

To: All Members of the Council

Emma McQuillan, Democratic Services  
Manager

**Policy and Governance**

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Date: 6 October 2017

Dear Councillor

COUNCIL MEETING - TUESDAY, 17 OCTOBER 2017

A MEETING of the WAVERLEY BOROUGH COUNCIL will be held in the COUNCIL CHAMBER, COUNCIL OFFICES, THE BURYS, GODALMING on **TUESDAY, 17 OCTOBER 2017 at 7.00 pm** and you are hereby summoned to attend this meeting.

The Agenda for the Meeting is set out below.

Yours sincerely

ROBIN TAYLOR

Head of Policy and Governance

**This meeting will be webcast and can be viewed by visiting [www.waverley.gov.uk](http://www.waverley.gov.uk)**

### **AGENDA**

1. **MINUTES** (Pages 5 - 6)

To confirm the Minutes of the Council meeting held on 18 July 2017 (herewith).

2. **APOLOGIES FOR ABSENCE**

The Mayor to report apologies for absence.

3. **DECLARATIONS OF INTEREST**

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



4. MAYOR'S ANNOUNCEMENTS

5. QUESTIONS FROM MEMBERS OF THE PUBLIC

To answer any questions from members of the public, received in accordance with Procedure Rule 10.

The deadline for receipt of questions is 5pm on 10 October 2017.

6. QUESTION TIME

To answer any questions received in accordance with Procedure Rule 11.2.

7. MOTIONS

To receive any motions submitted in accordance with Procedure Rule 12.1.

8. MINUTES OF THE EXECUTIVE

To receive the minutes of the meetings of the Executive (coloured grey) held on:-

8.a 5 September 2017 - attached (Pages 7 - 12)

8.b 10 October 2017 - to follow

9. MINUTES OF THE LICENSING AND REGULATORY COMMITTEE (Pages 13 - 16)

To receive the minutes of the meeting of the Licensing and Regulatory Committee held on 25 September 2017 (attached – coloured bright green).

10. MINUTES OF THE STANDARDS PANEL (Pages 17 - 24)

To receive the minutes of the meeting of the Standards Panel held on 3 October 2017 (attached – coloured buff).

11. MINUTES OF THE AUDIT COMMITTEE

To receive the minutes of the meetings of the Audit Committee, attached - coloured lilac, held on:-

11.a 24 July 2017 (Pages 25 - 52)

11.b 26 September 2017 (Pages 53 - 86)

12. AUDIT COMMITTEE MEMBERSHIP

1. Subject to the recommendation to increase the membership of the Audit Committee by one member, set out in the Standards Panel minutes from its meeting on 3 October 2017 earlier on this agenda, the Council is asked to agree the appointment to fill this place.

2. Following the resignation of Cllr Christiaan Hesse from the Audit Committee, the Council is asked to note that Cllr Pat Frost was appointed to fill the place.

*[This action was taken in accordance with the Council's Scheme of Delegation and is reported to the Council for information only].*

13. EXCLUSION OF PRESS AND PUBLIC

To consider the following motion, to be moved by the Mayor, where appropriate:-

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 any matter on this agenda 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 100I of the Act) of the description specified in the appropriate paragraph(s) of the revised Part I of Schedule 12A of the Local Government Act 1972 (to be identified at the meeting).

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# Agenda Item 1.

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MINUTES of the WAVERLEY  
BOROUGH COUNCIL held in  
the Council Chamber, Council  
Offices, The Burys, Godalming  
on 18 July 2017 at 7.00 pm

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## Present

Cllr Simon Inchbald (Mayor)	Cllr Peter Isherwood
Cllr Denise Le Gal (Deputy Mayor)	Cllr Anna James
Cllr Brian Adams	Cllr Carole King
Cllr Mike Band	Cllr Robert Knowles
Cllr Andrew Bolton	Cllr Denis Leigh
Cllr Maurice Byham	Cllr Andy MacLeod
Cllr Kevin Deanus	Cllr Peter Martin
Cllr Jim Edwards	Cllr Tom Martin
Cllr Patricia Ellis	Cllr Stephen Mulliner
Cllr David Else	Cllr Nabeel Nasir
Cllr Jenny Else	Cllr Julia Potts
Cllr Mary Forszyszewski	Cllr Sam Pritchard
Cllr John Fraser	Cllr Wyatt Ramsdale
Cllr Pat Frost	Cllr Stefan Reynolds
Cllr Michael Goodridge	Cllr David Round
Cllr Tony Gordon-Smith	Cllr Richard Seaborne
Cllr John Gray	Cllr Liz Townsend
Cllr Ged Hall	Cllr Bob Upton
Cllr Val Henry	Cllr John Ward
Cllr Stephen Hill	Cllr Ross Welland
Cllr Nicholas Holder	Cllr Liz Wheatley
Cllr David Hunter	Cllr Nick Williams
Cllr Jerry Hyman	Cllr John Williamson

## Apologies

Cllr Carole Cockburn, Cllr Mike Hodge, Cllr Kika Mirylees, Cllr Libby Piper, Cllr Jeanette Stennett, Cllr Stewart Stennett and Cllr Simon Thornton

Prior to the commencement of the meeting, prayers were led by the Reverend Sarah Brough.

[A planned fire drill was carried out during the meeting.]

### 14/16 MINUTES (Agenda item 1.)

The Minutes of the Annual Meeting of the Council held on 9 May 2017 and of the Extraordinary Council Meeting held on 6 June were confirmed and signed, subject to the addition of Cllr Knowles in the list of those present on 6 June 2017.

### 15/16 APOLOGIES FOR ABSENCE (Agenda item 2.)

Apologies for absence were received from Cllrs Carole Cockburn, Mike Hodge, Kika Mirylees, Libby Piper, Jeanette Stennett, Stewart Stennett and Simon Thornton.

16/16 DECLARATIONS OF INTEREST (Agenda item 3.)

Cllr Kevin Deanus declared a non-pecuniary interest in Executive Minute 33 of the meeting held on 11 July 2017, relating to the Springbok Estate. Due to there being no discussion on this item, Cllr Deanus remained in the meeting.

With regard to the Executive minute from the special meeting held earlier on 18 July 2017 relating to the Appointment of the Interim Managing Director, Damian Roberts, Strategic Director for Frontline Services declared a pecuniary interest and left the Chamber for consideration of the item.

17/16 MAYOR'S ANNOUNCEMENTS (Agenda item 4.)

The Mayor informed the Council that following his victory in a recent friendly Go Kart race against the Mayor of Guildford at a recent event at the Surrey Girl Guides HQ in Tilford, he had been challenged in return to a Ten Pin Bowling Match at the Spectrum. The Mayor was seeking volunteers to make up a mixed officer/councillor team of 16.

18/16 MINUTES OF THE EXECUTIVE (Agenda item 8.)

It was moved by the Chairman of the Executive, duly seconded and

RESOLVED that the Minutes of the Executive held on 6 June, 11 July and of the Special Meeting held on 18 July be approved and the recommendations contained therein adopted.

19/16 MINUTES OF THE STANDARDS PANEL (Agenda item 9.)

It was moved by the Chairman of the Panel, duly seconded and

RESOLVED that the Minutes of the Standards Panel held on 6 June 2017 be approved.

20/16 MINUTES OF THE LICENSING AND REGULATORY COMMITTEE (Agenda item 10.)

It was moved by the Chairman of the Committee, duly seconded and

RESOLVED that the Minutes of the Licensing and Regulatory Committee held on 19 June 2017 be approved.

The meeting concluded at 8.01 pm

Mayor

## WAVERLEY BOROUGH COUNCIL

### MINUTES OF THE EXECUTIVE - 5 SEPTEMBER 2017

### SUBMITTED TO THE COUNCIL MEETING – 17 OCTOBER 2017

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

#### **Present**

Cllr Julia Potts (Chairman)	Cllr Jim Edwards
Cllr Tom Martin (Vice Chairman)	Cllr Jenny Else
Cllr Brian Adams	Cllr Ged Hall
Cllr Andrew Bolton	Cllr Chris Storey
Cllr Kevin Deanus	

#### **Apologies**

Cllr Carole King

#### **Also Present**

Councillor Peter Isherwood and Councillor John Williamson

#### 47. MINUTES (Agenda item 1)

The Minutes of the Meeting held on 11 July 2017 and of the Special Meetings held on 18 July and 22 August 2017 were confirmed and signed as a correct record.

#### 48. APOLOGIES FOR ABSENCE (Agenda item 2)

Apologies for absence were received from Cllr Carole King.

#### 49. DECLARATIONS OF INTERESTS (Agenda item 3)

There were no declarations of interest raised under this heading.

#### 50. QUESTIONS FROM MEMBERS OF THE PUBLIC (Agenda item 4)

The Executive received the following questions in accordance with Procedure Rule 10 and the answers are detailed below each question:

##### ***i. from Roger Blishen of Surrey Coalition of Disabled People:***

“You will all be aware of The Secretary of State for Health - Jeremy Hunt MP and The Secretary of State for Work and Pensions - Damien Green MP’s joint “Work, Health, And Disability Green Paper”, and the joint “Ministers’ Statement” therein. This Green Paper was created following the results of an Open Consultation.

As you should be aware many Disabled People have to exist on very low incomes and/or have considerable mobility, dexterity, and other associated difficulties in their daily lives. Therefore WBC’s proposals for making Blue Badge Holders’ pay parking charges will dramatically reduce their chances of achieving the paid work both these Cabinet Ministers so clearly espouse and champion, as it will clearly effect their mobility.

WBC's proposals are diametrically opposite to what both of these Senior Cabinet Ministers are striving to achieve, so must be strongly opposed before they create ever more problems for Disabled People both seeking work and going – with some difficulties – about their daily lives. Anyone using a wheelchair in a car park is at personal risk from drivers travelling too fast there looking for spaces rather than noticing wheelchair users. There have been many near misses there. Also there is rarely enough space for wheelchair users to get between parked cars.

I therefore oppose WBC's intention of charging any Disabled Person for Parking in their car parks and ask if you could please advise which Benefits will entitle some Disabled People to be exempt from these proposed parking charges as just advised on the BBC News?"

*Reply:*

*In bringing forward the proposals for charging as part of an extremely challenging budget process the Council has recognised that, whilst the possession of a Blue Badge is not in itself an indication of financial hardship, there would be many Blue Badge holders who have to exist on low incomes or have mobility, dexterity and other difficulties. It was in recognition of this that the free permit scheme for those in receipt of income related benefits or in receipt of a range of mobility benefits was proposed. Following further consultation the report to the Executive proposes extending the criteria to cover a wider range of mobility benefits to ensure those with significantly restricted mobility are not disadvantaged.*

**ii. from Mrs Angie Welch:**

"I use the South Street Car Park in Godalming at least twice a week as I help out at the Godalming Hub on High Street as a volunteer. If parking charges are introduced for blue badge holders what action will be taken to ensure that I would be able to use the payment machines since apart from difficulties accessing the payment machines I am in a wheelchair and find the buttons too high to press? In addition the location of the payment machine is in a relatively dangerous position near the entrance".

*Reply:*

*The Council has recognised that the pay and display machines need to be more accessible and the report recommends modifications to the areas around them to make access easier. Most Waverley residents who need to make use of a wheelchair would be likely to qualify for a free permit so would not need to pay. The Council is however already introducing a range of payment options including pay by phone, credit card, apple pay and contactless payments in addition to cash to make payment easier and the report is also recommending giving an additional hour free for those displaying a Blue Badge in recognition of the extra time it takes for those with disabilities to perform daily tasks.*

**iii. from Amanda Clegg of Milford:**

"How was estimated revenue of £75,000 from introducing parking charges for blue badge holders calculated and has this figure been revised due to decision to increase eligibility for permits and costs of modifications to payment machines? In



particular was there any deterrence factor arising from charging being introduced or was it assumed that all existing blue badge holders would continue to park in Waverley car parks after charges were introduced”.

*Reply:*

*The estimate was based on the number of disabled parking bays provided in Waverley car parks and the average occupancy rates less an allowance for behavioural change. The estimated revenue figure has been revised in the light of the proposed changes to the scheme and is now £50,000 per annum. The cost of making the pay and display machines more accessible and to provide additional signage is a one off amount of £16,000.*

### **PART I - RECOMMENDATIONS TO THE COUNCIL**

There were no matters falling within this category.

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

The background papers relating to the following items are as set out in the reports included in the original agenda papers.

51. **BLUE BADGE PARKING CHARGES - CONSULTATION FEEDBACK** (Agenda item 5)

RESOLVED that

1. standard parking charges for Blue Badge Holders will apply in all Waverley-owned car parks, in conjunction with the free permit scheme referred to in paragraph 3 of the report;
2. the kerbs nearest to pay and display machines be modified to provide improved access, additional signage be provided close to disabled bays with details of the pay-by-phone service, and further alternative payment options will continue to be explored;
3. an hour of free parking be introduced when purchasing a ticket for Blue Badge Holders; and
4. criteria for the free permit scheme for Blue Badge Holders will include the lower and higher rate of Attendance Allowance in addition to the higher rate of Personal Independence Payment and the higher rate of Disability Living Allowance, and any income-related benefit.

*[Reason: to identify the key themes arising from the consultation feedback and agreeing how these should be addressed]*

52. **BUDGET MANAGEMENT REPORT** (Agenda item 6)

RESOLVED that

1. the latest position against the budget in 2017/18 be noted;

2. a further supplementary estimate be approved for the cost of two planning inquiries, as detailed in paragraph 6 of the report;
3. discretionary 20% business rates relief be awarded to Catalyst until 2019/20, as detailed in paragraph 12(i);
4. discretionary 20% business rates relief be awarded to the Maltings venue and Farnham Museum rated sites until 2019/20, as detailed in paragraph 12(ii);
5. carry forwards as detailed in paragraph 16 be approved; and
6. virements be approved, as detailed in paragraphs 23 to 26 and 34 of the report.

*[Reason: to review the budget and make any variations as necessary]*

53. TREASURY MANAGEMENT ACTIVITY TO DATE IN 2017/18 AND 2016/17 PERFORMANCE (Agenda item 7)

RESOLVED that the investment activity and performance in 2016/17 and to date in 2017/18 be noted, and the current approach be endorsed.

*[Reason: to summarise the Council's treasury management investment activity]*

54. FUNDING TO VOLUNTARY SECTOR ORGANISATIONS - SERVICE LEVEL AGREEMENTS 2018/19 TO 2020/21 (Agenda item 8)

RESOLVED that

1. the review process and timetable be confirmed;
2. utilising Waverley's forthcoming SLA process to assess how best to allocate the Council's remaining Waverley Voluntary Commissioning Partnership funding; £42,770 within the currently funded organisations be approved;
3. the establishment of an Executive Panel to review the Service Level Agreements and propose allocations be approved;
4. a review of the Service Level Agreements and their outcomes to ensure they are in line with the Council's emerging future strategy be approved; and
5. delegated authority be given to the Head of Community Services in consultation with the Portfolio Holder for Economic Development and Grants to agree the final service specification for each organisation's Service Level Agreement.

*[Reason: to seek approval for the continued funding to the voluntary sector organisations through the SLA process, as well as the review process]*

55. LEASE EXTENSION: FLAT 1 FORBURYS, 5 WEYDON LANE, FARNHAM  
(Agenda item 9)

RESOLVED that approval be given to the extension of the lease for Flat 1 Forburys, 5 Weydon Lane, Farnham for a further 90 years.

*[Reason: to consider the property-related matter]*

56. OUTSTANDING DEBTS - WRITE-OFF FOR DECISION (Agenda item 10)

RESOLVED that, under Financial Regulation D203, the debts put forward for write-off as listed in the (Exempt) Annexe to the report be approved.

*[Reason: to obtain approval to write off irrecoverable debts]*

**The meeting commenced at 6.45 pm and concluded at 7.04 pm**

**Chairman**

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WAVERLEY BOROUGH COUNCIL

MINUTES OF THE LICENSING AND REGULATORY COMMITTEE - 25 SEPTEMBER  
2017

SUBMITTED TO THE COUNCIL MEETING – 17 OCTOBER 2017

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

**Present**

Cllr Patricia Ellis (Chairman)	Cllr Simon Inchbald
Cllr Bob Upton (Vice Chairman)	Cllr Peter Isherwood
Cllr Maurice Byham	Cllr Anna James
Cllr John Fraser	Cllr Carole King
Cllr Tony Gordon-Smith	Cllr Robert Knowles

**Apologies**

Cllr Michael Goodridge and Cllr Libby Piper

10. MINUTES (Agenda item 1.)

The minutes of the meeting that took place on 19 June were confirmed and signed.

11. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS (Agenda item 2.)

Apologies were received from Councillors Libby Piper and Michael Goodridge.

12. DECLARATIONS OF INTEREST (Agenda item 3.)

There were no declarations of interest.

**LICENSING ACT 2003 ITEMS**

**PART I – RECOMMENDATIONS TO THE COUNCIL**

There were no matters falling within this category.

**PART II – MATTERS OF REPORT**

The background papers relating to the following items are as set out in the reports included in the original agenda papers.

13. HACKNEY CARRIAGE AND PRIVATE HIRE POLICY REVIEW (Agenda item 6.)

The Committee received a report which outlined proposed changes to the Hackney Carriage/Private Hire Policy. The primary change related to a complete revision of the current convictions policy, in order to help prevent the sexual exploitation of children by introducing consistent standards across Surrey. The key changes were

- An adoption of a consistent taxi and private hire convictions policy across Surrey;  
and

- Implementation of Mandatory CSE training for all taxi and private hire drivers in Surrey.

The Committee was advised that the Policy had been originally adopted by the Council in July 2010 and was last revised on 1 March 2016. The current policy was attached to the report with the proposed changes outlined in red. Members were asked to consider the proposed changes and to agree that it be put to public consultation over a 6 week period.

The Committee considered the proposed change to the convictions policy which would bring Waverley in line with its partners including all 11 Surrey Local Authorities who had agreed a Child Sexual Exploitation Strategy and action plan. This aimed to develop a coordinated response to CSE across the County. Licensing targets included taxi and private hire licensing, premises licensed under the Licensing Act 2003, participation in operation Make safe and information sharing. The changes would ensure a consistent approach.

