



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

When calling please ask for:

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Officer

Policy and Governance

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Calls may be recorded for training or monitoring

Date: 2 September 2016

Membership of the Audit Committee

Cllr John Gray (Chairman)

Cllr Richard Seaborne (Vice Chairman)

Cllr Mike Band

Cllr Christiaan Hesse

Cllr Nicholas Holder

Cllr Wyatt Ramsdale

Cllr David Round

Dear Councillors

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

DATE: TUESDAY, 13 SEPTEMBER 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

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NOTE FOR MEMBERS

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

AGENDA

1. **MINUTES**

To confirm the Minutes of the Meeting held on Tuesday 21 June 2016 (to be laid on the table half an hour before the meeting).

2. **APOLOGIES FOR ABSENCE**

To receive any apologies for absence.

3. **DISCLOSURE OF INTERESTS**

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

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

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

5. **AUDIT COMMITTEE WORK PROGRAMME** (Pages 7 - 8)

Attached is the recurrent work programme for the Audit Committee that sets out the major items to be completed over the year.

Recommendation

It is recommended that the Audit Committee

1. Notes the content of the work programme; and

2. Adds any additional items that they wish to include.

6. EXTERNAL AUDIT FINDINGS REPORT (Pages 9 - 44)

To receive the attached External Audit Findings Report from Grant Thornton and for Members to raise any relevant questions and observations they may have.

Recommendation

It is recommended that the Audit Committee endorses the External Audit Findings Report.

7. STATEMENT OF ACCOUNTS (Pages 45 - 54)

The purpose of this report is for the Audit Committee to consider and approve the Statement of Accounts for the year ended 31 March 2016 (provided as an individual booklet).

Recommendation

It is recommended that the Audit Committee;

1. Approves the Statement of Accounts for the financial year ended 31 March 2016; and

2. Approves the Letter of Representation for 2015/16; and

3. Confirms that the accounts have been prepared on a going concern basis; and

4. Discusses moving the Audit Committee date in June 2017 to a date in late June or early July in order to meet with the new requirements to agree the Statement of Accounts for each financial year ending 31 March by the end of July.

8. UPDATE ON INTERNAL AUDIT ANNUAL REPORT 2015-16 ACTIVITY EXCEPTION REPORT (Pages 55 - 58)

At the previous Audit Committee meeting on 21 June 2016 members noted that the information contained in the Internal Audit Annual Report for 2015-16 was comprehensive however, they requested an update on the current position of the areas raised in the report designated as 'partial assurance' (amber red) as no 'no assurance' (Red) were given in the year being reported on. The update report is attached for Members consideration.

Recommendation

It is recommended that the Audit Committee notes the status and progress made to strengthen the control environment as part of the activity completed by the Internal Audit Service in 2015-16.

9. PROGRESS ON THE INTERNAL AUDIT PLAN FOR 2016/17 (Pages 59 - 64)

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

Recommendation

It is recommended that the Committee notes the progress for the Internal Audit Plan 2016/17 as attached at Annexe 1 and endorses the proposed inclusion of the review shown in blue.

10. PROGRESS ON THE IMPLEMENTATION OF INTERNAL AUDIT RECOMMENDATIONS (Pages 65 - 70)

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.

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.

11. ANNUAL GOVERNANCE STATEMENT (Pages 71 - 86)

To approve the attached Annual Governance Statement 2015/16.

Recommendation

It is recommended that the Audit Committee approves the attached Annual Governance Statement 2015/16.

12. COUNTER FRAUD INVESTIGATION SUMMARY (Pages 87 - 92)

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 Investigation 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 notes:-

1. The success of the investigation activity and continues to support the work being completed to safeguard Waverley's assets and ensuring that only those that are legitimately eligible to receive our services are successful; and

2. The Council's participation in the National Fraud Initiative to assist in identifying fraudulent activities.

13. OBSERVATIONS OF THE TRUSTEE REPORTS AND FINANCIAL STATEMENTS (Pages 93 - 116)

As agreed by the October 2015 meeting of full Council, the Audit Committee has the right to view the reports and financial statements of the Ewart Bequest and the Shottermill Recreation Ground trusts.

The reports and financial statements for the year ended 31 March 2016 are attached.

Recommendation

It is recommended that the Audit Committee;

1. Makes any observations it wishes to on the Ewart Bequest and Shottermill Recreation Ground trusts reports and financial statements for the year ended 31 March 2016 to be recorded by the Democratic Services Officer and attached to the Minutes of this meeting;

2. Agrees that the Chairman presents any observations as part of the presentation of the Minutes of this meeting to the next meeting of full Council on 18 October 2016.

14. 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).

15. 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**

Agenda Item 5.

AUDIT COMMITTEE RECURRENT ANNUAL WORK PROGRAMME

| Meeting | Item | Action | Responsibility |
|------------------|--|------------------------------|---|
| March | External Audit Annual Audit Letter | Endorse | External Audit |
| | External Audit Plan | Note | External Audit |
| | Internal Audit Plan | Approve | Internal Audit Client Manager, Gail Beaton |
| June | Review Audit Committee's Terms of Reference | Rec to Council, if necessary | Committee Services |
| | Internal Audit Charter | Endorse | Internal Audit Client Manager, Gail Beaton |
| | Annual Internal Audit Report (Activity of previous financial year) | Comment and Note | Internal Audit Client Manager, Gail Beaton |
| | Draft Annual Governance Statement | Comment and Note | Head of Finance, Peter Vickers and Monitoring Officer |
| September | Annual Governance Report | Endorse | External Audit |
| | Statement of Accounts | Approve | Head of Finance, Peter Vickers |
| | Annual Governance Statement | Approve | Head of Finance, Peter Vickers and Monitoring Officer |
| November | Risk Management Framework Anti-Money Laundering Policy | Approve | Head of Finance, Peter Vickers |
| | Fraud Policies & Strategies: <ul style="list-style-type: none"> • Corporate Fraud Risk Assessment • Counter Fraud Strategy • Housing Tenancy Fraud Policy | Endorse | Internal Audit Client Manager, Gail Beaton |
| | Internal Policies <ul style="list-style-type: none"> • Anti-fraud Corruption and Bribery • Prosecution Policy • Whistleblowing Policy | Endorse | Internal Audit Client Manager, Gail Beaton |

Please Note:- At every meeting the Committee will receive the following reports:-

Review of progress in the implementation of Internal Audit Recommendations [to note and instruct];
and
Review of the progress in achieving the Audit Plan [To note and instruct]

The Work Programme details regular items, but other items can be submitted to each meeting on an ad hoc basis or at the request of the Committee.

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The Audit Findings for Waverley Borough Council

DRAFT

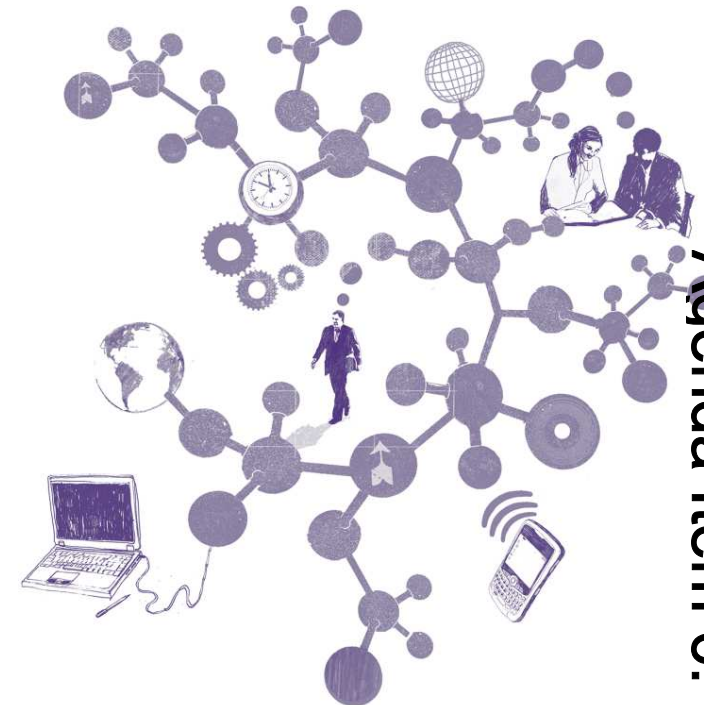
This version of the report is a draft. Its contents and subject matter remain under review and its contents may change and be expanded as part of the finalisation of the report.

Year ended 31 March 2016
September 2016
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Agenda Item 6.

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13 September 2016

Dear Councillor Gray

Audit Findings for Waverley Borough Council for the year ending 31 March 2016

Page 10 This Audit Findings report highlights the key findings arising from the audit for the benefit of those charged with governance (in the case of Waverley Borough Council, the Audit Committee), as required by International Standard on Auditing (UK & Ireland) 260, the Local Audit and Accountability Act 2014 and the National Audit Office Code of Audit Practice. Its contents will be discussed with management.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements and giving a value for money conclusion. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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

Yours sincerely

Iain Murray

Engagement lead

Chartered Accountants

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Appendices

- A Action plan
- B Audit opinion

Section 1: Executive summary

- 01. Executive summary
- 02. Audit findings
- 03. Value for Money
- 04. Fees, non audit services and independence
- 05. Communication of audit matters

Purpose of this report

This report highlights the key issues affecting the results of Waverley Borough Council's ('the Council') Group and Council financial statements for the year ended 31 March 2016. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing (UK & Ireland) 260, and the Local Audit and Accountability Act 2014 ('the Act').

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Group and Council's financial statements give a true and fair view of the financial position of the Group and Council and its income and expenditure for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting. .

We are also required consider other information published together with the audited financial statements, whether it is consistent with the financial statements and in line with required guidance.

We are required to carry out sufficient work to satisfy ourselves on whether you have made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').

Auditor Guidance Note 7 (AGN07) clarifies our reporting requirements in the Code and the Act. We are required to provide a conclusion whether in all significant respects, you have put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The Act also details the following additional powers and duties for local government auditors, which we are required to report to you if applied:

- a public interest report if we identify any matter that comes to our attention in the course of the audit that in our opinion should be considered by you or brought to the public's attention (section 24 of the Act);

- written recommendations which should be considered by you and responded to publicly (section 24 of the Act);
- application to the court for a declaration that an item of account is contrary to law (section 28 of the Act);
- issue of an advisory notice (section 29 of the Act); and
- application for judicial review (section 31 of the Act)

We are also required to give electors the opportunity to raise questions about the accounts and consider and decide upon objections received in relation to the accounts under sections 26 and 27 of the Act.

Introduction

In the conduct of our audit we have not had to alter or change our audit approach, which we communicated to you in our Audit Plan dated 15 March 2016.

Our audit is substantially complete although we are finalising our procedures in the following areas:

Procedures substantially complete, with only residual matters remaining:

- property, plant and equipment – we are awaiting a copy of information received from the internal valuer to demonstrate that assets not revalued during the year are not materially misstated;
- heritage assets – we are awaiting the insurance certificates for two assets; and
- our final senior management quality assurance processes and review.

We are liaising with management in relation to these outstanding matters and anticipate the receipt of this information ahead of the Audit Committee meeting on 13 September. We will provide members with an updated position at the meeting.

Procedures to be performed as part of audit closing procedures once above matters resolved:

- review of the final version of the financial statements;
- obtaining and reviewing the management letter of representation;
- review of revised versions of the Annual Governance Statement; and
- updating our post balance sheet events review, to the date of signing the opinion.

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

Key audit and financial reporting issues

Financial statements opinion

We anticipate providing an unqualified opinion in respect of the financial statements.

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

- As in previous years your draft financial statements are of a very high standard and this is reflected by the minimal level of issues arising from our work.
- You were able to provide us with a draft set of financial statements in advance of the statutory deadline, which demonstrates that you are well placed to meet the earlier deadlines for producing draft financial statements in 2017/18.
- Your financial statements were also supported by an excellent set of working papers. This coupled with the early testing work that we were able to carry out during our interim audit has also helped us to move towards the earlier deadline for publishing audited accounts by 2017/18.

None of the adjustments we identified had an impact on the Council's reported financial position. We identified a small number of adjustments to improve the presentation of the financial statements. Further details are set out in section two of this report.

We anticipate providing a unqualified audit opinion in respect of the financial statements (see Appendix B).

Other financial statement responsibilities

As well as an opinion on the financial statements, we are required to give an opinion on whether other information published together with the audited financial statements is consistent with the financial statements. This includes:

- if the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit.

Controls

Roles and responsibilities

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

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

Findings

We draw your attention in particular to control issues identified in relation to:

- completeness and accuracy of the Housing Revenue Account fixed asset register;
- carrying out reasonableness checks on the information provided by the actuary; and
- reconciliation between the HRA rent arrears control account and the Orchard rent system.

Further details are provided within section two of this report.

Value for Money

Based on our review, we are satisfied that, in all significant respects, you had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

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

Other statutory powers and duties

We have not identified any issues that have required us to apply our statutory powers and duties under the Act.

Grant certification

In addition to our responsibilities under the Code, we are required to certify the Council's Housing Benefit subsidy claim on behalf of the Department for Work and Pensions. At present our work on this claim is in progress and is not due to be finalised until 30 November 2016. We will report the outcome of this certification work through a separate report to the Audit Committee which is due in February 2017.

The way forward

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

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

Acknowledgement

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

Grant Thornton UK LLP
September 2016

Section 2: Audit findings

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- 01. Executive summary
- 02. Audit findings**
- 03. Value for Money
- 04. Fees, non audit services and independence
- 05. Communication of audit matters

Materiality

In performing our audit, we apply the concept of materiality, following the requirements of International Standard on Auditing (UK & Ireland) (ISA) 320: Materiality in planning and performing an audit. 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'.

As we reported in our audit plan, we determined overall materiality to be £1,598k (being 2% of gross revenue expenditure). We have considered whether this level remained appropriate during the course of the audit and have made no changes to our overall materiality.

We also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulated effect of such amounts would have a material impact on the financial statements. We have defined the amount below which misstatements would be clearly trivial to be £80k. This remains the same as reported in our audit plan.

As we reported in our audit plan, we have not identified any items where separate materiality levels are appropriate.

Audit findings against significant risks

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

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

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| | Risks identified in our audit plan | Work completed | Assurance gained and issues arising |
|----|---|---|--|
| 1. | <p>The revenue cycle includes fraudulent transactions</p> <p>Under ISA (UK&I) 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> | <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Waverley Borough Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition; • opportunities to manipulate revenue recognition are very limited; and • the culture and ethical frameworks of local authorities, including you, mean that all forms of fraud are seen as unacceptable. | <p>Our audit work has not identified any issues in respect of revenue recognition.</p> |
| 2. | <p>Management over-ride of controls</p> <p>Under ISA (UK&I) 240 it is presumed that the risk of management over-ride of controls is present in all entities.</p> | <p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • review of accounting estimates, judgements and decisions made by management; • testing of journal entries; and • review of unusual significant transactions. | <p>Our audit work has not identified any evidence of management over-ride of controls. In particular, our review of journal controls and testing of journal entries did not identify any significant issues.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgements.</p> |

Audit findings against other risks

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

| Transaction cycle | Description of risk | Work completed | Assurance gained & issues arising |
|------------------------------|--|---|--|
| Operating expenses | Creditors understated or not recorded in the correct period (Operating expenses understated) | We have undertaken the following work in relation to this risk: <ul style="list-style-type: none"> • walkthrough of the operating expenses system, updating understanding of the processes and key controls; • substantive testing of expenditure; • testing of creditor payments, including accruals, for completeness, classification and occurrence; • review of control account reconciliations; • cut-off testing; and • review of expense apportionment/allocation. | Our audit work has not identified any significant issues in relation to the risk identified. |
| Employee remuneration | Employee remuneration accruals understated (Remuneration expenses not correct) | We have undertaken the following work in relation to this risk: <ul style="list-style-type: none"> • walkthrough of the payroll system, updating understanding of the processes and key controls; • substantive testing of payroll records; • review of reconciliation of payroll system to the general ledger; and • trend analysis of employee remuneration expenses. | Our audit work has not identified any significant issues in relation to the risk identified. |

Audit findings against other risks continued

| Transaction cycle | Description of risk | Work completed | Assurance gained & issues arising |
|---|--|---|---|
| <p>Property, plant and equipment</p> | <p>Valuation of property, plant and equipment</p> <p>The Council undertakes a rolling revaluation programme of its land and buildings. The risk is revaluation measurements are not correct.</p> | <p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • identified the controls put in place by management to ensure that the carrying value of property, plant and equipment is not materially different from fair value at year end; • review of the consistency of the financial statements with the valuation report from your valuers; • undertook procedures to confirm the reasonableness of the proposed revaluations, including reference to national trends; • review of the competence, expertise and objectivity of management experts used; • review of the instructions issued to valuation experts and the scope of their work; • testing of the data provided to the valuer; • discussions with the valuer about the basis on which valuations were carried out, challenging the key assumptions; • testing of revaluations made during the year to ensure they were input correctly into the asset register; and • evaluation of the assumptions made by management for those assets not revalued during the year, and how management satisfied themselves that these were not materially different to current value. | <p>We are awaiting the following information before completing our work in this are:</p> <ul style="list-style-type: none"> • a copy of information received from the internal valuer to demonstrate that assets not revalued during the year are not materially misstated; and • insurance certificates for two heritage assets. <p>Subject to resolving these outstanding issues our audit work has not identified any significant issues in relation to the risk identified.</p> |

