

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

When calling please ask for:

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**Policy and Governance**

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Calls may be recorded for training or monitoring

Date: 14 July 2017

### Membership of the Audit Committee

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

Cllr Jerry Hyman  
Cllr Anna James  
Cllr Richard Seaborne

Dear Councillors

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

DATE: MONDAY, 24 JULY 2017

TIME: 7.00 PM

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

The Agenda for the meeting is set out below.

Yours sincerely

ROBIN TAYLOR

Head of Policy and Governance

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### **NOTE FOR MEMBERS**

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

### **AGENDA**

1. **APPOINTMENT OF CHAIRMAN**

To confirm the appointment of Cllr John Gray as Chairman of the Audit Committee for the Council year 2017/18.

2. **APPOINTMENT OF VICE CHAIRMAN**

To confirm the appointment of Cllr Richard Seaborne as Vice Chairman of the Audit Committee for the Council year 2017/18.

3. **MINUTES**

To confirm the Minutes of the Meeting held on 21 March 2017 (to be laid on the table half an hour before the meeting).

4. **APOLOGIES FOR ABSENCE**

To receive apologies for absence.

5. **DISCLOSURE OF INTERESTS**

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

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

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

7. **EXTERNAL AUDIT 2016/17 AUDIT FINDINGS REPORT**

To receive the External Audit Finding Report from Grant Thornton [to follow] and for Members to raise any relevant questions and observations they may have.

Recommendation

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

8. STATEMENT OF ACCOUNTS 2016/17 (Pages 7 - 18)

The purpose of this report is for the Audit Committee to consider and approve the Statement of Accounts for the year ended 31 March 2017.

Recommendation

**It is recommended that the Audit Committee**

1. **approves the Statement of Accounts for the financial year ended 31 March 2017 at Annexe 1 *[to follow]*; and**
2. **approves the Letter of Representation for 2016/2017 at Annexe 3; and**
3. **confirms that the accounts have been prepared on a going concern basis.**

9. ANNUAL GOVERNANCE STATEMENT (Pages 19 - 34)

The purpose of the this report is for the Audit Committee to consider and approve the Annual Governance Statement (AGS) for the year ended 31 March 2017.

Recommendation

**It is recommended that the Audit Committee approves the attached Annual Governance Statement 2016/17.**

10. REVISION OF THE CONTRACT PROCUREMENT RULES (Pages 35 - 56)

The purpose of this report is for the Audit Committee to review and recommend the approval of the revised CPRs.

Recommendation

**That the Audit Committee recommends to Council that the revised CPRs be approved, and for them to come in to use, effective immediately.**

11. ANNUAL INTERNAL AUDIT REPORT (Pages 57 - 72)

The Accounts and Audit Regulations 2015 (Part 2 s3) require local authorities to have a sound system of internal control. Internal Audit is part of this system of internal control whereas (Part 2 s5) of the regulations state an authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes.

This report is a summary of the work carried out by Internal Audit during the financial year 2016-17 and also provides an assurance opinion to support the Annual Governance Statement on the organisations control environment which will also be considered by the Committee at its meeting on 24 July 2017.

Recommendation

**It is recommended that the Audit Committee notes the contents and comments on the report.**

12. INTERNAL AUDIT PLAN PROGRESS 2016/17 AND 2017/18 (Pages 73 - 80)

The Committee's Terms of Reference include provision for the Committee to comment on the progress made in the achievement of the Audit Plan. An update on the current position of the reviews in 2016/17 and 2017/18 is presented.

Recommendation

**It is recommended that the Committee:**

1. **notes the progress for the Internal Audit Plan 2016/17 as attached at Annexe 1;**
2. **notes the progress for the Internal Audit Plan 2017/18 as attached at Annexe 2, 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 as indicated in blue.**

13. PROGRESS ON THE IMPLEMENTATION OF INTERNAL AUDIT RECOMMENDATIONS (Pages 81 - 86)

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

Recommendation

**It is recommended that the Committee:**

1. **considers the information contained in Annexe 1 and, following discussion at the Audit Committee meeting, identifies any action it wishes to be taken, particularly in relation to the Information Security Governance recommendations which are linked to the recent Data Protection review completed in preparation for the General Data Protection Regulations (GDPR) that comes into force in May 2018.**

**2. agrees an appropriate implementation date for the recommendations listed in Annexe 2, where a request has been made by the Head of Service for a change in the previous implementation date.**

14. COMMITTEE RECURRENT WORK PROGRAMME (Pages 87 - 88)

Recommendation

**The Audit Committee is invited to note the recurrent annual work programme, attached.**

15. EXCLUSION OF PRESS AND PUBLIC

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

Recommendation

That pursuant to Procedure Rule 20 and in accordance with Section 100A(4) of the Local Government Act 1972, the press and public be excluded from the meeting during consideration of the following item(s) on the grounds that it is likely, in view of the nature of the business to be transacted or the nature of the proceedings, that if members of the public were present during the item(s), there would be disclosure to them of exempt information (as defined by Section 1001 of the Act) of the description specified in the appropriate paragraph(s) of the revised Part 1 of Schedule 12A to the Local Government Act 1972 (to be identified at the meeting).

