balance	Progress	Details	Proposed quarter to be started	Head of Service & Manager Responsible for Area	Contact Details
		2016/17	(b)	(c)		(d)	(e)							
	Systems and Services Audit													
	IT SERVICES													
IA17-00 deferred from 2015/16	Sharepoint	10.00	4.00	14.00		0.00	14.00	14.00	0.00	Review to commence W/C 13/06/2016	Technical Audit - Knowledge of Sharepoint - Resilience re volume of files, structure, hierarchy and permissions documented as to who can see what etc This review resource has being procured from Spelthorne Borough Council who have an experienced specialist IT auditor with Sharepoint knowledge having completed reviews in this area at other authorities.	Qtr 1 2016/17	Head of Customer, and Corporate Service - David Allum, Linda Frame - IT Development Manager	01483 523221 - 01483 523157
IA17-00	Agresso Upgrade	10.00	0.00	10.00		0.00	10.00	10.00	0.00		Post Implementations of new Agresso upgrade	Q4	Head of Customer, and Corporate Service - David Allum, Linda Frame - IT Development Manager	01483 523221 - 01483 523157
	Contingency	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00					
	IT Total	20.00	4.00	24.00	0.00	0.00	24.00	24.00	0.00					
	GENERAL SYSTEM REVIEWS													
	Key Financial Systems													
IA17-00	Car Parking	10.00	0.00	10.00	0.00	0.00	10.00	10.00	0.00		Compliance with Agreed Processes	Q1/2	Head of Environmental Services - Richard Homewood	01483-523411
IA17-00	Approval of invoices on Agresso	6.00	0.00	6.00	0.00	0.00	6.00	6.00	0.00		Review of the effectiveness of the systems in operation	Q1/2	Head of Finance - Peter Vickers	01483-523539
IA17-00	Payroll	8.00	0.00	8.00	0.00	0.00	8.00	8.00	0.00		Compliance with agreed processes.	Q3	Head of Finance - Peter Vickers	01483-523539
IA17-00	Creditor Payments	6.00	0.00	6.00	0.00	0.00	6.00	6.00	0.00		Compliance with Agreed Processes	Q3	Head of Finance - Peter Vickers	01483-523539
IA17-00	Rent Collection	10.00	0.00	10.00	0.00	0.00	10.00	10.00	0.00		Accuracy of rent setting, completeness of income and pursuit of arrears.	Q2	Head of Housing Operations - Hugh Wagstaff	01483-523363
	Sub total for Key Financial Systems	40.00	0.00	40.00	0.00	0.00	40.00	40.00	0.00					
IA17-00	Health & Safety Policy	8.00	0.00	8.00	0.00	0.00	8.00	8.00	0.00		Assurance on consistency of application across the Council to ensure that practice is embedded and areas of responsibility are clear.	Q2	Corporate - Head of Environmental Services - Richard Homewood	01483-523411
IA17-00	Licensing - Environmental Services - Animals, Premises etc	6.00	0.00	6.00	0.00	0.00	6.00	6.00	0.00		To ensure that appropriate policies and procedues are in place to ensure that income due from goods and services is properly identified, charged appropriately and can be collected in full and recorded in the accounts of the Council.	Q1/2	Head of Environmental Services - Richard Homewood	01483-523411

Jun-16 AUDIT PLAN AGREED BY AUDIT COMMITTEE ON 15 MARCH 2016		Key		Deferred	Completed	Awaiting Draft Report			New review added					
Report No.	AUDIT PLAN AS AT 09 JUNE 2016	Proposed No. of Plan Days	Variations	Revised Plan (a) + (b)	B/F from Previous Month	Actual Total to date	Days Planned to end March '17	Total expected time ((d)+(e) to match (c))	Balance	Progress	Details	Proposed quarter to be started	Head of Service & Manager Responsible for Area	Contact Details
		2016/17	(b)	(c)		(d)	(e)							
IA17-00	Emergency Planning and Business Continuity	10.00	0.00	10.00	0.00	0.00	10.00	10.00	0.00		Emergency Planning - the Council is designated as a category 1 responder under the Civil Contingencies Act. The Council do not have a direct labour workforce and is reliant on contractors to support an emergency response. Operational controls ensure compliance with Civil Contingencies Act. We will also review the Council's business continuity processes to ensure these are appropriate and in line with our experiences elsewhere.	Q4	Head of Environmental- Richard Homewood	01483-523411
IA17-00	Planning Applications and Building Control	10.00	0.00	10.00	0.00	0.00	10.00	10.00	0.00	Assignment Planning Sheet drawn up	Planning Performance - Government can remove planning powers from councils who perform poorly against measure relating to speed of decision making, appeals and (in Future) progress on Local Development Orders. We will test that Council's compliance with standards and legislation and collection of income to ensure that the standards are being met.	Q1	Head of Planning - Elizabeth Sims	01483-523193
IA17-00	Licensing - Alcohol	6.00	0.00	6.00	0.00	0.00	6.00	6.00	0.00		To ensure that appropriate policies and procedues are in place to ensure that income due from goods and services is properly identified, charged appropriately and can be collected in full and recorded in the accounts of the Council.	Q1/2	Head of Policy and Governance - Robin Taylor	01483-523108
IA17-00	Data Protection	10.00	0.00	10.00	0.00	0.00	10.00	10.00	0.00		Changes in European Legislation are expected in year and thus review will consider the compliance with legislation as well as the preparedness for required changes. Our work will consider the lessons learned and changes made from any complaints received or involvement of the ICO.	Q4	Head of Policy and Governance - Robin Taylor	01483-523108
IA17-00	Data Quality	10.00	0.00	10.00	0.00	0.00	10.00	10.00	0.00		Review of the effectiveness of the systems in operation	Q2	Head of Finance - Peter Vickers	01483-523539
IA17-00	Recruitment of permanent and agency staff and performance management	10.00	0.00	10.00	0.00	0.00	10.00	10.00	0.00	Awaiting Draft Report	Staff skill and capacity Management - For a high performing and highly engaged team there a a need to recruit develop and retain high performing staff who fit the organisational culture and for Waverley to be an employer of choice. To ensure that staff are only employed where there is an identified need, are recruited appropriately and their employment is then monitored with routine appraisals undertaken and competency frameworks are met. We will consider - how temporary staff are engaged and their continuing engagement monitored, the monitoring of costs associated with recruitment and staff turnover, provision of training for new staff as well as the cost to the Council: and management control of staff retention to retain key staff.	Q4	Corporate - Head of Finance - Peter Vickers	01483-523539
IA17-00	Procurement	8.00	0.00	8.00	0.00	0.00	8.00	8.00	0.00		We will undertake a rview of the changes made in this operational area to determine whether the control framework has improved	Q4	Head of Finance - Peter Vickers	01483-523539
IA17-00	Voids follow up review of 2014/15	5.00	0.00	5.00	0.00	0.00	5.00	5.00	0.00		Follow up of previous audit	Q1/2	Head of Housing Operations - Hugh Wagstaff	01483-523363
IA17-00	Management of Contractors	8.00	0.00	8.00	0.00	0.00	8.00	8.00	0.00		Accuracy of Invoices for works ordered and compliance with health and safety requirements of the contractual agreements. This review will also cover the management of subcontractors where permitted by contractual arrangements due to reputational concerns to the council.	Q2	Head of Housing Operations - Hugh Wagstaff	01483-523363
IA17-00	Accuracy of Tenancy Information	7.00	0.00	7.00	0.00	0.00	7.00	7.00	0.00		To ensure Orchard Housing Management System is updated promptly to reflect the outcome of Home Visits by the Tenancy and Estates Officers.	Q3	Head of Housing - Hugh Wagstaff	01483-523363

Jun-16 AUDIT PLAN AGREED BY AUDIT COMMITTEE ON 15 MARCH 2016		Key		Deferred	Completed		Awaiting Draft Report			New review added				
Report No.	AUDIT PLAN AS AT 09 JUNE 2016	Proposed No. of Plan Days	Variations	Revised Plan (a) + (b)	B/F from Previous Month	Actual Total to date	Days Planned to end March '17	Total expected time ((d)+(e) to match (c))	Balance	Progress	Details	Proposed quarter to be started	Head of Service & Manager Responsible for Area	Contact Details
		2016/17	(b)	(c)		(d)	(e)							
IA17-00	Health & Safety Compliance	10.00	0.00	10.00	0.00	0.00	10.00	10.00	0.00		Assurance on the operational aspects of Health & Safety compliance for all council owned properties through the rolling programme. To focus on maintenance processes and compliance specifically electrical testing at all properties.	Q3	Head of Housing Operations (Hugh Wagstaff) & Head of IT and Corporate Services (David Allum)	01483 523363 (HW) 01483 523345 (DA)
	Governance and Risk Reviews													
IA17-00	Project Management	20.00	0.00	20.00	0.00	0.00	20.00	20.00	0.00		Major capital projects including regeneration - The council is engaged in a number of high level projects to support regeneration areas within the borough. (Brightwells and Ockford Ridge). Specialist review of the Council's approach to the management of projects. This will focus on the Brightwells project, as well as others, and provide the Council with advice as to project management in the future.	Q2	Corporate - Head of Leisure and Special Projects - Kelvin Mills	01483 523432
IA17-00	Corporate Governance	8.00	0.00	8.00		0.00	8.00	8.00	0.00		Governance failure across the Council there is the potential of a governance failure. Review of the Council's Governance processes against required practice.	Q3	Corporate - Head of Policy and Governance - Robin Taylor	01483-523108
IA17-00	Risk Management/Assurance Stocktake	8.00	0.00	8.00		0.00	8.00	8.00	0.00		Review of a sample of assurances used to inform the management of risks to determine the adequacy of the assurance, coverage and whether it mitigates the risks as expected.	Q2	Corporate - Head of Finance - Peter Vickers	01483-523539
IA17-00	Lean Approach Workshop	8.00	0.00	8.00	0.00	0.00	8.00	8.00	0.00		To provide guidance on this process and how the Council can undertake Lean reviews to maximise efficiency in the service delivery. This could be the provision of training on lean methodology, or to undertake a specific lean review on an area identified by management which will incorporate a workshop and will involve the sharing of the methodology followed. It is likely that this Assurance on the implementation to meet transparency code	Q3	Head of Finance - Peter Vickers	01483-523539
	Management Contract Liaison Meetings	7.00	0.00	7.00	0.00	0.00	7.00	7.00	0.00					
	Contingency	21.00	-4.00	17.00	0.00	0.00	17.00	17.00	0.00					
	Sub Total for Operational Reviews (Inc Cont)	180.00	-4.00	176.00	0.00	0.00	176.00	176.00	0.00					
	Subtotal Key Financial Systems Reviews	40.00	0.00	40.00	0.00	0.00	40.00	40.00	0.00					
	Subtotal of IT Reviews	20.00	4.00	24.00	0.00	0.00	24.00	24.00	0.00					
	Total Plan Contractor Review Days* (RSM 230, SBC 10)	240.00	0.00	240.00	0.00	0.00	240.00	240.00	0.00					