Audit findings against other risks continued

| Transaction cycle | Description of risk | Work completed | Assurance gained & issues arising |
|--|--|---|--|
| <p>Work of experts and pensions disclosures – Local Government Pension Scheme actuary</p> | <p>Valuation of pension fund net liability</p> <p>The Council's pension fund asset and liability as reflected in its balance sheet represent significant estimates in the financial statements. The risk is that the valuation of pension fund net liability is not correct.</p> | <p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • identified the controls put in place by management to ensure that the pension fund liability is not materially misstated, and assessed whether the controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement; • reviewed the competence, expertise and objectivity of the actuary who carried out your pension fund valuation; • gained understanding of the basis on which the IAS 19 valuation was carried out. • undertook procedures to confirm the reasonableness of the actuarial assumptions made; • reviewed the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report; and • tested the data provided to the actuary. | <p>Our work identified that the actuary provided the Council with an incorrect estimation for 2015/16 benefits paid in 2015/16. The initial report from the actuary included a figure of £15,179k, the correct estimation value was £4,992k. The actuary provided a revised report with the correct figures during the course of the audit. This resulted in a £425k overstatement of the pension fund liability in the balance sheet, a £425k understatement of Other Comprehensive Income in the Comprehensive Income and Expenditure Statement and revisions to a number of notes in the financial statements.</p> <p>Further detail is included in section 2 of this report.</p> |

Group audit scope and risk assessment



ISA (UK&I) 600 requires that as Group auditors we obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

| Component | Significant? | Level of response required under ISA 600 | Risks identified | Work completed | Assurance gained & issues raised |
|---|--------------|--|---|---|---|
| Shottermill Recreation Ground and Swimming Pool | No | Targeted | <ul style="list-style-type: none"> Property, plant and equipment (PPE) revaluation measures not correct; and Recorded cash at bank not valid. | Specific (targeted) scope procedures performed by us: <ul style="list-style-type: none"> reviewed the relevant PPE balances to ensure they were recorded correctly; and agreed the relevant cash balance to external confirmations. | Our audit work has not identified any issues in respect of Shottermill Recreation Ground and Swimming Pool's property, plant and equipment, and cash. |
| Ewart Bequest | No | Targeted | <ul style="list-style-type: none"> Recorded cash at bank not valid | Specific (targeted) scope procedures performed by us: <ul style="list-style-type: none"> agreed the relevant cash balance to external confirmations | Our audit work has not identified any issues in respect of the Ewart Bequest's cash. |

Accounting policies, estimates and judgements

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



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| Accounting area | Summary of policy | Comments | Assessment |
|---------------------------------|--|---|---|
| Revenue recognition | <ul style="list-style-type: none"> • Revenue from the sale of goods is recognised when you transfer the significant risks and rewards of ownership to the purchaser, and it is probable that economic benefits or service potential associated with the transaction will flow to you. • Income from the provision of services is recognised when you can measure reliably the percentage completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to you. • Income from non-exchange transactions is recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to you, and the amount of revenue can be measured reliably. | <p>The accounting policy is adequately disclosed in line with the requirements of the CIPFA Code.</p> <p>Our testing of your various revenue sources did not identify any instances of inappropriate revenue recognition.</p> |  Green |
| Judgements and estimates | <ul style="list-style-type: none"> • Key estimates and judgements include: <ul style="list-style-type: none"> – Useful life of capital equipment; – Pension fund valuations and settlements; – Impairments; – PPE revaluations ; – Depreciation; – Bad debt provisions; and – Business rate appeals. | <p>Your critical judgements and estimation uncertainties are disclosed within Notes 3 and 4 of the financial statements, and are in line with the requirements of the CIPFA Code.</p> <p>We have reviewed all of your key estimates and judgements, and are satisfied with the approaches taken in each of these areas.</p> |  Green |

Assessment

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

Accounting policies, estimates and judgements continued

| Accounting area | Summary of policy | Comments | Assessment |
|----------------------------------|---|---|---|
| Going concern | The Director of Finance and Resources, s151 officer has a reasonable expectation that the services provided by the Council will continue for the foreseeable future. Members concur with this view. For this reason, the Council continue to adopt the going concern basis in preparing the financial statements. | We have reviewed the Council's assessment and are satisfied with management's assessment that the going concern basis is appropriate for the 2015/16 financial statements. |  Green |
| Other accounting policies | We have reviewed your accounting policies against the requirements of the CIPFA Code and accounting standards. | We have reviewed the Council's policies against the requirements of the CIPFA Code of Practice. The Council's accounting policies are appropriate and consistent with previous years. |  Green |

Other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

| | Issue | Commentary |
|----|--|---|
| 1. | Matters in relation to fraud | <ul style="list-style-type: none"> We have previously discussed the risk of fraud with the Audit Committee. We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit procedures. |
| 2. | Matters in relation to related parties | <ul style="list-style-type: none"> From the work we carried out, we have not identified any related party transactions which have not been disclosed. |
| 3. | Matters in relation to laws and regulations | <ul style="list-style-type: none"> You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work. |
| 4. | Written representations | <ul style="list-style-type: none"> A letter of representation has been requested from the Council with specific representations requested in relation to completeness of related party declarations from members, and the reason for not adjusting the immaterial misstatement (refer to 'Unadjusted misstatements' page 20). |
| 5. | Confirmation requests from third parties | <ul style="list-style-type: none"> We obtained confirmation from the PWLB for loans and requested from management permission to send confirmation requests to several counterparties for bank and investment balances. This permission was granted and the requests were sent, and all of these requests were returned with positive confirmation. |
| 6. | Disclosures | <ul style="list-style-type: none"> Our review found a number of disclosures that needed amending or expanding, refer to page 21 for further detail. |
| 7. | Specified procedures for Whole of Government Accounts | <ul style="list-style-type: none"> We are not required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions as the Council does not exceed the required threshold. |




Internal controls

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



Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. We considered and walked through the internal controls for Employee Remuneration and Operating Expenses as set out on page 11 above.

The matters that we identified during the course of our audit are set out in the table below. These and other recommendations, together with management responses, are included in the action plan attached at Appendix A.

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| | Assessment | Issue and risk | Recommendations |
|---|--|---|---|
| 1 |  Amber | Housing Revenue Account (HRA) asset register The HRA asset register included five assets with a total value £297k, which had been demolished, converted or where ownership had transferred during the year. There is a risk that the HRA asset register does not correctly reflect the HRA asset base. | <ul style="list-style-type: none"> Regularly reconcile the properties on the HRA asset register to the Orchard housing system. |
| 2 |  Amber | Pension fund liability The actuary provided an incorrect estimation for 2015/16 benefits paid of £15,179k, the correct estimation value was £4,992k. The risk is that incorrect IAS 19 values provided by the actuary lead to a material misstatement of the Council's pension fund assets/liabilities. | <ul style="list-style-type: none"> Review information provided by the actuary to ensure it is reasonable, in line with expectations, and comparable with the prior year if appropriate. |
| 3 |  Amber | Short term debtors and HRA rent arrears Our testing identified that the total HRA tenants rents and cost debtor disclosed in the financial statements as £540k agreed tot the trial balance from the general ledger but was not supported in full by the corresponding report from the Orchard housing system which shows a value of £455k. Officers were unable to provide a reconciliation for the £85k balance during the audit. There is a risk that the housing rent arrears debtor in the trial balance is misstated. | <ul style="list-style-type: none"> Carry out a reconciliation between the HRA tenants rent arrears control account and the Orchard rent system. Consider whether there are items on the general ledger control account which should be cleared and/or written off. |

Assessment

-  Significant deficiency – risk of significant misstatement
-  Deficiency – risk of inconsequential misstatement

The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Adjusted misstatements

A number of adjustments to the draft accounts have been identified during the audit process. We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management. The table below summarises the adjustments arising from the audit which have been processed by management.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year.

| Detail | Comprehensive Income and Expenditure Statement £'000 | Balance Sheet £'000 |
|--|---|------------------------|
| 1 Defined benefit pension scheme liability The estimation for 2015/16 benefits paid was incorrectly included as £15,179k instead of £4,992k. This error resulted in a £425k overstatement in the pension fund liability and an understatement of other comprehensive income and expenditure. As this adjustment is reversed from the general fund to the pension reserves it has no overall impact on the Council's underlying financial position. | Other Comprehensive Income and Expenditure (425) | Pension Liability 425 |
| Overall impact | (425) | 425 |

Unadjusted misstatements

The table below provides details of adjustments identified during the audit which have not been made within the final set of financial statements. The Audit Committee is required to approve management's proposed treatment of all items recorded within the table below:

| Detail | Comprehensive Income and Expenditure Statement £'000 | Balance Sheet £'000 | Reason for not adjusting |
|--|---|--|---|
| 1 Council dwellings Five assets, totalling £297k, were incorrectly included in the HRA asset register. | | Property Plant and Equipment (297) Capital Adjustment Account 297 | Adjustment is not material to the financial statements. |
| Overall impact | | Net Assets (297) | |

Disclosure changes

The table below provides details of disclosure changes identified during the audit which have been made in the final set of financial statements.

| | Account balance | Value £'000 | Impact on the financial statements |
|---|---------------------------------|-------------|--|
| 1 | Financial instruments (Note 22) | 3,171 | The cash and cash equivalents figure of £15,981k in the note was overstated by £3,171k as it did not include two of the Council's bank accounts or petty cash balance, and should have excluded Group cash and cash equivalents. This is a disclosure issue only and has no impact on the primary financial statements where the cash figure was correctly stated. |
| 2 | Exit packages (Note 37) | 17 | Exit packages are incorrectly disclosed as nil. There were three exit packages during the year, totalling £17k. |
| 3 | N/A | Various | A number of smaller presentation and disclosure points have been identified during the audit. Management have adjusted for all of these where appropriate. |

Section 3: Value for Money

- 01. Executive summary
- 02. Audit findings
- 03. Value for Money**
- 04. Fees, non-audit services and independence
- 05. Communication of audit matters

Significant qualitative aspects

AGN 03 requires us to disclose our views on significant qualitative aspects of the Council's arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the significant risks that we identified in the Council's arrangements. In arriving at our conclusion, our main considerations, across the three criteria, were:

Informed decision making

- The Council has strong arrangements in place to ensure robust financial governance, in particular there is an appropriate level of involvement from senior management and members in the financial management and annual budgeting processes. Our review of the 2016/17 budget confirms that you have applied all of the relevant considerations, and your medium term financial strategy has been updated to cover the period 2016/17-2019/20.

Sustainable resource deployment

- The Council's financial projections for the general fund show projected cumulative budget shortfall of over £3m over the three years after 2016/17. The Housing Revenue Account is affordable for 2016/17 but beyond that there are huge challenges for the Council. Whilst you have a proven track record of delivering savings over the past eight years, the identification of these budget gaps remain a risk to the Council's medium term financial health.

Working with partners and third parties

- The Council has a number of partners that it works with to deliver its services and to provide back office functions. As the Council looks to further improve efficiencies and identify savings it should identify other groups that can use its services and share the cost base, and maximise opportunities for partnership working where benefits will improve service quality and reduce costs.

We have set out more detail on the risks we identified, the results of the work we performed and the conclusions we drew from this work on pages 24 and 25.

Overall conclusion

Based on the work we performed to address the significant risks, we concluded that:

- the Council had proper arrangements in all significant respects to ensure it delivered value for money in its use of resources. The text of our report, which confirms this can be found at Appendix B.

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

| Significant risk | Work to address | Findings and conclusions |
|---|---|--|
| <p>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.</p> | <p>We met 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 | <p>Your financial performance in 2015/16 remains sound and your outturn position was an underspend of £56k on the general fund and a surplus of £441k on the HRA.</p> <p>Your general fund position at the end of 2015/16 remains consistent with your overall medium term financial strategy at £3.2m. To support the general fund position you continue to maintain a number of reserves which allow you to take a longer term view on the investments needed to deliver your strategic objectives and to provide some resilience against current and future financial challenges.</p> <p>In keeping with the rest of the public sector the financial position of the Council beyond 2016/17 is very uncertain. Once the impact of the 4 year settlement is properly understood it can be factored into the Council's existing plans for its fundamental financial review. Whilst the Council has a proven track record of delivering savings over the past eight years, the identification of general fund and HRA budget gaps remain a risk to the Council's medium term financial health. On that basis it is important that you continue to monitor progress to identify potential shortfalls as soon as possible so that mitigating actions may be taken.</p> |
| <p>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.</p> | <p>We held discussions with key officers and reviewed 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 | <p>Good progress has been made with the Local Plan. Part 1 of the plan has been published for a six week consultation period in line with the submission deadline in November 2016. Given the current progress we feel that sufficient arrangements are in place to mitigate the risk to our value for money conclusion.</p> |

Key findings continued

| Significant risk | Work to address | Findings and conclusions |
|---|--|--|
| <p>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 residents of Farnham. The Council needs to ensure that arrangements are in place for the effective monitoring and governance of the development.</p> | <p>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.</p> | <p>In taking the decision to proceed with the Brightwells Development the Council has been aware of potential risks and has taken steps to assess the impact and likelihood of these on the scheme and the Council itself. The steps include:</p> <ul style="list-style-type: none"> seeking expert advice on the best consideration for disposal of the assets; and seeking legal advice from counsel in respect of the potential for legal challenge. <p>The above steps, in and of themselves, are reasonable actions to take to support the decision making process. Our review is not intended to investigate in detail the meetings held or totality of actions taken, nor to comment on the policy adopted by the Council in respect of these decisions, as these are outside our remit as external auditors. Our review is also not intended to validate the appropriateness or otherwise of the decision taken. In respect of the high level review we have carried out, we have not identified any significant weakness in the Council's overall arrangements for value for money.</p> <p>The decision to proceed with the development is subject to potential judicial review. If it proceeds this will look in more detail at the specific decisions taken by the Council in relation to the scheme, such review being beyond our remit as external auditors. The review will also consider the decisions to a greater depth than is required from our considerations to inform our vfm conclusion for the Council's arrangements as a whole</p> |

Background

We are required by section 21 of the Local Audit and Accountability Act 2014 ('the Act') and the NAO Code of Audit Practice ('the Code') to satisfy ourselves that 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.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Council. The Act and NAO guidance state that for local government bodies, auditors are required to give a conclusion on whether the Council has put proper arrangements in place.

In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in November 2015. AGN 03 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.

AGN03 provides examples of proper arrangements against three sub-criteria but specifically states that these are not separate criteria for assessment purposes and that auditors are not required to reach a distinct judgement against each of these.

Risk assessment

We carried out an initial risk assessment in June 2016 and identified the following significant risks, which we communicated to you in our report to the Audit Committee dated 21 June 2016.

We identified risks in respect of specific areas of proper arrangements using the guidance contained in AGN03.

We have continued our review of relevant documents up to the date of giving our report, and have not identified any further significant risks where we need to perform further work.

Significant difficulties in undertaking our work

We did not identify any significant difficulties in undertaking our work on your arrangements which we wish to draw to your attention.

Significant matters discussed with management

There were no matters where no other evidence was available or matters of such significance to our conclusion or that we required written representation from management or those charged with governance.

Any other matters

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There were no other matters from our work which were significant to our consideration of your arrangements to secure value for money in your use of resources.

Section 4: Fees, non-audit services and independence

- 01. Executive summary
- 02. Audit findings
- 03. Value for Money
- 04. Fees, non audit services and independence**
- 05. Communication of audit matters

We confirm below our final fees charged for the audit and confirm there were no fees for the provision of non audit services.

Fees

| | Proposed fee £ | Final fee £ |
|---|-------------------|----------------|
| Council audit | 53,881 | 53,881 |
| Shottermill Recreation Ground Trust (*) | 2,000 | 2,000 |
| Ewart Bequest Trust (*) | 2,000 | 2,000 |
| Grant certification (**) | 11,381 | 11,381 |
| Total audit fees (excluding VAT) | 69,262 | 69,262 |

Independence and ethics

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

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

The proposed fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA).

* We have not yet started our Independent Examinations in respect of the Council's two Trusts, and thus the final fees will only be confirmed once this work is complete.