The report outlined proposed changes to the Window Tinting arrangements. The current law required all vehicles to allow not less than 75% transmission of light through the front windscreen and not less than 70% transmission of light through the front passenger/driver side windows. Members were advised that an increasing number of vehicular manufacturers fitted these windows as standard without the option (or at a cost) the alternate clearer glass.

There were a number of benefits to having darkened windows such as added protection from ultraviolet rays and improved thermal comfort by reducing heat build up within the vehicle. However, the dark tinted windows fundamentally made it more difficult to see into the rear of a vehicle and could conflict with other parts of the Licensing Policy. Members agreed that it was important that activities taking place in the vehicle needed to be viewable from the outside. Therefore, the Committee recommended that the current policy should not be changed but the wording improved to ensure that the Council's requirements were clearly set out. Grandfather rights would apply to all vehicles which were currently licensed, and the policy would be fully applicable to all new vehicles being licensed.

The Committee was reminded that Waverley's Penalty Point Scheme, which was introduced in March 2016, issued 6 points for using a mobile phone whilst driving. Mobile phone driving laws were first enacted in December 2003 and since March 2017 the penalty imposed by the police was doubled. The Committee was asked to consider whether the same should apply with the Council's Penalty Point Scheme. Members agreed that this was a serious matter and agreed that the points be increased to 12 points. Members also agreed to clarify that no smoking in a licensed vehicle included the use of electronic cigarettes and vaping.

The Licensing Manager also sought the Committee's approval to amend the wording relating to the plying for hire category within the penalty points scheme so that it was non-vehicle specific and would apply to a taxi or private hire vehicle. This was agreed.

RESOLVED that the draft changes to the Taxi and Private Hire Licensing Policy, subject to the comments above, be approved for the purpose of public consultation over a 6 week period.

14. MINUTES OF THE MEETINGS OF THE LICENSING (GENERAL PURPOSES) SUB-COMMITTEE (Agenda item 7.)

The minutes of the meeting of the Licensing (General Purposes) Sub-Committee which took place on 19 June 2017 were noted.

15. MINUTES OF THE MEETINGS OF THE LICENSING ACT 2003 SUB-COMMITTEES (Agenda item 8.)

The minutes of the meeting of the Licensing Sub-Committee C held on 21 August 2017, tabled at the meeting, were noted.

**The meeting commenced at 10.00 am and concluded at 10.30 am**

**Chairman**

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## WAVERLEY BOROUGH COUNCIL

### MINUTES OF THE STANDARDS PANEL - 3 OCTOBER 2017

### SUBMITTED TO THE COUNCIL MEETING – 17 OCTOBER 2017

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

#### **Present**

Cllr Michael Goodridge (Chairman)  
Cllr Mike Band  
Cllr Kevin Deanus  
Cllr David Else

Cllr Pat Frost  
Cllr David Hunter  
Cllr John Williamson

#### **Apologies**

Cllr Carole Cockburn and Cllr Stephen Hill

#### **5. MINUTES (Agenda item 1.)**

The minutes of the meeting of the Standards Panel which took place on 6 June 2017 were confirmed and signed.

#### **6. APOLOGIES FOR ABSENCE (Agenda item 2.)**

Apologies for Absence were received from Councillors Stephen Hill and Carole Cockburn.

#### **7. DISCLOSURES OF INTEREST (Agenda item 3.)**

Councillor Mike Band declared a non-pecuniary interest in the item on the agenda as he was a Member of the Audit Committee which was being considered in the report.

### **PART I - RECOMMENDATIONS TO THE COUNCIL**

#### Background Papers

Unless specified under an individual item, there are no background papers (as defined by Section 100D(5) of the Local Government Act 1972) relating to the reports in Part I of these minutes.

#### **8. CONSTITUTIONAL REVISIONS (Agenda item 4.) (Pages 8 - 11)**

8.1 The Panel was reminded that, at its last meeting, Members had reviewed the Scheme of Delegation and revisions to the constitution. At that meeting, it was recommended that further work be undertaken on the following three areas:

1. The deadlines for giving apologies for meetings and calling substitutes
2. The application of political proportionality rules for committee members and substitutes at quasi-judicial meetings; and

3. The formatting/numbering of substitution rules in the Constitution.
- 8.2 The Panel received a report detailing proposals for the above areas. They were also asked to review the size of the Audit Committee because it only consisted of 7 members and as it did not allow for substitutes, occasionally it had been close to being inquorate. The Panel was also asked to consider revisions to the Overview and Scrutiny Informal Working Group protocol, a copy of which was tabled at the meeting.
- 8.3 The Panel first considered the **deadlines for giving apologies for meetings and calling substitutes**. This was particularly pertinent to Joint Planning Committees and other regulatory meetings where reports were detailed and lengthy, and site visits took place. It was important that substitutes were called with sufficient time to read the reports and attend the site visits. The current policy was that Members needed to call by 12noon on the day of the meeting and a member of the Democratic Services Team would try to arrange for a substitute to be arranged.
- 8.4 The Panel agreed that this was not sufficient notice and should be changed. It was recommended that a Member should give a minimum of 4 clear working days notice if they could not attend a meeting in order to enable substitutes to be arranged, if applicable (i.e. if the meeting was on a Wednesday, the apologies should be received by the end of the Wednesday before this). After this time, late apologies could still be given as it was inevitable that an urgent matter might arise or because of illness but a substitute would not be called. It was agreed that an example should be included within the constitution of how and when apologies should be given, and that on agendas, the exact deadline for giving apologies to enable a substitute to be arranged, would be stated.
- 8.5 The Panel also considered the timing of site visits and suggested that these take place 1 clear working day before a meeting (i.e. the Monday if the meeting was on a Wednesday) which would allow the Members, including any substitutes, to have read the agenda report and enough time for officers to look into any matters raised during the visit.
- 8.6 During discussion, Members expressed their frustrations with Joint Planning Committee meetings being rearranged or cancelled at short notice. They expressed a preference for them to take place on a regular evening, preferably, on a Wednesday, as this had become the evening that was always generally used for all planning meetings. Members were advised that there had recently been a high number of major planning applications which needed to be determined and that it was an exceptional period which required the Committee to be convened on other days of the week.
- 8.7 It was agreed that the above change to the giving of apologies and arranging a substitute should apply to all quasi-judicial meetings and the constitution be amended to reflect this.
- 8.8 The Panel moved on to consider the application of **political proportionality rules for committee members and substitutes at quasi-judicial meetings**. The current constitution stated:

“PR 4.2 For each Committee, the Council will appoint the agreed number of substitutes in respect of each political group in proportion to the number of ordinary seats as that group holds on that Committee, Sub-Committee or Panel”.

- 8.9 They were advised that legal advice had been obtained and this interpretation was consistent with legislation under which the committees were appointed, namely Section 15 of the Local Government and Housing Act 1989. Consequently, the Panel noted that no changes were required to the Constitution in relation to this.
- 8.10 The Panel moved on to consider the changes proposed to the **Substitutions section of the Constitution**. It was suggested that the two separate elements within the section would be better combined as one so that the rules were consistent to all Committees operating a substitute scheme. Members agreed with this proposal. The revised wording is set out at Annexe 1.
- 8.11 Moving on to the proposal to change the **membership arrangements of the Audit Committee**, the Panel was advised that the Committee consisted of seven councillors with no ability to appoint substitutes. Due to its size, occasionally the Committee was close to being inquorate and the Panel was asked whether the size of the committee should be increased and/or they allowed for substitutes. Members agreed that the Audit Committee needed consistent attendance because there was a lot of knowledge and understanding required and that many of the matters considered at the Committee were ongoing and cyclical. The use of substitutes would limit the ability of those members to obtain and build up the basic knowledge of the role of the Committee and the topics being discussed. Consequently, Members felt that there should continue to be a fixed membership without substitutions and recommended that the Committee be increased to eight members. They noted that this would not change the current political proportionality of the Committee.
- 8.12 The last issue for the Panel to consider was changes to the **Informal Working Group Protocol**. Informal Working Groups were established by the new Overview and Scrutiny Committees to look into and make recommendations on particular subject areas. Since these had been established, it had been recognised by the Coordinating Board that there was a misalignment between how members wished to operate the Informal Working Groups and how this was set out within the constitution. The Panel considered whether the meetings should be held in open or closed session. Officers tabled a revised protocol for Members to consider, a copy of which is attached as Annexe 2. Members agreed that the meetings should be confidential and closed to the press and public. In terms of membership, the Panel agreed that those who attended an Informal Working Group should be those with the best skills and knowledge of the subject matter. Therefore, on occasions this might mean members from another O&S Committee should be permitted to attend, as well as a member of the Audit Committee. Members also agreed that the suggested wording for the Chairman inviting other members to attend a meeting should be inserted, and, therefore, the wording about giving notice to speak could be deleted. It was agreed that the

Protocol should specify that there should be no more than 6 Members on the Informal Working Group. The proposed amendments to the wording are shown as tracked changes in Annexe 2.

- 8.13 The Chairman thanked Members for their contributions to the meeting and accordingly the Panel

**RECOMMENDS that:**

- 4. the Constitution be amended to specify that apologies for all Committees with a substitute scheme in place be submitted at least 4 clear working days before a meeting takes place in order to facilitate a substitute being arranged;**
- 5. the Audit Committee be increased in size from seven to eight Members;**
- 6. the Constitution be amended to reflect the decisions above, as attached at Annexe 1; and**
- 7. the revised Informal Working Group protocol be amended as attached at Annexe 2.**

**PART II - MATTERS OF REPORT**

There were no matters for consideration in Part II.

**The meeting commenced at 4.00 pm and concluded at 4.53 pm**

**Chairman**

# Minute Item 8.

## ANNEXE 1

### 4. APPOINTMENT OF SUBSTITUTE MEMBERS OF COMMITTEES AND SUB-COMMITTEES

#### 4.1 Allocation

As well as allocating seats on committees, the Council will allocate seats in the same manner for substitute members.

#### 4.2 Number

For each Committee, the Council will appoint the agreed number of substitutes in respect of each political group in proportion to the number of ordinary seats as that group holds on that Committee, Sub-Committee or Panel.

#### 4.3 Powers and duties

Substitute members will have all the powers and duties of any ordinary member of the Committee but will not be able to exercise any special powers or duties exercisable by the person for whom they are substituting.

#### 4.4 Substitution

The following procedure will apply to the appointment of substitutes when members are not able to attend a meeting of a Committee or Sub-Committee, including in the case of a vacancy:

- (a) The member unable to attend a Committee or Sub-Committee meeting will submit their apologies to the Head of Policy and Governance at least four clear working days in advance of the meeting to enable a substitute to be arranged, if applicable [eg. by the end of Wednesday for a meeting the next Wednesday]. by noon at the latest on the day of the meeting and ask that a substitute be appointed.
- (b) The Head of Policy and Governance will then approach substitutes from the appropriate political group in the order agreed by the Council or the parent Committee.
- (c) Substitute members must be from the same political group as the member giving the apology, and in the event that no substitute is available, no substitute will be made for that member.
- (~~d~~e) The Head of Policy and Governance will notify the Committee or Sub-Committee of any substitutions at the start of the meeting.

(ed) Substitutes shall exercise the full voting rights of a member of a Committee or Sub-Committee when attending a Committee or Sub-Committee meeting.

~~(e) Substitute members shall be eligible for payment of travelling and subsistence allowances.~~

~~(f) Members on substitute lists will be sent the full agenda for meetings.~~

~~(g) For the Joint Planning Committee, all members of the Area Planning Committees who are not already members will be listed as substitutes and a substitute will be called from the same Area Planning Committee as the member giving their apology from the Joint Planning Committee.~~

~~(e) Substitute members shall be eligible for payment of travelling and subsistence allowances.~~

~~(f) Members on substitute lists will be sent the full agenda for meetings.~~

There are no substitute members appointed to the Audit Committee, Executive and Area Planning Committees.

~~For the Joint Planning Committee, the following procedure will apply to the appointment of substitutes when members are not able to attend a meeting:-~~

- ~~1. all members of the Area Planning Committees who are not already members will be listed as substitutes of the Joint Planning Committee;~~
- ~~2. upon receipt of any apology from a member of the Joint Planning Committee by 12 noon on the day of the meeting, substitute members will continue to be arranged by the Democratic Services Team;~~
- ~~3. a substitute will be called from the same Area Planning Committee as the member giving their apology from the Joint Planning Committee;~~
- ~~4. the substitute member must be from the same political group as the member giving the apology, and in the event that no substitute is available, no substitute will be made for that member.~~

## Informal Working Group Protocol

Overview and Scrutiny Committees may appoint smaller Informal Working Groups (up to a maximum of 6 members) where they feel a smaller group of members is better suited to carry out a particular task, to assist with

- a. policy development;
- b. examining specific service proposals in depth;
- c. progressing major projects.

### Meetings

~~All meetings will be held in open session with the press and public able to attend, except for the consideration of exempt or confidential information./Informal Working Groups are not public meetings. The Council will make copies of the agenda and reports open to the public available for inspection at the Council Offices, at least five clear working days before the meeting, and also on the Waverley website. Reports to Informal Working Groups will not normally be published, and both reports and discussion at meetings will be treated as confidential.-~~

Overview and Scrutiny Committees, ~~and Sub-Committees~~ and Informal Working Groups will be serviced by the **Democratic Services Team** and supported by the Scrutiny Officer. **Minutes** will be taken by the Democratic Services Officer present at each meeting ~~of the Committee or Sub-Committee, and published.~~

### Membership of the Informal Working Group

The membership of an Informal Working Group will be selected from the members and substitute members of the main Committee, selecting those with the best skills and knowledge of the subject matter to contribute. An Informal Working Group can consist of members from any of the Overview and Scrutiny Committees and the Audit Committee when the subject matter would benefit from cross-Committee representation. Other members are able to attend meetings as an observer, or to speak if notice has been given by 12 noon on the day of the meeting (or 5pm on the day before in the event of a morning meeting). Any other member may be invited by the Chairman to attend a meeting of the Informal Working Group and their level of involvement in the meeting will be agreed in advance. —There is no provision for substitutes of Informal Working Groups.

The **Chairman** will be appointed at the first meeting from amongst the membership of the Informal Working Group.

External Representatives may be **co-opted** by the Council as non-voting members onto O and S Committees and invited to attend Informal Working Groups.

### Business of the Meeting

Where the Overview and Scrutiny Committee (or Informal Working Group) conducts investigations in Select Committee mode (eg with a view to policy development), the Committee may also ask people to attend to give evidence at Committee meetings which are to be conducted in accordance with the following principles:-

- i. that the investigation be conducted fairly and all members of the committee be given the opportunity to ask questions of attendees, and to contribute and speak;
- ii. that those assisting the committee by giving evidence be treated with respect and courtesy; and
- iii. that the investigation be conducted so as to maximise the efficiency of the investigation or analysis.

### **Outcome of a Review**

Following any investigation or review, the Committee shall prepare a report, for submission to the Executive and shall make its report and findings public. This report will be drafted by the impartial Democratic Services/Scrutiny Officer who has been supporting the review. The Chairman of the Informal Working Group will be invited to prepare a foreword which will preface the final concluding report of the work of the Committee.

### **Can Informal Working Groups meet flexibly?**

~~Within the overall framework of Waverley's Procedure Rules and Financial Regulations, Informal Working Groups will be able to develop flexible working arrangements best suited to their task. This may mean that published agendas are not required. Such meetings will be supported by a Democratic Services/Scrutiny Officer along with key relevant Officers, and will report back on a regular basis into the formal Sub-Committee process.~~



## WAVERLEY BOROUGH COUNCIL

### MINUTES OF THE AUDIT COMMITTEE - 24 JULY 2017

### SUBMITTED TO THE COUNCIL MEETING – 17 OCTOBER 2017

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

#### **Present**

Cllr John Gray  
Cllr Nicholas Holder

Cllr Jerry Hyman  
Cllr Richard Seaborne

#### **Apologies**

Cllr Mike Band and Cllr Anna James

#### **Also Present**

Iain Murray and Sophia Brown from Grant Thornton  
Graeme Clark, Strategic Director – Finance and Resources; Peter Vickers, Head of Finance; Gail Beaton, Internal Audit Client Manager; Walter Stockdale, Financial Services Manager; Vicky Basley, Senior Accountant; and Patrick Tuite, Procurement Officer.

1. APPOINTMENT OF CHAIRMAN (Agenda item 1.)

RESOLVED that Cllr John Gray be appointed as Chairman of the Audit Committee for the Council year 2017/18.

2. APPOINTMENT OF VICE CHAIRMAN (Agenda item 2.)

RESOLVED that Cllr Richard Seaborne be appointed as Vice Chairman of the Audit Committee for the Council year 2017/18.

3. MINUTES (Agenda item 3.)

RESOLVED that the Minutes of the Meeting held on 21 March 2017 be confirmed and signed.

4. APOLOGIES FOR ABSENCE (Agenda item 4.)

Apologies for absence were received from Councillors Mike Band and Anna James.

5. DISCLOSURE OF INTERESTS (Agenda item 5.)

There were no disclosures of interest in relation to items on the agenda.

6. QUESTIONS BY MEMBERS OF THE PUBLIC (Agenda item 6.)

There were none.

### **PART I - RECOMMENDATIONS TO THE COUNCIL**

Background Papers

Unless specified under an individual item, there are no background papers (as defined by Section 100D(5) of the Local Government Act 1972) relating to the reports in Part I of these minutes.

7. REVISION OF THE CONTRACT PROCUREMENT RULES (Agenda item 10.)

Patrick Tuite, Procurement Officer, presented the updated Contract Procurement Rules to the Committee. The revised CPRs are attached at Annexe 1 to these minutes. The Committee was informed that the Contract Procurement Rules (previously the Contract Procedure Rules) were last updated in 2015. A re-write was therefore required to incorporate:

1. updated thresholds with regards to our internal value bands and the European Union regulation thresholds;
2. new procedures as permitted in the Public Contract Regulations 2015 that allow us to vary our route to market dependant on what we are purchasing;
3. a new approach to the opening of tenders;
4. the councils responsibility to incorporate the Social Value Act 2012 in our tenders; and
5. a comprehensive glossary to reflect the members requirement for an accessible and useable document.