This page is intentionally left blank

WAVERLEY BOROUGH COUNCIL
AUDIT COMMITTEE – 21 JUNE 2016

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.
 2. Annexe 1 provides the current position on recommendations due for completion at the end of the month of the Audit Committee date.
 3. Annexe 2 details the request for change of implementation due date.
-

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 Committee:

1. considers the information contained in Annexe 1 and identifies any action it wishes to be taken; and
 2. agrees an appropriate implementation date for the recommendations listed 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
Internal Audit Client Manager

Telephone: 01483 523260
E-mail: gail.beaton@waverley.gov.uk

Audit Recommendations overdue or due within next month

Generated on: 10 JUNE 2016




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


Head of Service Vickers, Peter


Action Code & Description	IA16/14.001 Contract Procedure Rules	The Contract Procedure Rules state that contracts greater than £25,000 in value must be included on the Contract Register. This does not align to the Transparency Code which requires any contracts greater than £5,000 to be included.	Exit Meeting Date	29-Jan-2016
			Due Date	30-Jun-2016
Audit Report Code and Description		IA16/14 In-Tend Procurement Portal		
Agreed Action		The Contract Procedure Rules will be updated to state that any contracts greater than £5,000 should be included on the Contracts Register.		
Status		In Progress	Progress	90%
			Head of Service	Peter Vickers
All Notes	A procurement governance group has been convened meeting 4 weekly, CPR review is part of the groups remit. Consultation meetings with services have taken place, training sessions delivered and individual team specific procurement seminars help. The £5k is widely communicated and consulted upon, the requirement will be included in the CPR's next revision due to go to September audit committee. Therefore a request that the implementation date is revised to 30 September 2016 is included in Annexe 2 below.			13-May-2016

Head of Service Wagstaff, Hugh

Action Code & Description	IA16/05.001 Deed of Variation	The Deed of Variation covering the 2014/15 period was with the Council's legal department at the time of the audit, and the Housing team were awaiting formal issue of the variation.	Exit Meeting Date	27-Aug-2015
			Due Date	06-Oct-2015
Audit Report Code and Description		IA16/05 Kitchen & Bathroom (basket rates)		
Agreed Action		The Council will formally issue the Deed of Variation incorporating the new basket rates for kitchen and bathrooms into the programme of works between the Council and Mears.		
Status		Overdue	Progress	50%
			Head of Service	Hugh Wagstaff
All Notes	Legal have advised that a realistic timeframe to complete the deed of variation is by the end of February 2016 as Mear's legal team need sufficient time to respond. This is being dealt with by WBC Legal Services before it is passed to the Mears Legal Team for agreement.			05-Nov-2015
	Deed of Variation in relation to Kitchens and Bathrooms has been provided to Mears in May 2016 for signing. It should be noted that the prices contained in this Deed of Variation have been in operation since April 2015 and are being applied by both parties.			09-Jun-2016

Action Code & Description	IA16/16.002 Premises Information Packs		The Council is required to implement the roll out of Premises Information Packs in relevant buildings.		Exit Meeting Date	24-Dec-2015
					Due Date	30-Jun-2016
Audit Report Code and Description			IA16/16 Housing Asbestos Follow Up			
Agreed Action			Agreed			
Status		In Progress	Progress	70%	Head of Service	Hugh Wagstaff
All Notes	Sheltered Schemes PIP in place - Community rooms and corporate properties being rolled out.					17-May-2016
	Status remains the same as PIPs to community rooms and corporate buildings still ongoing. Community rooms & corporate Properties will have PIPs rolled out by end of June 2016.					09-Jun-2016

Action Code & Description	IA16/16.006 Survey all corporate and community properties		WBC should ensure that after survey all Corporate Portfolio and Community properties are reflected in the Council's asbestos register. After management review has been undertaken regarding responsibility of duties relating to asbestos, ensure all necessary asbestos procedure, guidance and documentation is disseminated to occupants/managing agents.		Exit Meeting Date	24-Dec-2015
					Due Date	31-May-2016
Audit Report Code and Description			IA16/16 Housing Asbestos Follow Up			
Agreed Action			Agreed			
Status		Overdue	Progress	90%	Head of Service	Hugh Wagstaff & David Allum
All Notes	Majority of data loaded - final checks to be undertaken. Responsibilities to be disseminated.					17-May-2016
	Data of all surveyed properties loaded into Keystone Asbestos Register. Responsibility re corporate property leases will be provided as part of the PIPs information packs that will be sent to leaseholders at the end of June 2016. Therefore a request for an extension to 30 June 2016 is made below in Annexe 2.					09-Jun-2016

Action Code & Description	IA16/16.010 Asbestos Leaseholder procedure		Implement a set procedure for the remit of leaseholders at WBC in regard to asbestos 'duty holder' responsibility and ensure it is disseminated and applied in a timely fashion.		Exit Meeting Date	24-Dec-2015
					Due Date	31-May-2016
Audit Report Code and Description			IA16/16 Housing Asbestos Follow Up			
Agreed Action			Agreed			
Status		Overdue	Progress	80%	Head of Service	Hugh Wagstaff & David Allum
All Notes	Housing Service leaseholders are always provided with asbestos information. Corporate responsibilities to be clarified.					17-May-2016
	Only 4 corporate buildings are Waverley's responsibility re management of asbestos, terms and conditions of the lease to others re standard clause in the lease, states the leaseholders responsibility for maintenance and repair of the property. Legal advice is being sought to confirm these terms include management of the property. Therefore a request for an extension is sought to the 30 July 2016.					09-Jun-2016

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

Report ref/ recommen dation ref	Title	Recommendation	Justification/ Reason for change in implementation date	Responsible Officer
IA16/05.001	Kitchen & Bathroom Basket Rates re Deed of Variation	The Deed of Variation covering the 2014/15 period was with the Council's legal department at the time of the audit, and the Housing team were awaiting formal issue of the variation.	Deed of Variation has been provided to Mears in May 2016 and we await return of the agreed and signed document from Mears Group Head Office. Therefore a request is made for an extension until the end of September 2016.	Head of Housing Operations - Hugh Wagstaff Legal Services
IA16/16.006	Housing Asbestos Follow Up	WBC should ensure that after survey all Corporate Portfolio and Community properties are reflected in the Council's asbestos register. After management review has been undertaken regarding responsibility of duties relating to asbestos, ensure all necessary asbestos procedure, guidance and documentation is disseminated to occupants/managing agents.	All necessary asbestos procedure, guidance and documentation will be disseminated to occupants/managing agents with the PIPs pack that have been prepared and will be sent out by 30 June 2016. Therefore a request for an extension is sought to the 30 June 2016.	Head of Housing Operations - Hugh Wagstaff Head of Customer and Corporate Services – David Allum
IA16/16.010	Housing Asbestos Follow Up	Implement a set procedure for the remit of leaseholders at WBC in regard to asbestos 'duty holder' responsibility and ensure it is disseminated and applied in a timely fashion.	Only 4 corporate buildings are Waverley's responsibility re management of asbestos, terms and conditions of the lease to others re standard clause in the lease, states the leaseholders responsibility for maintenance and repair of the property. Legal advice is being sought to	Head of Housing Operations - Hugh Wagstaff Head of Customer and Corporate Services - David Allum

			<p>confirm these terms include management of the property should issues arise.</p> <p>Therefore a request for an extension is sought to the 30 July 2016.</p>	
IA16/14.001	Contract Procedure Rules	<p>The Contract Procedure Rules state that contracts greater than £25,000 in value must be included on the Contract Register. This does not align to the Transparency Code which requires any contracts greater than £5,000 to be included.</p>	<p>A procurement governance group has been convened meeting 4 weekly, CPR review is part of the groups remit. Consultation meetings with services have taken place, training sessions delivered and individual team specific procurement seminars help. The £5k is widely communicated and consulted upon, the requirement will be included in the CPR's next revision due to go to September audit committee.</p> <p>Therefore a request that the implementation date is revised to 30 September 2016.</p>	<p>Head of Finance – Peter Vickers</p>

WAVERLEY BOROUGH COUNCIL

AUDIT COMMITTEE – 21 JUNE 2016

Title:

INTERNAL AUDIT CHARTER

[Wards Affected: All]

Summary and purpose:

The report provides an update to the Committee on the revised Internal Audit Charter that has been developed in accordance with the updated Public Sector Internal Auditing Standards (March 2016). The standards apply to all internal audit service providers, whether in-house, shared services or outsourced. The PSIAS (Attribute Standard 1000) requires organisations to have an Internal Audit Charter that formally defines the purpose, authority and responsibility of the internal audit activity, consistent with the Definition of Internal Auditing, the Code of Ethics and the Standards. The Charter is required to be approved by senior management and the board (Audit Committee).

How this report relates to the Council's Corporate Priorities:**Resource/Value for Money implications:**

There is a requirement for the procurement of an external assessment to be conducted at least once every five years on the Internal Audit Service by an external, qualified, independent assessor or assessment team. However as the majority of the Internal Audit Assurance work is completed by the contractor RSM this assessment will be procured by them to meet the standards of the Public Sector Internal Auditing Standards as stated in their Annual Internal Audit Report present to Audit Committee annually.

Legal Implications:

There are no legal implications.

Introduction

1. Public Sector Internal Audit Standards (PSIAS) came into effect from 1 April 2013, now update in March 2016 all internal audit services across the public sector will be governed by these.
2. CIPFA has also produced an Application Note as the sector-specific requirements for local government organisations. The PSIAS and the Local Government Application Note together supersede the 2006 CIPFA Code of Practice for Internal Audit in Local Government in the UK.
3. The objectives of PSIAS are to:
 - Define the nature of internal auditing within the UK Public Sector
 - Set basic principles for carrying out internal audit in the UK public sector

- Establish a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations;
- Establish the basis for the evaluation of internal audit performance and to drive improvement planning.