** The work on the Council's Housing Benefit Return is still in progress at the report date, in line with the national timetable. Any fee variation in respect of this work will be discussed and agreed with the Council should the need arise, and will be reported to the Committee at a later date if applicable

Section 5: Communication of audit matters

- 01. Executive summary
- 02. Audit findings
- 03. Value for Money
- 04. Fees, non audit services and independence
- 05. Communication of audit matters

Communication to those charged with governance

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

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

Respective responsibilities

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by Public Sector Audit Appointments Limited (<http://www.psa.a.co.uk/appointing-auditors/terms-of-appointment/>)

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

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the NAO (<https://www.nao.org.uk/code-audit-practice/about-code/>). Our work considers the Council's key risks when reaching our conclusions under the Code.

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

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

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Appendices

Appendix A: Action plan

Priority

High - Significant effect on control system

Medium - Effect on control system

Low - Best practice

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| Rec No. | Recommendation | Priority | Management response | Implementation date & responsibility |
|---------|---|----------|---------------------|---|
| 1 | Regularly reconcile the properties on the HRA asset register to the Orchard housing system. | Medium | Agreed | Quarterly with immediate effect Financial Services Manager |
| 2 | Review information provided by the actuary to ensure it is reasonable, in line with expectations, and comparable with the prior year if appropriate. | High | Agreed | April 2017 Financial Services Manager |
| 3 | Carry out a reconciliation between the HRA tenants rent arrears control account and the Orchard rent system. Consider whether there are items on the general ledger control account which should be cleared and/or written off. | Medium | Agreed | Immediately Financial Services Manager |

Appendix B: Draft Audit opinion

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

DRAFT - INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WAVERLEY BOROUGH COUNCIL

We have audited the financial statements of Waverley Borough Council (the "Authority") for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Group Movement in Reserves Statement, the Group Comprehensive Income and Expenditure Statement, the Group Balance Sheet, the Group Cash Flow Statements, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Act and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Financial Officer and auditor

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Authority and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Financial Officer; and the overall

presentation of the financial statements. In addition, we read all the financial and non-financial information in the Narrative Report and the Annual Governance Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements: present a true and fair view of the financial position of the Authority and Group as at 31 March 2016 and of the Authority's and Group's expenditure and income for the year then ended; and have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law.

Opinion on other matters

In our opinion, the other information published together with the audited financial statements in the Narrative Report and the Annual Governance Statement is consistent with the audited financial statements.

Matters on which we are required to report by exception

We are required to report to you if: in our opinion the Annual Governance Statement does not comply with the guidance included in 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or we issue a report in the public interest under section 24 of the Act; or we make a written recommendation to the Authority under section 24 of the Act; or we exercise any other special powers of the auditor under the Act.

We have nothing to report in these respects.

Conclusion on the Authority's arrangements to secure value for money through economic, efficient and effective use of its resources

Respective responsibilities of the Authority and auditor

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

the adequacy and effectiveness of these arrangements.

We are required under Section 20(1)(c) of the Act to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of the Authority's arrangements to secure value for money through economic, efficient and effective use of its resources

We have undertaken our review in accordance with the Code of Audit Practice prepared by the Comptroller and Auditor General as required by the Act (the "Code"), having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code in satisfying ourselves whether the Authority put in place proper arrangements to secure value for money through the economic, efficient and effective use of its resources for the year ended 31 March 2016.

We planned our work in accordance with the Code. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether in all significant respects the Authority has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, we are satisfied that in all significant respects *the Authority* has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the year ended 31 March 2016.

Certificate

We certify that we have completed the audit of the accounts of the Authority in accordance with the requirements of the Act and the Code.

(Signature to be inserted)

for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Grant Thornton UK LLP
Grant Thornton House
Melton Street
London NW1 2EP

DRAFT September 2016



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WAVERLEY BOROUGH COUNCIL

AUDIT COMMITTEE – 13 SEPTEMBER 2016

Title:

STATEMENT OF ACCOUNTS 2015/2016

[Wards Affected: N/A]

Summary and purpose:

The purpose of this report is for the Audit Committee to consider and approve the Statement of Accounts for the year ended 31 March 2016.

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

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

Equality and Diversity Implications:

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

Resource and legal implications:

There are no direct resource implications resulting from the 2015/2016 Statement of Accounts. The Accounts set out Waverley's financial position at the year-end in a format which is prescribed by Regulations and the Local Government Accounting Code of Practice.

Introduction

1. The Accounts and Audit Regulations 2015 set out the requirements for the production and publication of the annual Statement of Accounts. These Regulations incorporate a statutory requirement for the Statement of Accounts to be approved by a resolution of a Committee of the relevant body by 30 September 2016.
2. The Section 151 Officer (Director of Finance and Resources) retains responsibility for the preparation of the Statement of Accounts and is required to certify their fair presentation by the 30 June 2016. The Members' role in approval is to demonstrate their ownership of the Statement of Accounts and their confidence in both the responsible financial officer and the process by which the accounting records are maintained and the Statement of Accounts prepared. In February 2007, the Council formally delegated the authority for approving Waverley's annual accounts to the Audit Committee. In June 2016

Members of the Audit Committee received the unaudited 2015/2016 Accounts and met with officers to receive detailed training and/or to respond to any questions.

Statement of Accounts 2015/2016

3. The Statement of Accounts for 2015/2016 is included with the Agenda as a separate document at Annexe 1. This includes changes incorporated following the audit as detailed in Annexe 2. The Foreword to the Accounts highlights the key issues and shows the headline figures.
4. The audit of the Council's accounts for 2015/2016 by Grant Thornton is complete and the Audit Findings Report is included on this agenda. The Audit Findings Report did not identify any adjustments affecting the Council's reported financial position and the report gives the following key messages:
 - The Council's draft financial statements were of a very high standard as reflected by the minimal level of issues arising from the audit work.
 - The financial statements were supported by an excellent set of working papers. This coupled with the early testing work during the interim audit has helped to move towards an earlier closing by 2017/18.
5. The format and content of the accounts is largely prescribed by regulation and the code of practice. It is a requirement that the accounts are arranged with all core financial statements grouped together followed by all notes to these statements in a separate section. The supplementary statements, Housing Revenue Account and Collection Fund, are grouped separately with their corresponding notes section.
6. The full unaudited Statement of Accounts and a Summary Statement is available on the Council's website. This will be replaced with the final version following this Audit Committee meeting.
7. It is a requirement that the Council issues a Letter of Representation to its external auditors at the conclusion of the Accounts and audit and this is referred to in Grant Thornton's Audit Findings Report also on this agenda. The draft Letter of Representation is attached at Annexe 3.

Going Concern Report

8. International Audit Standards require the Audit Committee to provide confirmation that the 2015/2016 Accounts have been prepared on a 'going concern' basis. The going concern concept is one of the core principles underpinning local authority accounting practice and refers to the assumption made when the Accounts are prepared that the organisation will continue to operate for at least 12 months following the accounting period in question, taking into consideration best estimates of future activity and cash flows.

9. The main issues around the application of the 'going concern' concept are to consider the medium term financial plans and cash flow forecasts in existence at the time of the accounting year-end. Waverley's Medium-Term Financial Strategy (2016/2017 to 2019/2020) was reviewed by Members in February 2016 when setting the Budget. The latest Strategy projections will be presented to Members at the annual finance seminar on the 30 November 2016. The latest strategy statement shows a strong position going forward with general Fund and HRA balances at a level which exceeds the minimum amount projected for at least the next four years. Also, the projections show that reserves and revenue contributions should be sufficient to deliver the Council's capital programme requirements in the medium term. Material cash flow movements are monitored and outflows are expected to be covered by revenues and treasury management activity in the year ahead.
10. Waverley's Medium Term Financial Strategy forecasts the Council's financial performance during the four years and demonstrates that the Council has sound plans to continue operating and there is no uncertainty concerning the continuing operations of the Council.

Recommendation

It is recommended that the Audit Committee

1. approves the Statement of Accounts for the financial year ended 31 March 2016; and
2. approves the Letter of Representation for 2015/2016; and
3. confirms that the accounts have been prepared on a going concern basis.
4. discusses moving the Audit Committee date in June 2017 to a date in late June or early July in order to meet with the new requirements to agree the Statement of Accounts for each financial year ending 31 March by the end of July.

Background Papers

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

CONTACT OFFICER:

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Annual Financial Report 2015-2016
Changes made following audit of 'Unaudited' Financial Report 2015-2016

| Page | Change | Comment |
|--|--|---|
| 2 | (A) Changes in Accounting Policies - changed to Changes in Accounting Estimates and similar in paragraph | Change suggested by GT |
| 3 | Pensions Liability paragraph - shortfall on fund amended to £46.0million | The original report from the Actuary was incorrect. The Actuary supplied a revised report and the correct figures have been fed through the accounts. |
| 9 | Revenue Reserve Fund Balance in table corrected to £1,524k | To reflect approved reserve movements |
| 12 | MIRS - Total Usable reserves line Other Comprehensive Income and Expenditure from (11,342) to (11,767) = difference £425k | As a result of corrected actuary report |
| 14 & 42 | Other Comprehensive Income and Expenditure (Note 7) new remeasurement from (6,802) to (7,227) = difference £425k | As a result of corrected actuary report |
| 16 | Group Balance Sheet Pensions Liability from (46,446) to (46,021) = difference £425k | As a result of corrected actuary report |
| 16 | Group Balance Sheet Unusable reserves from (246,735) to (247,160) = difference £425k | As a result of corrected actuary report |
| 33 | Accounting Policies - changes to Land and Buildings re current value and Surplus assets as Fair value at bottom of page 33 only | Change suggested by GT |
| 42 | Note 4. Assumptions made about the future and other major sources of estimation uncertainty - fair value disclosures added | Change suggested by GT |
| 42 | Note 6. Events after the Reporting Period - Contract for Memorial Hall works added | Contract signed August 2016 |
| 53 | Note 15 Information on Assets Held - number of car parks corrected | |
| 54 | Note 16 amended - reference to current value deleted | |
| 60 | Note 22 Financial Instruments - Cash and Cash Equivalents corrected to Balance Sheet figure | |
| 61 | Note 24 Fair Value of Financial Assets and Liabilities carried at Amortised Cost - additional disclosures added for fair value | Change suggested by GT |
| 63 | Note 25 Nature and Extent of Risks arising from Financial Instruments - average rate of investment return amended to 0.77% | Correction of roundings |
| 69 | Note 30 Unusable reserves - 2015/16 Pension reserve amended from 46,446 to 46,021 = difference £425k and final table on p 72 re remeasurement £(7,227) | As a result of corrected actuary report |
| 72 | Note 30 Unusable reserves - Pensions analysis Remeasurements amended from (6,802) to (7,227) = difference £425k | As a result of corrected actuary report |
| 75 | Note 35 Cash flow Statement - Major classes of gross cash receipts and payment - grants amended to(34,570) as per Note 41. | |
| 81 | Note 37 Officers' Remuneration - Three exit packages added totalling £17,178 | |
| 82 | Note 39 External Audit Costs - revised to £80k from £82k | Fees payable for grant claims revised after GT notification |
| 84 | Note 41 Related Parties - Benefits Admin Subsidy grant corrected | Originally misstated in note |
| 86-92 | Note 43 Defined Benefit Schemes - note reworked following correct information from Actuary | Note revised after receipt of corrected Actuary Report |
| 104 | Collection Fund - Note 2. Business Rates - multipliers for 2015-16 corrected | 15/16 multipliers are 49.3p and 48.0p |
| 113 | Glossary - Fair Value definition improved | Change suggested by GT |
| Further changes to incorporate in final for signing | | |
| 53 | Note 15 - amend Council dwellings to 4,851 and miscellaneous land 52 | |
| 96 | HRA Note 1 - asset analysis disposals to read (26) | |

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 Director of Finance and Resources
 When calling please ask for:
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 E-mail: graeme.clark@waverley.gov.uk
 Date: 13 September 2016

Dear Sirs

Waverley Borough Council Group Financial Statements for the year ended 31 March 2016

This representation letter is provided in connection with the audit of the group financial statements of Waverley Borough Council and its subsidiary undertakings as shown in Appendix 1 of this letter, for the year ended 31 March 2016 for the purpose of expressing an opinion as to whether the group and parent Council financial statements give a true and fair view in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law.

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

Financial Statements

- i We have fulfilled our responsibilities for the preparation of the group and parent Council financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 ("the Code"); which give a true and fair view in accordance therewith.
- ii We have complied with the requirements of all statutory directions affecting the group and parent Council and these matters have been appropriately reflected and disclosed in the group and parent Council financial statements.
- iii The Council has complied with all aspects of contractual agreements that could have a material effect on the group and parent Council financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the group and parent Council financial statements in the event of non-compliance.

- iv We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- vi We are satisfied that the material judgements used in the preparation of the group and parent Council financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. There are no other material judgements that need to be disclosed.
- vii Except as disclosed in the financial statements:
 - a there are no unrecorded liabilities, actual or contingent
 - b none of the assets of the group or parent Council has been assigned, pledged or mortgaged
 - c there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- ix Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of the Code.
- x All events subsequent to the date of the group and parent Council financial statements and for which the Code requires adjustment or disclosure have been adjusted or disclosed.
- xi Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of the Code.
- xii We have considered the adjusted misstatements and disclosures changes schedules included in your Audit Findings Report. The group and parent Council financial statements have been amended for these matters and they are free of material misstatements, including omissions.
- xiii We have considered the unadjusted misstatements schedule included in your Audit Findings Report and attached. We have not adjusted the group and parent Council financial statements for the misstatement brought to our attention as it is immaterial to the results of the group and parent Council and its group and parent Council financial position at the year-end.
- xiv We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the group and parent Council

financial statements.

- xv We believe that the group and parent Council's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the group and parent Council's needs. We believe that no further disclosures relating to the group and parent Council's ability to continue as a going concern need to be made in the financial statements.

Information Provided

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

aware.

xxiv We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the group and parent Council financial statements.

xxv Related party declarations were requested from all of senior management and all Council members. The Council has made every possible effort to obtain all signed declarations but signed declarations for five members were not recorded. We are satisfied that the outstanding declarations are unlikely to identify material related party transactions that warrant disclosure in the financial statements.

Annual Governance Statement

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

Narrative Report

xxvii The disclosures within the Narrative Report fairly reflect our understanding of the group and parent Council's financial and operating performance over the period covered by the group and parent Council financial statements.

Approval

The approval of this letter of representation was minuted by the Audit Committee at its meeting on 13 September 2016.

Yours faithfully

Signed.....

Graeme Clark
Director of Finance and Resources
And Section 151 Officer

Date.....

Signed.....

Councillor John Gray
Chairman of the Audit Committee

Date.....

WAVERLEY BOROUGH COUNCIL

AUDIT – 13/09/2016

Title:

Update re Internal Audit Annual Report 2015-16 Activity Exception Report

[Wards Affected: All]

Summary and purpose:

At the previous Audit Committee meeting on 21 June 2016 members noted that the information contained in the Internal Audit Annual Report for 2015-16 was comprehensive however, they requested an update on the current position of the areas raised in the report designated as 'partial assurance' (amber red) as no 'no assurance' (Red) were given in the year being reported on.

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

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

Financial Implications:

There are no financial implications.

Legal Implications:

There are no legal implications.

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. The Internal Audit Annual Opinion for 2015/16 was assessed as:-

“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.”

Appendix A of the Internal Audit Annual Report provided details of the full range of opinions available. The top level, one level up from the one that has

been given is “The organisation has an adequate and effective framework for risk management, governance and internal control. It is the intention that the council will continue to strive to achieve this top level opinion.