The Committee queried whether Britain's withdrawal from the EU would affect the CPRs, however officers assured members that at present there were unlikely to be any changes as a result of Brexit as the European regulations were predominantly based on WTO guidelines which would remain unaffected.

The Committee thanked Patrick Tuite for the work he had put in in bringing the CPRs up to date and for presenting them in such a clear and accessible manner. The Audit Committee therefore

**RECOMMENDS that:**

1. **The revised Contract Procurement Rules be approved, and for them to come into use effective immediately.**

**PART II - MATTERS OF REPORT**

The background papers relating to the following items are as set out in the reports included in the original agenda papers.

8. EXTERNAL AUDIT 2016/17 AUDIT FINDINGS REPORT (Agenda item 7.)

Sophia Brown, Grant Thornton Engagement Manager, presented the 2016/17 Audit Findings Report to the Committee. She explained that since its publication, some of the areas shown as outstanding in the report had now been completed; these included work on plant, property and equipment; and work on financial instruments. The key messages of the report were that the draft financial statements had been prepared to a very high standard and that a minimal level of issues had been identified. Sophia added that Waverley was well placed to meet the earlier statutory accounts deadlines from next year.

It was queried whether from next year some areas would be able to remain outstanding as they did in this report. Sophia Brown clarified that this would be acceptable at this stage next year, as there were certain pieces of work that could only be completed at the end of the process. Iain Murray, Grant Thornton Engagement Lead, added that the County Council had been signing off their accounts at the end of July for the last two years, so there were no problems anticipated in respect of linking up with the County.

The Committee was informed that the Grant certification work on the Council's Housing Benefit subsidy on behalf of the DWP would be completed by the end of November and that time had been allocated in October to undertake this. Iain Murray added that Grant certification work had not been included within the recent procurement process for the Council's auditors and therefore this would need to be undertaken separately.

There had been no significant issues identified in regard to the risks as set out in the report, additionally Sophia Brown updated the Committee that there were no significant issues identified in relation to valuation of plant, property and equipment; or valuation of pension fund net liability as this work was shown as still outstanding at the time of producing the report.

One internal control issue had been identified regarding to related party transactions. At the time of drafting the report, eight declarations from councillors had been outstanding, however they had since all been received. Sophia Brown explained that this was still an issue as they should have been received before the financial statements were drafted, however, now that all declarations been received, there was no longer a need to include a specific reference to this in the letter of representation. Graeme Clark added that there had been a change to the way the information had been collected this year, using an online survey method. The response to this had been very good overall however inevitably there were some members who needed to be reminded. An ideal opportunity would have been to remind councillors at the April Council meeting, and this would be done in future years. It was also agreed that next year Graeme Clark and Cllr Gray would write a joint email to all councillors emphasising the importance of completing the declaration promptly.

The report set out the impact of one uncorrected misstatement from the prior year. This had been in relation to assets that had been incorrectly included in the Housing Revenue Account asset register. Cllr Holder queried how the new properties at Ockford Ridge were being recorded on the asset register. Graeme Clark explained that these were considered 'assets under construction' and he confirmed that any demolished properties had been removed from the register. Graeme added that the housing accountant worked very closely with the development team to ensure that everything was correctly recorded at year end.

In regard to Value for Money, two key risks had been set out in the audit plan, and the key findings in relation to these were set out in the report. The overall conclusion was that the council had proper consideration for Value for Money.

In conclusion, Graeme Clark stated that working to the new timetable had been a challenge, but that the Council had maintained a good relationship with the external auditors and he was pleased with the overall outcome. Iain Murray added that the accounts were of a high quality, and he had no concerns going forward. He

complimented the Council on its ability to present the accounts in a clear and reader-friendly manner, which was particularly challenging given the frequently changing requirements for disclosure.

The Committee RESOLVED that the External Audit Findings Report be endorsed.

9. STATEMENT OF ACCOUNTS 2016/17 (Agenda item 8.)

The Audit Committee received the report on the Statement of Accounts for 2016/17; the Committee had received a briefing on the accounts on 20 June which both members and officers agreed had been a very constructive session. Officers had taken on board members comments and had been able to incorporate many of these into the final version. The document had also been independently proof-read by a member of Council staff.

Following confirmation from Sophia Brown that it was no longer required, Graeme Clark proposed removing paragraph 25, regarding related party transactions, from the letter of representation.

Cllr Hyman asked where the SANG funds were detailed in the accounts. It was explained that this did not have an individual entry, and was incorporated within the 'Section 106 Contributions' line. The Committee agreed that it would be useful to separate this out in future as it was a specific reserve. Graeme Clark added that projections indicated that the SANG reserves were sufficient although this could always be affected by the financial climate.

Cllr Hyman also queried whether the laws referred to in paragraphs 22 and 24 of the letter of representation referred to all legislation, including planning laws, to which Graeme Clark confirmed that this covered all activities of the Council. In view of this, Cllr Hyman chose to abstain from the vote on recommendation 2. Cllr Gray added that he was confident that all legal requirements and process of the Council were being followed correctly, and he was not aware of any issues being suppressed.

The Committee RESOLVED to:

1. Approve the Statement of Accounts for the financial year ended 31 March 2017;
2. Approve the letter of representation for 2016/2017 with the removal of paragraph 25; and
3. Confirm that the accounts have been prepared on a going concern basis.

10. ANNUAL GOVERNANCE STATEMENT (Agenda item 9.)

Peter Vickers, Head of Finance, presented the updated Annual Governance Statement to the Committee. A briefing on the AGS had been held for the Committee on 20 June and at this session, members of the Committee had raised several issues to test against the principles set out in the AGS. Peter Vickers reported that he had met with the Robin Taylor, Head of Policy and Governance, to

review this list and identify any governance issues that should be identified in the AGS according to the statutory guidance.

The first issue related to planning inquiries and judicial reviews. Significant public interest had been generated by this and a minor change to the constitution had been required, however this was now resolved. The Committee felt that it was important to acknowledge that there had been a constitutional issue and to show that it had been dealt with. Peter Vickers concluded that ultimately it was for the Committee to decide whether or not this was a significant governance issue.

Several other issues raised by members of the Committee at the briefing had been reviewed by officers and found to not meet the requirements to be included in the AGS as set out in the Code of Practice.

A further issue had been raised in relation to safeguarding, and while there were no significant governance issues to report in the AGS, the Committee felt that it was important that members were properly included within the policy.

Cllr Gray reminded the Committee that the Council didn't have to be infallible and that as these issues were in the public domain it was important to show that they had been acknowledged and dealt with. While Peter Vickers agreed that it was important to respond to these issues, they weren't all necessarily governance issues.

The Committee felt that it would be useful to review potential governance issues at Audit Committee meetings throughout the year so that they could inform the AGS next year; Cllr Gray also felt that it would be useful for Robin Taylor to attend the meeting to discuss the potential issues. Iain Murray added, from an external audit perspective, that the bar of what needed to be included in the AGS was set very high so there was no specific requirement to include the issues that had been discussed by the Committee, however this didn't prevent the Committee from reviewing such areas. He also reminded the Committee that their remit was risk and assurance, and therefore these were the areas that needed to be focused on when reviewing issues. He also added that it was very positive that the Council was viewing the AGS as a working document, not just a year end task.

The Committee RESOLVED that:

1. the Annual Governance Statement 2016/17 be approved; and
2. the Annual Governance Statement be added to the Committee's work programme for review at the November meeting.

11. ANNUAL INTERNAL AUDIT REPORT (Agenda item 11.)

Gail Beaton, Internal Audit Client Manager, presented the Annual Internal Audit Report to the Committee. She informed members that she had taken on board their comments from previous years, and had revised the content and format of the report. She had made the report more accessible and provided as much information as possible, with clear links to the Audit Plan.

The Committee welcomed the updated format, and was pleased to note the good performance of the contractor. Cllr Holder queried whether it would be possible to

reduce the target for the average number of day between Contractor exit meeting and the issue of the draft report, as this had been consistently over achieved for the past three years. Gail Beaton explained that this was a contractual target but that she could look to review it in the future.

Cllr Seaborne emphasised the importance of ensuring that where identified, remedial actions were embedded within the organisation. Gail Beaton explained that tests would be carried out by ongoing sampling; additionally, she was pitching audit reviews to Heads of Service as a good thing, as it effectively constituted free consultancy.

The Committee expressed particular concern over IA17-17 – Procurement Arrangements, where five areas for improvement had been identified, including the fact that 75% payments to contractors had not been supported by a purchase order. Officers explained that a new purchase order system had recently been implemented which would force officers to follow correct procedures. Cllr Gray felt that this was a significant issue that should be brought to the attention of the Executive. Officers reported that they were already aware of this issue, and had sought to put mitigation in place, including the appointment of the new Procurement Officer. Cllr Hyman queried what, if any, financial impact there was of not following the correct procedures. Graeme Clark explained that it was difficult to quantify this, but the important thing was getting the proper controls in place going forward.

Having commented on the contents of the report, the Committee RESOLVED that the Annual Internal Audit Report be noted.

12. INTERNAL AUDIT PLAN PROGRESS 2016/17 AND 2017/18 (Agenda item 12.)

Gail Beaton updated the Committee on progress with the 2016/17 and 2017/18 Audit Plans. There were only two reviews outstanding from the 2016/17 plan; the approval of invoices on Agresso had been carried forward to the 2017/18 plan, and the report on data protection was now available.

In regard to the 2017/18 plan, members noted that the review of petty cash was considered to be a high priority. Gail Beaton explained that it had been given this rating was because it was an area that had not been reviewed for some time, rather than being an area of specific concern. It was also queried why the Agresso review, which had been deferred from the previous year had been scheduled for Quarter 4 rather than earlier in the year. Peter Vickers explained the Finance Service was currently implementing a programme of improvements with the financial systems, and that as the integration with the housing 'Orchard' system was not yet up and running, it would therefore be more appropriate to conduct the review in Quarter 4 when the integration was in place.

Cllr Holder noted that the Gas Maintenance and Asbestos reviews had been scheduled for Quarter 4 and Quarter 3 respectively, and asked whether these should be conducted sooner. Gail Beaton explained that these reviews had both been carried out two years ago, and the reason for adding them to the 2017/18 plan was to ensure that the recommendations from the previous review were embedded.

The Committee noted the proposed inclusion of a review of Fire Safety Assessment Checks. Gail Beaton explained that there was ongoing reporting of Fire Safety

Assessments to Management Board, however the Head of Housing Operations had sought further assurance by requesting an audit opinion. The Committee therefore suggested that the auditor's report draw out the fact that several measures were already in place, and the purpose of the review was more for assurance purposes.

The Committee RESOLVED to:

1. Note the progress from the Internal Audit Plan 2016/17; and
2. Note the progress for the Internal Audit Plan 2017/18 and endorse the inclusion of the additional reviews covering the Production of the Final Accounts Process and the Completeness of the Fire Safety Assessment Checks.

13. PROGRESS ON THE IMPLEMENTATION OF INTERNAL AUDIT RECOMMENDATIONS (Agenda item 13.)

The Committee reviewed the report detailing the latest position regarding the implementation of Internal Audit Recommendations. Officers provided an update on the three overdue recommendations relating to Information Security Governance; they explained that the Information Security Group had now met, however it had become apparent that the current resourcing for this role was not sufficient to do it justice. Some catch-up work would be required and there was a need to maintain good policies and procedures. A new Information Governance Board had now been established and would be chaired by the Strategic Director – Finance and Resources.

Cllr Hyman noted that the recommendations showed 50% progress and asked what work had been done to support this figure. Graeme Clark explained that the 50% figure was a judgement based on the extent to which the Council had met the recommendations. Generally, Waverley had a good track record with information governance but this was an incredibly important piece of work to enable the Council to consolidate and build on its current position.

Cllr Gray endorsed the comments made by Cllr Hesse at the last meeting where he had emphasised the importance of having the correct processes in place. This was not a criticism of the Legal Service, but they had numerous work pressures which meant that additional resources were needed. Graeme Clark added that several other local authorities were appointing dedicated Information Managers to ensure correct custody and usage of data.

Officers emphasised that the Council did manage data well, and had passed all government requirements such as PSN compliance, however the existing resource didn't have sufficient capacity to meet the growing demands and new legislation, and there was a need to invest more in order to move forward. The Committee felt it was important that the Council was seen to be prioritising information governance and therefore agreed to forward their concerns over this matter to Executive, endorsing any requests for additional resource/growth that may be required in order to take this forward.

In regard to the recommendation regarding Financial Regulations and CPRs, Officers reported that a lot of work had already been completed by Patrick Tuite, but that the Financial Regulations also required updating. The Audit Committee would

be involved in this process, with a briefing to be scheduled in due course. The updated Financial Regulations would be presented to the Audit Committee in November and Council in December 2017. The Committee agreed, that given the fact that the new Financial Regulations would be approved in December 2017 and the implementation of the enhanced Agresso functionality would be in place by the end of January 2018, the deadline for this recommendation (IA16/12.001) be extended to 31 January 2018.

The Committee RESOLVED to:

1. Pass its concerns to the Executive over the delay in implementing the recommendations relating to Information Security Governance, emphasising the importance of this area of work, and endorsing any additional resource requests that may be required in order to move this forward; and
2. Agree that the implementation date for IA16/12.001 – Sharepoint Official Orders be amended to 31 January 2018.

*[Cllr Nicholas Holder left the meeting at 9.22pm prior to the consideration of the Committee Recurrent Work Programme]*

14. COMMITTEE RECURRENT WORK PROGRAMME (Agenda item 14.)

The Committee considered its recurrent annual work programme, and agreed to review it in more detail at the September meeting.

RESOLVED that the recurrent annual work programme be noted, with the inclusion of the Annual Governance Statement to be brought back to the meeting in November.

**The meeting commenced at 7.00 pm and concluded at 9.26 pm**

**Chairman**



# CONTRACT PROCUREMENT RULES (CPRS – JULY 2017)

<b>Owned by:</b>	Procurement Advisory Board
<b>Created Date:</b>	30/05/2017
<b>MB Approval Date:</b>	05/07/2017
<b>Audit Committee Approval Date:</b>	24/07/2017
<b>Date for review:</b>	01/04/2018
<b>Version</b>	2.0

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These Contract Procurement Rules (CPRs) should be read in conjunction with the council's Financial Regulations, Scheme of Delegation and Authorised Signatory List.

## **GENERAL**

### **1. INTRODUCTION**

- 1.1 These CPRs set out the minimum requirements the council must follow when procuring and/or entering into Contracts for the supply of goods, works and services including consultants.
- 1.2 The CPRs are put in place to ensure that the council gets value for money for residents, complies with all legal requirements, minimises the risk of challenge / undue criticism, supports social value and sustainability and provides transparency as to how it spends public money.
- 1.3 All purchasing and resulting Contracts made by or on behalf of the council must also comply with:
  - 1.3.1 all applicable statutory provisions;
  - 1.3.2 the Public Contracts Regulations 2015 and separate EU Directives which govern the award of higher value Contracts; and
  - 1.3.3 the council's constitution, including the Financial Regulations and the Scheme of Delegation to Officers.

If there is any conflict between the above, the EU law takes precedence, followed by UK legislation, the council's constitution and these CPR 's, in that order.

- 1.4 Further information and guidelines on best practice are set out in the council's internal Purchasing Guide.
- 1.5 The Thresholds referred to in these CPRs and the appropriate process to follow is set out in the table on page 11.
- 1.6 The Procurement Officer is responsible for ensuring the CPRs are up to date and reflect current legislation.
- 1.7 The Section 151 Officer (referred to as the S151 Officer) is ultimately responsible for the content of the CPRs.

## 2. SCOPE

2.1 These CPRs do not apply to the following types of Contract:

Type of Contract	Policy/ Law which covers Contracts out of scope
Contracts of employment for permanent / fixed term employees / agency staff	HR / Recruitment policies
Land transactions;	In accordance with the Local Government act 1972/ Housing act 1985 or any related acts or authorities
Where the Contract relates to a financing transaction;	Not subject to competition due to their nature
Works orders placed with statutory undertakers;	Not subject to competition due to their nature
Grants being given by the council;	Governed by Grant Funding -Service Level Agreements 2017-18
Contracts for goods and services estimated to be below Threshold 4 which have been dealt with or jointly procured by another local authority, public sector consortium or collaboration of which the council is a party but where the council is not the lead authority and the Contract is to be procured in accordance with the applicable Contract standing orders of that public authority; and	The procurement of Contracts of this nature will be governed by the Constitution of the Contracting authority
Orders for goods and services estimated to be below Threshold 4 placed against a call-off Contract or Framework Agreement where the call-off Contract or Framework Agreement has been awarded in accordance with these CPRs.	The establishment of the call-off Contract or Framework Agreement will be governed by the CPRs in the first instance, as such any call offs / mini competitions ran under such agreement will have already complied with these CPRs.
Where good, services or works are awarded as a result of a declared emergency as authorised by the Emergency Planning and Resilience Officer, where any Contracts awarded are not to exceed the estimated period of recovery	Business continuity management policy March 2016 Version 2
Where the Executive Director has activated the council's 'Emergency Plan' or a business recovery plan (as outlined in the business continuity management strategy) in response to a Major Incident being declared by resilience partners	Business continuity management policy March 2016 Version 2

2.2 All other Contracts made by or on behalf of the council must comply with these CPRs unless there is an Exception, Waiver or Joint Commissioning (CPR 9).

### **3. COMPLIANCE**

- 3.1 Any members of staff purchasing on behalf of the council is expected to comply with these CPRs.
- 3.2 Where there is evidence of deliberate non compliance with the CPRs disciplinary action may be taken.
- 3.3 Staff must not deliberately break down a Contract with the intention of disaggregating spend for the purpose of avoiding the appropriate governance.