Findings

1. The foundations of PSIAS are not fundamentally different to those adhered to under the CIPFA Code of practice and require an internal audit charter (similar to the previous internal audit strategy) that defines the purpose, authority and responsibility of the internal audit activity, with clear definitions of those fulfilling responsibilities of the 'board' (The Audit Committee) and 'senior management' (Corporate Management Team). The proposed Internal Audit Charter, which meets the requirements set out in PSIAS, is attached at Annexe 1 for consideration.
2. The Internal Audit Charter must be reviewed periodically (as a minimum annually) by the 'Chief Audit Executive' (Internal Audit Client Manager) and presented to Corporate Management Team and the Audit Committee.
3. In line with the Standards, external assessment will also be conducted at least once every five years by an external, qualified, independent assessor or assessment team, in our case this would be an assessment on our contractors position in relation to this assessment criteria.

Conclusion

4. Therefore this report provides the Audit Committee with an overview of the Internal Audit Charter in accordance with the Public Sector Internal Auditing Standards.

Recommendation

It is recommended that the Audit Committee approves the Internal Audit Charter.

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: Gail Beaton Telephone: 01483 523260

Internal Audit Contract Manager E-mail: gail.beaton@waverley.gov.uk



INTERNAL AUDIT CHARTER

TABLE OF CONTENTS

Para No.	Narrative	Page No.
1.	Introduction	3
2.	Definitions	3
3.	Purpose of Internal Audit	4
4.	Professionalism	4
5.	Authority of Internal Audit	4
6.	Organisation	5
7.	Responsibility of the Internal Audit	5
8.	Scope of Internal Audit	5
9.	Independence and Objectivity	6
10.	Internal Audit Plan	6
11.	Internal Audit Resource	7
12.	Reporting and Monitoring	7
13.	The Role of Internal Audit in Fraud Related Work	8
14.	Performance of Non-Audit Activity	8
15.	Periodic Assessment	8
16.	Review	9

Version	Endorsed by	Date
Version 1	Audit Committee	17/09/2013
Version 2	Present to Audit Committee on 21/06/2016	

1. Introduction

The Public Sector Internal Audit Standards took effect from the 1 April 2013 now revised in March 2016, to provide a consolidated approach across the whole of the public sector providing continuity, sound corporate governance and transparency. The Standards require all internal audit activities to implement and retain an 'Internal Audit Charter'. The purpose of the Internal Audit Charter is to formally define the internal audit activity's purpose, authority and responsibility.

2. Definitions

For the purposes of this charter the following definitions shall apply:

2.1 The definition of Internal Audit as set out in the PSIAS:

'Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.'

2.2 The 'Board'

The board is defined as:

'the governance group charged with independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of financial reporting'.

Within this Council the role of the 'Board' will be fulfilled by the Audit Committee

2.3 Senior Management

Senior Management is defined as:

'those charged with responsibility for the leadership and direction of the Council'.

Within this council the role of 'Senior Management will be fulfilled by the Corporate Management Team (CMT) made up of the Executive Director, Director of Finance and Resources (S151 Officer) and the Director of Operations.

2.4 Chief Audit Executive

The Chief Audit Executive is described as:

'a person in a senior position responsible for effectively managing the internal audit activity in accordance with the internal audit charter and the Definition of Internal Auditing, the Code of Ethics and the Standards. The Chief Audit Executive or others reporting to the Chief Audit Executive will have appropriate professional certifications and qualifications'.

Within this Council the role of the Chief Audit Executive will be fulfilled by the Internal Audit Client Manager.

3. Purpose of Internal Audit

The Accounts and Audit Regulations 2015 (Regulation 5 (1)) require that local authorities to which this regulation applies must ensure that it has a sound system of internal control which:-

- a. Facilitates the effective exercise of its functions and the achievement of its aims and objectives
- b. Ensures that the financial and operational management of the authority is effective and
- c. Includes effective arrangements for the management of risk.

As an independent appraisal function, the primary objective of Internal Audit is to review, appraise and report upon the adequacy of internal controls across the entire control environment of the council.

4. Professionalism

The internal audit activity will govern itself by adherence to the Public sector Internal Audit Standards. This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the internal audit activity's performance.

The service, and individual staff, will be governed by the Code of Ethics of the relevant professional bodies of which they are a member, and all codes and policies operated by the Council

5. Authority of Internal Audit

The authority of Internal Audit is set out in the Council's Financial Regulations. The Director of Finance and Resources has nominated a head of internal

audit (the Internal Audit Client Manager) has the right to direct access to the Head of Paid Service, and the Audit Committee where necessary.

Internal audit staff have access to all Council property and assets at any reasonable time and have the authority to apply any test or check they deem necessary to the accounts, cash securities or other properties or records which relate in any way to the operations of the Council and can require and receive such explanations from any Officers or Member as deemed appropriate. All employees are requested to assist the internal audit activity in fulfilling its roles and responsibilities.

6. Organisation

The Internal Audit function sits within the Audit and Fraud Investigation Team that forms part of the Director of Finance and Resources responsibilities, who fulfils the role of the Council's Section 151 Officer. This role is responsible for maintaining an adequate and effective internal audit function and the nomination of an officer to act as the (Chief Audit Executive) Internal Audit Client Manager. The Internal Audit Client Manager is the nominated Head of Internal Audit and is responsible for the day to day management of the Internal Audit function. The Internal Audit Client Manager has free and unfettered access to the Executive Director, Section 151 Officer, Monitoring Officer and the Chair of the Audit Committee. The Internal Audit Client Manager will communicate and interact directly with the Audit Committee, including in and between Audit Committee meetings as appropriate.

7. Responsibility of the Internal Audit

The key responsibilities of Internal Audit are as laid out in the Council's Financial Regulations:

- The Director of Finance and Resources is responsible for maintaining an adequate and effective internal audit function.
- The internal audit function will operate in accordance with the Public Sector Internal Audit Standards
- The internal audit function is responsible for providing assurance on the Council's system of internal control. It examines, evaluates and reports on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources.
- In fulfilling their responsibilities Internal audit staff will undertake effective reviews of systems and procedures on a regular basis.

8. Scope of Internal Audit

The scope of internal auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the organisation's governance, risk management, and internal control processes in relation to the organisation's defined goals and objectives. Internal control objectives considered by internal audit include:

- Consistency of operations or programs with established objectives and goals and effective performance.
- Effectiveness and efficiency of operations and employment of resources.
- Compliance with significant policies, plans, procedures, laws, and regulations.
- Reliability and integrity of management and financial information processes, including the means to identify, measure, classify, and report such information.
- Safeguarding of assets.

Internal Audit is responsible for evaluating all processes ('audit universe') of the entity including governance processes and risk management processes. It also assists the Audit Committee in evaluating the quality of performance of external auditors and maintains proper degree of coordination with internal audit.

Internal audit may perform consulting and advisory services related to governance, risk management and control as appropriate for the organisation. It may also evaluate specific operations at the request of the Audit Committee or Corporate Management Team, as appropriate.

Based on its activity, Internal Audit is responsible for reporting significant risk exposures and control issues identified to the Audit Committee or Corporate Management Team, including fraud risks, governance issues, and other matters needed or requested by the Audit Committee.

9. Independence and Objectivity

The internal audit activity will remain free from interference by any element in the organisation, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective mental attitude.

Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair internal auditor's judgment.

Internal auditors must exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors must make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.

The Internal Audit Client Manager will confirm to the Audit Committee (Board), at least annually, the organisational independence of the internal audit activity.

The independence of the Internal Audit Client Manager is safeguarded by the Executive Director reviewing and countersigning the performance reviews of the Internal Audit Client Manager.

10 Internal Audit Plan

At least annually, the Internal Audit Client Manager will submit to the Audit Committee an internal audit plan for review and approval, including risk assessment criteria. The internal audit plan will include timing as well as budget and resource requirements for the next fiscal year. The Internal Audit Client Manager will communicate the impact of resource limitations and significant interim changes to Corporate Management Team, Senior Management and the Audit Committee.

The internal audit plan will be developed based on a prioritisation of the audit universe using a risk-based methodology, including input of Service Manager, Corporate Management Team and the Audit Committee. Prior to submission to the Audit Committee for approval, the plan will be discussed with senior manager and Corporate Management Team. Any significant deviation from the approved internal audit plan will be communicated through the periodic activity reporting process.

11. Internal Audit Resources

The Internal Audit Client Manager will hold an appropriate professional qualification (CMIIA, CCAB or equivalent) and have extensive internal audit experience.

The Director of Finance and Resources is responsible for providing the Internal Audit Client Manager with the appropriate resources to maintain an adequate and effective internal audit service.

The Internal Audit Client Manager will ensure that the Internal Audit service has access to an appropriate range of knowledge, skills, qualifications and experience required to deliver the audit plan.

12. Reporting and Monitoring

A written report will be prepared and issued by the Internal Audit Client Manager after receipt from the contractor following the conclusion of each internal audit engagement and will be distributed as appropriate. Internal audit results will also be communicated to the Audit Committee.

The final version of the internal audit report will include management's response and corrective action taken or to be taken in regard to the specific findings and recommendations. Management's response is required to include a timetable for anticipated completion of action to be taken and an explanation for any corrective action that will not be implemented. Where agreed timeframe have not been met these will be reported to the Audit Committee. This allows a decision to be made on whether a change in the

agreed timeframe is necessary or whether the action is still applicable if control enhancements have been implemented elsewhere that negates the need for the action.

The internal audit activity will be responsible for appropriate follow-up on audit findings and recommendations. All significant findings will remain on the outstanding recommendations record until cleared or approved to be removed by the Audit Committee if a justifiable reason is provided to support the request.

The Internal Audit Client Manager is responsible for the delivery of an annual audit opinion and report that can be used by Corporate Management Team to inform their governance statements. The annual opinion will conclude on the overall adequacy and effectiveness of the organisations' framework of governance, risk management and control. The annual opinion will be formed as part of the Annual Audit Report prepared by the Internal Audit Contractor who fulfils the role of completing the Internal Audit Plan.

13. Role of Internal Audit in Fraud Related Work

The role of Internal Audit in fraud related work is set out in the following Council documents:

- Financial Regulations
- Anti – Fraud, Corruption, and Bribery Strategy
- Whistleblowing Policy
- Prosecution Policy
- Fraud Response Plan
- Housing Tenancy Fraud Policy

The primary responsibility for maintaining sound systems of internal control including arrangements to prevent and detect fraud and corruption lies with management. Completion of planned audit work assists this process by highlighting areas where controls are inadequate or are not operating as intended.

The Internal Audit Client Manager also facilitates the authority's participation in the National Fraud Initiative (NFI) in which specified data is matched with data supplied from other Local Authorities and external agencies to detect potential fraudulent activity.

14. Performance of Non-Audit Activities

The Internal Audit Client Manager has line management responsibility for the Council's Fraud Investigation Team which form part of the Internal Audit and Fraud Investigation Team. To maintain independence and avoid conflict of interest any internal audits of these functions will be undertaken by an externally procured resource.