2. Detailed below is the headline areas of concern “Amber Red” partial assurance and I have provided an update on the current position of these actions.

| Assignment | Issued Raised | Status |
|---|---|---|
| IA16-17 Revenue Premises Visits | 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. | This process is being reviewed to establish whether the process can be streamlined, possibly with the use of technology re tablet although this depends on adequate coverage in the Borough re internet connection. Target Date December 2016. |
| IA16-18 Employee Services | 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. | There has been a need to revise the method that payroll services are being provided. Therefore the response to queries will be included as part of performance monitoring information when the final solution is agreed and adopted. |
| IA16-18 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. | There has been a need to revise the method that payroll services are being provided. Therefore performance monitoring information will be in place when the final solution is agreed and adopted. |
| IA16-21 Sheltered Housing Fire and Legionella Safety Checks | A lack of operational procedures/ guidance notes and a schedule for when tests/procedures should be completed held at sheltered housing sites. | Operational procedures/guidance notes are in place. |
| IA16-23 Pest Control Fees and Charges Income | Lack of checks and evidence to support discounts awarded to pest control customers. | Control in place where the contractor is required to evidence where discounts are given and the evidence provided from the customer to support this. |
| IA16-23 Pest Control Fees and | No comprehensive reconciliations of referrals made | Customer services Team complete reconciliations of |

| | | |
|---|---|--|
| Charges Income | to ensure that where referrals have not been invoiced, there is a valid reason for this. Issues with reconciling referrals to invoices for pest control services. | invoice details to referral information and will be documented, dated, signed off and retained. |
| IA16-12 Official Orders | Sharepoint System capabilities are not being fully utilised as various services are keeping alternative records to monitor purchase orders. Lack of evidence of obtaining the required number of quotations and failure to provide copies of official orders. | A new Agresso (key financial system) module has been acquired to provide consistency and recording of orders and expenditure committed. |
| IA16-22 Information Security Governance | The Council's Information Management Policy, Record Disposal and Retention Schedule and the Acceptable Use of IT policy were last updated over a year ago. | The Policies are currently being reviewed and will be in place by the end of the December 2016. |
| IA16-22 Information Security Governance | As per comment from the Borough Solicitor at the time of the audit, a documented procedure is not in place detailing how the Council upholds Information Security Governance responsibilities if staff normally responsible are unavailable. The Council also does not have a published structure chart in place showing the members of staff involved with Information Security Governance and the responsibilities they hold. | Information Governance Strategy is being put into place. It will include the procedure to be followed in relation to upholding Information Security, a structure chart which will detail the staff that are involved with Information Security Governance and the responsibilities they hold. The chart will be disseminated to all staff. |
| IA16-22 | The ISG at the Council have not met since July 2015 due to staff turnover. There is also no formal reporting process in place at the Council between the ISG, the CMT and other relevant staff. | Meeting will take place every 6 weeks, staff will be update up on related matters re any breaches, legislation and individual responsibilities re data security. |

Conclusion

3. The report presents to the Audit Committee an update on the status of the reviews provided at the previous meeting with Partial Assurance (Amber Red). The Audit Committee can be assured that at each Audit Committee meeting throughout the year it will be provided with any audit recommendations that have not been implemented within the agreed time frame.

Recommendation

It is recommended that the Audit Committee notes the status and progress made to strengthen the control environment as part of the activity completed by the Internal Audit Service in 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.

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Internal Audit Client Manager

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WAVERLEY BOROUGH COUNCIL

AUDIT COMMITTEE – 13 SEPTEMBER 2016

Title:

PROGRESS ON THE INTERNAL AUDIT PLANS FOR 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 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 2016/17 is shown as attached at Annexe 1.
2. The inclusion of an additional review is shown in blue.

Conclusion

3. The Committee is asked to note the progress being made on the 2016/17 Audit Plan.

Recommendation

It is recommended that the Committee notes the progress for the Internal Audit Plan 2016/17 as attached at Annexe 1 and endorses the proposed inclusion of the review shown in blue.

Background Papers

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

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Internal Audit Client Manager

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AUDIT PLAN AGREED BY AUDIT
COMMITTEE ON 15 MARCH 2016

| Report No. | AUDIT PLAN AS AT 01 September 2016 | Proposed No. of Plan Days | Actual Total to date | Days Planned to end March '17 | Progress | Details | Proposed quarter to be started * indicates change from original plan | Head of Service & Manager Responsible for Area | No. of Recs in Final Report | Overall Opinion |
|-------------|--|---------------------------|----------------------|-------------------------------|--------------------------|--|--|---|-----------------------------|-----------------------|
| | Key | 2016/17 | (d) | (e) | | | | | | |
| | Awaiting Draft Report | | | | | | | | | |
| | Completed | | | | | | | | | |
| | New Review | | | | | | | | | |
| | Deferred | | | | | | | | | |
| | Systems and Services Audit | | | | | | | | | |
| | IT SERVICES | | | | | | | | | |
| IA17-00 | Agresso Upgrade | 10.00 | 0.00 | 10.00 | | Post Implementations of new Agresso upgrade | Q4 | Head of Customer, and Corporate Service - David Allum, Linda Frame - IT Development Manager | | |
| IA17-01A IT | Sharepoint | 10.00 | 12.00 | 0.00 | Final Report on Covalent | 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. | B/F from 2015/16 | Head of Customer, and Corporate Service - David Allum, Linda Frame - IT Development Manager | 0 | Substantial Assurance |
| | Contingency | 0.00 | 0.00 | 0.00 | | | | | | |
| | IT Total | 20.00 | 12.00 | 10.00 | | | | | | |
| | GENERAL SYSTEM REVIEWS | | | | | | | | | |
| | Key Financial Systems | | | | | | | | | |
| IA17-00 | Car Parking | 10.00 | 10.00 | 0.00 | Awaiting Draft Report | Compliance with Agreed Processes | Q1 | Head of Environmental Services - Richard Homewood | | |
| IA17-00 | Approval of invoices on Agresso | 6.00 | 0.00 | 6.00 | Start Date 16/01/2017 | Review of the effectiveness of the systems in operation | Q1 to Q4* | Head of Finance - Peter Vickers | | |
| IA17-00 | Payroll | 8.00 | 0.00 | 8.00 | W/C 24/10/2016 | Compliance with agreed processes. | Q3 | Head of Finance - Peter Vickers | | |
| IA17-00 | Creditor Payments | 6.00 | 0.00 | 6.00 | W/C 10/10/2016 | Compliance with Agreed Processes | Q3 | Head of Finance - Peter Vickers | | |
| IA17-04 | Rent Collection | 10.00 | 10.00 | 0.00 | Final Report On Covalent | Accuracy of rent setting, completeness of income and pursuit of arrears. | Q2 | Head of Housing Operations - Hugh Wagstaff | 1 | Substantial Assurance |
| | | | | | | | | | | |
| | | | | | | | | | | |
| | Sub total for Key Financial Systems | 40.00 | 20.00 | 20.00 | | | | | | |
| IA17-06 | Health & Safety Policy | 8.00 | 8.00 | 0.00 | Draft Report Stage | 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 Service -Richard Homewood | | |
| IA17-00 | Licensing - Environmental Services - Animals, Premises etc | 6.00 | 6.00 | 0.00 | Awaiting Draft Report | 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 | Head of Environmental Services - Richard Homewood | | |
| IA17-00 | Emergency Planning and Business Continuity | 10.00 | 0.00 | 10.00 | | Emergency Planning - the Council is designated as a category 1 responder under the Civil Contengencies 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 | | |

AUDIT PLAN AGREED BY AUDIT
COMMITTEE ON 15 MARCH 2016

| Report No. | AUDIT PLAN AS AT 01 September 2016 | Proposed No. of Plan Days | Actual Total to date | Days Planned to end March '17 | Progress | Details | Proposed quarter to be started * indicates change from original plan | Head of Service & Manager Responsible for Area | No. of Recs in Final Report | Overall Opinion |
|------------|--|---------------------------|----------------------|-------------------------------|---------------------------|---|--|--|-----------------------------|----------------------|
| | Key | 2016/17 | (d) | (e) | | | | | | |
| | Awaiting Draft Report | | | | | | | | | |
| | Completed | | | | | | | | | |
| | New Review | | | | | | | | | |
| | Deferred | | | | | | | | | |
| IA17-02 | Recruitment of permanent and agency staff and performance management | 10.00 | 10.00 | 0.00 | Final Report on Covalent | 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. | Q1 | Corporate - Head of Finance - Peter Vickers | 3 | Reasonable Assurance |
| IA17-00 | Data Quality | 10.00 | 10.00 | 0.00 | Awaiting Draft Report | Review of the effectiveness of the systems in operation | Q2 | Head of Finance - Peter Vickers | | |
| IA17-00 | Procurement | 8.00 | 0.00 | 8.00 | | 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 | | |
| IA17-00 | Construction Industry Scheme (CIS) | | | | | Provide assurance that the system in operation is compliant with legislative and HRMC requirements. | Q2/3 | Head of Finance - Peter Vickers | | |
| IA17-03 | Voids follow up review of 2014/15 | 5.00 | 5.00 | 0.00 | Final Report on Covalent | Follow up of previous audit | Q1 | Head of Housing Operations - Hugh Wagstaff | 3 | Good Progress |
| IA17-00 | Accuracy of Tenancy Information | 7.00 | 0.00 | 7.00 | Start Date 24/10/2016 | 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 Operations - Hugh Wagstaff | | |
| IA17-00 | Management of Contractors | 8.00 | 0.00 | 8.00 | Start Date 05/10/2016 | 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-Q3* | Head of Housing Operations - Hugh Wagstaff | | |
| IA17-00 | Health & Safety Compliance | 10.00 | 0.00 | 10.00 | Start Date 08/11/2016 | 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) | | |
| IA17-02 | Planning Applications and Building Control | 10.00 | 10.00 | 0.00 | Draft Report Stage | 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 | | |
| IA17-00 | Licensing - Alcohol | 6.00 | 0.00 | 6.00 | Start Date W/C 12/09/2016 | 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 to Q2* | Head of Policy and Governance - Robin Taylor | | |
| IA17-00 | Data Protection | 10.00 | 0.00 | 10.00 | | 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 | | |
| | Governance and Risk Reviews | | | | | | | | | |
| IA17-05 | Risk Management/Assurance Stocktake | 8.00 | 8.00 | 0.00 | Final Report on Covalent | 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 | 3 | Partial Assurance |
| IA17-00 | Corporate Governance | 8.00 | 0.00 | 8.00 | W/C 07/11/2016 | 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 Corporate Governance and Policy-Robin Taylor | | |

AUDIT PLAN AGREED BY AUDIT
COMMITTEE ON 15 MARCH 2016

| Report No. | AUDIT PLAN AS AT 01 September 2016 | Proposed No. of Plan Days | Actual Total to date | Days Planned to end March '17 | Progress | Details | Proposed quarter to be started * indicates change from original plan | Head of Service & Manager Responsible for Area | No. of Recs in Final Report | Overall Opinion |
|------------|--|---------------------------|----------------------|-------------------------------|----------------|---|--|--|-----------------------------|-----------------|
| | Key | 2016/17 | (d) | (e) | | | | | | |
| | Awaiting Draft Report | | | | | | | | | |
| | Completed | | | | | | | | | |
| | New Review | | | | | | | | | |
| | Deferred | | | | | | | | | |
| IA17-00 | Project Management | 20.00 | 0.00 | 20.00 | September 2016 | 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 | | |
| IA17-00 | Lean Approach Workshop | 8.00 | 0.00 | 8.00 | | 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 | | |
| | Management Contract Liaison Meetings | 7.00 | 0.00 | 7.00 | | | | | | |
| | Contingency | 21.00 | 0.00 | 19.00 | | | | | | |
| | Sub Total for Operational Reviews (Inc Cont) | 180.00 | 57.00 | 121.00 | | | | | | |
| | Subtotal Key Financial Systems Reviews | 40.00 | 20.00 | 20.00 | | | | | | |
| | Subtotal of IT Reviews | 20.00 | 12.00 | 10.00 | | | | | | |
| | Total Plan Contractor Review Days* (RSM 228, SBC 12) | 240.00 | 89.00 | 151.00 | | | | | | |

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WAVERLEY BOROUGH COUNCIL

AUDIT COMMITTEE – 13 SEPTEMBER 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:

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Internal Audit Client Manager

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Audit Recommendations overdue or due within next month

Generated on: 19 August 2016




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

Head of Service Allum, David


| | | | | |
|--|--|--|--------------------------|-------------|
| Action Code & Description | IA16/25.001 Procedures | There is a lack of documented procedures regarding the Service Desk call logging process and subsequent call actions | Exit Meeting Date | 24-May-2016 |
| | | | Due Date | 30-Sep-2016 |
| Audit Report Code and Description | IA16/25 IT Service Desk | | | |
| Agreed Action | Management will document the critical procedures for logging Service Desk calls and subsequent call actions to be taken using Supportworks, including, for example, initial call logging, assigning calls, acceptance/rejection of calls, call resolution and closure processes and notifications sent to customers. | | | |
| Status | | In Progress | Progress | 50% |
| | | | Head of Service | David Allum |
| All Notes | Areas to be included have been identified and these are now required to be documented | | | |

| | | | | |
|--|--|--|--------------------------|-------------|
| Action Code & Description | IA16/25.002 Documentary guidance | Detailed documentary guidance on call prioritisation has not been produced and made available for reference by general users and IT staff. | Exit Meeting Date | 24-May-2016 |
| | | | Due Date | 30-Sep-2016 |
| Audit Report Code and Description | IA16/25 IT Service Desk | | | |
| Agreed Action | Management will document detailed procedures for the prioritisation of Service Desk calls. | | | |
| Status | | In Progress | Progress | 50% |
| | | | Head of Service | David Allum |
| All Notes | This is now in progress and will be documented | | | |

| | | | | |
|--|--|---|--------------------------|-------------|
| Action Code & Description | IA16/25.003 Formally agreed targets | Although SLA targets have been documented historically for different call levels, these have not been formally agreed with senior management or the business and there is no process for reporting the achievement of these Key Performance Indicators outside the IT department. | Exit Meeting Date | 24-May-2016 |
| | | | Due Date | 30-Sep-2016 |
| Audit Report Code and Description | IA16/25 IT Service Desk | | | |
| Agreed Action | The IT Operations Manager will discuss the with the Head of Corporate Services (to whom he reports) the organisation's appetite for the implementation of the following proposed actions: Priority levels and Service Desk SLA performance targets to be agreed with each | | | |

| | | | | | | |
|------------------|---|---|-----------------|-----|------------------------|-------------|
| | | Service/major business area and approved by senior management. Regular e.g. monthly, Service Desk/SLA performance reports to be sent to senior and business management regarding the achievement of the agreed targets. | | | | |
| Status |  | In Progress | Progress | 75% | Head of Service | David Allum |
| All Notes | "A detailed performance report has been submitted to the Head of Corporate and Customer Services within the last month. The focus of the report was on service desk volumes, causation and turnaround timescales. The report identified new starter numbers and BACS activity as a restricting factor on performance. The Head of Service will be acting on these findings and receiving regular reports in future. Emerging trends will feed into the established IT governance structure i.e. IT Strategy Group and the Change Advisory Panel". | | | | | 11-Aug-2016 |

Head of Service Homewood, Richard

| | | | | | | |
|--|--|---|--------------------------|-------------|------------------------|------------------|
| Action Code & Description | IA16/23.003 Completeness check | There is no completeness check done to ensure that all referrals have been completed or cancelled. If the Council has received all the income due, or where payments are due to SDK, these have been accounted for and paid. As a result completeness of income cannot be confirmed | Exit Meeting Date | 16-May-2016 | | |
| | | | Due Date | 30-Jul-2016 | | |
| Audit Report Code and Description | | IA16/23 Pest Control Fees and Charges | | | | |
| Agreed Action | | <p>The Council will consider the following options:</p> <p>Going forward, as part of the month end process, each invoice sent to the Council will be accompanied with a list of cancelled referrals from that month. The CATs team will then use this to perform an income completeness check.</p> <p>Alternatively, the Council will request that Client Sign off sheets are completed for both completed and cancelled referrals by SDK staff. A summary report will then be sent to the Council on a monthly and the Council will complete monthly inspections of a certain percentage of client sign offs to gain assurance of job completion status. The CATs team will then rely on the SDK report to close down referrals on the system.</p> | | | | |
| Status |  | Overdue | Progress | 0% | Head of Service | Richard Homewood |
| All Notes | The information required from the contractor to monitor cancellation activity will take longer than originally envisaged to resolve. Therefore a request that the implementation date is revised to 30 October 2016 has been made on Annexe 2 below. | | | | | 19-Aug-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 |
|--|--------------|---|---|--|
| IA16/23.003 | Pest Control | <p>The Council will consider the following options:</p> <p>Going forward, as part of the month end process, each invoice sent to the Council will be accompanied with a list of cancelled referrals from that month. The CATs team will then use this to perform an income completeness check.</p> <p>Alternatively, the Council will request that Client Sign off sheets are completed for both completed and cancelled referrals by SDK staff. A summary report will then be sent to the Council on a monthly and the Council will complete monthly inspections of a certain percentage of client sign offs to gain assurance of job completion status. The CATs team will then rely on the SDK report to close down referrals on the system.</p> | <p>The information required by for the contractor to monitor cancellation activity will take longer than envisaged to resolve.</p> <p>Therefore a request that the implementation date is revised to 30 October 2016.</p> | Head of Environment – Richard Homewood |

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WAVERLEY BOROUGH COUNCIL

ANNUAL GOVERNANCE STATEMENT 2015/16

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1 SCOPE OF RESPONSIBILITY

1. Waverley Borough Council 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 used economically, efficiently and effectively.
2. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in delivering its functions, having regard to a combination of economy, efficiency and effectiveness.
3. In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective delivering of its functions and putting in place arrangements for the management of risk.
4. The Council has in place corporate governance arrangements, and has adopted a local code of governance. This local code of governance is consistent with the “*Delivering Good Governance in Local Government*” publication produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE), which was published in 2007.
5. This statement explains how Waverley Borough Council has complied with its code of governance, and how the Council met the requirements of regulation 6(1) of the Accounts and Audit Regulations 2015, in relation to an annual review of the effectiveness of the Council’s systems of internal control, and the preparation and approval of an annual governance statement.
6. The Council acknowledges its responsibility for ensuring that there is a sound system of governance, incorporating the system of internal control.