### **4. GENERAL PRINCIPLES APPLYING TO CONTRACTS**

- 4.1 There are four financial value thresholds:
  - Threshold 1: £0 - £4,999
  - Threshold 2: £5,000 - £24,999
  - Threshold 3: £25,000 - £99,000
  - Threshold 4: £100,000 +
- 4.2 All Contracts must be in writing (which can include emails for Contracts valued within Threshold 1).
- 4.3 The value of any Contract must be determined by its aggregate or total spend forecast.
- 4.4 Every Contract valued within Threshold 4 or above must be under the seal of the council.
- 4.5 For every Contract estimated to be within Threshold 1, quotations and tenders may be sought using the council's electronic tendering portal, the South East Shared Services e-sourcing Portal provided by "In-Tend", otherwise quotes can be solicited via email.
- 4.6 For every Contract estimated to be within Threshold 2 or above, all quotations and tenders must be sought using the council's electronic tendering portal, the South East Shared Services e-sourcing Portal provided by "In-Tend".
- 4.7 In the case of recurring procurements for the same goods and services, prior written approval from the S151 Officer must be obtained in order to request quotations from the same suppliers on more than three consecutive occasions.
- 4.8 Details of all Contracts awarded valued at £5,000 and above more must be added to the council's Contract Register on the E-tendering portal together with all supporting documentation.
- 4.9 With regards to non OJEU Tenders, no supplier may be awarded a Contract if this would result in 50% or more of that supplier's turnover being generated from the council's Contracts, unless the prior written approval of the Management Board has been obtained.
- 4.10 Prior to any invoices being received a purchase/ official order must be raised on the councils official order system or Orchard.
- 4.11 Prior to any procurement a contract manager should be identified who will be responsible for ensuring the delivery of the contract.

### **5. SOCIAL VALUE**

- 5.1 The Public Services (Social Value) Act came into force on 31 January 2013. It places a requirement on people who commission, or buy, public services to consider securing added economic, social or environmental benefits for their local area.

5.2 The Act currently applies only to service Contracts over the EU threshold but should be considered in all procurements where applicable.

## **6. TRANSPARENCY**

6.1 **Publication of spend, Contract opportunities and awards** – in accordance with government requirements we publish all council expenditure with suppliers that exceeds £500 and post all Contracts valued at £5,000 and above on our publicly accessible Contracts register, this can be found on the councils public website. Any advertised opportunity valued over £25,000 must be advertised on Contracts finder, for Contracts over £25,000 a Contract award notice must also be published.

6.2 **Freedom of Information** – in accordance with the Freedom of Information Act (FOIA) 2000 and Environmental Information Regulations (EIR) 2004, we have an obligation to publish specific information and to provide information to members of the public upon request. By exception confidential or commercially sensitive information may be withheld. Suppliers should be given the opportunity to identify areas of their tender submission they do not wish to be disclosed.

## **PREPARING FOR THE PROCUREMENT**

### **7. PRE-CONTRACT CONSIDERATIONS / SIGN OFF**

7.1 Before commencing a procurement process, officers must ensure:

7.1.1 They have conducted an options appraisal and that a procurement is required

7.1.2 that there is adequate budgetary provision for the goods, services or works that they are procuring

7.1.3 that they have the appropriate level of (delegated) authority to procure the goods or services on behalf of the council

7.1.4 that there is no existing Contract or framework that is appropriate and that

7.1.5 where appropriate they have engaged with the procurement officer

7.1.6 that each tender package / request for quotation be accompanied by a comprehensive specification

7.1.7 an assessment, appropriate to the scale and scope of the Contract, of associated risks shall be undertaken by competent officers or consultants to include, but not limited to, technical, commercial, health and safety and reputational risks posed to the council.

7.1.8 that the chosen route to market has been signed off by the appropriate authority (see table page 11)

### **8. DECLARATION OF INTERESTS**

During the procurement process, if an officer becomes aware that he has a direct or indirect pecuniary interest in a Contract which the council has entered into, or proposes to enter into, their interest must be recorded on the register maintained by the council's Committees team for this purpose.

## 9. EXCEPTIONS, WAIVERS AND JOINT COMMISSIONING

9.1 The CPRs will not apply in the circumstances set out in CPRs 9.2 (Exceptions) 9.3 (Waivers), or 9.4 (Joint Commissioning) provided that the S151 Officer has given his prior approval to the exception, waiver or joint commissioning before the Contract is entered into.

9.2 **Exceptions** - there may be an exception to the CPRs where:

9.2.1 there is an extension to the duration and/or value of an existing Contract provided that the extension is (i) on the same terms as the original Contract, (ii) is for a maximum period of 2 years (iii) is less than 20% in value of the original Contract value, and (iv) adequate budgetary provision has been made. If the sum of the proposed extension and any previous extension(s) is more than 2 years or more than 20% in value of the original Contract value,

(a) For Contracts where the original Contract value was within Threshold 3 or below, the prior written approval of the S151 Officer is required to award the proposed extension; or

(b) For Contracts where the original Contract value was within Threshold 4 or above, the prior written approval of the Executive is required to award the proposed extension.

9.2.2 there is insufficient credible competition and the S151 Officer has agreed the competition assessment;

9.2.3 there is a variation (additional work) to an existing Contract where the variation is outside the scope of the Contract but it would be inappropriate to offer the additional work to competition; or

9.2.4 the S151 Officer is satisfied that it is appropriate for a single tender or quotation and that

9.2.4.1 it does not breach the council's statutory obligations,

9.2.4.2 the request considers the requirements of CPR 4, GENERAL PRINCIPLES APPLYING TO CONTRACTS

9.2.4.3 there is adequate and appropriate reason for awarding a Contract without competition,

9.2.4.4 the award of a Contract would provide good value for money and shall specify the evidence to be supplied to evidence this,

9.2.4.5 the necessary checks regarding the proposed Contractor have been undertaken in accordance with CPR 10 ASSESSMENT OF SUPPLIERS (as appropriate) and that the results do not indicate that a Contract award presents an undue risk to the council, and

9.2.4.6 an assessment of any associated risks has been undertaken.

9.3 **Waivers** –the CPRs may be waived only in exceptional circumstances where:

9.3.1 there is a demonstrable and justifiable need to waive or vary one or more of the CPRs on the grounds of urgency; and

9.3.2 if the estimated value of the Contract falls below the EU threshold the prior written approval of the S151 Officer has been obtained; or

9.3.3 if the estimated value of the Contract falls within Threshold 4 or above the S151 Officer has obtained the prior written approval of the Executive.

9.4 **Joint Commissioning** –the CPRs may be waived for Contracts where the council:

9.4.1 wishes to become party to a Contract with a consortium, which has undertaken the task of obtaining competitive prices;

9.4.2 seeks to jointly commission a Contract with other local authorities or organisations; or

9.4.3 seeks to jointly deliver services in partnership with other local authorities or organisations.

## 10. ASSESSMENT OF SUPPLIERS

10.1 No assessment of a suppliers financial standing is needed for Contracts estimated to be within Thresholds 1 or 2 unless the goods being purchased are a proprietary item, in which case a financial assessment must be conducted.

10.2 A financial assessment of potential suppliers must be undertaken for all Contracts estimated to be within or above Threshold 3

10.3 If a Contractor has expressed an interest in being included in a Standing List of Suppliers an assessment will be made of a Contractor's:

10.3.1 financial stability and resources;

10.3.2 insurances;

10.3.3 technical and other relevant references;

10.3.4 business continuity plans;

10.3.5 qualifications and experience;

10.3.6 environmental, ethical and employment policies;

10.3.7 previous experiences of dealing with the Contractor;

10.3.8 responsible purchasing policies;

10.3.9 details of other Contracts already, or proposed to be, awarded to the Contractor; and

10.3.10 any other issues that may be considered by the relevant Head of Service as being relevant to the Contract.

10.4 A Contractor that does not meet the council's minimum requirements shall not be admitted to a Standing List of Suppliers.

10.5 Suppliers that are sole traders can be awarded an individual Contract with a value within Threshold 1 or 2 but the approval of the relevant Head of Service must be obtained to approve such an award with a value within Threshold 3 or above.

Contract

## 11. STANDING LIST OF SUPPLIERS

11.1 The relevant Head of Service may maintain a standing list of suppliers for Contracts up to and including Threshold 3 in value.

11.2 The council's e-tendering portal must be used to obtain expressions of interest from suppliers to join the standing list.

11.3 Potential candidates for inclusion on the standing list of suppliers will be assessed in accordance with CPR 10.

11.4 The standing list must be reviewed at least every 1 year and the assessments set out in CPR 10 repeated.



## **12. FRAMEWORK AGREEMENT**

- 12.1 Prior to entering into a Framework Agreement, approval from the S151 officer must be sought.
- 12.2 A Framework Agreement may be procured using either the Open or Restricted Procedure.
- 12.3 The term of a Framework Agreement must not exceed 4 years.
- 12.4 Contracts based on existing Framework Agreements may be awarded by either:
  - 12.4.1 Applying the terms laid down in the Framework Agreement (where such terms are sufficiently precise to cover the particular call off) without reopening competition; or
  - 12.4.2 Where the terms laid down in the Framework Agreement are not precise enough or complete for the particular call-off, by holding a mini competition.

## **13. DYNAMIC PURCHASING AGREEMENT (DPS AGREEMENT)**

- 13.1 Prior to entering into a DPS Agreement, approval from the S151 officer must be sought.
- 13.2 A DPS Agreement may be procured using either the Open or Restricted Procedure.
- 13.3 The term of a DPS Agreement must not exceed 7 years.
- 13.4 Contracts based on existing DPS Agreements may be awarded by either:
  - 13.4.1 Applying the terms laid down in the DPS Agreement (where such terms are sufficiently precise to cover the particular call off) without reopening competition; or
  - 13.4.2 Where the terms laid down in the DPS Agreement are not precise enough or complete for the particular call-off, by holding a mini competition.

## **14. TUPE IMPLICATIONS**

- 14.1 When an employee of the authority or of a supplier providing a service that may be affected by any staff transfer arrangement, Officers must ensure that the Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE) issues are considered and obtain legal advice from the Borough Solicitor before proceeding with the Tender / Request for Quotation.

## **15. FINANCIAL VALUES**

- 15.1 Prior to commencing a procurement exercise officers must estimate the aggregate value; this will determine which threshold the procurement falls under.
- 15.2 The financial values will be reviewed bi-annually.
- 15.3 If the cheapest tender received is above the upper limit of the estimated CPR financial value as set out in the Threshold Table and/or any approved budget for the procurement of the goods, works or services, the prior written approval of the S151 Officer must be obtained to accept the tender or quotation. Where the OJEU thresholds are crossed a tender must be re-run e.g. if the budget for a services tender is £150k but the received bids all exceed the OJEU limit of £164k then the exercise but be repeated with a more appropriate procedure.
- 15.4 The Threshold Table (page 11) sets out the general rules applying to the choice of purchasing procedure for Contracts at the stated threshold financial values, it states,

#### **15.5 For purchases valued below £5,000**

- a) A minimum of one quote must be sought, this is only a required minimum and best practices dictates you seek multiple quotes to prove you are obtaining true value for money.
- b) The quotes can be sourced via In-tend or email.
- c) Local suppliers should be asked to quote where appropriate.
- d) An official order will constitute the Contract
- e) The purchase and written approval / signing of the Contract can be conducted by any authorised officer

#### **15.6 For purchases valued from £5,000 - £24,999**

- a) A minimum of three quotes must be sought; fewer than three is required if written approval is given by the relevant head of service.
- b) All quotes must be obtained via In-tend.
- c) All quotes must be sealed
- d) The relevant Head of Service must approve the route to market
- e) The approval / signing of the Contract can be conducted by the relevant Head of Service
- f) An official order will constitute the Contract and must be recorded on In-tend

#### **15.7 For purchases valued from £25,000 - £99,999**

- a) A minimum of three quotes must be sought.
- b) All quotes must be obtained via In-tend.
- c) All quotes must be sealed
- d) The S151 Officer or Deputy S151 Officer must sign off on the chosen route to market
- e) Where the opportunity is advertised it must also be advertised via Contracts Finder, as must be the Contract award.
- f) The Contract must be Signed by the S151 Officer or Deputy S151 Officer

#### **15.8 For purchases valued over £100,000**

- a) All tenders must be run via In-tend.
- b) A minimum of 4 bidders must be invited to submit a response
- c) All tenders must be sealed
- d) Management Board must sign off on the chosen route to market
- e) The Contract must be signed by S151 Officer

15.8.1 Where the Contract is estimated to be above the relevant OJEU threshold, an OJEU compliant procedure must be used (see CPR section 14, TENDERING PROCEDURES. Current OJEU Limits as of 1<sup>st</sup> January 2016 are £164,176 for services and £4,104,393 for works.

**Procedure for Procurement (minimum requirements)**

	Aggregate value	Advertising required	Contract Award Notice required	Minimum No of quotes	Receipt of quotes/ tenders	Financial assessment required?	Approval of chosen route to market	Required Contract type	Who signs Contract/ approves order?
Threshold 1	£0-£4,999	None required	No	Minimum of one quote sought (local suppliers should be used where appropriate)	Via email	No	Authorised Officer	Official Order	Authorised Officer
Threshold 2	£5,000 - £24,999	In-Tend	No	Minimum of three quotes sought (HoS can agree to fewer)	In-tend	No	HoS	Official Order & record on In-tend	HoS
Threshold 3	£25,000 - £99,999	In-tend & Contracts Finder	Yes	Minimum of three quotes sought	In-tend	Yes	S151 Officer or Deputy S151 Officer	Written - record on In-tend	Signed by S151 Officer or Deputy S151 Officer
Threshold 4	Over £100,000	In-tend, Contracts Finder & OJEU if applicable	Yes	Minimum of four tenderers sought, OJEU Procedure where limit exceeded: <b>Goods/Services:</b> £164,176* <b>Works:</b> £4,104,393*	In-tend	Yes	Management Board	Written - agreed by Legal Services & under seal, record on In-tend	Seal witnessed in accordance with Schedule of Authorisations to the Scheme of Delegation

\*OJEU thresholds are subject to change, any change in threshold levels will be reflected in an update to these CPRs.

## **PROCEDURAL STEPS OF THE PROCUREMENT**

### **16. TENDERING PROCEDURES**

#### **16.1 General:**

- 16.1.1 The council may apply any procedure that conforms to the Public Contracts Regulations 2015 in its procurement process.
- 16.1.2 Subject to CPR 9 the appropriate process set out in the Threshold Table must be followed for each procurement determined by the estimated value of that procurement.
- 16.1.3 Invitations to tender or requests for quotations must be issued electronically (via email for Threshold 1 and Via the council's e-tendering portal for and procurement within or exceeding Threshold 2).
- 16.1.4 All tenders or quotations must be returned to the council electronically (via email for Threshold 1 and Via the council's e-tendering portal for and procurement within or exceeding Threshold 2).
- 16.1.5 A Contract Procurement Report must be completed and stored on E-tendering portal for each tender or quotation within or exceeding Threshold 2
- 16.1.6 For all quotes/ tenders the award criteria must be stipulated before request/tender is published, this includes;
  - The assessment criteria
  - The scoring system and weighting to be applied
  - The minimum scores to be achieved (where appropriate)

#### **16.2 Existing arrangements**

- 16.2.1 In the first instance anyone purchasing on behalf of the council must check to see if there is an existing arrangement already in place which covers the purchase.
- 16.2.2 Where a framework / dynamic purchasing system / select list has been established to deliver the need, these will be considered alongside other routes in an options analysis.

#### **16.3 Request for Quotation (RFQ)**

- 16.3.1 This approach only applies for purchases below £100k where suppliers are requested to submit a quote for the requirements. Like a tender you can apply a price / quality split when evaluating the responses but the award criteria must be stated upfront in the RFQ documentation.

#### **16.4 Open Procedure (One Stage)**

The open procedure is where a bidder progresses straight to invitation to tender (ITT), there is no pre-qualification stage involved. This procedure shall apply where:

- a) the value of the Contract award will be below the EU threshold;

- b) the value of the Contract award will be above the EU threshold and the council has decided that a single stage tender is appropriate.

### **16.5 Restricted Procedure (Two Stage)**

- 16.5.1 This procedure can only apply where the value of the Contract award will be above the EU threshold
- 16.5.2 The required advertising and tendering periods must be observed.
- 16.5.3 The advertisement must state that a restricted tendering procedure will be used.
- 16.5.4 Once the closing date for receipt of expressions of interest has been reached a Standard Selection Questionnaire (“SSQ”) must be sent to all suppliers that have expressed an interest in tendering.
- 16.5.5 Upon receipt of the completed SSQ the information will be analysed.
- 16.5.6 Invitation to Tender documents shall be dispatched to a sufficient number of suppliers that have been assessed as meeting the minimum technical and financial requirements.
- 16.5.7 If fewer than the required minimum number of suppliers either meet the minimum qualification requirements or express an interest, the relevant director must be consulted to agree whether to seek additional tenderers or to obtain prior written approval from the Management Board to seek fewer than the minimum number of tenders.

### **16.6 Competitive with negotiation procedure**

- 16.6.1 Prior to undertaking a negotiated procedure approval from the S151 officer and Borough Solicitor must be sought.
- 16.6.2 This procedure can only apply where the value of the Contract award will be above the EU Threshold
- 16.6.3 The competitive with negotiation procedure allows award following the initial ITT stage before negotiations have commenced providing this is stipulated in the tender documentation.

## **17. OPENING OF QUOTATIONS AND TENDERS**

- 17.1 Any quotation or tender received after the specified date and time or at a location other than the one specified will be rejected unless the S151 Officer considers that there are exceptional circumstances that warrant it and this will only be done up to the time when the other tenders are opened.

## **18. EVALUATION OF QUOTATIONS AND TENDERS**

- 18.1 Offers will be evaluated against the award criteria stipulated at the point of publishing a RFQ / Tender. The available options are
  - 18.1.1 **Price only** - accept the offer from the Contractor who, having satisfied the council's minimum requirements, has offered the lowest price.