Where individual internal auditors undertake non – audit activities, for example in participating in corporate projects in a non – audit role, the auditor involved will not participate in future audits of the service/project area until at least one year has elapsed from completion of the activity.

15. Periodic Assessment

The Internal Audit Client Manager is responsible for periodically providing a self assessment on the internal audit activity as regards its consistency with the Audit Charter (purpose, authority, responsibility) and performance relative to its Plan.

In addition, the Internal Audit Client Manager will communicate to Corporate Management Team and the Audit Committee on the internal audit activity's quality assurance and improvement program, including results of ongoing internal assessments and external assessments conducted at least every five years. However as the majority of Waverley's work is completed by an external contractor Waverley requires them to have an external assessment completed at least every 5 years and include this in the Annual Audit Report.

The Internal Audit Client Manager will agree the scope of external assessments with the Director of Finance and Resource and the Chair of the Audit Committee.

16. Review of the Internal Audit Charter

This charter will be reviewed annually by the Internal Audit Client Manager and presented bi-annually to Corporate Management Team and the Audit Committee for approval.

This page is intentionally left blank

Audit and Accounts Committee
Progress and Update Report for
Waverley Borough Council
Year ended 31 March 2016

21 June 2016

Iain Murray

Engagement Lead

T 020 7728 3262

E iain.g.murray@uk.gt.com

Sophia Brown

Manager

T 020 7728 3179

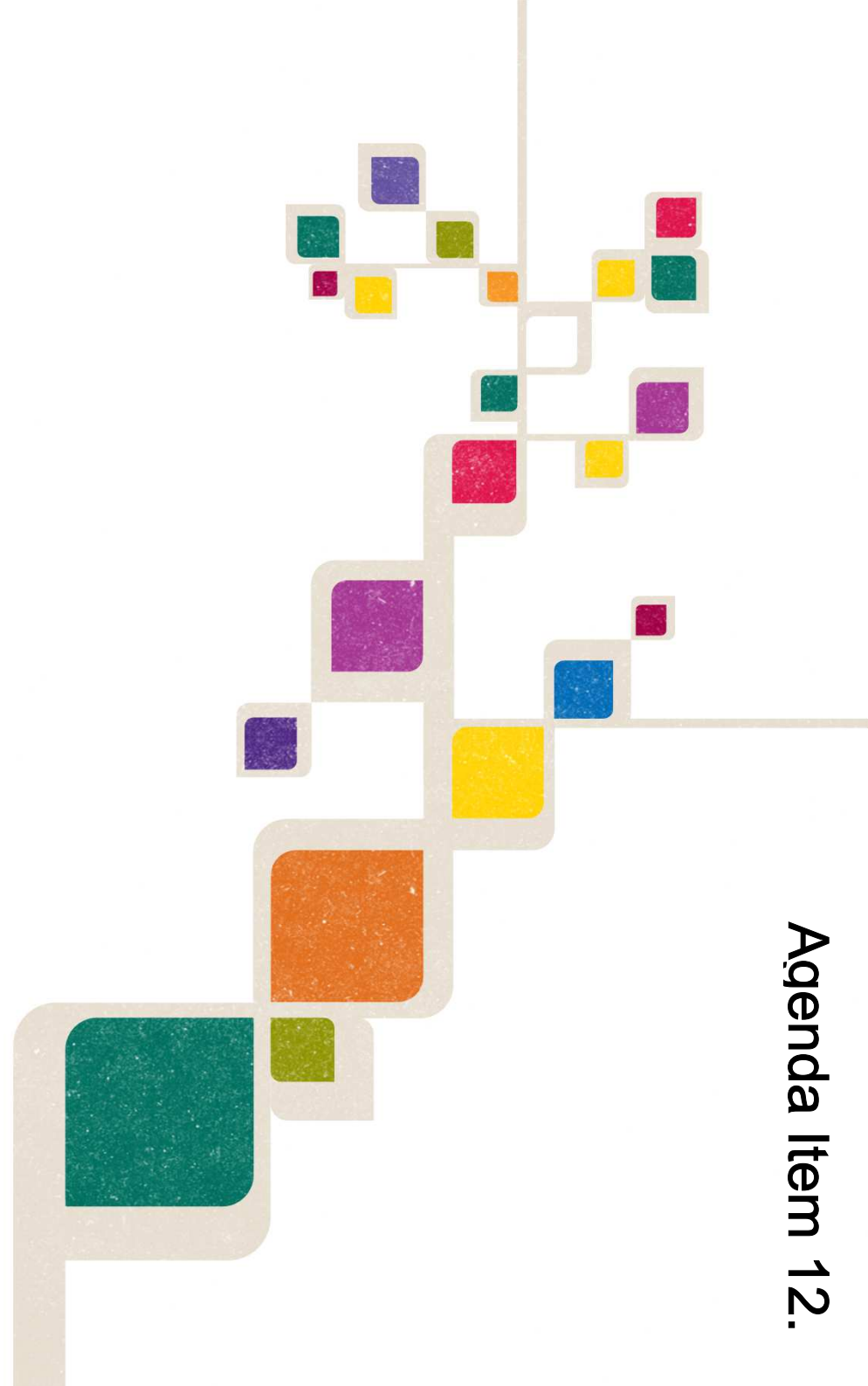
E sophia.y.brown@uk.gt.com

Julian Gillett

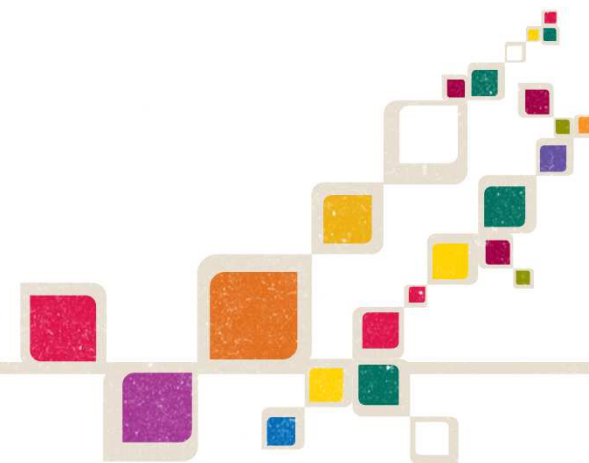
Executive

T 01293 554 061

E julian.gillett@uk.gt.com

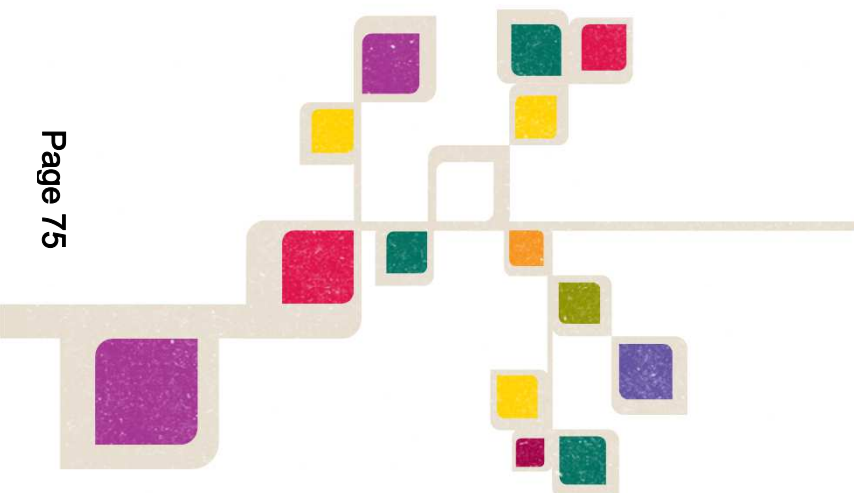


The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. 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.



Contents

Page 75



Contents	Page
Introduction	4
Progress at June 2016	5
Value for money	7
Emerging issues and developments:	
Grant Thornton reports	9
Other publications	11

Introduction

This paper provides the Audit Committee with a report on progress in delivering our responsibilities as your external auditors.

Members of the Audit Committee can find further useful material on our website www.grant-thornton.co.uk, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications including:

- Better Together: Building a successful joint venture company;
<http://www.grantthornton.co.uk/en/insights/building-a-successful-joint-venture-company/>
- Knowing the Ropes – Audit Committee; Effectiveness Review ;
www.grantthornton.co.uk/en/insights/knowing-the-ropes--audit-committee-effectiveness-review-2015/
- Making devolution work: A practical guide for local leaders (October 2015)
www.grantthornton.co.uk/en/insights/making-devolution-work/

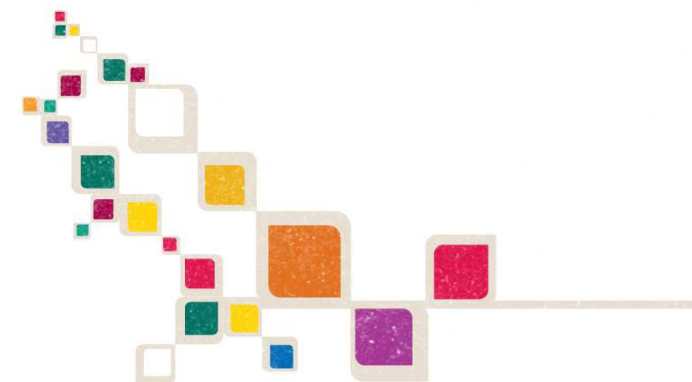
If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.