2 THE PURPOSE OF THE GOVERNANCE FRAMEWORK

7. The governance framework comprises the systems, processes, culture and values, by which the Council is directed and controlled, and the activities through which it accounts to, engages with and leads the community. The governance framework enables the Council to monitor achievement of its corporate priorities and to consider whether those objectives have delivered appropriate, cost-effective services.
8. The system of internal control is a significant part of that framework and is designed to manage risk to as low as possible level. It cannot eliminate all risk of failure to achieve the Council’s policies, aims and objectives, and therefore can only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise risks to the achievement of the Council’s policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
9. The Council has had the governance framework described below in place for the year ended 31 March 2016 and up to the date of approval of the 2015/16 statement of accounts in September 2016.

3 THE GOVERNANCE FRAMEWORK

10. The purpose of the governance framework is to do the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. Full Council (meeting of all elected members) is responsible for directing and controlling the organisation in this manner. Full Council's responsibilities include agreeing the Constitution and key governance documents, the policy framework, key strategies, objectives and setting an annual budget.
11. The Council operates a 'Strong Leader' model of governance. The Executive is responsible for proposing the budget, policy framework and key strategies, and implementing them once approved by Full Council. The Overview and Scrutiny function acts as a vital check and balance on the Executive decision making and performance. The Audit Committee is the means of bringing independent, effective assurance into the Council's corporate governance arrangements.
12. The head of paid service (Executive Director), advises Councillors on policy and procedures to drive the aims and objectives of the Council. The Executive Director oversees the employment and conditions of staff and leads the Management Team. The Section 151 Officer (in statute, Section 151 of the Local Government Act 1972, is the officer responsible for financial administration), the Monitoring Officer (a statutory position) and Heads of Service are responsible for advising Full Council, Executive and Overview and Scrutiny Committees on legislative, financial and other policy considerations to achieve the Council's objectives, and are responsible for implementing the decisions of Full Council.
13. The governance framework for 2015/16 was based on the Waverley's local code of governance. Within the framework the Council aims to meet the principles of good governance in all aspects of its work, giving particular attention to the main principles:
 - Focusing on the Council's purpose and on outcomes for the community and creating and implementing a vision for the local area
 - Councillors and officers working together to achieve a common purpose with clearly defined functions and roles
 - Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour
 - Taking informed and transparent decisions which are subject to effective scrutiny and managing risk
 - Developing the capacity and capability of Councillors and officers to be effective
 - Engaging with local people and other stakeholders to ensure robust public accountability

3.1 THE STRATEGIC PLANNING FRAMEWORK

14. To ensure the Council does the right things, in the right way, for the right people, in a timely, inclusive, open, honest, cost-effective and accountable manner, the strategic

planning framework incorporates residents' and service-providers' views as well as national and local priorities.

15. The Council's vision is: 'To make Waverley a better place to live and work'

This is supported by the Corporate Plan that sets out the Council's strategic objectives and corporate priorities. These are:

- Customer Service - "We will strive to make continuous improvement in customer service and engage, listen to and understand the needs of our residents."
- Community Wellbeing – "The wellbeing and prosperity of our varied communities is at the heart of everything we do. Through the provision of affordable housing, leisure and recreational facilities, support of older people and vulnerable families as well as support for local businesses we will endeavour to secure the well being of our communities."
- Environment – Waverley is a beautiful place to live and work and we want to make it even better. The Council has an important role in the stewardship of the land that we own and manage on behalf of others. Through the planning service we can influence and support the aspirations for development in our towns and villages. We will also invest in making Waverley a clean and sustainable place."
- Value for Money – "the Council faces enormous financial challenges over the next four years. We want to maintain and enhance our service delivery and will do this by careful financial management and planning."

16. This is achieved through the organisational values of Openness, Excellence, Fairness, Team Work and Taking Ownership.

17. The four-year Corporate Plan 2016-2019, guides decisions on how the Council invests financial and staffing resources. This plan determines the types of projects the Council supports through grant funding. Arising from the Corporate Plan, there are detailed work plans, identifying how each service undertakes specific activities to deliver the Council's priorities.

18. The Council's work with partners takes place both locally to address local issues and also through some formal partnerships, which may be either service specific or more broadly strategic. Key formal partnerships include:

- Surrey Community Safety Partnership - this focuses on joint working to reduce crime and the fear of crime, and addresses broader community safety issues affecting local people. It has an annual plan that sets out the partnership's key aims and objectives for the year and is available on the Council's Website.
- Surrey Counter Fraud Partnership - eight Surrey Councils have joined forces to tackle fraud. Key target areas include council tax, housing benefit and tenancy fraud and business rates evasion. The Councils all have access to a central hub for sharing information and data matching.

- Surrey Waste Partnership - is made up of Surrey County Council (SCC) and the 11 district and Borough Councils in the county. It aims to manage Surrey's waste in the most efficient, effective, economical and sustainable manner.
- Voluntary Sector Organisation Grants – Service level Agreements. These grants are made to organisations that support and contribute to the Councils corporate objective. Service level agreements are put in place and monitored quarterly in exchange for a three year funding commitment.
- Waverley Voluntary Partnership – is a co funded partnership with Surrey County Council to support organisations delivering health and well being within the voluntary sector.
- Surrey Hills Partnership – the aim of the Partnership is to raise awareness of the special qualities of the Surrey Hills landscape and to set out in the Management Plan common policies and priorities to conserve and enhance its natural beauty.

19. Our other key strategies include:

- the Council is developing its Local Plan to cover the period up to 2031
- the Council is encouraging Neighbourhood plans to work alongside the Local Plan
- the Council has set equality objectives in line with the requirements of the Equality Act 2010 and to support the delivery of the Council's Corporate Plan priorities
- the Council is boosting the local economy: partnership working is the key theme behind the Council's plans to ensure its towns thrive

3.2 PERFORMANCE MANAGEMENT FRAMEWORK

20. The Council sets performance targets to ensure the Council achieve its strategic objectives and corporate priorities set out in the Corporate Plan. Separately, the Council reports performance to the government in accordance with the governments prescribed single data list (common performance data).

21. The Council uses a performance management system to monitor progress against targets. This involves flagging actions that are behind target and where targets are not being met, the responsible Head of Service discusses options with their Director. In addition, the Council reviews performance at the end of the year and uses this to help set targets and actions for the coming years. This process is being aligned to fit with the budget setting process.

22. The Council has an individual development and performance review scheme focusing on agreement between managers and individuals of targets linked to service work plans. Throughout the year, staff members have meetings with their managers to review progress and discuss and plan personal development in line with the Council's objectives.

3.3 LEGAL FRAMEWORK

23. The Council's Constitution sets out how the Council is managed and guides decision-making towards objectives, and includes a set of procedure rules that govern how

business is conducted. It also includes protocols covering the disclosure of interests in contracts, and the relationship between officers and Councillors. The monitoring officer is responsible for ensuring the lawfulness of decision-making and maintaining the Constitution.

24. All decisions are made in accordance with the requirements of the Constitution and the scheme of delegation, which forms part of the Constitution. The monitoring officer will report to Full Council to consider if any proposal, decision or omission would give rise to unlawfulness, or to the Audit Committee if any decision or omission has given rise to maladministration.
25. In the role of Monitoring Officer, the Head of Policy and Governance contributes to the promotion and maintenance of high standards of conduct by Councillors. To this end, the Council's Constitution incorporates the Members Code of Conduct and any breach or complaint will be referred to the Standards Committee.

3.4 FINANCIAL FRAMEWORK

26. The Section 151 Officer is responsible for the overall management of the financial affairs of the Council. The Section 151 Officer determines all financial systems, procedures and supporting records of the Council, after consultation with Heads of Service. Any new or amended financial systems, procedures or practices are agreed with the Section 151 Officer before implementation.
27. Full Council is responsible for approving the treasury management strategy and for setting the revenue and capital budgets in February each year. Revenue budget setting includes both the calculation of the Council tax base and the surplus or deficit arising from the collection fund.
28. The treasury management strategy governs the operation of the Council's treasury function, and is reviewed at least annually or during the year if it becomes necessary to do so. This strategy includes parameters for lending and borrowing, and identifies the risks of treasury activity.
29. Council has overall responsibility for the implementation of the Council's financial strategies and spending plans, and is authorised to make financial decisions subject to these being consistent with the budget and policy framework and the Constitution.
30. Heads of Service are responsible for ensuring the proper maintenance of financial procedures and records, and the security of assets, property, records, and data within their service area.
31. The Executive Director, Directors and Heads of Service consult with the Head of Finance, Strategic Human Resources and the Head of Policy and Governance on the financial and legal implications of any report that they are proposing to submit to Full Council, a committee (or sub-committee), or Executive.

3.5 RISK MANAGEMENT FRAMEWORK

32. Risk management is important to the successful delivery of the Council's objectives. An effective risk management system identifies and assesses risks, decides on appropriate responses and provides assurance that the chosen responses are effective. The overall accountability for effective risk management in the Council lies with the Executive Director supported by the Heads of Service. The Council uses a standard risk management methodology which encompasses the identification, analysis, prioritisation, management and monitoring of risks.
33. Councillors have a responsibility to understand the strategic risks that the Council may face, and are made aware of how these risks are being managed through reports to the Audit Committee.
34. The Directors and Heads of Service are responsible for the identification, analysis and management of strategic risks and undertake regular reviews of those risks.
35. All line managers are responsible for implementing strategies at team level by ensuring adequate communication, training and the assessment and monitoring of risks. All officers are responsible for considering risk as part of everyday activities and provide input to the risk management process.
36. The Council also has business continuity management arrangements in place to ensure that priority services can continue to be delivered to our customers in the event of an unplanned disruption.

4 REVIEW OF EFFECTIVENESS OF THE GOVERNANCE FRAMEWORK

37. The Council has responsibility for conducting, annually as required, a review of the effectiveness of its governance framework including the system of internal control. The Audit Committee discusses and agrees this Annual Governance Statement. The review of effectiveness is informed by the work of the managers within the Council who have responsibility for the development and maintenance of the governance environment, the Internal Audit Manager's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.
38. The following highlights the Council's review of the effectiveness of the governance framework and sets out the assurances of committees, officers and external organisations.

4.1 REVIEW OF OBJECTIVES

39. Section 3.1 entitled *the strategic planning framework* sets out the Council's current strategic objectives as a result of a major review of the Corporate Plan for 2016/19 to ensure that the Council is doing the right things in the right way and for the right people. In doing this, the Council asked residents about their priorities. Each year the Council seeks feedback and reviews progress against the Corporate Plan to ensure that it is delivering against its objectives.

4.2 REVIEW OF PERFORMANCE MANAGEMENT AND SERVICE WORK PLANNING

40. The Directors regularly review operational performance in the main areas of Council activity. In addition, a performance management report is compiled on a quarterly basis

through consultation with Heads of Service as data owners and reviewed by the Directors. This report is also reviewed by members of the Overview and Scrutiny Committees and the Executive.

41. The report is widely read and feed back is received from Councillors and officers and is constantly evolving to reflect management requirements. The Council continues to ensure target projections are on track to deliver outcomes.
42. The Council continues to make significant progress and has implemented a performance management system based on clearly defined output deliverables and priorities.
43. The Council operates a strong approach to service work planning, ensuring that targets and actions are SMART (specific, measurable, achievable, realistic and time-bound). The Council has trained managers on strategic objective-setting and has briefed all staff on the process and importance.
44. As a further enhancement to the service work planning process, teams are promoting their successes using notice boards displayed throughout the office buildings.
45. The results of all of the approaches listed above (paragraphs 40-44) is that the Council has a strong focus on delivering priorities, managing performance against targets, and progressing actions.

Action: To cascade the four year corporate plan prepared and agreed in 2016 to staff and Stakeholders in 2016/17 and update progress annually

4.3 REVIEW OF LEGAL FRAMEWORK

46. The Constitution was reviewed during the year to ensure it was up to date. This included a review of the scheme of delegation. In order to ensure the efficiency of decision making within the budget and policy framework this was agreed by Full Council in July 2016.
47. A review was started of the Overview and Scrutiny function to broaden its remit.

Action: Review the Overview and Scrutiny remit.

4.4 REVIEW OF FINANCIAL FRAMEWORK

FINANCIAL REPORTING

48. Heads of Service review their finances with the assistance of the Finance team on a monthly basis, including forecasting outturn and identifying exceptions and corrective actions. This is reported to the Directors in a monthly budget monitoring report. The Executive receives an update at each meeting within the committee cycle. This is the opportunity for officers to obtain strategic guidance and budget adjustment approvals.

Action: Following the enhancement of the financial management system, develop service access to real time budget progress reports.

49. Budgetary control is subject to an internal audit review every three to four years. In addition, the budgetary control process is reviewed in audits of teams or service areas.
50. For all committee reports for which a decision is required, a “financial implications” section is included which details the actual, and potential, financial consequences of the decision being taken.
51. In September 2015 the Audit Committee approved the Council’s financial statements for 2014/15, and the Council’s external auditors issued an unqualified audit opinion.
52. Officers keep up to date with the latest accounting developments, which enable them to be prepared for the changes in accounting practice that affect the preparation and presentation of the financial statements. The Council subscribes to the CIPFA finance advisory network and accountants regularly attend these network events, enabling the Council’s accountants to prepare for changes to accounting requirements.
53. Each year’s accounts and annual audit letter are available to the public and are published on the Council’s website. These are available in accessible formats on request. To assist the public in understanding the accounts, there is an explanatory foreword in the financial statements that explains the purpose of the accounts and summarises the key messages arising from them. There is also a glossary of terms within the accounts to aid understanding.

BUDGET SETTING

54. Every year the Council sets a comprehensive and balanced budget, which allocates adequate resources.
55. The Council’s budget planning cycle is well established, starting in the autumn and builds up through a rigorous consultation, review and justification process in readiness for Full Council approval in late February.

MEDIUM TERM FINANCIAL PLAN

56. Each year the Council publishes a 4 year medium term financial plan. This is a forward-looking estimate of the Council’s budget requirement, and indicates the required level of savings and additional income generation needed in future years to balance the budget. This is based on assumptions of such critical factors as government grant funding, the level of investment interest, and inflation.
57. The budget proposal to Full Council each year includes a summary of the planned reserve balances for the duration of the medium term financial plan, including the assumptions underpinning the estimates of reserves. The Director of Finance and Resources in his capacity as Section 151 Officer makes a positive statement on the adequacy of reserves.
58. The Council communicates key messages from its financial planning process to staff, members and stakeholders such as the Local Business Forum, Town and Parish Council’s

and major Council support grant recipients during service level monitoring meetings. New staff complete an induction process that includes an introduction to local government finance. This makes staff aware of the Council's budgets and the financial pressures the Council faces.

TREASURY MANAGEMENT STRATEGY

59. The Council's treasury management strategy is approved annually by Full Council and sets out the Council's policy on managing its investments to ensure that the Council has sufficient funds to meet its needs, and that returns are maximised whilst maintaining the security of the Council's assets. The strategy has regard to the Code of Practice for Treasury Management, and the CIPFA Prudential Code. The Executive and Corporate Overview and Scrutiny Committee monitor performance against the strategy quarterly each year.
60. The Council's Treasury Management investments are derived from reserves and cash flow surpluses to generate interest income, which we use to support the revenue budget in year. Prudent budget estimates of interest are used when setting the medium term financial plan. Prolonged low interest rates in recent years have had an impact on the funding available to the Council.
61. The Corporate Overview and Scrutiny Committee and Executive are responsible for ensuring effective scrutiny of the treasury management strategy, policies and performance in accordance with the CIPFA Prudential code and CIPFA Treasury Management code.
62. All the arrangements detailed above demonstrate that the members and officers accept responsibility for the stewardship and use of resources and financial accountability.

COMMENT ON THE ROLE OF THE CHIEF FINANCIAL OFFICER

63. The Council has reviewed its financial management arrangements to ensure that they conform with the requirements of CIPFA's Application Note to Delivering Good Governance in Local Government on the *Role of the Chief Financial Officer in Public Service Organisations*.
64. The Section 151 Officer has a responsibility to ensure that an effective internal audit function is resourced and maintained. The Council requires its internal audit team to provide an effective service in accordance with professional standards, and internal audit officers must abide by the Institute of Internal Auditors Code of Ethics and receive suitable training and development to maintain the appropriate skills, experience and competence. The performance of internal audit is subject to quarterly review by the Audit Committee.

4.5 REVIEW OF COUNCILLORS' AND OFFICERS' DEVELOPMENT

65. Councillors are offered a comprehensive induction programme. Soon after their election, Councillors are invited to an induction to sign their declarations of acceptance of office, sign up to the code of conduct and meet the service teams. Training sessions on planning and licensing law have been held with needs assessment taking place in order to provide

further relevant training. Members of the Audit Committee also have a training programme.