16. ANY OTHER ISSUES TO BE CONSIDERED IN EXEMPT SESSION

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

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

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## WAVERLEY BOROUGH COUNCIL

### AUDIT COMMITTEE – 24 JULY 2017

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#### **Title:**

**STATEMENT OF ACCOUNTS 2016/2017**

**[Wards Affected: N/A]**

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#### **Summary and purpose:**

The purpose of this report is for the Audit Committee to consider and approve the Statement of Accounts for the year ended 31 March 2017.

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

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

#### **Equality and Diversity Implications:**

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

#### **Resource and legal implications:**

There are no direct resource implications resulting from the 2016/2017 Statement of Accounts. The Accounts set out Waverley's financial position at the year-end in a format which is prescribed by Regulations and the Local Government Accounting Code of Practice.

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#### **Introduction**

1. The Accounts and Audit Regulations 2015 set out the requirements for the production and publication of the annual Statement of Accounts. These Regulations incorporate a statutory requirement for the Statement of Accounts to be approved by a resolution of a Committee of the relevant body by 30 September 2017. From 2017/2018 the date for approval will be brought forward to the 31 July of each year. However, working with the Auditors, the Statement of Accounts are being presented to this July Committee as an early adoption of the new regulation.
2. The Section 151 Officer (Director of Finance and Resources) retains responsibility for the preparation of the Statement of Accounts and is required to certify their fair presentation by the 30 June 2017. The Members' role in approval is to demonstrate their ownership of the Statement of Accounts and their confidence in both the responsible financial officer and the process by

which the accounting records are maintained and the Statement of Accounts prepared. In February 2007, the Council formally delegated the authority for approving Waverley's annual accounts to the Audit Committee. In June 2017 Members of the Audit Committee received the unaudited 2016/2017 Accounts and met with officers to receive detailed training and/or to respond to any questions.

### **Statement of Accounts 2016/2017**

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

### **Going Concern Report**

8. International Audit Standards require the Audit Committee to provide confirmation that the 2016/2017 Accounts have been prepared on a 'going concern' basis. The going concern concept is one of the core principles underpinning local authority accounting practice and refers to the assumption made when the Accounts are prepared that the organisation will continue to



operate for at least 12 months following the accounting period in question, taking into consideration best estimates of future activity and cash flows.

9. The main issues around the application of the 'going concern' concept are to consider the medium term financial plans and cash flow forecasts in existence at the time of the accounting year-end. Waverley's Medium-Term Financial Strategy (2016/2017 to 2019/2020) was reviewed by Members at Executive July 2017. Waverley's Medium Term Financial Strategy forecasts the Council's financial performance during the four years and demonstrates that the Council has sound plans to continue operating and there is no uncertainty concerning the continuing operations of the Council.

### **Recommendation**

It is recommended that the Audit Committee

1. approves the Statement of Accounts for the financial year ended 31 March 2017; and
2. approves the Letter of Representation for 2016/2017; and
3. confirms that the accounts have been prepared on a going concern basis.

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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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### **CONTACT OFFICER:**

**Name:** Vicki Basley

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**E-mail:** victoria.basley@waverley.gov.uk

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## Annexe 2

### Statement of Accounts 2016-2017 Changes made to 'Unaudited' accounts

Page	Change	Comment
3 60	The large impairment on the Waverley owned building specified as being the Council Offices	To provide clarification
5	Narrative Report Usable Reserves table – sub total line added to enable readers to tie reserves figures back to Usable Reserves note 29 on page 73	To enable reconciliation of reserves in the Narrative report
9	Narrative Report - wording added to give commentary on significant movements in the: Revenue Reserve Fund New Affordable Housing Reserve	To provide explanation for the movement of these reserves
32	Accounting Policies – wording amended to 'Rental income is credited <i>to Net Cost of Services or Investment Properties</i> in the Comprehensive Income and Expenditure Statement.'	Changed from 'Rental income is credited to the <i>Other Operating Expenditure line</i> in the Comprehensive Income and Expenditure Statement.' - to reflect treatment of rental income.
	Other changes <ul style="list-style-type: none"> <li>• minor formatting issues</li> <li>• minor punctuation corrections</li> <li>• minor wording changes</li> <li>• referencing improvements</li> </ul>	