Iain Murray
Engagement Lead
T 020 7728 3262
E iain.g.murrays@uk.gt.com



Sophia Brown
Manager
T 020 7728 3179
E sophia.y.brown@uk.gt.com



Progress at 8 June 2016



 **Progress against plan**
On track

 **Opinion and VfM conclusion**
Plan to give before deadline of 30 September 2016

 **Outputs delivered**
Fee letter, Progress Reports, delivered to plan

2015/16 work	Completed	Comments
<p>Fee Letter We issued the 'Planned fee letter for 2015/16 in April 2016.</p>	April 2016	We have also recently issued the fee letter for 2016/17, with no change to the fee proposed.
<p>Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Council setting out our proposed approach in order to give an opinion on the Council's 2015-16 financial statements.</p> <p>We also inform you of any subsequent changes to our audit approach.</p>	March 2016	This was presented to the Audit Committee in March 2016.
<p>Interim accounts audit Our interim fieldwork visit includes:</p> <ul style="list-style-type: none"> • updating our review of the Council's control environment • updating our understanding of financial systems • review of Internal Audit reports on core financial systems • early work on emerging accounting issues • early substantive testing 	March 2016	<p>Interim audit findings for the work completed to date were reported to members at the Audit Committee in March 2016.</p> <p>As part of our formal communication between auditors and the Council's Audit Committee, as 'those charged with governance' we prepare a specific report which covers some important areas of the auditor risk assessment where we are required to make inquiries of management and the Audit Committee under auditing standards. We have received responses from the Chair of the Audit Committee.</p>

Progress at 8 June 2016



2015/16 work	Completed	Comments
<p>Final accounts audit</p> <p>Including:</p> <ul style="list-style-type: none"> Audit of the 2015-16 financial statements proposed opinion on the Council's accounts 	<p><i>Started June 2016</i></p>	<p>We are planning to complete the substantial work of our audit by 30 June as part of the transition to the earlier closedown and audit cycle that is required from 2018.</p> <p>To help the Council prepare appropriate evidence to support the financial statements, we have provided a schedule of expected working papers and discussed the implications of emerging accounting matters with finance staff. We have agreed a reduced set of disclosures in respect of your group accounting.</p>
<p>Value for Money (VfM) conclusion</p> <p>The scope of our work has changed and is set out in the final guidance issued by the National Audit Office in November 2015. The Code requires auditors to satisfy themselves that; "the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources".</p> <p>The guidance confirmed the overall criterion as; "in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people".</p> <p>The three sub criteria for assessment to be able to give a conclusion overall are:</p> <ul style="list-style-type: none"> Informed decision making Sustainable resource deployment Working with partners and other third parties 	<p><i>Field work in March – July , formal conclusion reported by 30 September 2016</i></p>	<p>We have set out the result of our risk assessment and the proposed focus of our work at pages 7 and 8.</p> <p>The results of our VfM audit work and the key messages arising will be reported in our Audit Findings Report.</p> <p>We will include our conclusion as part of our report on your financial statements which we will give by 30 September 2016.</p>
<p>Other activities</p> <p>We provide a range of workshops, along with network events for members and publications to support the Council.</p>	<p>February 2016</p> <p>Ongoing</p>	<p>We have provided a local workshop covering changes to accounting standards and the Code of Practice, and emerging issues and future developments, to support officers involved in the preparation of the Financial Statements.</p> <p>Further details of the publications that may be of interest to the Council are set out from page 9.</p>

Value for Money

Background

The Local Audit & Accountability Act 2014 ('the Act') and the NAO Code of Audit Practice ('the Code') require us to issue a conclusion on whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion.

The National Audit Office (NAO) issued its guidance for auditors on value for money work in November 2015.

The Act and the NAO guidance state that auditors are only required to report by exception where they are not satisfied that NHS bodies have proper arrangements in place to secure value for money. However, we are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Council.

The guidance identifies one single criterion for auditors to evaluate:

In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

This is supported by three sub-criteria as set out in the table to the right.

Risk assessment

We completed an initial risk assessment based on the NAO's guidance. In our initial risk assessment, we considered:

- our cumulative knowledge of the Council, including work performed in previous years in respect of the VfM conclusion and the opinion on the financial statements
- illustrative significant risks identified and communicated by the NAO in its Supporting Information
- any other evidence which we consider necessary to conclude on your arrangements

Sub-criteria	Detail
Informed decision making	<ul style="list-style-type: none"> • Acting in the public interest, through demonstrating and applying the principles and values of good governance • Understanding and using appropriate cost and performance information to support informed decision making and performance management • Reliable and timely financial reporting that supports the delivery of strategic priorities • Managing risks effectively and maintaining a sound system of internal control.
Sustainable resource deployment	<ul style="list-style-type: none"> • Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions • Managing assets effectively to support the delivery of strategic priorities • Planning, organising and developing the workforce effectively to deliver strategic priorities.
Working with partners and other third parties	<ul style="list-style-type: none"> • Working with third parties effectively to deliver strategic priorities • Commissioning services effectively to support the delivery of strategic priorities • Procuring supplies and services effectively to support the delivery of strategic priorities.

We have identified significant risks which we are required to communicate to you. The NAO's Code of Audit Practice defines 'significant' as follows:

A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public. Significance has both qualitative and quantitative aspects.

Value for money

We set out below the significant risks we have identified as a result of our initial risk assessment and the work we propose to address these risks.

Significant risk	Link to sub-criteria	Work proposed to address
Financial position – the Council has set a balanced budget for 2016/17. However, going forward the financial projections for the general fund show a cumulative £3m shortfall for 2017/18-2019/20. Housing Revenue Account capital resources are sufficient to finance 2016/17 and 2017/18 spending plans but a shortfall needs to be addressed from 2018/19 onwards. A fundamental finance review is required to ensure that the Council is able to meet its budgetary requirements in future years.	This links to the Council's arrangements for planning finances effectively to support the sustainable delivery of strategic priorities and using appropriate cost and performance information to support informed decision making. We will also review the Council's arrangements for: commissioning services; procuring supplies/services; and managing assets effectively to support the delivery of strategic priorities.	<p>We propose to meet with key officers to discuss key strategic challenges and the Council's proposed response and consider reports to members to:</p> <ul style="list-style-type: none"> • review the outturn position for 15/16 and the budget plans for 16/17 and 17/18 • review the Council's progress in updating its medium term financial strategy • review how the Council works collaboratively with partners to deliver functions and services • review how the Council is making the best use of its asset base
Local Plan – the drafting of the Local Plan is progressing and due to be submitted in November 2016. If this deadline is missed there is a risk that Government could take over the Council's Local Plan and the Council could also be open to hostile developments in the Borough.	This links to the Council's arrangements for acting in the public interest, through demonstrating and applying the principles and values of good governance, and working with third parties to effectively support the delivery of strategic priorities.	<p>We will discuss with key officers and review reports to consider:</p> <ul style="list-style-type: none"> • what progress is being made to produce and submit the Local Plan • impact of Local Plan not being approved before the end of 2016
Brightwells Development – following special Executive and Council meetings on 24 May 2016 the development has moved to its next phase. This is a high profile development for the Council with the ambition of providing benefits to the Council and residents of Farnham. The Council needs to ensure that arrangements are in place for the effective monitoring and governance of the development.	This links to the Council's arrangements for working effectively with third parties to deliver strategic priorities, managing risks effectively and maintaining a sound system of internal control.	We will consider the Council's arrangements to monitor the performance and governance of this project and how it continues to assess whether development contributes to the effective delivery of its strategic objectives, through discussion with officers and review of key documents.

Better Together: Building a successful joint venture company

Grant Thornton reports

Local government is evolving as it looks for ways to protect front-line services. These changes are picking up pace as more councils introduce alternative delivery models to generate additional income and savings.

'Better together' is the next report in our series looking at alternative delivery models and focuses on the key areas to consider when deciding to set up a joint venture (JV), setting it up and making it successful.

JVs have been in use for many years in local government and remain a common means of delivering services differently. This report draws on our research across a range of JVs to provide inspiring ideas from those that have been a success and the lessons learnt from those that have encountered challenges.

Key findings from the report:

- JVs continue to be a viable option – Where they have been successful they have supported councils to improve service delivery, reduce costs, bring investment and expertise and generate income
- There is reason to be cautious – Our research found a number of JVs between public and private bodies had mixed success in achieving outcomes for councils
- There is a new breed of JVs between public sector bodies – These JVs can be more successful at working and staying together. There are an increasing number being set up between councils and wholly-owned commercial subsidiaries that can provide both the commercialism required and the understanding of the public sector culture.

Our report, Better Together: Building a successful joint venture company, can be downloaded from our website: <http://www.grantthornton.co.uk/en/insights/building-a-successful-joint-venture-company/>



ALTERNATIVE SERVICE DELIVERY MODELS IN LOCAL GOVERNMENT

Better together
Building a successful
joint venture company



Knowing the Ropes – Audit Committee Effectiveness Review

Grant Thornton reports

We have published our first cross-sector review of Audit Committee effectiveness encompassing the corporate, not for profit and public sectors.

It provides insight into the ways in which audit committees can create an effective role within an organisation’s governance structure and understand how they are perceived more widely. The report is structured into four key issues:

- What is the status of the audit committee within the organisation?
- How should the audit committee be organised and operated?
- What skills and qualities are required in the audit committee members?
- How should the effectiveness of the audit committee be evaluated?

The detailed report is available here

<http://www.grantthornton.co.uk/en/insights/knowning-the-ropes--audit-committee-effectiveness-review-2015/>

Page 82

Size: 3-5 members is an ideal size for an audit committee

Frequency: meetings should be regular and the length should adapt to content

Relevance: audit committee members should be selected based on the skills and experience they bring

Communication: papers should strike the balance between detail and length

Ability: training should be provided for audit committee members

Clarity: the role of the audit committee and its relationship with other committees, should be clearly defined

Evolution: audit committees should continually develop

The two key things that audit committee members should be asking are:

- 1** What is expected of the audit committee and does it reflect the specific nature of the industry in which the organisation sits?
- 2** Does the audit committee have clear terms of reference in place? Audit committees should set themselves targets for what they want to achieve and define how these will be measured to ensure they are operating effectively.

Fighting Fraud and Corruption Locally

CIPFA publication

Fighting Fraud and Corruption Locally is a strategy for English local authorities that is the result of collaboration by local authorities and key stakeholders from across the counter fraud landscape .

This strategy is the result of an intensive period of research, surveys, face-to-face meetings and workshops. Local authorities have spoken openly about risks, barriers and what they feel is required to help them improve and continue the fight against fraud and to tackle corruption locally.

Local authorities face a significant fraud challenge. Fraud costs local authorities an estimated £2.1bn a year. In addition to the scale of losses, there are further challenges arising from changes in the wider public sector landscape including budget reductions, service remodelling and integration, and government policy changes. Local authorities will need to work with new agencies in a new national counter fraud landscape.

The strategy:

- calls upon local authorities to continue to tackle fraud with the dedication they have shown so far and to step up the fight against fraud in a challenging and rapidly changing environment
- illustrates the financial benefits that can accrue from fighting fraud more effectively
- calls upon central government to promote counter fraud activity in local authorities by ensuring the right further financial incentives are in place and helping them break down barriers to improvement
- updates and builds upon Fighting Fraud Locally 2011 in the light of developments such as The Serious and Organised Crime Strategy and the first UK Anti-Corruption Plan
- sets out a new strategic approach that is designed to feed into other areas of counter fraud and corruption work and support and strengthen the ability of the wider public sector to protect itself from the harm that fraud can cause.