- 18.1.2 **Price / Quality** – where a price quality split is stipulated, the supplier who ranks highest over all shall be awarded the Contract, this is otherwise known as the Most Economically Advantageous Tender (M.E.A.T).
- 18.1.3 Where the most economically advantageous tender is to be sought, an assessment criteria and associated weightings will be specified in the invitation to tender.

## **19. CONTRACT SIGN OFF / SCHEME OF DELEGATION**

- 19.1 A Contract can only be signed / authorised by an officer for which they have authority / delegated authority under the scheme of delegation. The authority levels are:
- £0-£4,999 – Authorised Officer
  - £5,000 - £24,999 – Head of Service
  - £25,000 - £99,999 – Signed by S151 Officer or Deputy S151 Officer
  - Over £100,000 – Seal witnessed in accordance with Schedule of Authorisations to the Scheme of Delegation

## **20. CONTRACT EXTENSIONS AND VARIATIONS**

- 20.1 Subject to the circumstances set out in CPR 20.2, a Contract may only be extended or varied (where no such terms currently exist in the Contract) as follows:
- 20.1.1 the extension is on the same terms and conditions as the original Contract;
- 20.1.2 the extension may only be for a maximum of 2 years;
- 20.1.3 there is adequate budgetary provision to meet the cost of the extension in any financial year covered by the extension; and
- 20.1.4 the prior written approval of the Executive has been obtained where the proposed extension and cumulatively with any previous extension(s) is more than 2 years or 20% in value of the original Contract value.
- 20.2 Any Contract awarded under 9.2 (Exceptions) or 9.3 (Waivers) may not be extended or varied without the prior written approval of the S151 Officer.

## **CONTENT OF CONTRACTS**

### **21. FORM OF CONTRACT**

- 21.1 No indication of acceptance shall be made to any Contractor except by an officer authorised so to do.
- 21.2 Contracts valued up to and including Threshold 2 in value shall be the subject of a purchase order unless otherwise stated, in which case a formal Contract shall be prepared in accordance with the requirements of the Borough Solicitor.
- 21.3 All Contracts within Threshold 4 and above in value shall be the subject of a formal Contract under seal prepared by the Borough Solicitor.
- 21.4 All Contracts shall:
- 21.4.1 specify the goods, materials or services to be supplied and/or works to be undertaken, price to be paid, payment terms and conditions, details of any discounts or penalties, the period of the Contract and any other terms and conditions that may be agreed;

- 21.4.2 provide for the payment of liquidated damages where they are appropriate;
- 21.4.3 contain details of any security that is required by the council; and
- 21.4.4 prohibit the Contractor from sub-Contracting or assigning all or any part of the Contract without the express consent of the council.
- 21.5 Except in exceptional circumstances with the prior written approval of the Executive Director, all Contracts must be signed or sealed before their commencement.
- 21.6 Every Contract in excess of £100,000 must contain a comprehensive Business Continuity plan.
- 21.7 Every Contract shall require compliance with current legislation with respect to health and safety at work and sexual and racial equality.
- 21.8 Every officer who conducts a procurement in excess of £5,000 is responsible for ensuring the details are updated on the councils Contract register.

## **22. SUB CONTRACTORS**

- 22.1 In Contracts where the council wishes to nominate a sub-contractor, the Contract shall specify whether or not the council will be undertaking the tendering process to select the nominated sub-contractor.
- 22.2 The council will apply these CPRs to the tender process to select and assess the nominated sub-contractor.

## **23. FINANCIAL SECURITY**

- 23.1 Adequate financial security and/or a performance bond must be required for all Contracts within Threshold 4 and above in value.
- 23.2 Adequate financial security and/or a performance bond may be required if considered necessary by the S151 Officer Procuring Officer.
- 23.3 f a Contract is varied or extended in accordance with CPR 20, EXTENSIONS AND VARIATIONS
- 23.4 A retention to the Contract sum must be made in respect of all Contracts within Threshold 4 and above unless otherwise agreed by the S151 Officer (HoS can agree if the Contract is for works).
- 23.5 A retention to the Contract sum may be made if the relevant Head of Service determines this to be necessary.

## **CONTRACT MANAGEMENT**

### **24. MANAGEMENT OF CONTRACTS**

- 24.1 Any extensions or variations to a Contract may only be made in accordance with CPR 20, EXTENSIONS AND VARIATIONS.
- 24.2 Any proposed amendments to a partnership Contract shall only be agreed with the prior written approval of the Management Board.
- 24.3 If a Contract is proposed to be terminated for whatever reason, the advice of the Borough Solicitor must be sought in the first instance.

24.4 It shall be a condition of engagement by the council of any person (not being an officer or member of the council) to supervise a Contract that he shall act in full accordance with these CPRs when supervising the Contract as if he were an officer of the council.

24.5 It is the procuring officers responsibility to ensure that there is a robust Contract management plan in place that is proportionate to the scale and scope of the Contract, this should include, but is not limited to:

- a) Regular Contract reviews – to be documented
- b) Clear procedures on the reporting and escalation of Contract failings
- c) Identification of contacts responsible for the Contract within each organisation
- d) The capturing of performance data

## **25. NOVATION & ASSIGNMENT**

The council may agree to the novation or assignment of a Contract if an assessment of the Contractor has been carried out under CPR 10, ASSESSMENT OF CONTRACTORS, and the prior written approval of the Head of Service and S151 Officer has been obtained.

## **26. DISPOSAL OF COUNCIL ASSETS**

### **Land and buildings**

26.1 This section refers to disposals that are subject to market conditions.

26.2 Disposal (including sales, leases, easements and wayleaves) of land and buildings owned and funded by the General Fund shall first be valued by a qualified valuer. The Director of Finance and Resources shall report to the Corporate Management Team to determine whether, in the light of the valuation and location, there are strategic issues, risks or conditions of disposal relative to the Asset Management Plan (or equivalent) and Corporate Plan. If such considerations exist, the disposal shall be referred to the Asset Advisory Group, which will report its views and recommendations to the Corporate Management Team.

26.3 Disposal (including sales, leases, easements and wayleaves) of land and buildings owned and funded by the Housing Revenue Account, with the exception of sales under the Right to Buy Scheme, shall first be referred to the Head of Strategic Housing who shall consult the relevant director (or otherwise as may be specified in the Scheme of Delegation) to consider any risks associated with the disposal and the strategic and long-term issues in the light of the Asset Management Plan (or equivalent). The Head of Strategic Housing shall obtain a current valuation of the land and/or buildings and report his views and recommendations to the council's Corporate Management Team.

26.4 Any resultant proposal to dispose of the land and/or buildings shall then be discussed by the chairman of the Asset Management Team (or equivalent) or the Head of Strategic Housing (as appropriate) with the S151 Officer and the relevant portfolio holders responsible for the services in question and the management of the council's assets. A report outlining the reasons why disposal is recommended, and showing how it would be in accordance with the Asset Management Plan (or equivalent) and the proposed method of disposal of the land and/or buildings shall be presented to the Executive for approval.



## Other council assets

- 26.5 Proposed disposals of other council-owned assets, including surplus or obsolete furniture or equipment, shall be discussed with the relevant Head of Service to obtain agreement that there is no further need for the items. Items shall first be offered for transfer to other sections or departments of the council.
- 26.6 The Asset Advisory Group will be consulted on the disposal of assets where deemed appropriate by the relevant head of service.
- 26.7 Any items that remain for disposal shall be sold at the highest price possible. An estimated sale value shall be agreed by the relevant Head of Service and the S151 Officer or Deputy S151 Officer, taking note of any value included in the council's accounts and any professional valuations as may be deemed appropriate by the S151 Officer. A note shall be made and retained on file as evidence to support the adopted approach and the valuation. The method of disposal shall be agreed with the S151 Officer.
- 26.8 If deemed appropriate by the relevant Head of Service and the S151 Officer, items may either be
- 26.8.1.1 sold to a member of staff at an agreed price (where the item is of little or no intrinsic value); or
  - 26.8.1.2 offered for sale to all members of staff at the price agreed; or
  - 26.8.1.3 advertised for sale in local papers or relevant trade magazines, as appropriate, at the price agreed; or
  - 26.8.1.4 sold via an open electronic auction, run on the council's E-tendering portal where appropriate providing its use is approved by Legal and the S151 officer. The relevant Head of Service and the S151 Officer may set a reserve price below which an item may not be sold without the approval of the relevant portfolio holder responsible for the management of the council's assets.
- 26.9 If it is considered that there is a ready market for the item(s) in question, then sealed bids shall be invited from Contractors or organisations that are identified as having a potential interest. The minimum number of bids sought shall be determined in accordance with the thresholds contained in CPR 15.5, 15.6, 15.7 and 15.8.
- 26.10 All sealed bids shall be treated as being tenders and their opening evaluation and acceptance shall be in accordance with CPRs 17, 18 and 19.
- 26.11 Where there is the option of trading an old piece of equipment in part-exchange for a new piece, this option shall be expressly mentioned in any invitation to tender or request for quotation.
- 26.12 Disposal of any stocks and stores that are recorded in the council's accounts shall be disposed of after obtaining the agreement in writing of the relevant director and the S151 Officer and shall be undertaken in accordance with the provisions of the council's Financial Regulations.

## GLOSSARY OF TERMS

Authorised Signatory List	This is the list of officers authorised to make financial transactions. Head of Service approval is required before an officer may be included in the List.
Call-off Contracts	This term is used to describe a Contract that is entered into for a specified period but where the total value and quantity of items ordered cannot be quantified at the outset. An example might be a Contract for the supply of office stationery. Prices are specified for the duration of the Contract, subject as necessary to fluctuation according to agreed formulae.
Contract	This term is used to refer to any procurement transaction or planned procurement transaction.
Contract	All references to Contract values refer to the estimated value unless otherwise specified. The estimated value is calculated over the entire period of the Contract, including the period of any possible extensions to the term of the Contract. Where the term of the Contract is not known, a term of 4 years must be assumed and applied when calculating the Contract value. The calculation of the value must be assessed exclusive of Value Added Tax.
Corporate Management Team	The Corporate Management Team is the meeting of the Executive Director and Directors, which is advised by Heads of Service and other Officers as appropriate.
EU Directives on procurement	These are rules that override these CPRs for large value Contracts. EU Directives must be applied once the value of the Contract reaches or exceeds the relevant financial threshold. Their application and link to CPRs is outlined above in the introduction. The Directives are implemented into UK law as the Public Contracts Regulations 2015 (“the Regulations”), and reference to those Regulations in these CPRs includes any subsequent amendments to those Regulations and any replacement Regulations (and amendments thereto). The value of Contracts that are subject to these Directives is revised annually and it will be necessary to seek confirmation of current values from the Borough Solicitor.
Financial Regulations	This refers to the set of rules that govern the way the council’s finances are administered and controlled. They are maintained by the Section 151 Officer.
Framework Agreement	A Framework Agreement is an arrangement of one or more Contracting authorities with one or more suppliers in order to establish the terms governing the Contracts awarded and includes both Public Sector Framework Agreements and council Procured Framework Agreements.
Goods/Works/Services	A Contract will be in connection with the acquisition of one or more of these categories of purchases. The use of one of these terms should be taken to mean all the terms unless expressly stated to the contrary.
Highest/lowest price	The term “lowest price” (where payment is to be made by the council) shall also be taken to mean the highest price (where payment is to be made to the council).
Land and buildings	Disposal of land and buildings refers to outright sale and long-term leases. It does not include short-term leases of three years or less. The disposal of small parcels of land, such as to private residents for extension of gardens, may be the subject of standard procedures that

	may be agreed between the relevant director and the Section 151 Officer in accordance with CPR 24.
Lists prepared by third parties	This refers to such lists as “Constructionline” and similar lists of Contractors that have been assessed by other organisations.
Official order	This term is interchangeable with the term purchase order. An official order must be raised prior to receiving an invoice either via the councils official order system or the Orchard system.
Open tendering	Open tendering refers to a situation where all Contractors that have expressed an interest in a Contract are sent an invitation to tender. It is distinct from selective/restrictive tendering in that assessment of the Contractors will take place once the tenders/quotations are received using a questionnaire and an assessment of their financial stability, references and insurances.
Partnership Contracts	Partnership Contracts are designed to enhance cooperation between the council and a Contractor/other parties to the Contract. The purpose is to enable services to be reviewed and delivery arrangements amended at various times within the life of the Contract. Whilst terms and conditions may require amendment as a consequence, it is not intended that this should impede smooth working and transition to new arrangements should be facilitated. Therefore different arrangements will apply to allow amendment to terms and conditions in a planned and controlled manner.
Professional services (“consultants”)	<p>Consultants are used for a wide variety of purposes. Generally the term is therefore used to relate to the providers of professional skills and expertise which, for whatever reason, cannot be provided by the council’s own staff. Regardless of the role to be played, for the purposes of these CPRs Contracts for the provision of professional expertise will be regarded in the same manner as other Contracts for the supply of goods, works and services.</p> <p>Appointment of a person through an employment agency or an appropriate professional body to fulfil duties that otherwise would be performed by a member of staff will not be subject to CPRs. A separate procedure is available from Employee Services concerning this. Engaging a person to undertake a specific piece of work with specific terms of reference is deemed to be consultancy and must be procured in accordance with the CPRs.</p>
Quotation	A price given by a supplier for a specified piece of work, goods or service based largely on the supplier’s terms and conditions but with relevant conditions as determined by the council.
Quotations and tenders	The terms “quotation” and “tender” are used throughout these CPRs. For the purposes of the application of these CPRs the following definitions should be used:
Relevant Director	This term is used to denote the Executive Director, Director of Finance and Resources (Section 151 Officer) or the Director of Operations in person. Where an officer from one service is working in circumstances where they are responsible to another service for the purposes of a procurement exercise, then it is that other director who is the responsible director. In some CPRs the Executive Director and the Section 151 Officer are mentioned by title; where this is done, they are not acting as the relevant director.
Relevant Head of Service	This term is used to denote the head of the service responsible for procuring a Contract.
Relevant Portfolio	This refers to the elected Member of the council who at the time the

holder	procurement exercise is being undertaken is the relevant member of the council's Executive responsible for the service in question.
Responsible Purchasing	The council's overarching approach to the acquisition of goods and services, ensuring that purchasing decisions are made with the best long-term interest of the environment in mind, particularly having regard to sustainability issues.
Section 151 Officer	This refers to the council's Chief Finance Officer, being the officer responsible for the council's financial administration as defined by the Local Government Act 1972.
Scheme of Delegation	This term refers to the council's Scheme of Delegation, which specifies the extent to which the conduct of the council's affairs is delegated to council officers. If at any time there appears to be a conflict between the Scheme of Delegation and Contract Procurement Rules, the former shall take precedence.
Selective/restricted tendering	Selective or restricted tendering refers to a situation where Contractors expressing an interest in tendering/supplying a quotation are asked to complete a pre-qualification questionnaire. The completed questionnaire is assessed, and an assessment of the Contractors' financial stability, references and insurances is undertaken in order to produce a short-list of Contractors that will be invited to tender/provide a quotation.
Specification	The use of the word 'specification' refers to a statement of the council's minimum purchase requirements. For illustrative purposes, it includes as appropriate such matters as: a) Technical drawings b) Recognised international standards c) Method of delivery d) Terms and conditions of supply and delivery e) Responsible purchasing requirements.
Standard Selection Questionnaire	This is the questionnaire which has been developed to simplify the supplier selection process for businesses using the Restricted Procedure to procure goods or services. It has replaced the Pre Qualification Questionnaire.
Supplier/Contractor	Both these terms are used to refer to a provider or potential provider of goods, works or services. Once a Contract has been placed with a supplier, that supplier may be more precisely referred to as a Contractor.
Tender	A price given by a supplier in response to a full specification of the goods, works or services required and based upon terms and conditions specified by the council. These terms and conditions may be as laid out in a commonly used standard form of Contract. The processes for seeking and receiving quotations and tenders are set out within these CPRs. The precise requirements in respect to any specific Contract will have to be assessed according to the nature and complexity of the Contract as well as its value.

## WAVERLEY BOROUGH COUNCIL

### MINUTES OF THE AUDIT COMMITTEE - 26 SEPTEMBER 2017

### SUBMITTED TO THE COUNCIL MEETING – 17 OCTOBER 2017

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

#### **Present**

Cllr John Gray (Chairman)	Cllr Nicholas Holder
Cllr Richard Seaborne (Vice Chairman)	Cllr Jerry Hyman
Cllr Mike Band	Cllr Anna James

#### **Apologies**

Cllr Pat Frost

#### **Also Present**

Graeme Clark – Strategic Director – Finance & Resources, Peter Vickers – Head of Finance, and Gail Beaton – Internal Audit Client Manager

15. MINUTES (Agenda item 1.)

RESOLVED that the minutes of the meeting held on 24 July 2017 be confirmed and signed.

16. APOLOGIES FOR ABSENCE (Agenda item 2.)

Apologies for absence were received from Cllr Pat Frost.

17. DISCLOSURE OF INTERESTS (Agenda item 3.)

There were no disclosures of interest in relation to items on the agenda.

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

There were none.

#### **PART I - RECOMMENDATIONS TO THE COUNCIL**

There were no matters falling within this category.

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

##### Background Papers

The background papers relating to the following report items in Part II are as specified in the agenda for the Committee.

19. AUDIT COMMITTEE TERMS OF REFERENCE FOR 2017/18 (Agenda item 5.)

The Committee reviewed its Terms of Reference for 2017/18. Cllr Seaborne noted the use of terminology such as 'consider' and 'monitor' and felt that it was unclear as to what the Committee's responsibility was in relation these statements. Graeme Clark, Strategic Director – Finance and Resources, agreed that some of the language could be amended to more explicitly reflect the Committee's role in relation to each item. Cllr Seaborne also requested that the terms of reference be amended to include the Committee's authority to endorse the Internal Audit Charter.

Cllr Gray expressed some concern over the overlap between the Audit Committee and the Standards Panel in relation to recommending changes to the constitution. He explained that he would be meeting with the Head of Policy and Governance and Chairman of the Standards Panel to discuss this further and hoped that it could be resolved prior to the Committee's November meeting.