66. Senior officers take part in induction sessions with all staff. The development opportunities for officers include support towards a nationally recognised qualification in their area of expertise. Attendees evaluate these programmes, provide feedback at the end of each session, and line managers review training during the development and performance review in the formal one to one process.
67. The Council will continue to develop Councillors' roles through a Councillor development programme. The programme will result in actions to develop the effectiveness of Councillors in their different roles and highlighting where decision making in Council and committee meetings can be more effective. The programme will encourage Councillors to engage in training to meet their needs as well as the Council's needs.

Action: To develop Councillors' roles through the Councillor development programme.

4.6 REVIEW OF INTERNAL AUDIT

68. Internal audit provides an objective opinion on the degree to which the internal control environment supports and promotes the achievement of the Council's objectives. It assists the Council by evaluating the adequacy of governance, risk management, controls and use of resources through its planned audit work.
69. The Internal Audit Client Manager contributes to the assurance process by commenting on the effectiveness and outcome of the programme of internal audits and the effectiveness of the internal control environment of the Council. The majority of internal audit services reviews are completed by the internal audit contractor RSM, with sensitive reviews and internal issues being dealt with by the Internal Audit Client Manager.
70. For the 12 months ended 31 March 2016, the Internal Audit Client Manager has given the opinion that the Council has an adequate and effective framework for risk management, governance and internal control based upon the audits completed. The recommended enhancements to the internal control environment were reported to the Audit Committee during 2016/17 and implemented.

Action : To Implement internal audit enhancements resulting from individual audits and report progress to Audit Committee.

71. Internal audit is committed to providing assurance on anti-fraud and corruption. During 2015/16, the Internal Audit and Fraud Investigation team has undertaken proactive anti-fraud compliance testing to evaluate whether the control environment is sufficiently robust and to highlight areas of concern with regards to fraud and corruption issues. A Corporate Fraud Risk Assessment has been completed and will be reviewed by the Audit Committee in September 2016.

72. The Internal Audit and Fraud investigation team have implemented a housing tenancy fraud initiative resulting in 7 properties being returned to housing stock and also prevented the loss of available Council properties where tenants made false declarations.

Action : To complete and cascade the corporate fraud risk assessment.

73. Where fraud has been perpetrated against the Council i.e. Supplier bank Mandate Fraud in the previous year 2014/15, controls were enhanced and new processes were put in place to prevent re-occurrence. In this respect where changes are made in relation to suppliers key data (bank details) these changes are now approved by the Head of Finance. Weekly reports are produced with full supporting documentary evidence giving the reason why the change is needed which is then approved and actioned.

74. No instances or allegations of fraud and corruption by officers, Councillors or partners/contractors was reported to the audit manager in 2015/16.

75. Internal audit provides assurance that it has complied with the CIPFA Code and a formal quality assurance programme continues to be in place. Internal audit completed a self-assessment against the code in 2015/16 to identify areas for further improvement and no actions were identified, this was reviewed by the Section 151 Officer. The next self-assessment will be completed in 2017/18.

Action: To assess the need for anti-fraud and corruption training for officers, members of staff and Councillors in 2016/17.

4.7 REVIEW OF RISK MANAGEMENT

76. The Council's risk management approach ensures that all risks are linked to strategic objectives, the likelihood and impact are assessed, the gross and net risks are identified and responsibility for mitigating actions is assigned to appropriate officers. The process requires the Directors and Heads of Service to review the strategic risk register and submit the register to the Audit Committee for review.

77. During the year the Directors identified dependence on partnerships as a strategic risk and this has been added to the strategic risk register.

Action: To review and update the risk management arrangements in 2016/17.

4.8 ANTI-FRAUD, BRIBERY AND CORRUPTION POLICY, ANTI-MONEY LAUNDERING POLICY AND WHISTLEBLOWING POLICY

78. Internal audit's rolling audit plan includes areas such as gifts and hospitality and the register of interests. A pro-active anti-fraud review is completed each year, with all reasonable endeavours made to ensure the effectiveness of management processes and controls. The Council has raised the profile of the anti-fraud, bribery and corruption policy and the whistleblowing policy by increasing their visibility through inclusion on the Council's website.

79. The Council has actively participated in the National Fraud Initiative; publicises successful cases against fraud; has effective working arrangements; and shares

intelligence with relevant partner organisations e.g. other Surrey Authorities, Other Housing providers, the Police, etc. The Council has a good record of investigating tenancy fraud and other fraud issues that may arise. It undertakes active recovery and ensures policies are applied consistently.

80. The internal control arrangements in place include the Council's Constitution, the provision of an internal audit service, the presence of an active Audit Committee, transparent governance reporting through an assurance framework, and compliance with relevant laws and regulations.
81. The Council has an anti-money laundering policy and procedure and has designated the Head of Finance to be the Council's anti-money laundering reporting officer.
82. In 2014, the Council reviewed the anti-money laundering policy. At the same time the anti-fraud and corruption policy was updated to build in the requirements of the Bribery Act 2010. During 2016/17 the anti-fraud, bribery and corruption policy, prosecution policy, whistleblowing policy and anti-money laundering policy will be reviewed and updated.

Action: To review the anti-fraud, bribery and corruption policy, prosecution policy, whistleblowing policy and anti-money laundering policy in 2016/17, and the inclusion of anti-fraud and corruption arrangements in induction packages for new employees.

4.9 REVIEW OF BUSINESS CONTINUITY

83. The Council continually reviews its business continuity response which provides assurances and highlights areas for improvements in light of any changes made to its office accommodation and IT infrastructure. The Council's IT disaster recovery arrangements are tested and reviewed.
84. The Council constantly monitors its IT Security, Data Protection and systems resilience. A failure in compliance could result in access denial to key electronic public sector information resources. The Council has adopted a Data Protection guide and an 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.
85. Business continuity contingency and recovery plans are actively maintained by the Council. Important IT systems and data are backed up continually to an off site facility. IT security is also taken seriously. There are at least two external IT network penetrations tests conducted each year and a Public Sector Network Code of Connection compliance test schedule and certification completed every year.

Action: To review the disaster recovery and business continuity arrangements.

4.10 REVIEW OF AUDIT COMMITTEE

86. The Audit Committee undertakes the core functions of an audit committee as set out in CIPFA's Audit Committees – Practical Guidance for Local Authorities and Police (2013).

The Audit Committee produced its annual report for 2015/2016 which was presented to Council at the July 2016 meeting.

4.11 REVIEW OF OVERVIEW AND SCRUTINY COMMITTEE

87. The Overview and Scrutiny Committees continue to help develop Council policy and review performance in meeting Council objectives, and holds the Executive to account for its decisions.

4.12 REVIEW OF MEMBERS' CODE OF CONDUCT

88. A new code of conduct came into effect on 2014. The Council agreed that the Standards Panel would assume responsibility for dealing with code of conduct and complaints in relation to Councillors. As the need arises, officers have delivered briefings and advice on the code to district and parish and town Councillors as well as to parish and town clerks.

89. The Councils Monitoring Officer decides what action to take on complaints against Councillors. The monitoring officer referred relevant cases to the Standards Committee. The Standards Panel met twice during the year.

4.13 EXTERNAL SOURCES OF ASSURANCE ON THE GOVERNANCE FRAMEWORK

90. Issues raised by Waverley's external auditor, and other external inspectors are used to identify improvement areas in governance arrangements. Grant Thornton was appointed as the Council's external auditor from 1 April 2010 and continues until 31 March 2019.

91. The Council prepares its accounts under International Financial Reporting Standards and Grant Thornton issued an unqualified opinion on the Council's 2014/15 financial statements in September 2015.

CERTIFICATION OF ANNUAL CLAIMS

92. In March 2016, the Audit Committee considered the annual certification report 2014/15 from the Council's external auditor, Grant Thornton. This looked at the sums the Council claimed from the government in grants and subsidies and checked whether the Council had correctly accounted for these in its returns to government. Grant Thornton had certified Housing Benefit subsidy claim worth £30.5m. A qualification letter was issued on 30 November 2015 in respect of this claim covering a small element amounting to £4,165. The Department for Work and Pensions has confirmed that there is no adjustment required.

LOCAL GOVERNMENT OMBUDSMAN

93. 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:

- 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.

94. During the year there were in total 467 complaints received across all three stages including the Ombudsman. Of this 69 were at level three and Ombudsman.
95. The Local Government Ombudsman provides summary information on complaints about the Council to enable it to incorporate any feedback into service improvement.
96. At its meeting in January 2016, the Corporate Overview and Scrutiny Committee considered the Ombudsman’s letter for the period 1 April 2014 to 31 March 2015. During 2014/15 the Local Government Ombudsman determined 21 complaints and found no evidence of maladministration by the Council. The Housing Ombudsman investigate one complaint by a tenant and it resolved that Waverley Borough Council had provided all the necessary information to the tenant, although as there was a delay in providing the solution a compensatory payment of £100 was agreed by both parties.

5 PRODUCTION OF THE ANNUAL GOVERNANCE STATEMENT

97. 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:
 - **Directors and Heads of Service** – Throughout the year the Directors and Heads of Service 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 Annual Governance Statement.
 - **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 SIGNIFICANT GOVERNANCE ISSUES

98. 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. Where these have been identified, they are included as actions under the respective topic.

7 LEVEL OF ASSURANCE

99. 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.

8 CERTIFICATION

100. 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 actions 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 – 13/09/2016

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). The report also includes an update on the next National Fraud Initiative.

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 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 residual funding from 2015-16. The Surrey Counter Fraud Partnership membership has now increased to 8 Surrey councils and other social housing providers attend relevant sub groups. The funding enabled Waverley to obtain the services of an experienced Fraud Investigator 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 Quarter 1, 30 June 2016. Audit Committee were previously provided with an update in 21 June to the end of Quarter 4 (30/03/2016). Results are collated and provided to Surrey County Council to enable these to be cascade to the Surrey Treasurers and used for publicising the partnerships successes.
3. In this period, results include 4 properties relinquished, and have been made available to be re-let to tenants on our waiting list. This was due to either the properties not being occupied by the tenant in accordance with the Tenancy Agreements terms and conditions, or the tenancy was originally obtained by providing inaccurate information, therefore fraudulently obtaining the tenancy. Three housing register applications have been refused as the information provided on the application did not reflect the true circumstances. One Right to Buy application was withdrawn as the information provided on the applications did not reflect the true circumstances of the applicant's situation that subsequently resulted in the tenant decision to relinquish the tenancy rather than going through prosecution proceedings.
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 progress.

Conclusion

5. The Fraud Investigation officer supported by the Internal Audit Client Manager will continue to investigate the cases reported and introduce enhancements to 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 for Quarter 1 of 2016-17, is currently £225,000 based on Audit Commission notional figures. However, these notional figures do not include the real value to Waverley Borough Council, 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 the investigation activities have resulted in savings of £800,000, not being required to replace these properties. These outcomes not only highlights the fundamental financial value of continuing to support the work being carried out but the ethical importance to ensure that only those that qualify for social housing are successful, and by securing the return of properties back into housing stock helps Waverley to meet the needs of legitimate housing applicants.

7. In support of the fight against fraud the authority will again participate in the National Fraud Initiative in the autumn of 2016. This allows key datasets of information to be data matched with other data contributor's including other local authorities, insurance companies and pension providers. This will assist in identifying data anomalies that require investigation to ensure fraudulent practices are not in operation. A progress report will be provided to the Audit Committee as work commences with this exercise after the NFI matches are provided.

Recommendation

That the Audit Committee notes:-

1. the success of the investigation activity and continues to support the work being completed to safeguard Waverley's assets and ensuring that only those that are legitimately eligible to receive our services are successful; and
2. the Council's participation in the National Fraud Initiative to assist in identifying fraudulent activities.

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

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| | A | B | C | D | E | F | G | H | I | J | K | L | M | N | |
|----|--|----------|--|---------------------------------------|------------------------|-----------------------|---------------------------|--|------------------------------------|-----------------------------------|--|-----------------|--------------|-----------------|--|
| 1 | Name of Partner | Waverley | Record of cases Investigation in the period covering 01 April 2016 - 30th June 2016 | | | | | | | | | | | | |
| 2 | Quarter | 1 | | | | | | | | | | | | | |
| 3 | | | | | | | | | | | | | | | |
| 4 | | | Cases still being investigated from previous year | Referrals received since 1 April 2016 | Investigations Started | Investigations closed | Still under investigation | Positive outcomes includes 2015-16 cases | Properties retained by the Council | Properties Handed Back /Recovered | Housing / Homeless/RTB / Succession/Mutual Exchange/Shared ownership application withdrawn | Financial Value | Prosecutions | Other sanctions | |
| 5 | Housing | | | | | | | | | | | | | | |
| 6 | Social housing Fraud | 13 | 10 | 5 | 12 | 5 | 3 | 3 | 3 | | | 54,000 | | | |
| 7 | Housing Register Fraud | 3 | 8 | 8 | 8 | 3 | 3 | | | | Housing Application Rejected | 54,000 | | | |
| 8 | Homelessness Applications | | | | | | | | | | | | | | |
| 9 | Right To Buy/Right To Acquire | 9 | 16 | 16 | 14 | 11 | 1 | 1 | 1 | | Right to Buy and Tenancy Relinquished | 95,900 | | | |
| 10 | Shared ownership | | | | | | | | | | | | | | |
| 11 | Mutual Exchange | 6 | 12 | 18 | 17 | 1 | | | | | Mutual Exchange denied/rejected | | | | |
| 12 | Successions | 0 | 6 | 6 | 6 | | 1 | | | | Succession denied | 18,000 | | | |
| 13 | Council Tax Discount | | | | | | | | | | | | | | |
| 14 | SPD & LCTRS | 0 | 2 | 2 | 2 | | 5 | | | | | 3,167 | | | |
| 15 | Student Exemptions | | | | | | | | | | | | | | |
| 16 | Disability | | | | | | | | | | | | | | |
| 17 | | | | | | | | | | | | | | | |
| 18 | Council Tax Support (benefit) | | | | | | | | | | | | | | |
| 19 | | | | | | | | | | | | | | | |
| 20 | Business rates | | | | | | | | | | | | | | |
| 21 | | | | | | | | | | | | | | | |
| 22 | Other | | | | | | | | | | | | | | |
| 23 | | 31 | 54 | 55 | 59 | 20 | 13 | 4 | 4 | | | 225,067 | 0 | 0 | |
| 24 | | | | | | | | | | | | | | | |
| 25 | | | | | | | | | | | | | | | |
| 26 | | | | | | | | | | | | | | | |
| 27 | Value of financial savings | | | | | | | | | | | | | | |
| 28 | Tenancy Recovered £18,000 (Audit Commission notional figure) | | | | | | | | | | | | | | |
| 29 | Housing/Homeless Applicant withdrawn £18,000 (as above) | | | | | | | | | | | | | | |
| 30 | Right To Buy/Right To Acquire withdrawn/terminated Value of individual amount of discount offered by Housing provider | | | | | | | | | | | | | | |
| 31 | - (max discount £77,900) | | | | | | | | | | | | | | |
| 32 | Council Tax Discount £405 per case (25% discount on avge band C property) | | | | | | | | | | | | | | |
| 33 | Council Tax Support - actual figure per case based on amount of CTS added back to account from effective date of change to end of current financial year. | | | | | | | | | | | | | | |
| 34 | Business Rates - actual figure per case | | | | | | | | | | | | | | |
| 35 | | | | | | | | | | | | | | | |
| 36 | Resources utilised to investigate - 1 full time officer, approx £60,000 per year including on costs (£15K per quarter) | | | | | | | | | | | | | | |
| 37 | | | | | | | | | | | | | | | |
| 38 | | | | | | | | | | | | | | | |

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The Bequest of Joseph Ewart Report and Financial Statements Year ended 31 March 2016

The Charity's Accounts are detailed below and comprise:

- **The Trustees Annual Report**
- **Accounting Policies**
- **Statement of Financial Activity** – showing incoming resources and resources expended.
- **Balance Sheet** – showing assets and liabilities.
- **Notes to the Accounts**

The Trustees' Annual Report

The Trustees present their report together with the Annual Accounts for the financial year ending 31 March 2016.

The annual report and accounts for the year ended 31 March 2016 have been prepared by the Trustee in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard for Smaller Entities published on 16 July 2014, the Financial Reporting Standard for Smaller Entities (FRSSE), and the Charities Act 2011 and UK Generally Accepted Practice as it applies from 1 January 2015. The Trustees have also complied with the duty in section 4 of the Charities Act 2011 to have due regard to public benefit guidance published by the Charities Commission.