The strategy can be downloaded from

<http://www.cipfa.org/services/counter-fraud-centre/fighting-fraud-and-corruption-locally>





© 2016 Grant Thornton UK LLP. All rights reserved.

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires.

Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

grantthornton.co.uk

GRT102468

WAVERLEY BOROUGH COUNCIL

AUDIT – 21/06/2016

Title:

Internal Audit Annual Report 2015-16 Activity

[Wards Affected: All]

Summary and purpose:

The Accounts and Audit Regulations 2015 (Part 2 s3) require local authorities to have a sound system of internal control. Internal Audit is part of this system of internal control whereas (Part 2 s5) of the regulations state an authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control. This report is a summary of the work carried out by Internal Audit during the financial year 2015-16 and also provides an assurance opinion to support the Annual Governance Statement on the organisations control environment.

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

The maintenance of an effective internal control environment supports all corporate priorities.

Financial Implications:

Maintenance of an effective internal audit service to Waverley Borough Council that embraces the requirements of the CIPFA Code of Practice, the Public Sector Auditing Standards and other professional internal audit institutes.

Legal Implications:

This report fulfils a legal requirement "to report the annual activity of the Audit Service" as contained in the Accounts and Audit Regulations.

Introduction

1. The annual review of the system of internal audit is required under the Accounts and Audit Regulations, to maintain an adequate and effective internal audit of their accounting records and control systems. This report provides the Council with assurance on the adequacy of those controls.
2. Attached in Annexe 1 is the Internal Audit Annual Report covering the activity for 2015/16, complete with performance measures.

Conclusion

3. The report presents to the Audit Committee a comprehensive overview of the control environment status in Waverley Borough Council. Nevertheless, further improvements are required to enhance the performance measures and turnaround time outputs.

Recommendation

It is recommended that the Audit Committee notes the progress and the activity completed by the Internal Audit Service for 2015-16.

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
Internal Audit Client Manager

Telephone: 01483 523260
E-mail: gail.beaton@waverley.gov.uk

WAVERLEY BOROUGH COUNCIL

Annual Internal Audit Report 2015/2016

May 2016

CONTENTS

1 The head of internal audit opinion.....	2
2 The basis of our internal audit opinion	5
3 Our performance	6
Appendix A: Annual opinions	8
Appendix B: Summary of internal audit work completed 2015/2016.....	9
For further information contact	12

As a practising member firm of the Institute of Chartered Accountants in England and Wales (ICAEW), we are subject to its ethical and other professional requirements which are detailed at <http://www.icaew.com/en/members/regulations-standards-and-guidance>.

The matters raised in this report are only those which came to our attention during the course of our review and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. This report, or our work, should not be taken as a substitute for management's responsibilities for the application of sound commercial practices. We emphasise that the responsibility for a sound system of internal controls rests with management and our work should not be relied upon to identify all strengths and weaknesses that may exist. Neither should our work be relied upon to identify all circumstances of fraud and irregularity should there be any.

This report is supplied on the understanding that it is solely for the use of the persons to whom it is addressed and for the purposes set out herein. Our work has been undertaken solely to prepare this report and state those matters that we have agreed to state to them. This report should not therefore be regarded as suitable to be used or relied on by any other party wishing to acquire any rights from RSM Risk Assurance Services LLP for any purpose or in any context. Any party other than the Board which obtains access to this report or a copy and chooses to rely on this report (or any part of it) will do so at its own risk. To the fullest extent permitted by law, RSM Risk Assurance Services LLP will accept no responsibility or liability in respect of this report to any other party and shall not be liable for any loss, damage or expense of whatsoever nature which is caused by any person's reliance on representations in this report.

This report is released to you on the basis that it shall not be copied, referred to or disclosed, in whole or in part (save as otherwise permitted by agreed written terms), without our prior written consent.

We have no responsibility to update this report for events and circumstances occurring after the date of this report.

RSM Risk Assurance Services LLP is a limited liability partnership registered in England and Wales no. OC389499 at 6th floor, 25 Farringdon Street, London EC4A 4AB.

1 THE HEAD OF INTERNAL AUDIT OPINION

In accordance with Public Sector Internal Audit Standards, the head of internal audit is required to provide an annual opinion, based upon and limited to the work performed, on the overall adequacy and effectiveness of the organisation's risk management, control and governance processes. The opinion should contribute to the organisation's annual governance statement.

1.1 The opinion

For the 12 months ended 31 March 2016, the head of internal audit opinion for Waverley Borough Council is as follows:

Head of internal audit opinion 2015/2016

The organisation has an adequate and effective framework for risk management, governance and internal control.

However, our work has identified further enhancements to the framework of risk management, governance and internal control to ensure that it remains adequate and effective.

Please see appendix A for the full range of annual opinions available to us in preparing this report and opinion.

1.2 Scope of our work

The formation of our opinion is achieved through a risk-based plan of work, agreed with management and approved by the audit committee, which should provide a reasonable level of assurance, subject to the inherent limitations described below.

The opinion does not imply that internal audit has reviewed all risks and assurances relating to the organisation. The opinion is substantially derived from the conduct of risk-based plans generated from a robust and organisation-led assurance framework. As such, the assurance framework is one component that the board takes into account in making its annual governance statement (AGS).

1.3 Factors and findings which have informed our opinion

Based on the work we have undertaken on the systems of internal control, governance and risk management across the Council, we do not consider that there are any issues that need to be flagged as significant internal control weaknesses.

We did not issue any 'no assurance' (red) opinions.

We issued six 'partial assurance' (amber red) reports in the areas of:

- official orders,
- revenue premises visits,
- employee services,
- sheltered housing fire and legionella safety checks,
- information security governance,
- pest control fees and charges income

We raised 12 five high category management actions agreed which flagged issues in the following areas:

- Inability to provide approved case reports or other supporting documentation for grant applications in excess of £20,000 tested, as a result we were unable to verify Grant Panel had approved the transactions (disabled facilities grants)
- Sharepoint System capabilities are not being fully utilised as various departments are keeping alternative records to monitor purchase orders (official orders)
- Lack of evidence of obtaining the required number of quotations and failure to provide copies of official orders (official orders)
- Not all properties have been recorded on the Keystone property management system (housing asbestos follow up)
- The standard risk assessment scoring strategy has not yet been applied to all corporate properties on the Keystone database (housing asbestos follow up)
- The notes from each visit are effectively recorded three times; on the Inspection Report sheet during the visit, on to the system after the visit, and when the Inspection Report sheet is scanned in and attached to the property record electronically which involves duplication of input (revenue premises visits)
- The payroll provider generally does not respond to queries within 24 hours and there is no formal agreed procedure on how queries to the payroll provider are communicated, monitored and closed (employee services)
- There is no formal reporting structure to ensure that performance data regarding the objectives for the payroll provider as set out in the service level agreement is reported (employee services)
- A lack of operational procedures/guidance notes and a schedule for when tests/procedures should be completed held at sheltered housing sites (sheltered housing fire and legionella safety checks)
- Lack of checks and evidence to support discounts awarded to pest control customers (pest control fees and charges income)
- No comprehensive reconciliations of referrals made to ensure that where referrals have not been invoiced, there is a valid reason for this (pest control fees and charges income)
- Issues with reconciling referrals to invoices for pest control services (pest control fees and charges income)

We issued positive assurance reports for 16 reviews undertaken in 2015/16;

- sundry debtors,
- car parking phone payments,
- waste contract management,
- iTrent (leave recording and calculations),
- kitchen and bathroom (basket rates) review,
- sundry creditors,
- disabled facilities grants,
- rents debtors recovery process,
- council tax support,
- treasury management,
- mobile devices and remote working security,
- grants to other organisations,
- In-tend procurement portal,
- section 106 agreements,
- grounds maintenance contract and
- gas servicing contract performance.

We also completed a follow up review on housing asbestos where we concluded reasonable progress had been made in implementing the agreed management actions from prior years.

A summary of internal audit work undertaken, and the resulting conclusions, is provided at Appendix B.

1.4 Topics judged relevant for consideration as part of the annual governance statement

The Council should consider the areas set out above where partial assurance was given over the control framework for official orders, revenue premises visits, employee services, sheltered housing fire and legionella safety checks, information security governance, pest control fees and charges income and new affordable homes when completing the annual governance statement, unless assurances have been gained internally over improvements in the highlighted areas of weakness since the audit reports were issued.

2 THE BASIS OF OUR INTERNAL AUDIT OPINION

As well as those headlines discussed at paragraph 1.3, the following areas have helped to inform our opinion. A summary of internal audit work undertaken, and the resulting conclusions, is provided at appendix B.

2.1 Acceptance of internal audit recommendations

Management have agreed actions to address all of the findings reported by the internal audit service during 2015/2016.

2.2 Implementation of internal audit recommendations

Recommendation Priority	Number made in 2014/15	Of which:	
		Addressed	Not implemented or still in progress
High	10	9	1
Medium	66	65	1
Low	31	31	
Totals	107	105	2

2.3 Working with other assurance providers

In forming our opinion we have not placed any direct reliance on other assurance providers.

3 OUR PERFORMANCE

3.1 Wider value adding delivery

- Issued local government sector updates and general briefings during the year;
- We prepared the internal audit strategy for 2016/17
- Attended an Audit Committee meeting to support the 2016/17 internal audit plan and strategy;
- Undertaken assurance reviews and also shared practice across the sector through our work;
- Made suggestions throughout our audit reports based on our knowledge and experience in the sector to provide areas for consideration;
- Completed ad hoc benchmarking requests and provided feedback; and
- Maintained regular contact with management and responded to queries.

3.2 Conflicts of interest

RSM has not undertaken any work or activity during 2015/2016 that would lead us to declare any conflict of interest.

3.3 Conformance with internal auditing standards

RSM affirms that our internal audit services are designed to conform to the Public Sector Internal Audit Standards (PSIAS).

Under PSIAS, internal audit services are required to have an external quality assessment every five years. Our risk assurance service line commissioned an external independent review of our internal audit services in 2011 to provide assurance whether our approach meets the requirements of the International Professional Practices Framework (IPPF) published by the Global Institute of Internal Auditors (IIA) on which PSIAS is based.

The external review concluded that “the design and implementation of systems for the delivery of internal audit provides substantial assurance that the standards established by the IIA in the IPPF will be delivered in an adequate and effective manner”. Work is in hand to arrange our next review.

The risk assurance service line has in place a quality assurance and improvement programme to ensure continuous improvement of our internal audit services. Resulting from the programme, there are no areas which we believe warrant flagging to your attention as impacting on the quality of the service we provide to you.

3.4 Performance indicators

The service performance during 2014/2015 is summarised below across a range of performance indicators.
(C) Denotes that this is contractor related and (WBC) denotes Waverley related.