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 Date: 24 July 2017

Dear Sirs

### **Waverley Borough Council Group Financial Statements for the year ended 31 March 2017**

This representation letter is provided in connection with the audit of the group financial statements of Waverley Borough Council and its subsidiary undertaking, for the year ended 31 March 2017 for the purpose of expressing an opinion as to whether the group and parent Council financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and applicable law. We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

#### **Financial Statements**

- i. We have fulfilled our responsibilities for the preparation of the group and parent Council financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 ("the Code") which give a true and fair view in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the group and parent Council and these matters have been appropriately reflected and disclosed in the group financial statements.
- iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the group and parent Council financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the group and parent Council financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

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

- xiv. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the group and parent Council financial statements.
- xv. We believe that the group and parent Council's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the group and parent Council's needs. We believe that no further disclosures relating to the group and parent Council's ability to continue as a going concern need to be made in the financial statements.

### **Information Provided**

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

- xxii. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing group and parent Council financial statements.
- xxiii. We have disclosed to you the identity of all the group and the parent Council's related parties and all the related party relationships and transactions of which we are aware.
- xxiv. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the group and parent Council financial statements.
- xxv. Related party declarations were requested from all of senior management and all Council members. The Council has made every possible effort to obtain all signed declarations but signed declarations for 6 members were not recorded. We are satisfied that the outstanding declarations are unlikely to identify material related party transactions that warrant disclosure in the financial statements.

**Annual Governance Statement**

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

**Narrative Report**

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

**Approval**

The approval of this letter of representation was minuted by the Audit Committee at its meeting on 24 July 2017.

Yours faithfully

Signed.....

Graeme Clark  
 Director of finance and Resources  
 and Section 151 Officer

Date.....

Signed.....

Councillor John Gray  
 Chairman of the Audit Committee

Date.....



## **Appendix 1**

List of subsidiary undertakings

Waverley Borough Council:

- The Shottermill recreation Trust
- The Ewart Bequest

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## WAVERLEY BOROUGH COUNCIL

### AUDIT COMMITTEE – 24 JULY 2017

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#### **Title:**

**ANNUAL GOVERNANCE STATEMENT 2016/2017**

**[Wards Affected: N/A]**

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#### **Summary and purpose:**

The purpose of this report is for the Audit Committee to consider and approve the Annual Governance Statement (AGS) for the year ended 31 March 2017.

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

The aim of the AGS is to ensure that, in achieving the Council's corporate priorities, Waverley acts in the public interest at all times.

#### **Equality and Diversity Implications:**

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

#### **Resource and legal implications:**

There are no direct resource implications resulting from the Annual Governance Statement for 2016/2017.

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#### **Introduction**

1. The Annual Governance Statement is produced alongside the annual Statement of Accounts and reports publicly on how the Council has complied with the governance code, 'Delivering Good Governance in Local Government: Framework' published by CIPFA/SOLACE, and describes any governance issues, including how they will be addressed.
2. Each year the Council is required to produce an AGS which describes how its corporate governance arrangements have been working over the year and comprises the arrangements put in place to ensure that the Council achieves its objectives while acting in the public interest at all times.
3. The AGS is required to be signed by the Leader of the Council and the Executive Director on behalf of the Council and then approved by a delegated committee.
4. The AGS will be included with the Statement of Accounts as part of the Annual Financial Report for 2016/2017.

5. The AGS is included with the Agenda as a separate document at Annexe 1.

**Recommendation**

It is recommended that the Audit Committee approves the Annual Governance Statement for 2016/2017.

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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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**CONTACT OFFICER:**

**Name:** Vicki Basley

**Telephone:** 01483 523250

**E-mail:** victoria.basley@waverley.gov.uk

# Annual Governance Statement

## 2016/2017

### 1 Introduction

- 1.1 The Leader of the Council (Cllr Julia Potts) and the Executive Director (Paul Wenham) both recognise the importance of having robust rules, systems and information available to guide the Council when managing and delivering services to the communities of Waverley.
- 1.2 Each year the Council is required to produce an Annual Governance Statement (AGS) which describes how its corporate governance arrangements have been working over the year.
- 1.3 This AGS is in respect of 2016/17 and was considered and approved by the Audit Committee at its meeting on 24 July 2017.
- 1.4 The Council also published a Corporate Plan, available on the Council website, it provides further information on the Council's objectives and priorities.