The Committee RESOLVED that officers be asked to review the wording of the Terms of Reference to ensure it accurately reflects the Committee's responsibilities, and that the revised Terms of Reference be brought back to the Committee's next meeting in November for review.

20. AUDIT COMMITTEE ANNUAL ACTIVITY REPORT 2016/17 (Agenda item 6.)  
(Pages 7 - 34)

The Committee received a report setting out an appraisal of the Audit Committee's work over the 2016/17 council year. The Committee felt that the report provided an accurate summary of the work that it had undertaken over the previous year and requested that it be submitted to Council for their information as an annexe to these minutes.

The Committee RESOLVED that the work carried out by the Audit Committee in 2016/17 be noted.

21. INTERNAL AUDIT CHARTER (Agenda item 7.)

The Committee received an updated Internal Audit Charter which had been developed in accordance with the updated Public Sector Internal Auditing Standards (March 2016).

Cllr James queried whether it was usual practice for a council to contract out its audit service. Officers explained that it varied between organisations but that Waverley was part of a consortium that allowed it to make use of a more specialist team of auditors than if the service was run in-house. There were several advantages to this arrangement, and Gail Beaton, Internal Audit Client Manager, was still able to undertake reviews of the most sensitive work where necessary. Cllr Gray asked when the contract with RSM was due for renewal and officers responded that this would be in 2019 and a report would come to the Committee on it in due course.

Cllr Hyman was unsure about wording for the 'mission' of internal audit however acknowledged that it did summarise the role fairly accurately. Other members agreed that it could potentially be re-phrased but noted that as the wording had come from the PSIAS it be left as written for the time being.

The Committee RESOLVED that the Internal Audit Charter be approved.

22. INTERNAL AUDIT PLAN PROGRESS 2017/18 (Agenda item 8.)

The Committee received a report outlining the latest position on the reviews included within the 2017/18 Audit Plan. Gail Beaton advised the Committee of some changes that would be made to the agreed schedule, namely; the tree management review that was scheduled for Q1/2 would now be completed in October; similarly the responsive repairs and voids review would also be completed in Q3 rather than Q1/2.

Cllr Holder expressed concern that the reconciliations review would not be undertaken until Q4 and felt that this should be given a higher priority. Officers assured the Committee that managers still ensured that correct procedures were followed all year round, but that the purpose of the audit was to provide additional assurance on top of this.

The Committee RESOLVED that the progress on the Internal Audit Plan 2017/18 be noted.

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

The Committee received a report setting out Senior Management's progress in implementing the internal audit recommendations that were overdue or likely to be implemented later than the target date.

There had been a request for a time extension for three recommendations relating to data protection and information governance. Cllr Band expressed concern over the continuing delay in relation to these actions; he noted that the issues appeared to be resource-driven and felt that the Committee needed assurance that adequate resources would be deployed in order to meet the proposed date before agreeing to it. Cllr Gray agreed, stating that more details and a plan for implementation was required before the Committee could agree to the extension.

Graeme Clark informed the Committee that this was being treated as a high priority and that a report would be submitted to the Executive in October seeking approval to procure a new resource in the form of an external specialist. The specialist would work alongside an internal project manager to ensure that the council met its GDPR requirements in time.

Cllr Hyman asked whether it was possible that any of the three recommendations could be achieved earlier than the requested date of 1 April 2018. Graeme responded that he was confident that the Executive would approve the resource request, but that it would take the specialist some time to complete a gap analysis, which was a very technical assessment. He indicated that it may be possible to bring forward the date for IA16/22.004 [Procedure].

The Committee reiterated that this was an essential piece of work as the council had a statutory deadline to comply with. It felt that it was unable to agree to an extension to the deadlines without having some evidence that a plan was in place. Members therefore asked that a detailed update be provided at the Committee's November meeting and that if this was unsatisfactory they would escalate the issue to full Council.

The Committee RESOLVED that officers be asked to provide an update on the implementation plan and resources relating to recommendations IA16/22.001, IA16/22/002 and IA16/22.004 to the Committee's November meeting in order to provide assurance that the council was on track to comply with the requirements of GDPR.

24. FRAUD INVESTIGATION SUMMARY (Agenda item 10.)

The committee received a report that summarised the work that had been undertaken in relation to housing fraud during Quarter 1 of 2017/18. The Committee noted that the financial value for this quarter was £72,990 and that the total for the previous year had been £688,866. Officers explained that so far this year there had been no right to buy cases determined, and these were where the biggest returns were. Additionally, the notional figures in the report did not represent the real value to the council as the cost to build a new house was approximately £200,000.

The Committee thanked Gail Beaton and her colleagues for the work they had done in investigating cases of housing fraud. Cllr Hyman added that the council had a social responsibility to undertake this work and that it was positive that the costs in officer time were greatly outweighed by the returns.

The Committee RESOLVED that

1. the success of the investigation activity and the results achieved be noted; and
2. the council's participation in the Surrey Counter Fraud Partnership data matching exercises and the work to be completed to assist in identifying fraudulent activities throughout the council's services not currently covered through the NFI be noted.

25. APPOINTMENT OF EXTERNAL AUDITOR (Agenda item 11.)

Graeme Clark reminded the Committee that at its meeting in November 2016 and subsequent Council meeting in December 2016, Waverley had agreed to opt-in to the appointing person arrangements made by the Public Sector Audit Appointments for the appointment of external auditors from 2018/19. Following the PSAA's procurement exercise, the council had been informed that Grant Thornton had been appointed as its external auditor for a period of five years. The appointment would be finalised in December and a consultation on fees would be undertaken in due course; this would be followed by a cooling-off period.



Cllr Hyman expressed concern over Grant Thornton's handling of the fraud incident in 2014 and was wary of them continuing as the council's external auditor, however Cllr Gray assured members that he had confidence in Grant Thornton's policies and procedures and that he had no significant concerns going forward.

The Committee RESOLVED that the PSAA's appointment of Grant Thornton (UK) LLP as the council's external auditor for a period of five years from 2018/19 be noted.

26. COMMITTEE RECURRENT WORK PROGRAMME (Agenda item 12.)

The Committee RESOLVED that the its recurrent annual work programme be noted.

[NB Cllr Nicholas Holder left the meeting at 8.03pm prior to the consideration of the following item]

27. RISK MANAGEMENT UPDATE (Agenda item 13.)

*Prior to the meeting a briefing session had been held with members of the Audit Committee to enable them to ask questions on the more detailed aspects of the risk register.*

The Committee received a report presenting the latest corporate risk register as refreshed by Heads of Service. Peter Vickers, Head of Finance, explained that since the Committee had last reviewed the risk register at the beginning of the year, it had been updated by officers along with a representative from Zurich and now included a change log and list of emerging risks. Peter also informed the Committee that the Risk Policy, which sits above the register was being reviewed in consultation with Zurich and would be coming to the Committee at its November meeting.

Members noted that the mitigation measures relating to some of the risks appeared to be out of date, and did not reflect current mitigation work that had been identified or was under way. Officers agreed to review the mitigation text to ensure that it reflected the most up to date position. Cllr Hyman also requested that the axes on the risk matrix be labelled for clarification purposes.

The Committee welcomed the inclusion of the change log and list of emerging risks and looked forward to receiving the updated policy document at its next meeting.

The Committee RESOLVED that the revised corporate risk register be noted and the observations above be passed to officers consideration.

**The meeting commenced at 7.07 pm and concluded at 8.16 pm**

**Chairman**

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## WAVERLEY BOROUGH COUNCIL

### AUDIT COMMITTEE

26 SEPTEMBER 2017

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**Title:**

**AUDIT COMMITTEE ANNUAL ACTIVITY REPORT 2016/17**

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**Summary and Purpose**

This report details the work undertaken by the Audit Committee over the municipal year 2016/17. The purpose of this annual appraisal of the work of the Committee is to help Members review the previous year's work and plan for the coming year.

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The Committee met four times in June, September and November 2016 and March 2017. The membership was as follows:-

Cllr John Gray (Chairman)	Cllr Nicholas Holder
Cllr Richard Seaborne (Vice-Chairman)	Cllr Wyatt Ramsdale [to 18 October 2016]
Cllr Mike Band	Cllr David Round
Cllr Christiaan Hesse	Cllr Jerry Hyman [from 18 October 2016]

#### **1. INTRODUCTION AND TERMS OF REFERENCE**

1.1 At its first meeting on 21 June 2016, the Committee reviewed its terms of reference. Amendments were made to ensure that the Terms of Reference more accurately reflected the role of the Committee as well as current organisational wording and policies. The Audit Committee had a number of powers delegated to it by the Council regarding governance and this included the approval of the Council's Annual Governance Statement and the Internal Audit Service Plan. Once the Audit Committee had approved these documents, the decision could not be overruled by the Council. The Amended terms of reference were adopted by full Council on 19 July 2016.

1.2 The Audit Committee reviews its terms of reference on an Annual basis, and these are included at this meeting as a separate agenda item.

1.3 Details of Members' attendance at Audit Committee meetings during 2016/17 are given at Annexe 1.

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

#### **Standing items**

1.5 The Audit Committee has a recurrent work programme, with the following items received at each meeting:

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

A summary of the work undertaken by the Committee in 2016/17 is set out in the following table:

<b>Audit Committee work programme for 2016/17</b>			
<b>June 2016</b>	<b>September 2016</b>	<b>November 2016</b>	<b>March 2017</b>
Review of progress on the Internal Audit Plans for 2015/16 and 2016/17	Review of progress on the Internal Audit Plan for 2016/17	Review of progress on the Internal Audit Plan for 2016/17	Review of progress on the Internal Audit Plan for 2016/17
Review and revision of the Internal Audit Charter	Update on the work being completed as part of the Surrey Counter Fraud Partnership	Update on the work being completed as part of the Surrey Counter Fraud Partnership	Approve proposed Internal Audit Plan for 2017/18
External Audit progress report and emerging issues and developments for the 2015/16 Accounts	Consider and approve the Statement of Accounts for the year ended 31 March 2016	Approve Anti-fraud strategy, Prosecution Policy, Anti-Money Laundering policy	External Audit grants and returns certification report
Review of the Audit Committee Terms of Reference for the year 2016/17	Approve the letter of representation to the external auditors for the financial statements year ended 31 March 2016	Review options for the appointment of external auditors from 2018/2019	Approve proposed Internal Audit Plan for 2017/18
Review the Annual Governance Statement for 2015/16	Recommend the approval of the Annual Governance Statement for 2015/16	Review the Risk Management Policy and Corporate Risk Register	
	Review and approve the Shottermill Trust and Ewart Trust Financial Accounts	Receive the External Audit Annual Audit Letter	
	Review the External Audit findings report		

A more detailed breakdown of items considered at each meeting is shown below.

## **2. REVIEW OF PROGRESS IN IMPLEMENTATION OF INTERNAL AUDIT RECOMMENDATIONS**

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

### **2.2 21 June 2016**

2.2.1 Gail Beaton, Internal Audit Client Manager, presented an updated report and annexes on the progress on the implementation of Internal Audit recommendations to the Committee.

2.2.1 Members asked for clarification about the request to revise the implementation date of IA16/14.001 (Contract Procedure Rules) and the situation regarding the value of contracts that were required to be included on the Contract

Register. Officers responded that the action recommended by the Internal Audit Service was to align the Contract Procedure Rules (that required contracts greater than £25k be included on the Contract Register) with the Transparency Code (that required contracts greater than £5k be included). It was remarked that the recommendation was a paper exercise because contracts of £5k and over were already being included on the Contract Register as the Council had implemented the full requirements of the Transparency Code when it had passed into law. As a result, the proposed delay would have had no material effect.

2.2.2 The Committee also raised the issue of IA16/05.001 (Deed of Variation). This item had been completed at the time of the meeting and so had not been included on the updated annexe provided by the Internal Audit Client Manager at the meeting. Members were pleased that this had been completed but expressed concern at the length of time it had taken and that the Contract Procedure Rules currently in place could allow such a delay. Officers responded that they shared those concerns and would work with those involved to ensure lessons were learnt.

2.2.3 Members requested that information included in the 'all notes' section in Annexe 1 to the report should be more explanatory. Officers agreed to keep this in mind when producing future reports.

2.2.4 Having considered the information contained in Annexe 1 and identified the action to be taken, the Committee agreed the implementation date for recommendations listed in Annexe 2.

## 2.3 13 September 2016

2.3.1 Gail Beaton advised the Committee that its aim was to inform them of senior management's progress in implementing the recommendations raised by the Internal Audit Service following a review in their service areas. The Audit Committee was being asked to consider what action was required in respect of those recommendations that were overdue or appeared likely to be implemented later than the originally agreed target date.

2.3.2 Annexe 1 to the report contained three items regarding the I.T. Service Desk that were due by 30 September 2016. Updating the figure recorded, Gail explained that the items were now 75% complete and that she expected them to be achieved by the due date.

2.3.3 The remaining item related to Pest Control Fees and Charges. There was no completeness check being done to ensure that all referrals had been completed or cancelled. The information required from the contractor to monitor cancellation activity would take longer than originally envisaged to resolve.

2.3.4 The Committee was happy to agree the extension to 30 October 2016 as requested but asked that the financial amount involved be quantified and reported in the Minutes. The quantified total annual income for Pest Control was £20,000.

## 2.4 15 November 2016

2.4.1 The Committee received a report detailing the latest position regarding the implementation of Internal Audit Recommendations.

2.4.2 Members were advised that all items listed as overdue or due within the next month had now been completed since publication of the Agenda except item IA/26.003 'Training' in the DBS procedure. Research had been undertaken into fulfilling the agreed action but no training courses had been found. The Committee was invited to comment on the situation and suggest an alternative course of action.

2.4.3 Members felt that the best solution would be to bring in an external expert from another local authority to spend a couple of days with the responsible officer and train them that way.

## 2.5 21 March 2017

2.5.1 The Committee received the report outlining the progress that had been made on the implementation of internal audit recommendations. The Internal Audit Client Manager advised the Committee that since the agenda was issued there had been some further progress on implementation:

- IA16/17.003 (Job Description) – the Head of Finance had confirmed that the action to update the job description would be complete by 31 March 2017.
- IA17/11.008 (DBS clearance) – this recommendation had been issued in connection with Management of Contractors by Housing, and action had been taken in Housing to ensure that staffing updates were covered at all contractor monitoring meetings. However, this was also a corporate issue and the Property Services Manager had recommended that additional contract requirements for appropriate safeguarding provisions to Waverley's requirements be included in the current revision of the Council's Contract Procurement Rules. Accordingly, the deadline for this action had been extended to 30 April 2017.
- IA17/12.003 and IA17/12.008 – these recommendations had now been implemented.

2.5.2 The Head of Policy and Governance had asked that due date for five recommendations from the Information Security Governance audit review be extended to 1 July 2017, as resource constraints and competing urgent legal instructions had prevented the work to be completed.

2.5.3 The Committee was very disappointed that these recommendations had not been progressed further, and that the Council was potentially exposed to risk through the lack of up to date policies and procedures. The Committee was particularly unhappy about agreeing to extend the deadline for the Information Security Group to meet (IA16/22.007), as this should have been relatively simple to achieve.

2.5.4 The Committee agreed to extend the deadline for recommendations IA16/22.001, 002, 003, and 004 to 1 July 2017. However, the Committee agreed to extend the deadline for IA16/22.007 only until 30 April 2017.

2.5.5 The Committee asked the Strategic Director of Finance and Resources to impress on the Head of Policy and Governance the strength of the Audit Committee's concern that this action had not been completed, and that he and the Borough Solicitor would be asked to attend the next meeting of the Audit Committee if the actions remained outstanding at that time.

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### **3. INTERNAL AUDIT PLAN**

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

#### **3.2 21 June 2016**

3.2.1 The Internal Audit Client Manager, Gail Beaton, tabled updated Annexes to the report that provided details on the current position of the Internal Audit reviews for 2015/16 and 2016/17 as at 21 June 2016.

3.2.2 The Committee asked for more details about the deferral of the review of the Councils 'Sharepoint' I.T. system from the 2015/16 to the 2016/17 review. Officers responded that the system allowed documents to be amended across the organisation from one central point. The delay in conducting the review had been caused by contractor staffing issues within their I.T. services and a lack of technical knowledge of Sharepoint. Having now obtained alternative resources from Spelthorne Borough Council, the review had commenced and would be completed in Q1 2016/17.

3.2.3 Members also remarked on the format of the information presented in the annexes and made several suggestions as to how it could be improved. Officers responded that they were open to feedback and eager to ensure that presentation of information met the needs of the Committee. Members were invited to forward their ideas to Officers with a view to revising the format for the next Audit Committee meeting in September.

#### **3.3 13 September 2016**

3.3.1 Gail Beaton advised the Committee that, following feedback received at the last meeting, the spreadsheets associated with the Report had been simplified whilst at the same time included extra data (such as recording of the number of recommendations and the assurance opinion).

3.3.2 A new review was being included (shown in blue) on the plan for the Construction Industry Scheme to provide assurance that the system currently in operation was compliant with legislative and HRMC requirements.

3.3.3 Councillors were very happy with the revised spreadsheet format and explained that they found it much easier to navigate and understand.

3.3.4 The Committee noted the progress for the Internal Audit Plan 2016/17 as attached at Annexe 1 to the report and endorsed the proposed inclusion of the review shown in blue.

#### 3.4 15 November 2016

3.4.1 The Committee received an update on the progress being made in achieving the Internal Audit Plan for 2016/17. Members were advised that report no. IA17-00 'Accuracy of Tenancy Information' and 'Corporate Governance' had now been completed.

3.4.2 Members asked that from the next meeting, they be given a brief overview of those items listed as 'partial assurance' and that the colour of items in the 'overall opinion' column be changed to match their status.

3.4.3 It was agreed that officers provide Cllr Holder with a copy of the final report on 'Recruitment of permanent and agency staff and performance management' (IA17-02) and feed back his observations to Cllr Gray before the next meeting.

#### 3.5 21 March 2017

3.5.1 The Internal Audit Client Manager presented an update on the current status of the reviews scheduled in the Internal Audit Plan for 2016/17. A number of audits were due to start imminently, and these would be concluded in 2017/18. Two projects – Approval of Invoices on Agresso, and Data Protection – totalling 16 audit days, would not commence in the current year and it was proposed that these be deferred to 2017/18.