Delivery					Quality			
Calendar Days	Target	Actual Year 2015/16	Prev Year 2014/15	Prev Year 2013/14		Target	Actual	Notes (ref)
Average no. of days between Contractor exit meeting and the issue of Draft Report (C)	28	19	21	24	Compliance with CIPFA Code of Practice for Internal Auditing	Yes	Yes	
Average no. of days between the Contractor providing the report to WBC and WBC receiving the file.(C)	5	15	10	6	Extent to which External Audit place reliance on our work	Yes		Unknown
Average number of days between the IACM Exit meeting & obtaining management comments and the issuing of Final Report (WBC)	28	34	35	32				
Average number of days for Heads of Service to return report after signing. (WBC)	5	13	12	23				
Completion of audit plan by 31 st March (C)	100%	83%	82%	92%				

APPENDIX A: ANNUAL OPINIONS

The following shows the full range of opinions available to us within our internal audit methodology to provide you with context regarding your annual internal audit opinion.

Annual opinions

The organisation has an adequate and effective framework for risk management, governance and internal control.

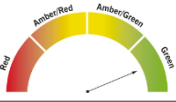
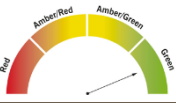

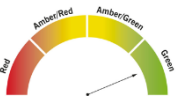
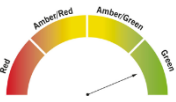

The organisation has an adequate and effective framework for risk management, governance and internal control. However, our work has identified further enhancements to the framework of risk management, governance and internal control to ensure that it remains adequate and effective.

There are weaknesses in the framework of governance, risk management and control such that it could be, or could become, inadequate and ineffective.

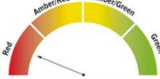

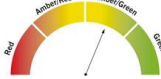
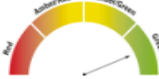
The organisation does not have an adequate framework of risk management, governance or internal control.

APPENDIX B: SUMMARY OF INTERNAL AUDIT WORK COMPLETED 2015/2016

Assignment	Executive lead	Assurance level	Actions agreed		
			H	M	L
Sundry Debtors	Head of Finance - Peter Vickers		0	2	6
Car Parking - Phone Payment	Head of Environmental Services – Richard Homewood		0	0	3
Waste Contract Management	Head of Environmental Services – Richard Homewood		0	0	0
iTrent (leave recording and calculations)	Head of Finance - Peter Vickers		0	2	5
Kitchen & Bathroom (Basket Rates) Review	Head of Housing Operations - Hugh Wagstaff		0	1	2
Sundry Creditors	Head of Finance - Peter Vickers		0	2	4
Disabled Facilities Grant	Head of Strategic Housing - Jane Abraham		1	2	2
Rents Debt Recovery Process	Head of Housing Operations - Hugh Wagstaff		0	0	3
Council Tax Support	Head of Finance - Peter Vickers		0	1	0
Treasury Management	Head of Finance - Peter Vickers		0	0	2
Mobile Devices & Remote Working Security	Head of Customer and Corporate Services – David Allum IT development Manager - Linda Frame		0	1	4
Official Orders (Draft Report Stage)	Head of Finance - Peter Vickers		2	1	2

Assignment	Executive lead	Assurance level	Actions agreed		
			H	M	L
Grants to Other Organisations	Head of Community Service and Major Projects - Kelvin Mills		0	0	0
In-tend - Procurement Portal	Head of Finance - Peter Vickers		0	2	1
Section 106 Agreements	Head of Planning – Elizabeth Sims		0	1	1
Housing Asbestos Follow Up	Head of Housing Operations - Hugh Wagstaff	REASONABLE PROGRESS	2	7	7
Revenue Premises Visits (Final Report Stage)	Head of Finance - Peter Vickers		1	3	1
Employee Services	Head of Finance - Peter Vickers		2	4	1
Grounds Maintenance Contract	Head of Community service and major projects - Kelvin Mills		0	1	0
Gas Servicing Contract Performance	Head of Housing Operations - Hugh Wagstaff		0	2	1
Sheltered Housing Fire and Legionella Safety Checks	Head of Housing Operations - Hugh Wagstaff		1	4	0
Information Security Governance (Draft Report Stage)	Dan Bainbridge - Borough Solicitor SIRO		0	3	4
Pest Control Fees and Charges Income	Head of Environmental Services - Richard Homewood		3	0	0

We use the following levels of opinion classification within our internal audit reports. Reflecting the level of assurance the board can take:

None	Partial	Reasonable	Substantial
			
<p>Taking account of the issues identified, the Board cannot take assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied or effective. Urgent action is needed to strengthen the control framework to manage the identified risk(s).</p>	<p>Taking account of the issues identified, the Board can take partial assurance that the controls to manage this risk are suitably designed and consistently applied. Action is needed to strengthen the control framework to manage the identified risk(s).</p>	<p>Taking account of the issues identified, the Board can take reasonable assurance that the controls in place to manage this risk are suitably designed and consistently applied. However, we have identified issues that need to be addressed in order to ensure that the control framework is effective in managing the identified risk(s).</p>	<p>Taking account of the issues identified, the Board can take substantial assurance that the controls upon which the organisation relies to manage the identified risk(s) are suitably designed, consistently applied and operating effectively.</p>

FOR FURTHER INFORMATION CONTACT

Karen Williams, Director

Karen.williams@rsmuk.com

07818002463

Lorna Raynes, Client Manager

lorna.raynes@rsmuk.com

07972 004175

rsmuk.com

The UK group of companies and LLPs trading as RSM is a member of the RSM network. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm each of which practises in its own right. The RSM network is not itself a separate legal entity of any description in any jurisdiction. The RSM network is administered by RSM International Limited, a company registered in England and Wales (company number 4040598) whose registered office is at 11 Old Jewry, London EC2R 8DU. The brand and trademark RSM and other intellectual property rights used by members of the network are owned by RSM International Association, an association governed by article 60 et seq of the Civil Code of Switzerland whose seat is in Zug.

RSM UK Consulting LLP, RSM Corporate Finance LLP, RSM Restructuring Advisory LLP, RSM Risk Assurance Services LLP, RSM Tax and Advisory Services LLP, RSM UK Audit LLP and RSM UK Tax and Accounting Limited are not authorised under the Financial Services and Markets Act 2000 but we are able in certain circumstances to offer a limited range of investment services because we are members of the Institute of Chartered Accountants in England and Wales. We can provide these investment services if they are an incidental part of the professional services we have been engaged to provide. Baker Tilly Creditor Services LLP is authorised and regulated by the Financial Conduct Authority for credit-related regulated activities. RSM & Co (UK) Limited is authorised and regulated by the Financial Conduct Authority to conduct a range of investment business activities. Whilst every effort has been made to ensure accuracy, information contained in this communication may not be comprehensive and recipients should not act upon it without seeking professional advice.

© 2015 RSM UK Group LLP, all rights reserved

This page is intentionally left blank

ANNUAL GOVERNANCE STATEMENT 2015/16

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 describes the governance framework that has underpinned delivery of 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 an approach 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 2016 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

The Council's Corporate Plan is an important part of the Council's governance framework. It sets out the Council's overall vision, its corporate objectives and its values.

The Council's previous Corporate Plan (2012 – 2015) was adopted in February 2012. That plan set out, under the overall heading of 'VALUE', set out four corporate objectives, namely: Value for Money, Affordable housing; Leisure and Lives; Understanding our Residents; and Environment.

The Council's new Corporate Plan (2016 – 2019) was adopted in February 2016. The new plan sets out the Council's priorities until May 2019. It sets out the Council's vision which is to 'Make Waverley a better place to live and work'. It sets out four corporate priorities: Customer Service; Community Wellbeing; Environment and Value for Money. It sets out our five organisational values: Openness; Excellent; Fairness; Team work; and Taking Ownership.

The plan is available on Waverley's website at www.waverley.gov.uk/corporateplan.

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 2015/16 Service Plans were presented to a joint

meeting of the Overview and Scrutiny Committees in January 2016 and comments put forward before being agreed by the Executive in February 2016

b) Council Constitution - The Council Constitution was updated in July 2015, 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.

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 2015/16 Waverley operated 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.

During the year a sub-committee was established to review the Council's approach to Overview and Scrutiny on the basis of the Centre for Public Scrutiny's self-assessment template. The review identified areas of success but also areas for improvement which, subject to approval where necessary, are scheduled to take effect in 2016/17.

e) Standards 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 Panel meets on an ad hoc basis and also operates as a pool from which to draw councillors should a councillor complaint need to be progressed. The Council appoints 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 Council adheres to an agreed Independent Persons Protocol.

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 as set out in the current CIPFA/SOLACE Framework "Delivering Good Governance in local Government" and any revision thereof
- 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 "Whistleblowing" and the anti-fraud and anti-corruption, Bribery 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 any reports published by bodies, other than the external auditor, charged with inspecting the Council's performance or arrangements for corporate governance
- To review any issue referred to it by Head of Paid Service or a director or any Council body
- To request a report from any Head of Service relating to an outstanding internal audit recommendation issue
- 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 consider and, if thought fit, 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
- To consider the current Internal Audit Plan and summaries of internal audit activity by service area and consider the level of assurance this can give concerning the effectiveness of the Council's corporate governance arrangements
- To consider internal audit reports detailing recommendations not implemented within the specified timescale
- To consider proposed internal audit activity and the range of service areas to be covered and the level of assurance this can give concerning the effectiveness of the Council's corporate governance arrangements
- To commission work from the Internal Audit Service
- To consider reports dealing with the management and performance of the providers of internal audit services
- To comment on the scope and depth of internal audit work and to ensure that it gives value for money, especially with regard to reports dealing with risk management and performance matters

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). Duties include the provision of professional advice to all parties in the decision making process and, together with the Monitoring Officer, responsibility 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 the Deputy Chief Executive and 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 Finance 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 to 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 (April 2015) and Contract Procedure Rules (April 2015). 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. The Audit Committee champions Anti-fraud and Corruption and a yearly report on the effectiveness of the counter fraud and anti-corruption framework and activities in the period and plans for future activities is included in the Internal Audit Annual Report.

These have been informed by recommendations and advice from Fighting Fraud Locally publications, from the National Fraud Authority, the Audit Commission's Protecting the Public Purse and our External Auditors.

The National Fraud Authority was closed with effect from 31 March 2014 and its role has been distributed to various bodies, including the new National Crime Agency, City of London Police, Home Office and Cabinet Office.