Charity name: Bequest of Joseph Ewart

Charity number: 237580

Principal Office: Waverley Borough Council
The Burys
Godalming
Surrey
GU7 1HR

Name of Trustees: Waverley Borough Council
(address as above)
Contact: Mr G Clark

Bank details: The Trust currently uses the Bank Account of Waverley Borough Council.
HSBC Bank plc
110 High Street
Godalming
Surrey
GU7 1DP

Independent Examiner: Grant Thornton UK LLP
Grant Thornton House
Melton Street
Euston Square
London
NW1 2EP

Structure, governance and management:

The governing document is the last will of the late Joseph Ewart. The former Farnham Urban District Council inherited the bulk of the estate of the late Joseph Ewart in 1958. The monies were left in trust for the purchase of a piece of land in or near Farnham, the building and the subsequent maintenance of small dwellings suitable for elderly people of limited financial resources. In 2000/2001, following approval given by the Charity Commission, the Bequest financed the construction of a further three bungalows in Farnham, to provide additional accommodation on the same terms as the original Bequest. The three new bungalows were completed at the beginning of 2001/2002 and were originally reflected in the Balance Sheet at the construction cost, however, since then the District Valuer has revalued the properties and the revaluations are reflected in the accounts below.

Waverley Borough Council is sole trustee of the Trust. The last will of the late Joseph Ewart made the original Bequest to the former Farnham Urban District Council. Following the Local Government reorganisation in 1974, the Farnham Urban District Council was merged, together with several other district councils, to form Waverley Borough Council. Waverley Borough Council then became Trustee of the Ewart Bequest and fulfils its duty by ensuring that funds are spent in accordance with the terms of the Bequest.

Decision taking: The day-to-day business of the Trust is the maintenance of the dwellings. This does not require decisions to be taken but in the event that a decision has to be made a report is taken to a Council meeting of Waverley Borough Council in its capacity as trustee. Approval is also sought from the Charity Commission. This is to ensure the proposed decision is appropriate.

Risk Exposure: Consideration has been given to the major risks to which the Trust is exposed. In the event that the Ewart Bequest falls into difficulty it is reasonable to assume that Waverley Borough Council would step in to resolve the situation in line with its corporate priority of 'Affordable Housing'.

Aims and Objectives of the Charity for the public benefit:

The objectives of the Trust are the provision of small bungalow cottages suitable as homes for the elderly people with limited financial resources who have lived in the former Farnham Urban District area for at least five years.

In line with the requirement to report on the charity's public benefit, the Trustees have considered the Charities Commission guidance on public benefit including the guidance on geographical restrictions and restrictions based on charitable need. The restrictions imposed by the

governing document and aims and objectives of the charity are deemed reasonable as they address a charitable need.

Achievements and Performance: The dwellings were maintained so as to be fit for purpose as set out in the aims and objectives.

Expenditure totalled £100,854 (excluding depreciation) against income of £181,166. The surplus of £80,312 was transferred to the Unrestricted Funds Account, which remains in surplus.

Reserves Policy: The Trust will maintain a reasonable level of reserves, which will be used entirely in the execution of its aims and objectives.

Plans for the future: For the continued provision of dwellings as set out in the last will of the late Joseph Ewart.

Graeme Clark
Director of Finance and Resources and Section 151 Officer of Waverley Borough Council

Date:

Trustee's Responsibilities Statement

The trustee is responsible for preparing the Trustee's Annual Report and the financial statements in accordance with applicable law and regulations.

The Charities Act 2015 requires the trustee to prepare financial statements for each financial year. The trustee has to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The trustee must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charity and of the incoming resources and application of resources, including the income and expenditure, of the charity for that period. In preparing these financial statements, the trustee is required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.

The trustee is responsible for keeping adequate accounting records that are sufficient to show and explain the charity's transactions and disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Charities Act 2015, the Charity (Accounts and Reports) Regulations and the provisions of the trust deed. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The trustee confirms that:

- so far as the trustee is aware, there is no relevant audit information of which the charity's auditor is unaware; and
- the trustee has taken all the steps that they ought to have taken as a trustee in order to make themselves aware of any relevant audit information and to establish that the charity's auditor is aware of that information.

The trustee is responsible for the maintenance and integrity of the corporate and financial information included on the charity's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement of Main Accounting Policies

1. General Principles

The financial statements summarise the Ewart Bequest Trust's transactions for the 2015/2016 financial year and its position at the year-end on 31 March 2016. The Accounts have been prepared in accordance with the *Accounting and Reporting by Charities: Statement of Recommended Practice* (the SORP 2005), applicable accounting standards and the Charities Act 2015. The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets.

No material uncertainties that may cast significant doubt about the ability of the entity to continue as a going concern have been identified by the trustee, therefore, the entity is expected to continue as a going concern for at least 12 months from the balance sheet date.

2. Funds Structure

The Charity has two funds, which are:

- Unrestricted Funds – these are funds which are available to the trustees to apply for the general purposes of the charity as set out in its governing document. These are 'general funds' which are free to be used for any of the charity's purposes.
- Endowment Funds – these are held on trust to be retained for the benefit of the charity as a capital fund. This fund is formed from the initial gift and any subsequent increases or decreases.

The Endowment Funds of this charity are classed as Permanent Endowment Funds as the trustees must maintain the whole of the fund. The Endowment Funds comprise the monies left in trust from the last will of the late Joseph Ewart in 1958 and the subsequent dwellings built which form the fixed assets of the charity.

The analysis of the Charitable Funds is disclosed in note 7 on page 12.

3. Incoming Resources

Activity is accounted for in the year that it takes place, not simply when cash is received. Where income has been recognised, but cash has not been received, a debtor for the relevant amount is recorded in the balance sheet.

Where the amount of an item of income relating to the financial year is not known at the 31 March, estimation techniques are applied to ensure that the accounts reflect the most likely position.

The following income is received:

- Investment income – the Ewart Bequest Trust uses Waverley Borough Council's bank account. Interest is calculated on the working balance

according to the interest rates obtained on Waverley's investments. Interest earned for the year is credited at the year-end to the Ewart Bequest Trust.

- Rental Income – received from the residents residing in the Trust's dwellings.

4. Resources Expended

Activity is accounted for in the year that it takes place, not simply when cash payments are made. Where expenditure has been recognised, but the payment not made, a creditor for the relevant amount is recorded in the balance sheet.

Where the amount of an item of expenditure relating to the financial year is not known at the 31 March, estimation techniques are applied to ensure that the accounts reflect the most likely position.

- Premises costs – these comprise mainly the cost of up keep of the dwellings.
- The costs of administration is the charge from Waverley Borough Council for support services.

5. VAT

Irrecoverable VAT is charged to the category of resources expended to which it was incurred.

6. Tangible Fixed Assets

Tangible fixed assets have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis.

Recognition: Expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis provided that it yields benefits for more than one financial year. Expenditure that secures but does not extend the previously assessed standard of performance of assets (eg repairs and maintenance) is charged to revenue as it is incurred.

The de minimis level for the recognition of fixed assets is £10,000 for land and buildings.

Measurement: Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the balance sheet using the following measurement bases:

- land and buildings – lower of net current replacement cost or net realisable value in existing use

Assets included in the balance sheet at current value are revalued where there have been material changes in the value, but as a minimum every five years.

Impairment: following a revaluation, a reduction in value is regarded as additional depreciation and included in the Resources Expended section of the Statement of Financial Activities.

Depreciation: depreciation is provided for on all assets with a determinable finite life by allocating the value of the asset in the balance sheet over the periods expected to benefit from their use. It is accounted for in the Resources Expended section of the Statement of Financial Activities.

Depreciation is calculated on the following bases:

- buildings – straight-line allocation over the life of the property as estimated by the valuer

Newly acquired/enhanced assets receive a full depreciation charge in their first year, regardless of the precise timing of the expenditure. Assets disposed of receive no depreciation charge in the year of disposal. Where an asset has major components with different estimated useful lives, these are depreciated separately.

Following a revaluation, a full year of depreciation is charged in the year of revaluation.

Waverley Borough Council as Trustee of the Ewart Bequest

Statement of Financial Activities

| 2014/2015 | | Unrestricted Funds £'000 | 2015/2016 Endowment Funds £'000 | Total Funds £'000 |
|----------------|--|--------------------------------|--|-------------------------|
| £'000 | | | | |
| | Incoming Resources | | | |
| | Incoming Resources from generated funds | | | |
| (7) | Investment Income (Interest on cash balance) | (9) | | (9) |
| (97) | Rental Income | (98) | | (98) |
| (82) | Benefits Subsidy | (74) | | (74) |
| (186) | Total Incoming Resources | (181) | 0 | (181) |
| | Resources Expended | | | |
| | Charitable activities | | | |
| 11 | Premises (Building Maintenance) | 17 | | 17 |
| 2 | Audit Fee | 2 | | 2 |
| 73 | Benefits paid | 72 | | 72 |
| 9 | Support Costs | 10 | | 10 |
| (109) | Depreciation and Revaluations | | 36 | 36 |
| (14) | Total Resources Expended | 101 | 36 | 137 |
| (200) | Net incoming/outgoing resources | (80) | 36 | (44) |
| | Other Recognised Gains | | | |
| (254) | Gains on the revaluation of fixed assets | | 0 | 0 |
| (454) | Net Movement in Funds | (80) | 36 | (44) |
| | Reconciliation of Funds | | | |
| (2,223) | Funds brought forward as at 1 April 2015 | (1,103) | (1,574) | (2,677) |
| (454) | Net Movement in Funds | (80) | 36 | (44) |
| (2,677) | Funds carried forward as at 31 March 2016 | (1,183) | (1,538) | (2,721) |

Balance Sheet as at 31 March 2016

The assets in this Balance Sheet comprise 16 dwellings in College Gardens, Farnham and 3 dwellings in Arthur Road, Farnham.

| 31 March 2015 | | 31 March 2016 | | Total |
|----------------------|--|--------------------------------|-----------------------------|----------------------|
| £'000 | | Unrestricted Funds £'000 | Endowment Funds £'000 | £'000 |
| | Tangible Fixed Assets | | | |
| 1,574 | Other Land and Buildings - Trust dwellings | | 1,538 | 1,538 |
| | Current Assets | | | |
| 1,103 | Deposits with Waverley Borough Council | 1,186 | | 1,186 |
| | Less: Current Liabilities | | | |
| 0 | Creditors & Receipts in Advance | (3) | | (3) |
| <hr/> 1,103 | Net Current Assets | <hr/> 1,183 | <hr/> 0 | <hr/> 1,183 |
| <hr/> 2,677 | Total Assets less Current Liabilities | <hr/> 1,183 | <hr/> 1,538 | <hr/> 2,721 |
| | The Funds of the Charity: | | | |
| (1,103) | Unrestricted Funds | (1,183) | | (1,183) |
| (1,574) | Endowment Funds | | (1,538) | (1,538) |
| <hr/> (2,677) | Total Charity Funds | <hr/> (1,183) | <hr/> (1,538) | <hr/> (2,721) |

The notes on pages 10 to 12 form part of these accounts

Graeme Clark
Director of Finance and Resources and Section 151 Officer of Waverley Borough Council

Date:

Notes to the Financial Statements

1. Related Party Transactions

Disclosure is required of any transactions which the Trust or any institution connected with it has entered into with a related party. Such transactions might inhibit the charity from pursuing its own separate interests.

Transparency is important to ensure the reported financial position and results do not include transactions influenced by interests other than the Trusts.

Waverley Borough Council is sole trustee of the Trust and, therefore, the only related party. As trustee, Waverley Borough Council conducts the business of the Trust in accordance with the terms of the Bequest. It does this through its own finance system and bank account.

2. Officers' and Trustees Emoluments

There are no employees with emoluments over £60,000 charged to the Ewart Bequest Trust in 2015/2016.

No remuneration was paid to Trustees or persons connected with the Trustees.

3. Audit Costs

Audit fees are paid in arrears, the fees for the review of the 2015/2016 Accounts will be charged to 2016/2017.

The Ewart Bequest Trust incurred the following fees relating to external audit:

| 2014/2015 | | 2015/2016 |
|---------------|---------------------|---------------|
| £ | | £ |
| 2,000 | External Audit Fees | 2,000 |
| £2,000 | | £2,000 |

4. Fixed Assets

Movement on Fixed Assets

| Operational Assets | Other Land and Buildings £'000 |
|--|---|
| Cost or Valuation | |
| At 1 April 2015 | 1,609 |
| At 31 March 2016 | 1,609 |
| Depreciation and Impairments | |
| At 1 April 2015 | (35) |
| Charge for 2015/2016 | (36) |
| At 31 March 2016 | (71) |
| Balance Sheet amount at 31 March 2016 | 1,538 |
| Balance Sheet amount at 31 March 2015 | 1,574 |

Depreciation Methods used

Land and Buildings

Depreciation on buildings has been calculated on a straight-line basis using asset lives estimated by Waverley Borough Council's Estates and Valuation Manager.

5. Valuation Information

The valuation of the Council's assets:

Land and Buildings

The land and buildings were valued by Waverley's Estates and Valuation Manager, Gary Streets MRICS, in accordance with the Royal Institute of Chartered Surveyors (RICS) Statement of Asset Valuation Practice and Guidance Notes (Red Book) as supplemented by the Manual of Valuation (White Book). The land and buildings are valued at the lower of net current replacement cost or net realisable value in existing use. The de minimis level for land and buildings has been set at £10,000.

6. Creditors

| 31 March 2015 Closing Balance £'000 | | 31 March 2016 Closing Balance £'000 |
|--|---------------------------|--|
| 0 | Trade Creditors | (3) |
| <u>0</u> | Total of Creditors | <u>(3)</u> |

6. Analysis of Charitable Funds

| | 1 April 2015 Opening Balance £'000 | Incoming Resources £'000 | Resources Expended £'000 | 31 March 2016 Closing Balance £'000 |
|--------------------|---|--------------------------------|--------------------------------|--|
| Unrestricted Funds | 1,103 | 181 | (101) | 1,183 |
| Endowment Funds | 1,574 | 0 | (36) | 1,538 |
| | <u>2,677</u> | <u>181</u> | <u>(137)</u> | <u>2,721</u> |

7. Approval of Accounts

The Accounts were approved by Graeme Clark, Director of Finance and Resources and Section 151 Officer, of Waverley Borough Council on2016.

Shottermill Recreation Ground Trust

Report and Financial Statements

Year ended 31 March 2016

The Charity's Accounts are detailed below and comprise:

- **The Trustee's Annual Report**
- **Accounting Policies**
- **Statement of Financial Activity** – showing incoming resources and resources expended.
- **Balance Sheet** – showing assets and liabilities.
- **Notes to the Accounts**

The Trustee's Annual Report

The Trustee presents its report together with the Annual Accounts for the financial year ending 31 March 2016.

The annual report and accounts for the year ended 31 March 2016 have been prepared by the Trustee in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard for Smaller Entities published on 16 July 2014, the Financial Reporting Standard for Smaller Entities (FRSSE), and the Charities Act 2011 and UK Generally Accepted Practice as it applies from 1 January 2015. The Trustees have also complied with the duty in section 4 of the Charities Act 2011 to have due regard to public benefit guidance published by the Charities Commission.

Charity name: Shottermill Recreation Ground Trust
(working name: Haslemere Leisure Centre)

Charity number: 305060

Principal Office: Waverley Borough Council
The Burys
Godalming
Surrey
GU7 1HR

Name of Trustee: Waverley Borough Council
(address as above)
Contact: Mr G Clark

Bank details: The Trust currently uses the Bank Account of Waverley Borough Council.
HSBC Bank plc
110 High Street
Godalming
Surrey
GU7 1DP

Independent Examiner: Grant Thornton UK LLP
Grant Thornton House
Melton Street
Euston Square
London
NW1 2EP

Structure, governance and management:

The Governing Document is the Declaration of Trust dated 5 November 1909 and Conveyance dated 18 July 1946. These documents refer to the former Haslemere Urban District Council as Trustee. Following the Local Government reorganisation in 1974, the Haslemere Urban District Council was merged, together with several other district councils, to form Waverley Borough Council. Waverley Borough Council was the owner of the land on which the original leisure facility was situated subject to the Declaration of Trust of 1909. This Declaration of Trust provided that the land was to be held for recreational purposes for the benefit of the people of Shottermill and its immediate neighbourhood.

Following the need for extensive repairs to the leisure facility on the original site, it was concluded that the only means of funding a new leisure facility was to sell the original site for redevelopment and, with the proceeds of sale, to acquire land and build a new leisure facility. The sale was effected under the provisions of the Charities Act 1993 and was completed on 20 December 1996. In accordance with the provisions of the Trust, the money raised was applied to the provision of a new leisure facility (Haslemere Leisure Centre) on the 'Kings Road Site' which is within a one-mile radius of the original leisure facility.

During 2014/2015 the leisure centre was refurbished at a cost of some £3.8 million. Grant funding of £392,000 was received by Waverley Borough Council from Sport England towards the costs, the Trust contributed £205,000 and the remainder was paid for by Waverley Borough Council.

Waverley Borough Council is the sole Trustee of the Trust. Haslemere Leisure Centre was opened during 1998/1999 and the management of the leisure centre is wholly contracted out. The accounts shown below represent the costs of the Council as trustee in its capacity as a client of the management contractors.