3.5.2 The audit review in relation to the approval of invoices between Orchard and Agresso had been delayed due to the implementation of the Agresso upgrade having been delayed as a result of the departure of the system administrator. This post had now been filled.

3.5.3 The Committee noted the progress of the Internal Audit Plan for 2016/17, and endorsed the deferral to 2017/18 of the audit reviews on the Approval of Invoices on Agresso, and Data Protection.

#### 3.6 Proposed Audit Plan for 2017/18 – 21 March 2017

3.6.1 The Internal Audit Client Manager introduced the draft Internal Audit Plan for 2017/18, which had been prepared with reference to the Internal Audit Risk Assessment, as well as assessing the current control environment, operational risk register and through consultation with Heads of Service.

3.6.2 The Plan proposed to allocate 230 days to the contractor RSM for 2017/18, the same as currently. This gave coverage to the key known issues facing Waverley



in the coming 12 months, with a 21-day contingency to address issues that might arise during the year.

3.6.3 The Chairman reminded the Committee that they had explored the wider audit universe previously, and made suggestions for risk areas to be included in the Plan.

3.6.4 With regard to the proposed audit of Tree Management, the Committee asked that this include lease conditions where the Council has leased land to third parties.

3.6.5 The Committee resolved to approve the draft Audit Plan for 2017/18.

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## **4. REPORTS BY EXTERNAL AUDITORS**

### **4.1 External Audit Update Report – 21 June 2016**

4.1.1 Julian Gillett from Grant Thornton, the Council's external auditor, introduced the Committee to its progress and update report on the position of the external audit work completed.

4.1.2 Good progress had been made and the Audit was on track against the plan with the Fee Letter, Accounts Audit Plan and Interim Accounts audit all having been completed earlier in the year.

4.1.3 It was expected that the opinion of the external auditor and its value for money conclusion would be given before the 30 September 2016 deadline. Three risks had been identified in relation to the VFM conclusion including the Council's financial position, the progress of the new Local Plan, and the Brightwells development in Farnham. Work proposed to deal with these risks included a review of the Council's financial strategy, consideration of the current progress and impact of the new Local Plan, and monitoring performance and governance of the Brightwells development.

### **4.2 External Audit Findings Report – 13 September 2016**

4.2.1 Iain Murray of Grant Thornton introduced the External Audit Findings Report to the Committee. He was very happy to see the good work done by the Council in embracing the early close agenda and expected to have a full dry run in 2017/18 prior the mandatory earlier reporting regime coming into effect for 2018/19.

4.2.2 He explained that the Report highlighted the key issues affecting the results of Waverley Borough Council's Group and Council financial statements for the year ended 31 March 2016.

4.2.3 He praised the Council for the very high standard of the financial statements; for providing them in advance of the statutory deadline; and for supporting them with an excellent set of working papers. Some non-material issues had been identified but none of the adjustments had impacted the Council's reported position.

4.2.4 Three issues of deficiency had been identified in the Council's financial report. This included:

1. 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 was a risk that the HRA asset register had not correctly reflected the HRA asset base.

2. Pension Fund Liability;

The actuary (Surrey County Council Pension Fund) had provided Waverley with an incorrect estimation of 2015/16 benefits paid. The risk was that incorrect values provided by the actuary lead to a material misstatement of the Council's pension fund assets and liabilities.

3. Short term debtors and HRA rent arrears;

The total HRA tenant rents and cost debtor disclosed in the financial statements as £540k agreed to the trial balance from the general ledger but was not supported in full by the corresponding report from the Orchard internal I.T. system. This showed a balance of £455k. Officers were unable to provide a reconciliation for the £85k balance during the audit. The risk was that the housing rent arrears debtor in trial balance had been misstated.

4.2.5 It was noted that management had agreed to take the action proposed by Grant Thornton to rectify these issues as follows:

1. Housing Revenue Account (HRA) asset register;

Regular reconciliation of the properties on the HRA asset register to the Orchard housing system.

2. Pension Fund Liability;

Review information provided by Actuary to ensure it is was reasonable, in line with expectations and comparable with the prior year if appropriate.

3. Short term debtors and HRA rent arrears;

Carry out a reconciliation between the HRA tenants rent arrears control account and the Orchard rent system. Consider whether there were items on the general ledger control account which should be cleared and/or written off.

4.2.5 In response, Members asked that the management response to pension fund liability issue be strengthened in order that all third party data is comprehensively checked for accuracy.

4.2.6 Graeme Clark would strengthen the management response to the pension fund liability issue recorded in the Report.

4.2.7 Councillors also expressed concern at the cumulative general fund budget shortfall of £3m identified as a significant risk. Officers explained that the shortfall was mainly due to the changes to funding under consideration by central

government. It was noted that the Audit and Corporate Overview & Scrutiny Committees would need to work closely together on keeping a track on the issue.

4.2.8 The Chairman agreed and informed the Committee that he had already been in contact with the Leader of the Council to ensure the work of each committee was co-ordinated.

4.2.9 Closing with their 'value for money' conclusion, Iain Murray explained that Grant Thornton were satisfied that, in all significant respects, Waverley had the proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

#### 4.3 External Audit Annual Audit Letter – 15 November 2016

4.3.1 Iain Murray of Grant Thornton introduced the Annual Audit Letter to the Committee.

4.3.2 The purpose of the letter was to summarise the key findings arising from the work that they had carried out for the Council for the year ended 31 March 2016. A number of risks had been identified in the audit plan, namely;

- Fraudulent transactions included in the revenue cycle
- Management over-ride of controls
- Operating expenses
- Valuation of property, plant and equipment
- Valuation of pension fund net liability

4.3.3 Grant Thornton had focused their work on these areas and did not identify any significant issues to report from some revisions to the accounts to correct the overstatement of the pension fund liability in the balance sheet.

4.3.4 Iain Murray confirmed that Grant Thornton were satisfied that they had been provided with all the information they asked for, including minutes of meetings, and that the Council had put in place appropriate measures to mitigate the risks identified.

4.3.5 Cllr Jerry Hyman disagreed with the Value for Money findings and conclusions of the Annual Audit Letter specifically relating to the Local Plan and the Brightwell's development and wanted this to be recorded in the Minutes.

#### 4.4 Grant Thornton Audit of 2015/16 Housing Benefit Subsidy Return – 21 March 2017

4.4.1 Iain Murray and Sophia Brown, from external auditors Grant Thornton, introduced the Committee to its certification work for the Housing Benefit Subsidy return for the year 2015/16.

4.4.2 They explained that they were required to certify certain claims and returns submitted by Waverley. The only claim requiring auditor certification for

2015/16 was the Council's claim for housing benefit subsidy, and the report summarised the outcomes of this work.

- 4.4.3 As part of their work, Grant Thornton had identified a small number of low value individual errors regarding claimants' Housing Benefit calculations including incorrect entry of earned income values, incorrect entry of rent values and incorrect application of Local Housing Authority rates.
- 4.4.4 These errors triggered a requirement for Grant Thornton to undertake further testing before determining whether they were able to adjust and/or issue a qualification. The outcome was that the 2015/16 claim was amended prior to certification, with the impact of the amendments being to reduce the total subsidy claimed by a net £119. The number of errors was similar to previous years, and there was nothing of significance or cause for concern.
- 4.4.5 Iain Murray explained that the nature of this certification work was heavily prescribed by the Department of Work & Pensions (DWP), and there was no threshold of materiality; therefore a qualification letter had been sent to the DWP.
- 4.4.6 The Committee asked about the possible causes of the errors. The Strategic Director of Finance and Resources, responded that these related to the classification of data, and there was a subjective element to the interpretation of guidance that could lead to data entry errors. Regular quality checks were conducted within the department, and the total value of the errors were relatively small in the context of the overall claim of £29.6m.
- 4.4.7 Iain Murray explained that the additional sampling work undertaken would have an impact on the final fee, and this had been agreed with the Head of Finance.
- 4.4.8 The Committee therefore agreed to note the Certification report for 2015/16.

#### 4.5 External Audit Plan 2016/17 – 21 March 2017

4.5.1 The Committee was presented with the latest draft version of the Grant Thornton External Audit Plan for the Council for 2016/17 which gave an overview of the planned scope and timing of the audit.

4.5.2 Iain Murray drew the Committee's attention to the business context for the audit plan (developments, key challenges and financial reporting changes); materiality thresholds, which remained the same as for 2015/16; significant risks, as defined by professional standards; other financial risks (key areas of outgoings, valuation of fixed assets and pension liability, changes to the presentation of the accounts); Value for Money considerations; and the independence check.

4.5.3 In completing his summary of the Plan, Iain Murray advised the Committee that a family member of a Waverley councillor was employed by Grant Thornton; however, that employee had not, and would not, work on the Waverley Audit, and had no access to the Waverly audit files.

4.5.4 Cllr Hyman expressed a concern that the risk identified in relation to development and regeneration and the response relied on information provided by the Council, and he felt that there were additional issues that Grant Thornton should be aware of including the validity of the planning consent for the Brightwells development.

4.5.5 Iain Murray responded that the role of the External Auditors was to assess how the Council identified and managed risks in relation to policy decisions, and they were not qualified to assess if the planning consent was valid.

4.5.6 The Chairman pointed out that Cllr Hyman's views were different to those of the Council, and suggested that he could forward a letter to the External Auditors if Cllr Hyman wrote to him setting out his concerns.

4.5.7 With regards to the Local Plan, Iain Murray explained that in contrast to the previous two years, significant progress had been made with the submission of the Draft Local Plan for examination. It was felt that the key issue now was the decision in relation to the Dunsfold Park planning application, which had been called-in. The statement of risks in relation to the Local Plan and Dunsfold Park could be re-visited if circumstances changed during the course of the audit process, but the Audit Plan represented the view as at the time of writing.

4.5.8 In response to questions from the Committee, Iain Murray confirmed that the External Audit Plan was in line with the requirements of the Local Audit and Accountability Act 2014 and in accordance with the National Audit Office Code of Practice 2015. The Value for Money conclusion was based on criteria set out in National Audit Office guidance for 2016/17 issued in November 2016.

4.5.9 Cllr Hyman advised that Waverley's Opposition Group had concerns in relation to performance against the sub-criteria detailed in the Audit Plan.

4.5.10 With regard to the audit timeline, the Chairman noted that it was very tight, and it was important that the Committee had the report on the final accounts in time to review them thoroughly before the Audit Committee meeting on 24 July. Iain Murray agreed that the timetable was ambitious, but he was confident that they could meet it. The aim was to provide the audited accounts two weeks before the Committee meeting, and a meeting had been scheduled for the Committee to review the unaudited accounts on 9 June.

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## **5. ANNUAL GOVERNANCE STATEMENT**

### **5.1 Draft Annual Governance Statement 2015/16 – 21 June 2016**

5.1.1 Peter Vickers, Head of Finance, presented the draft Annual Governance Statement for 2015/16. He explained to the Committee that Waverley was responsible for ensuring that its business had been conducted in accordance with the law and proper standards, and that public monies were safeguarded and properly accounted for, and had been used economically, efficiently and effectively.

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5.1.2 In discharging that overall responsibility, the Council was required to put into place proper arrangements for governing its affairs to help it exercise its functions, which included arrangements for managing risk. Waverley's Code of Corporate Good Governance accorded with the CIPFA/SOLACE Framework "Delivering Good Governance in Local Government". The draft Annual Governance Statement had been prepared in accordance with the proper practices as defined in the Code.

5.1.3 The purpose of the draft Annual Governance Statement was to explain how Waverley had complied with the principles of the Code.

5.1.4 The Committee expressed concern that the headings used in the document were too general and that the content should better reflect the good work being done to ensure proper governance arrangements were in place. Officers were asked to take the comments of Members on board and present an updated version to the next meeting.

5.1.5 The Committee therefore resolved that the draft Annual Governance Statement be deferred until the next meeting in order to allow officers time to make the requested changes.

## 5.2 Annual Governance Statement – 13 September 2016

5.2.1 Graeme Clark advised the Committee that the AGS was a statutorily required document that had to be approved alongside the Statement of Accounts. Its purpose was to provide a summary of the beliefs and methods of the Council in the way in governed itself.

5.2.2 Councillors had spent a number of weeks developing the AGS with officers through several draft stages since the last meeting in June 2016. Cllr Hesse believed that the AGS lacked thoroughness; processes were not adequately described and that the use of language was poor.

5.2.3 Iain Murray reiterated that the AGS was not meant to be a thorough, technical document. The content was heavily prescribed by CIPFA and Grant Thornton was happy that the AGS presented at the meeting complied with requirements and was in keeping with the External Audit Findings Report. In light of the assurance received from officers and Iain Murray, Cllr Hesse explained that a lot of his earlier concerns had been allayed.

5.2.4 Overall, Members felt that the Annual Governance Statement was an opportunity to better convey the good work done in financial management and control, and would thus like to see improvements next year, especially with regard to reassurance on issues or situations that have been highlighted in public.

5.2.5 The AGS would undergo a final proof read before publication and it would be forwarded to Cllr Hesse for comment. The Committee therefore resolved to approve the AGS for 2015/16.

## **6. COUNTER FRAUD**

### **6.1 Counter Fraud Report – 21 June 2016**

6.1.1 The Committee was presented with the Counter Fraud Report that provided an update on the progress made by Waverley on the work completed as part of the Surrey Fraud Partnership. The work had been supported with funding from the Department for Communities & Local Government to assist with combating fraud.

6.1.2 Officers explained that £1,073,710 of savings had been achieved based on Audit Commission notional figures. However, those notional figures did not include the real value to Waverley as it cost on average £200,000 to build a new house. When tenancies were relinquished, they were allocated to those on the housing waiting list. Seven tenancies had been recovered equating to £1.4million not being required to replace those properties.

6.1.2 The Committee was pleased with the savings being achieved and welcomed the Report as good news for the Council and its residents. Members did also ask about those investigations that had not lead to a positive outcome and remarked that it would be helpful to know the reasons why. It was suggested that Officers carry out a simple analysis of those cases that had not resulted in a successful outcome to see if there were opportunities for refining the counter fraud process.

6.1.3 The Committee resolved that this investigation activity should continue to be supported and the successes being achieved in safeguarding Waverley's assets and ensuring that only those that are legitimately eligible receive housing services be recognised.

### **6.2 Counter Fraud Investigation Summary – 13 September 2016**

6.2.1 Gail Beaton advised the Committee that the value of financial savings detailed in Annexe 1 for Quarter 1 of 2016-17 was £225,000 based on Audit Commission notional figures. However, these did not include the real value to Waverley as it cost on average £200,000 to build a new house. When tenancies were relinquished, they were then allocated to those on our housing waiting list who fulfilled the necessary criteria. Therefore, the investigation activities had resulted in savings of £800,000, not being required to replace those properties.

6.2.2 The Committee was very pleased with the progress being made and thanked Gail for the adjustments made to the formatting of Annexe 1 and the inclusion of financial values.

6.2.3 The Committee therefore resolved to note 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 to note the Council's participation in the National Fraud Initiative to assist in identifying fraudulent activities.

### **6.3 Counter Fraud Investigation Summary – 15 November 2016**

6.3.1 The Committee was advised that the value of financial savings detailed in Annexe 1 for Quarter 2 of 2016-17 was £443,661 based on Audit Commission notional figures.

6.3.2 The Committee was very pleased with the progress being made and asked officers to add the previous quarter's figures to the bottom of Annexe 1 from the next meeting to help Members to identify the trend. They also asked that they be provided with the progress report relating to the Surrey Counter Fraud Partnership Data hub referred to in the report.

6.3.3 The Committee therefore resolved that the success of the investigation activity be noted and to continue to support the work being completed to safeguard Waverley's assets and ensure that only those that are legitimately eligible to receive our services are successful; and that the Council's participation in the National Fraud Initiative and the Surrey Counter Fraud Partnership Data Hub to assist in identifying fraudulent activities be noted.

#### 6.4 Fraud Investigation Summary – 21 March 2017

6.4.1 The Committee received an update on the fraud investigations being undertaken in relation to Housing Tenancy Fraud.

6.4.2 In the 9 months to 31 December 2016, 10 council properties had been relinquished and made available to be re-let to tenants on the waiting list. Based on Audit Commission notional figures this represented a nominal financial saving of £591,745, although the value to Waverley of retaining 10 council properties was much higher.

6.4.3 The Committee discussed the progress summary of data matches identified through the National Fraud Initiative (NFI), shown in Annexe 2 of the report, and the Strategic Director of Finance & Resources explained how the data was used to investigate possible incidences of fraud.

6.4.4 The Committee resolved to note the success of the fraud investigation activity and the outcomes achieved, and encouraged officers to publicise this positive news widely.

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## 7. REVIEW OF OTHER ITEMS CONSIDERED BY THE AUDIT COMMITTEE IN OPEN SESSION 2016/17

### 7.1 Internal Audit Charter

7.1.1 The Internal Audit Charter was presented to the Committee at its meeting on 21 June 2016. Officers explained that the Council was required to have an Internal Audit Charter that formally defined the purpose, authority and responsibility of the internal audit activity and that clearly laid out the roles and duties of those involved.

7.1.2 Officers were asked about how often the Charter would be reviewed and it was agreed that it would be reviewed by the Internal Audit Client Manager annually.



If changes were required it would be brought to the Audit Committee for approval. However, if no changes were required, then the Internal Audit Charter would be presented every 2 years for approval.

7.1.3 The Committee approved the Internal Audit Charter, after requesting some format changes to include dates being published on each version of the document agreed by Officers.

## **7.2 Internal Audit Annual Report 2015/16 Activity**

7.2.1 The Internal Audit Client Manager, Gail Beaton, presented the Internal Audit Activity Report for 2015/16 to the Committee at its meeting on 21 June 2016. The report was a summary of the work carried out by Internal Audit during the year and also provided an assurance opinion to support the Council's Annual Governance Statement on the organisation's control environment.