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, Anti-Corruption and Anti-Bribery Policy. Fraud policies are in place and are reviewed every two years for example, Housing Tenancy Fraud and Prosecutions. The Council uses transparent procurement processes and annual staff and member disclosures as anti bribery measures.

Waverley was provided an opportunity to accelerate the work being completed in relation to Housing Tenancy Fraud. This has been achieved through external funding from the Department of Communities and Local Government until the end of 2015/16. The funding is initially being utilised to appoint an experienced housing tenancy fraud investigator and training whilst encouraging partnership working to address any non housing benefit fraud. Waverley Borough Council has therefore joined forces with Surrey County Council and 6 other local authorities to form the Surrey Counter Fraud Partnership.

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 Executive Director

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. The Council has recently reviewed and refreshed the membership of the panel to ensure it is representative of Waverley's communities.

- **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;
- **'Your Waverley'**, Waverley's newsletter previously called 'Making Waves', is produced three times a year and sent to all households within Waverley.
- **'Waverley Homes and People'**, our tenants newsletter, is produced at least twice a year and sent to all Waverley Borough Council tenants residing in our properties.

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. The Directors review Service risk management processes along with a wider health and safety agenda. 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. The Internal Audit service audit plan is fulfilled by an external contractor, currently Baker Tilly, who was awarded the contract as part of the East Surrey Audit Consortium which Waverley joined in 2012. The contract period will run until 2017 with an option to extend.

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.

r) IT Security, Data Protection and systems resilience - the Council has adopted a Data Protection guide, and IT Acceptable Use Policy and the IT network security complies with the Public Services Network security requirements and Basic Disclosure screening for staff before accessing the network.

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
- An annual Public Sector Network standards review and certification of compliance from the Cabinet Office is obtained.
- IT disaster recovery plans have been reviewed and updated to ensure an acceptable work around and tie into business continuity plans.

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

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
- An annual review of complaints to the Local Government Ombudsman and reported to Corporate Overview and Scrutiny Committee

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
- An annual staff survey and investors in people benchmarking to monitor staff engagement and receive feedback on culture and corporate performance.

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 revised policies such as Risk Management, Whistleblowing, Corporate prosecution, Anti-fraud, Anti-corruption and Anti Bribery. Whilst supporting Waverley's participation in the National Fraud Initiative and working collaboratively with other Surrey authorities as part of the Surrey Counter Fraud Partnership co-ordinated by Surrey County Council.
- **Heads of Service** – Have been involved in considering risks, HR policies and fraud reviews.

- **Leader of the Council & Executive Director** - The Annual Governance Statement 2015/16 will be signed by the Leader of the Council and the Executive Director.

6. UPDATE ON SIGNIFICANT GOVERNANCE ISSUES 2015/16

Whilst no significant governance issues were identified in the previous AGS, officers continue to identify scope for further improvement in future and the following key areas were identified for review during 2015/16 including progress to date:

Action	Responsible	Outcome
Corporate risk register	Head of Finance	Completed: Reviewed by Audit Committee.
Performance framework	Executive Director	completed
Transparency agenda	Head of Finance	Compliant: Ongoing agenda
Review Contract Procedure Rules and Finance Regulations	Head of Finance	Completed April 15
Review fraud resilience and financial controls	Monitoring and Returning Officer	Completed December 2015
Complete a Fraud Risk Assessment	Monitoring and Returning Officer	Completed September 2015

7. SIGNIFICANT GOVERNANCE ISSUES APPLICABLE TO 2015/16

Whilst no specific significant governance issues have been identified and key areas for review were completed in the previous year officers continue to identify scope for further improvement in future. The key areas under review are as follows:

Action	Responsible	Review Period
Corporate risk register	Head of Finance	March 2017
Performance framework	Executive Director	March 2017
Transparency agenda	Head of Finance	March 2017
Review Contract Procedure Rules and Finance Regulations	Head of Finance	March 2017

Review fraud resilience and financial controls	Monitoring and Returning Officer	March 2017
Review Fraud Risk Assessment	Monitoring and Returning Officer	March 2017
Revise Fraud Policies	Director of Finance and Resources	Complete by September 2016
Develop a Counter Fraud Strategy	Director of Finance and Resource	Complete by September 2016

Level of assurance

This Annual Governance Statement demonstrates that the systems and processes that comprised Waverley's governance arrangements during 2015-16, and which remain in force, provided, and continue to 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 Audit Committee for approval.

Signed

Leader of the Council

Executive Director

WAVERLEY BOROUGH COUNCIL

AUDIT COMMITTEE – 21 JUNE 2016

Title:

Counter Fraud Investigation Summary

[Wards Affected: All]

Summary and purpose:

The report provides an update to the Committee on the progress made by Waverley Borough Council officers on the work being completed as part of the Surrey Counter Fraud Partnership, investigating all types of fraud (excluding Housing Benefit which is now investigated by the Department for Work & Pensions through the introduction of the Single Fraud Investigating Service). This work has been supported with funding from the Department for Communities & Local Government to assist with combating fraud.

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

Resource/Value for Money implications:

Through the detection of instances of fraud, the Council's resources are better safeguarded thus improving value for money by reducing the waiting list for homes and ensuring that members of the public are only provided with housing or Council Tax and Business Rates discounts that they are entitled to. The DCLG and the Housing Revenue Account funds have supported this work through providing funding that has been utilised at Waverley to obtain the services of an experienced Fraud Investigator.

Legal Implications:

It is the Council's duty to safeguard public funds, and there may be legal costs in taking any matters to prosecution. However these costs are out weighed by the Council's belief that fraud perpetrated against the council and its tax payers will not be tolerated.

Introduction

1. This report provides the Audit Committee with an update on the progress being made on fraud investigations that are being completed supported by the funding obtained from the Housing Revenue Account and the Department of Communities and Local Government as part of the Surrey Counter- Fraud Partnership. Initially Waverley Borough Council joined Surrey County Council and 6 other local authorities to form the Surrey Counter- Fraud Partnership, and has now increased to 8 councils. The funding enabled Waverley to obtain the services of an experienced Fraud Investigator initially focusing on Housing Tenancy Fraud since March 2015, which was supported by the introduction of the Prevention of Social Housing Fraud Act 2013 where the maximum penalty is up to 2 years imprisonment or a fine (or both).

Findings

2. A summary of the volumes of cases being investigated is detailed in Annexe 1, for activity up until 31 March 2016. Results are also reported to Surrey County Council to enable these to be included as part of the SCFP return to the DCLG.
3. Current results include seven properties, which were not being occupied by the tenant in accordance with the Tenancy Agreements terms and conditions, being recovered and these properties have been made available to be re-let to tenants on our waiting list. Three housing register applications have been refused as the information provided on the application did not reflect the true circumstances of the applicant. Eleven Right to Buy applications were refused/withdrawn as the information provided on the applications did not reflect the true circumstances of the applicant's situation. Three of these RTB tenants subsequently relinquished their tenancy as the property was not being used in accordance with the Tenancy agreement as they were either not living at the property or already owned property which was not declared on the original application for housing.
4. The volume of fraud investigation cases is increasing as awareness is cascaded to members of the public and staff through the poster campaign and leaflet drop as part of the council tax billing exercise. Cases that need further investigation or co-operation from other bodies are also continuing to be progressed.

Conclusion

5. The Investigation officer supported by the Internal Audit Client Manager will continue to investigate the cases reported and introduce new policies and procedures to maintain strong working practices, and where possible liaise with others in the partnership to maximise successful outcomes. The team will also continue to raise awareness with tenants that breaches of tenancy agreements will not be tolerated and to minimise the risk of fraudulent activity.

6. The value of financial savings detailed in Annexe 1 is currently £1,073,710 based on Audit Commission notional figures. However, these notional figures do not include the real value to Waverley, as it costs on average £200,000 to build a new house. When tenancies are relinquished these are then allocated to those on our housing waiting list who fulfil the necessary criteria. Therefore as seven tenancies have been recovered this equates to £1.4 million not being required to replace these properties. This proves the fundamental importance of this work being carried out to ensure that only those that qualify for social housing are successful, and to securing the return of properties back into housing stock helps Waverley in meeting the needs of legitimate housing applicants.
7. The Surrey Counter Fraud Partnership is expanding the areas of fraud prevention work into Business Rates and Council Tax. Although not always seen as fraudulent activity it is an avoidance of payment of a tax that if stopped increases income collected and therefore reduces the liability to other legitimate tax payers.

Recommendation

That the Audit Committee continues to support this investigation activity and notes the successes being achieved in safeguarding Waverley's assets and ensuring that only those that are legitimately eligible receive housing services.

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: Gail Beaton

Telephone: 01483 523260

Internal Audit Client Manager

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

This page is intentionally left blank

Name of Partner	Waverley	Providing cumulative figures for (Quarter) Q4 (2014/15) and Q1, Q2, Q3 ,Q4 @31/03/2016 (2015/16)
Quarter	4	Record number of cases in each category for any activity covered by SFCP resources

	Referrals received	Investigations Started	Investigations closed	Still under investigation	Positive outcomes	Properties retained	Tenancies Relinquished	Housing / homeless/RTB / Shared ownership application withdrawn	Financial Value	Prosecutions	Other sanctions
Housing											
Social Housing Fraud	57	57	42	15	6	2	4	Tenancies Relinquished	£108,000		
Housing Register Fraud	22	22	19	3	3			Housing Applications Stopped	£54,000		
Homelessness Applications											
Right To Buy/Acquire	44	44	33	11	11	8	3	Right To Buy Withdrawn	£910,900		
Shared ownership											
Council Tax Discount											
Single Person Discount	2	2	2	0	2			Single Person Discount REMOVAL	810		
Student Exemptions											
Disability											
Council Tax Support (benefit)											
Council Tax Support	1	1		1							
Business rates											
Other											
Identity Checks re National Fraud Initiative	1	1		1							
	127	127	96	31	22	10	7		£1,073,710	0	0

PLEASE NOTE: It is the individual partners responsibility to maintain own case specific records of activities for any returns included in the spreadsheet. These should be made available to Surrey County Council for audit purposes if required.

Value of financial savings as agreed by Surrey counter Fraud Partnership utilising Audit Commission bases of calculation.

Tenancy Recovered £18,000 (Audit Commission notional figure)
Housing/Homeless Applicaton withdrawn £18,000 (as above)
Right To Buy/Acquire withdrawn / terminated Value of individual amount of discount offered by Housing provider - (max discount currently £77,900)
Council Tax Discount £405 per case (25% discount on avge band C property)
Council Tax Support (CTS) - actual figure per case based on amount of CTS added back to account from effective date of change to end of current financial year.
Business Rates - actual figure per case

This page is intentionally left blank