Decision Taking: In the event that a key decision needs to be taken a meeting will be called of Waverley Borough Council in its capacity of Trustee and will comprise the full Council members.

Risk Exposure: Consideration has been given to the major risks to which the Trust is exposed. The legal rights and obligations of the Council are confined to its position as trustee, however, the Haslemere Leisure Centre is an important part of the Council's Leisure Strategy and it is reasonable to assume that the Council would step in to cover it should it fall into difficulties.

Trustee Training: Any training requirements identified for the Trustee will be provided as the need arises.

Aims and Objectives of the Charity for the public benefit:

The objectives of the Trust are the provision of recreation facilities for the area of Shottermill, Haslemere, Surrey which were successfully achieved during the financial year.

In line with the requirement to report on the charity's public benefit, the Trustees have considered the Charities Commission's guidance on public benefit including the guidance on geographical restrictions and access to facilities.

In accordance with the governing document and aims and objectives of the charity, the beneficiaries are the people of Shottermill and the immediate neighbourhood. This is considered reasonable as a geographical and catchment area for a recreational facility.

The Trust complies with the requirements of The Disability Discrimination Act in ensuring that the facility is accessible by all.

Achievements and Performance: The Trust achieved its objectives by the provision of a leisure centre run on behalf of the Trust by DC Leisure to the benefit of those set out in the governing document.

Financial Review: Expenditure totalled £147,300 (excluding Depreciation of £243k) against income of £145,717. The deficit of £1,583 was met from the Unrestricted Funds Account, which remains in surplus.

Reserves Policy: The Trust will maintain a reasonable level of reserves, which will be used entirely in the execution of its aims and objectives.

Plans for the future: For the continued provision of recreation facilities for the Shottermill area.

Auditor reappointment: The audit of the Trust's annual report and accounts was carried out by Grant Thornton UK LLP for the third year. This was part of a three year contract after which the reappointment of auditors will be subject to review.

Graeme Clark
Director of Finance and Resources and Section 151 Officer of Waverley Borough Council

Date:

Trustee's Responsibilities Statement

The trustee is responsible for preparing the Trustee's Annual Report and the financial statements in accordance with applicable law and regulations.

The Charities Act 2015 requires the trustee to prepare financial statements for each financial year. The trustee has to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The trustee must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charity and of the incoming resources and application of resources, including the income and expenditure, of the charity for that period. In preparing these financial statements, the trustee is required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.

The trustee is responsible for keeping adequate accounting records that are sufficient to show and explain the charity's transactions and disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Charities Act 2015, the Charity (Accounts and Reports) Regulations and the provisions of the trust deed. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The trustee confirms that:

- so far as the trustee is aware, there is no relevant audit information of which the charity's auditor is unaware; and
- the trustee has taken all the steps that they ought to have taken as a trustee in order to make themselves aware of any relevant audit information and to establish that the charity's auditor is aware of that information.

The trustee is responsible for the maintenance and integrity of the corporate and financial information included on the charity's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement of Main Accounting Policies

1. General Principles

The financial statements summarise the Shottermill Recreation Ground Trust's transactions for the 2015/2016 financial year and its position at the year-end on 31 March 2016. The Accounts have been prepared in accordance with the *Accounting and Reporting by Charities: Statement of Recommended Practice* (the SORP 2005), applicable accounting standards and the Charities Act 2015. The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets.

No material uncertainties that may cast significant doubt about the ability of the company to continue as a going concern have been identified by the trustee and a letter of support has been obtained from the charity's parent entity to confirm it may continue as a going concern for at least 12 months from the balance sheet date.

2. Funds Structure

The Charity has two funds, which are:

- Unrestricted Funds – these are funds which are available to the trustees to apply for the general purposes of the charity as set out in its governing document. These are 'general funds' which are free to be used for any of the charity's purposes.
- Endowment Funds – these are held on trust to be retained for the benefit of the charity as a capital fund. This fund is formed from the initial gift and any subsequent increases or decreases.

The Endowment Funds of this charity are classed as Permanent Endowment Funds as the trustees must maintain the whole of the fund. The Endowment Funds comprise the land held for recreation purposes as set out in the governing document and the subsequent building of the current leisure centre, which forms the fixed assets of the charity.

The analysis of the Charitable Funds is disclosed in note 9 on page 12.

3. Incoming Resources

Income is accounted for in the year that the charity is entitled to it, not simply when cash is received. Where income has been recognised, but cash has not been received, a debtor for the relevant amount is recorded in the balance sheet.

Where the amount of an item of income relating to the financial year is not known at the 31 March, estimation techniques are applied to ensure that the accounts reflect the most likely position.

The following income is received:

- Grant from Waverley Borough Council – a transfer of funds is made during the year to the value of grant agreed for the financial year, which is the net of total estimated support costs, energy costs, audit fees and management fee income.

- Investment income – the Shottermill Recreation Ground Trust uses Waverley Borough Council's bank account. Interest is calculated on the working balance according to the interest rates obtained on Waverley's investments. Interest earned for the year is credited at the year-end to the Shottermill Recreation Ground Trust.
- Other incoming resources – spend on the charity's assets by Waverley Borough Council and DC Leisure is included here as assets given for use by the charity. In 2014/2015 the leisure centre was refurbished by Waverley Borough Council, the value of this spend is treated as an incoming resource to the Trust.

4. Resources Expended

Activity is accounted for in the year that it takes place, not simply when cash payments are made. Where expenditure has been recognised, but the payment not made, a creditor for the relevant amount is recorded in the balance sheet.

Where the amount of an item of expenditure relating to the financial year is not known at the 31 March, estimation techniques are applied to ensure that the accounts reflect the most likely position.

Costs of Generating Funds:

- The costs of administration is the charge from Waverley Borough Council for support services.
- The Trust made a contribution towards the refurbishment costs from unrestricted funds in furtherance of the Trust's aims and objectives.

5. VAT

Irrecoverable VAT is charged to the category of resources expended to which it was incurred.

6. Tangible Fixed Assets

Tangible fixed assets have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis.

Recognition: Expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis provided that it yields benefits for more than one financial year. Expenditure that secures but does not extend the previously assessed standard of performance of assets (eg repairs and maintenance) is charged to revenue as it is incurred.

The de minimis level for the recognition of fixed assets is £1,000 for vehicles, plant and equipment and £10,000 for land and buildings.

Measurement: Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the balance sheet using the following measurement bases:

- land and buildings, vehicles, plant and equipment – lower of net current replacement cost or net realisable value in existing use

Assets included in the balance sheet at current value are revalued where there have been material changes in the value, but as a minimum every five years.

Impairment: following a revaluation, a reduction in value is regarded as additional depreciation and included in the Resources Expended section of the Statement of Financial Activities.

Depreciation: depreciation is provided for on all assets with a determinable finite life by allocating the value of the asset in the balance sheet over the periods expected to benefit from their use. It is accounted for in the Resources Expended section of the Statement of Financial Activities.

Depreciation is calculated on the following bases:

- buildings – straight-line allocation over the life of the property as estimated by the valuer
- vehicles, plant and equipment – straight-line allocation over the life of the individual asset as advised by a suitably qualified officer

Newly acquired/enhanced assets receive a full depreciation charge in their first year, regardless of the precise timing of the expenditure. Assets disposed of receive no depreciation charge in the year of disposal. Where an asset has major components with different estimated useful lives, these are depreciated separately.

Following a revaluation, a full year of depreciation is charged in the year of revaluation.

Waverley Borough Council as Trustee of Shottermill Recreation Ground

Statement of Financial Activities

| 2014/2015 | Unrestricted Funds £'000 | 2015/2016 Endowment Funds £'000 | Total Funds £'000 |
|----------------|--|--|-------------------------|
| £'000 | | | |
| | Incoming Resources | | |
| | Incoming Resources from generated funds | | |
| (2) | | (1) | (1) |
| | Investment Income (Interest on cash balance) | | |
| | Incoming resources from charitable activities | | |
| (40) | 0 | | 0 |
| | Grant from Waverley Borough Council | | |
| (16) | (144) | | (144) |
| | Management Fee | | |
| | Other incoming resources | | |
| (3,580) | 0 | | 0 |
| | Assets given for use by the charity | | |
| (5) | 0 | | 0 |
| | Sale of gym equipment | | |
| (3,643) | (145) | 0 | (145) |
| | Total Incoming Resources | | |
| | Resources Expended | | |
| | Charitable activities | | |
| 1 | 7 | | 7 |
| | Fees | | |
| 2 | 5 | | 5 |
| | Audit Fee | | |
| 0 | 91 | | 91 |
| | Management fee | | |
| 36 | 44 | | 44 |
| | Support costs | | |
| 205 | 0 | | 0 |
| | Contribution towards refurbishment | | |
| 2,288 | | 243 | 243 |
| | Depreciation and Impairment | | |
| 2,532 | 147 | 243 | 390 |
| | Total Resources Expended | | |
| (1,111) | 2 | 243 | 245 |
| | Net (incoming)/outgoing resources | | |
| | Other recognised gains/losses | | |
| 515 | | 0 | 0 |
| | (Gains)/losses on revaluation of fixed assets | | |
| (596) | 2 | 243 | 245 |
| | Net Movement in Funds | | |
| | Reconciliation of Funds | | |
| (9,099) | (159) | (9,536) | (9,695) |
| | Funds brought forward as at 1 April 2015 | | |
| (596) | 2 | 243 | 245 |
| | Net Movement in Funds | | |
| (9,695) | (157) | (9,293) | (9,450) |
| | Funds carried forward as at 31 March 2016 | | |

Balance Sheet as at 31 March 2016

The assets in this Balance Sheet comprise Haslemere Leisure centre and its plant and equipment.

| 31 March 2015 | | 31 March 2016 | | Total |
|----------------|--|--------------------------------|-----------------------------|----------------|
| £'000 | | Unrestricted Funds £'000 | Endowment Funds £'000 | £'000 |
| | Fixed Assets | | | |
| 9,163 | Land and Buildings | | 9,008 | 9,008 |
| 373 | Plant and Equipment | | 285 | 285 |
| <u>9,536</u> | Total Fixed Assets | <u>0</u> | <u>9,293</u> | <u>9,293</u> |
| | Current Assets | | | |
| 29 | Debtors | 12 | | 12 |
| 179 | Deposits with Waverley Borough Council | 158 | | 158 |
| <u>208</u> | | <u>170</u> | <u>0</u> | <u>170</u> |
| <u>9,744</u> | Total Assets | <u>170</u> | <u>9,293</u> | <u>9,463</u> |
| | Less: Current Liabilities | | | |
| (49) | Creditors | (13) | | (13) |
| <u>9,695</u> | Total Assets less Current Liabilities | <u>157</u> | <u>9,293</u> | <u>9,450</u> |
| | The Funds of the Charity: | | | |
| (159) | Unrestricted Funds | (157) | | (157) |
| (9,536) | Endowment Funds | | (9,293) | (9,293) |
| | Revaluation Reserve | | 0 | 0 |
| <u>(9,695)</u> | Total Charity Funds | <u>(157)</u> | <u>(9,293)</u> | <u>(9,450)</u> |

The notes on pages 10 to 12 form part of these accounts

Graeme Clark
Director of Finance and Resources and Section 151 Officer of Waverley Borough Council

Date:

Notes to the Financial Statements

1. Related Party Transactions

Disclosure is required of any transactions which the Trust or any institution connected with it has entered into with a related party. Such transactions might inhibit the charity from pursuing its own separate interests.

Transparency is important to ensure the reported financial position and results do not include transactions influenced by interests other than the Trusts.

Waverley Borough Council is sole trustee of the Trust and, therefore, the only related party. The accounts presented represent the costs of the Council as trustee in its capacity as client of the management contractors. The costs go through the Council's own finance system and bank account.

There are no related party transactions as at 31 March 2016.

2. Officers' Emoluments

There are no employees with emoluments over £60,000 charged to the Shottermill Recreation Ground Trust in 2015/2016.

No remuneration was paid to Trustees or persons connected with the Trustees.

3. Support Costs

Support costs are those costs that, whilst necessary to deliver an activity, do not themselves produce or constitute the output of the charitable activity. They cover costs incurred in supporting the governance of the charity as well as the general management, budgeting and accounting & human resources. The staff that support the Trust are paid by Waverley Borough Council and then recharged to the Trust accounts.

| Charitable Activities | | | |
|-----------------------|-----------------------------|-----------|---|
| 2014/2015 | | 2015/2016 | Basis of Allocation |
| £'000 | | £'000 | |
| 20 | Leisure staff support | 23 | The support costs are allocated at the year end |
| 11 | Finance | 15 | on the basis of time spent on the charity. |
| 3 | Legal | 5 | The charge includes overheads. |
| 2 | Information Systems support | 1 | |
| <u>36</u> | Total | <u>44</u> | |

4. Audit Costs

Audit fees are paid in arrears, the fees for the review of the 2015/2016 accounts will be charged to 2016/2017 and will be for an independent review, at a cost of £2,000, due to the value of the incoming resources. The audit fee charged to 2015/2016 related to a full audit of the 2014/2015 accounts.

The Shottermill Recreation Ground Trust paid the following fees relating to external audit:

| 2014/2015 | | 2015/2016 |
|---------------|---------------------|---------------|
| £ | | £ |
| 2,000 | External Audit Fees | 5,000 |
| <u>£2,000</u> | | <u>£5,000</u> |

5. Fixed Assets

Movement on Fixed Assets

| Operational Assets | Other Land and Buildings £'000 | Vehicles, Plant and Equipment £'000 | Total £'000 |
|--|---|--|------------------------|
| Cost or Valuation | | | |
| At 1 April 2015 | 12,334 | 756 | 13,090 |
| At 31 March 2016 | 12,334 | 756 | 13,090 |
| Depreciation and Impairments | | | |
| At 1 April 2015 | (3,171) | (383) | (3,554) |
| Charge for 2015/2016 | (155) | (88) | (243) |
| At 31 March 2016 | (3,326) | (471) | (3,797) |
| Balance Sheet amount at 31 March 2016 | 9,008 | 285 | 9,293 |
| Balance Sheet amount at 31 March 2015 | 9,163 | 373 | 9,536 |

Historical cost of the leisure centre

The historical cost of the leisure centre is shown below, this shows what the value of the leisure centre would have been at 31 March 2016 had it not been revalued.

| | £'000 |
|------------------|--------------|
| Historical cost | 9,000 |
| Depreciation | (1,350) |
| At 31 March 2016 | 7,650 |

Depreciation Methods used

Land and Buildings

Depreciation on buildings has been calculated on a straight-line basis using asset lives estimated by Waverley Borough Council's Estates and Valuation Manager.

Vehicles, Plant and Equipment

Depreciation on vehicles, plant and equipment has been calculated on a straight-line basis using asset lives of between five and ten years, depending on the type of asset.

6. Valuation Information

The valuation of the Council's assets:

Land and Buildings

The land and buildings were valued externally by Waverley's Estates and Valuation Manager, Gary Streets MRICS, in accordance with the Royal Institute of Chartered Surveyors (RICS) Statement of Asset Valuation Practice and Guidance Notes (Red Book) as supplemented by the Manual of Valuation (White Book).

The land and buildings are held at fair value, defined as net current replacement cost.

The de minimis level for land and buildings has been set at £10,000.

Vehicles, Plant and Equipment

The value of vehicles, plant and equipment in the Balance Sheet, reflects their net current replacement value (i.e. what it would cost, at today's prices, to replace the asset in its current condition to perform its current function). The de minimis level for vehicles, plant and equipment is £1,000.

7. Debtors

| 31 March 2015 Closing Balance £'000 | | 31 March 2016 Closing Balance £'000 |
|--|-------------------------|--|
| 29 | Trade Debtors | 12 |
| <u>29</u> | Total of Debtors | <u>12</u> |

8. Creditors

| 31 March 2015 Closing Balance £'000 | | 31 March 2016 Closing Balance £'000 |
|--|---------------------------|--|
| (49) | Trade Creditors | (13) |
| <u>(49)</u> | Total of Creditors | <u>(13)</u> |

9. Analysis of Charitable Funds

| | 1 April 2015 Opening Balance £'000 | Incoming Resources £'000 | Resources Expended £'000 | Asset Revaluations £'000 | 31 March 2016 Closing Balance £'000 |
|---------------------|---|--------------------------------|--------------------------------|--------------------------------|--|
| Unrestricted Funds | 159 | 145 | (147) | 0 | 157 |
| Endowment Funds | 9,536 | 0 | (243) | 0 | 9,293 |
| Revaluation Reserve | 0 | 0 | 0 | 0 | 0 |
| | <u>9,695</u> | <u>145</u> | <u>(390)</u> | <u>0</u> | <u>9,450</u> |

10. Approval of Accounts

The Accounts were approved by Graeme Clark, Director of Finance and Resources and Section 151 Officer, of Waverley Borough Council on 2016.