7.2.2 The Committee was informed that the report, produced by RSM, had concluded that Waverley had an adequate and effective framework for risk management, governance and internal control. It had though identified further enhancements to the framework of risk management, governance and internal controls to ensure that it remained adequate and effective.

7.2.3 A total of 23 assignments had been completed in 2015/16. 7 were amber green, 10 were green, 5 were amber red, 0 red and 1 assurance review classified as reasonable assurance. In terms of the level of assurance that could be taken, 5 had been classified as partial, 7 as reasonable and 10 as substantial.

7.2.4 The Committee expressed concern at the RSM report and was frustrated with the lack of explanatory information and detail provided. Comments were also made about the document being hard to understand.

7.2.5 Officers responded that they would take the comments on board and engage in an exercise to revise the report and provide the further detail requested. The committee noted the report and requested that officers provide the Committee with the additional explanatory detail requested at the next meeting.

## **7.3 Update on Internal Audit Annual Report 2015/16 Activity Exception Report**

7.3.1 At the meeting on 13 September 2016, Gail Beaton explained that at the previous Audit Committee meeting on 21 June 2016, Members had noted that the information contained in the Internal Audit Annual Report for 2015-16 had been comprehensive. However, they had requested an update on the current position of the areas raised in the Report designated as 'partial assurance' (amber red) as there had not been any 'no assurance' (red) areas given in the year being reported on.

7.3.2 Members were happy with the update but asked whether a column could be added to include due dates and persons responsible to the Report. Cllr Hesse was dissatisfied with the phrases and information used in the Report and expressed

concern that the 'covalent' system used to produce the data was not comprehensive enough. Officers explained that some of the wording and classifications used may be different to those experienced by Cllr Hesse in his work outside of the council but that they were sure risks were being captured correctly and managed. Gail Beaton agreed to hold a one to one session with Cllr Hesse to show him around the covalent system.

7.3.3 The Committee resolved to note the status and progress made to strengthen the control environment as part of the activity completed by the Internal Audit Service in 2015-16.

#### **7.4 Statement of Accounts**

7.4.1 At the meeting on 13 September 2016, Graeme Clark introduced the Committee to the Statement of Accounts for the financial year ended 31 March 2016.

7.4.2 He thanked officers for their hard work in producing the Accounts to meet the early closure requirements without any major issues. Any learning identified would be fed into how the Finance Team handled the production of next year's statements. He also explained that he would be liaising with Iain Murray of Grant Thornton to ensure they too were able to complete a dry run of the early close requirements during 2017/18.

7.4.3 Graeme explained that the purpose of the Accounts was to help demonstrate the Council's accountability for public funds. They supported the Council's key objective of providing good value for money by showing how its resources had been utilised. There were three recommendations associated with the Accounts under the agenda item.

7.4.4 Recommendation 1 was to approve the Statement of Accounts. The Accounts and Audit Regulations 2015 set out the requirements for the production and publication of the annual Statement of Accounts. These regulations incorporated a statutory requirement to be approved by a resolution of a Committee of the relevant body by 30 September 2016.

7.4.5 It was also a requirement that the Council issued a Letter of Representation to its external auditors at the conclusion of the accounts (Recommendation 2).

7.4.6 Recommendation 3 fulfilled the obligation placed on the Council by International Audit Standards requiring the Committee to confirm that the 2015/16 accounts had been prepared on a 'going concern' basis. Graeme explained that this concept was one of the core principals underpinning local authority accounting practice and referred to the assumption made that, when the Accounts were prepared, the organisation would continue to operate for at least 12 months following the accounting period in question.

7.4.7 The fourth recommendation under the agenda item was to agree to move the Audit Committee date in June 2017 to a date in late June or early July in order to carry out a dry run of the early close requirements that were to become mandatory in 2018/19.

7.4.8 Members were positive about the dry run but did ask that a backup date be pencilled in to allow the June 2017 meeting to go ahead a couple of weeks later if required due to unforeseen circumstances preventing the earlier schedule being met. An alternative date for the June 2017 meeting would be arranged to allow for any unforeseen circumstances preventing the earlier schedule being met.

7.4.9 The Committee approved the recommendations as set out in the report and agreed to move the Audit Committee date in June 2017 to July 2017 in order to carry out a dry run of the early close requirements that become mandatory in 2018/19.

## **7.5 Observations of the Trustee Reports and Financial Statements**

7.5.1 At its meeting on 13 September 2016, Graeme Clark advised the Committee that the meeting of the full Council was the trustee for both accounts and that its AGM takes place each October after the meeting of full Council. Following a request in 2015, the Audit Committee had been given the right to see each set of draft trust accounts prior to the AGM so that it may forward its observations to the trusts before they those accounts were approved.

7.5.2 Councillors were confused by the bracketing of large numbers in the accounts. Officers reassured them that it was a quirk of these accounts that bracketed numbers stood for positive figures rather than negative for which brackets are often used.

7.5.3 Iain Murray explained that Grant Thornton had looked at aspects of the trust accounts that had had a material impact on Waverley's own accounts as part of the External Audit Findings Report.

7.5.4 Members requested that one of the observations to be passed on to the trusts be that the 'reserves policy' in each set of accounts be more specific than 'reasonable' in order to be more meaningful.

7.5.5 The Audit Committee resolved that its observations be recorded in the Minutes of the meeting and agreed the Chairman present these observations as part of the presentation of the Minutes of this meeting to the next full Council and at the Trusts AGM on 18 October 2016.

## **7.6 Appointment of External Auditors**

7.6.1 At its meeting on 15 November 2016, the Committee received a report on the Appointment of External Auditors. As part of closing the Audit Commission the Government novated external audit contracts to Public Sector Audit Appointments which is a sector-led body set up by the Local Government Association, on 1 April 2015. The audits were due to expire following conclusion of the audits of the 2016/17 accounts, but could be extended for a period of up to three years by PSAA, subject to approval from the Department for Communities and Local Government.

7.6.2 In October 2015 the Secretary of State confirmed that the transitional provisions would be amended to allow an extension of the contracts for a period of

one year. This meant that for the audit of the 2018/19 accounts it would be necessary for authorities to either undertake their own procurements or to opt in to the appointing person regime through the sector-led body.

7.6.3 PSAA have been specified by the Secretary of State as an appointing person under regulation 3 of the Local Audit (Appointing Person) Regulations 2015. The appointing person is sometimes referred to as the sector led body and PSAA has wide support across most of local government. PSAA was originally established to operate the transitional arrangements following the closure of the Audit Commission and is a not for profit company owned by the Local Government Association.

#### 7.6.4 Option 1 – To make a stand-alone appointment

In order to make a stand-alone appointment the Council will need to set up an Auditor Panel. The members of the Panel must be wholly or a majority of independent members as defined by the Act. Independent members for this purpose are independent appointees, this excludes current and former Members (or officers) and their close families and friends. This means that Members will not have a majority input to assessing bids and choosing which firm of accountants to award a contract for the Council's external audit. A new independent auditor panel established by the Council will be responsible for selecting the auditor.

##### Advantages/benefits

Setting up an auditor panel allows the Council to take maximum advantage of the new local appointment regime and have local input to the decision.

##### Disadvantages/risks

Recruitment and servicing of the Auditor Panel, running the bidding exercise and negotiating the contract is estimated by the LGA to cost in the order of £15,000 plus on-going expenses and allowances.

The Council would not be able to take advantage of reduced fees that may be available through joint or national procurement contracts. The assessment of bids and decision on awarding contracts will be taken by independent appointees and not solely by Members.

#### 7.6.5 Option 2 – Set up a Joint Auditor Panel/local joint procurement arrangements

The Act enables the Council to join with other authorities to establish a Joint Auditor Panel. Again this will need to be constituted of wholly or a majority of independent appointees. Further legal advice will be required on the exact constitution of such a Panel having regard to the obligations of each Council under the Act and the Council would need to liaise with other local authorities to assess the appetite for such an arrangement.

##### Advantages/benefits

The costs of setting up the Panel, running the bidding exercise and negotiating the contract will be shared across a number of authorities. There is greater opportunity for negotiating some economies of scale by being able to offer a larger, combined contract value to the firms.

#### Disadvantages/risks

The decision making body will be further removed from local input, with potentially no input from Members where a wholly independent Panel is used or possibly only one Member representing each Council, depending on the constitution agreed with the other bodies involved.

The choice of auditor could be complicated where individual councils have independence issues. An independence issue occurs where the auditor has recently or is currently carrying out work such as consultancy or advisory work for that council. Where this occurs some auditors may be prevented from being appointed by the terms of their professional standards. There is a risk that if the Panel choose a firm that is conflicted for this Council then the Council may still need to make a separate appointment with all the attendant costs and loss of economies possible through joint procurement.

#### 7.6.6 Option 3 – Opt-in to a sector led body

The LGA successfully lobbied for councils to be able to 'opt-in' to a Sector Led Body (SLB) appointed by the Secretary of State under the Act. An SLB would have the ability to negotiate contracts with the firms nationally, maximising the opportunities for the most economic and efficient approach to procurement of external audit on behalf of the whole sector. The sector-led body is the Public Sector Audit Appointment (PSAA).

#### Advantages/benefits

The costs of setting up the appointment arrangements and negotiating fees would be shared across all opt-in authorities. By offering large contract values the firms would be able to offer better rates and lower fees than are likely to result from local negotiation. Any conflicts at individual authorities would be managed by the SLB who would have a number of contracted firms to call upon.

The main advantages of using PSAA are set out in its prospectus and are copied below.

- Assure timely auditor appointments
- Manage independence of auditors
- Secure highly competitive prices
- Save on procurement costs
- Save time and effort needed on auditor panels
- Focus on audit quality

- Operate on a not for profit basis and distribute any surplus funds to scheme members.

#### Disadvantages/risks

Individual Members will have less opportunity for direct involvement in the appointment process other than through the LGA and/or stakeholder representative groups.

In order for the SLB to be viable and to be placed in the strongest possible negotiating position the SLB will need councils to indicate their intention to opt-in before final contract prices are known. It is likely that a sector wide procurement conducted by PSAA will produce better outcomes for the Council than any procurement we undertook by ourselves or with a limited number of partners. Use of the PSAA will also be less resource intensive than establishing an auditor panel and conducting our own procurement.

7.6.7 Regulation 19 of the Local Audit (Appointing Person) Regulations 2015 requires that a decision to opt in must be made by Full Council (authority meeting as a whole). The Committee therefore recommended that Waverley opt in to the appointing person arrangements made by Public Sector Audit Appointments (PSAA) for the appointment of external auditors from 2018/19.

7.6.8 The recommendation of the Committee was approved by Council at its meeting on 13 December 2016.

### **7.7 Revised Governance Policies**

7.7.1 At its meeting on 15 November 2016, the Committee received the revised governance policies and was advised that changes were mainly minor including those that were required to reflect changes in job titles, and suggested changes from best practice guides from professional institutions.

7.7.2 The Committee felt that the terminology contained within the reports was wrong and were concerned that there was confusion and overlap between policies, strategies and plans. They also highlighted some further concerns about the perception of the public reading the documents, inconsistencies, and areas of vagueness. Many felt it very important that the correct language be used.

7.7.3 Members asked about the effectiveness of the plans and what sanctions were in place for handling failure to adhere to them. Officers responded that they could look at incorporating details on possible penalties but that there was scope for the use of judgement within the documents.

7.7.4 The Committee therefore asked officers to re-draft the documents following receipt of further observations of Members and agreed to revisit this at the next meeting in March 2017.

### **7.8 Revised Anti-Fraud and Corruption Policy**

7.8.1 The Committee received the revised Anti-Fraud and Corruption Policy, and the subsidiary policies, which had been reviewed in the light of the Committee's comments at the November 2016 meeting.

7.8.2 Cllr Hyman expressed concern that complaints involving Members could be relayed verbally and did not have to be put in writing. Cllr Hyman also asked how the external auditors might be called upon to carry out an independent investigation into fraud, corruption or bribery.

7.8.3 The Chairman advised that the procedures in relation to complaints involving Members were set out in the Code of Conduct, and the Anti-Fraud and Corruption Policy merely reflected the Code. And, anyone could make representations to the external auditors if they felt that there was something that needed to be investigated.

7.8.4 The Chairman thanked the Internal Audit Client Manager for her work to bring together the Committee's comments on the various policies following the November Committee meeting.

7.8.5 The Committee therefore resolved to endorse the revised policies and asked that these be published on Waverley's website and cascaded to staff, Members and Council suppliers to reinforce Waverley's stance of zero tolerance to fraud and corruption.

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## **8. RISK MANAGEMENT**

8.1 The Audit Committee's detailed consideration of the Risk Registers is conducted in Exempt session. An overview of the Committee's work in open session relating to Risk Management is set out below.

### **8.2 Risk Management Policy – 15 November 2016**

8.2.1 The Committee received the Risk Management Policy report and the Process Document. Members were advised that local authorities, with their wide-ranging responsibilities and duties, faced a significant number of risks. A risk was the threat that an event or action would adversely affect an organisations ability to achieve its objectives. The effective management of risk was an essential element in the overall operation of the Council and the delivery of its services.

8.2.2 Members noted that local authorities were required to demonstrate to their residents that managing risk was at the heart of their governance framework and that they had effective arrangements in place to identify and respond to them. The Risk Policy and Process, including the format of the Register, had been produced in conjunction with the Audit Committee in recent years.

8.2.3 Officers then moved on to discuss the Risk Management Report by Zurich Municipal. The Audit Committee resolved that the Committee revisit this item at the next meeting in March 2017 following an informal risk workshop with Zurich Municipal in January 2017.

### 8.3 Risk Management Policy Update – 21 March 2017

8.3.1 The Chairman reminded the Committee that they had considered the Risk Management Policy and Corporate Risk Register at the meeting in November 2016, and had agreed to revisit this matter at the March meeting following an informal risk workshop with Zurich Municipal in January 2017.

8.3.2 The Committee had met with Zurich to understand the methodology for producing the corporate risk register, and had heard from the Strategic Director of Finance & Resources and the Risk & Insurance Officer about how the register was updated.

8.3.3 Cllr Hyman advised that from a residents' perspective there was a perception that risks were not assessed at a practical level. However, as a member of the Audit Committee he could now see that there was no substantive problem, but he did have concerns about policy gaps in key areas leading to risk exposure for the Council.

8.3.4 The Committee discussed the specific role of the Audit Committee in reviewing the risk register, and agreed that their purpose was to seek assurance that there were arrangements in place to identify and assess risks, and that these were working effectively. It was not the Audit Committee's role to make a quantitative or qualitative assessment of risks, or to question the quality of decision-making; the Overview and Scrutiny Committees had the remit to do this.

8.3.5 The Committee discussed whether there was a strong risk management culture across all levels of staff. The Strategic Director of Finance & Resources advised that whilst the external auditors did not form a specific view on the risk culture in the organisation, the Strategic Review undertaken by Cratus had looked at the risk culture: they had concluded that the officer team was too risk averse, and too focussed on keeping Waverley safe.

8.3.6 Cllr Hesse referred to his work on the Overview & Scrutiny review of the Leisure Centre contract management: conversations with Places for People managers at Waverley's leisure centres led him to understand that they had a strong understanding of their risk management system. In contrast, he had not got the same sense of understanding from Waverley officers working on the contract client management.

8.3.7 The Strategic Director of Finance and Resources and the Internal Audit Client Manager advised that they felt that colleagues did have good risk awareness, although they might not articulate that understanding in risk management terms.

8.3.8 The Chairman agreed that there was not one 'right' approach to risk management, and Waverley's arrangements could still be adequate whilst being different to those that members were familiar with in a different context. His perception was that this was the case.

8.3.9 Cllr Band agreed that his experience as Finance Portfolio Holder was that risk had been discussed in project management meetings, and he was confident that this



was still happening, although it might not be in the way that Cllr Hesse would expect it to be discussed.

8.3.10 The Committee concluded that Waverley had the essential elements of a risk management system, and that Members might have to accept that it looked different to other arrangements with which they were familiar. The Committee did feel that it might be helpful to work through the risk management process for a specific area of the Council's work in a pre-meeting. The Committee also asked for a briefing on the LEAN systems work being undertaken in Benefits.

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## **9. BRIEFING SESSIONS**

9.1 In addition to formal committee meetings, several briefing sessions were held for the Committee throughout the year, these included:

- 14 June 2016 – Accounts Briefing
  - 21 June 2016 – Audit Universe Training
  - 23 August 2016 – Briefing Session on the Annual Governance Statement
  - 10 January 2017 – Risk Briefing with Zurich Municipal
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### **Recommendation**

It is recommended that the work carried out by the Audit Committee in 2016/17 be noted.

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### **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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## **ANNEXE 1**

### **ATTENDANCE AT AUDIT COMMITTEE MEETINGS 2016/17**

The Audit Committee met four times, on 21 June, 13 September and 15 November 2016, and 21 March 2017. The membership and attendance at meetings is detailed below:

	21 June 2016	13 Sept 2016	15 Nov 2016	21 March 2017
Cllr John Gray (Chairman)	✓	✓	✓	✓
Cllr Richard Seaborne (Vice Chairman)	✓	✓	✓	✓
Cllr Mike Band	Apols	Apols	✓	✓
Cllr Christiaan Hesse	✓	✓	✓	✓
Cllr Nicholas Holder	✓	✓	✓	Apols
Cllr Wyatt Ramsdale	✓	✓		
Cllr David Round	✓	Apols	Apols	Apols
Cllr Jerry Hyman			✓	✓

**AUDIT COMMITTEE CHAIRMAN ROLE DESCRIPTION**

**Purpose**

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

**Duties and responsibilities**

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

**AUDIT COMMITTEE CHAIRMAN PERSON SPECIFICATION**

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

**Providing leadership and direction:**

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

**Promoting the role of the Audit Committee:**

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

**Internal governance, ethical standards and relationships:**

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

**AUDIT COMMITTEE MEMBER ROLE DESCRIPTION**

**Purpose**

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

**Duties and responsibilities**

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

**AUDIT COMMITTEE MEMBER PERSON SPECIFICATION**

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

**Understanding the nature of the Audit Committee:**

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

**Governance, ethical standards and relationships:**

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

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