### 2 What is Corporate Governance?

- 2.1 Corporate governance generally refers to the processes by which organisations are directed, controlled, led and held to account. The Council's governance framework aims to ensure that in conducting its business it:
  - operates in a lawful, open, inclusive and transparent manner;
  - makes sure that public money is safeguarded, properly accounted for and used economically, efficiently and effectively;
  - has effective arrangements for the management of risk; and
  - secures continuous improvements in its governance.
- 2.2 The governance framework comprises the systems and processes by which the Council is directed and controlled, and reflects the prevailing culture and values of the Council. The framework brings together an underlying set of legislative requirements, good practice principles and management processes.
- 2.3 The Council has a local Code of Corporate Governance. It is consistent with the principles set out in 'proper practice' for the public sector, namely 'Delivering Good Governance in Local Government: Framework' published by CIPFA/SOLACE. The Council acknowledges it is responsible for ensuring that there is a sound system of governance and internal control compliant with its adopted principles within the local code. A high level summary of the principles can be found on the following pages.

### **3 The Principles: A summary**

The Council aims to achieve good standards of governance by:

#### **3.1 Principle 1**

- 3.11 Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.

**This is achieved by:**

- 3.12 Developing codes of conduct which define standards of behaviour for members and staff, and policies dealing with whistleblowing and conflicts of interest and by effectively communicating these codes and policies.
- 3.13 Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.
- 3.14 Ensuring effective arrangements are in place for the discharge of the Monitoring Officer function.

#### **3.2 Principle 2**

Ensuring openness and comprehensive stakeholder engagement.

**This is achieved by:**

- 3.11 Documenting a commitment to openness and acting in the public interest.
- 3.12 Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.
- 3.13 Ensuring an effective scrutiny function is in place.

#### **3.3 Principle 3**

Defining outcomes in terms of sustainable economic, social and environmental benefits.

**This is achieved by:**

- 3.11 Developing and communicating a vision which specifies intended outcomes for citizens and service users and is used as a basis for planning.

### **3.4 Principle 4**

3.41 Determining the interventions necessary to optimise the achievement of the intended outcomes.

**This is achieved by:**

3.42 Translating the vision into courses of action for the authority, its partnerships and collaborations.

3.43 Reviewing the effectiveness of the decision-making framework, including delegation arrangements, decision-making in partnerships, information provided to decision makers and robustness of data quality.

3.44 Measuring the performance of services and related projects and ensuring that they are delivered in accordance with defined outcomes and that they meet the agreed use of resources and value for money.

### **3.5 Principle 5**

3.51 Developing the Council's capacity, including the capability of its leadership and the individuals within it.

**This is achieved by:**

3.52 Defining and documenting the roles and responsibilities of members and management, with clear protocols for effective communication in respect of the authority and partnership arrangements.

3.53 Ensuring effective arrangements are in place for the discharge of the head of paid service function.

3.54 Providing induction and identifying the development needs of members and senior management.

### **3.6 Principle 6**

3.61 Managing risks and performance through robust internal control and strong public financial management.

**This is achieved by:**

3.62 Reviewing the effectiveness of the framework for identifying and managing risks and for performance and then demonstrating clear accountability.

3.63 Ensuring effective counter fraud and anti-corruption arrangements are developed and maintained in accordance with the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014).

## **3.7 Principle 7**

3.71 Implementing good practices in transparency, reporting and audit to deliver effective accountability.

### **This is achieved by:**

3.72 Ensuring that assurance arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010) and, where they do not, explain why and how they deliver the same impact.

3.72 Undertaking the core functions of an audit committee, as identified in Audit Committees: Practical Guidance for Local Authorities and Police (CIPFA, 2013).

3.73 Ensuring that the authority provides timely support, information and responses to external auditors and properly considers audit findings and recommendations.

## **4 How do we know our arrangements are working?**

### **4.1 Governance Framework**

#### **4.11 The Code of Corporate Governance requires assurance upon:**

- Delivery of Corporate Plan priorities
- Services being delivered economically, efficiently and effectively
- Management of risk
- Financial planning and performance
- Effectiveness of internal controls
- Community engagement and public accountability
- Shared service governance
- Project management and project delivery
- Procurement processes
- Roles and responsibilities of Members and Officers
- Standards of conduct and behaviour
- Training and development of Members and Officers
- Compliance with laws and regulations, internal policies and procedures
- Secure and comprehensive record keeping

#### **4.12 Sources of Assurance:**

- Constitution (incl. statutory officers, scheme of delegation, financial management and procurement rules)
- Council, Executive, Committees and Panels
- Corporate and service plans
- Policy framework
- Performance management framework
- Risk management framework
- Project management methodology
- Financial Performance Monitoring Suite
- Medium Term Financial Strategy
- Customer Service Strategy
- Complaints system



- Head of Paid Service, Monitoring Officer and S151 Officer
- HR policies and procedures
- Whistleblowing and other countering fraud arrangements
- Staff and Member training
- Management Board and Heads of Service Team
- Independent external sources, including external audit

#### **4.13 Assurances Received:**

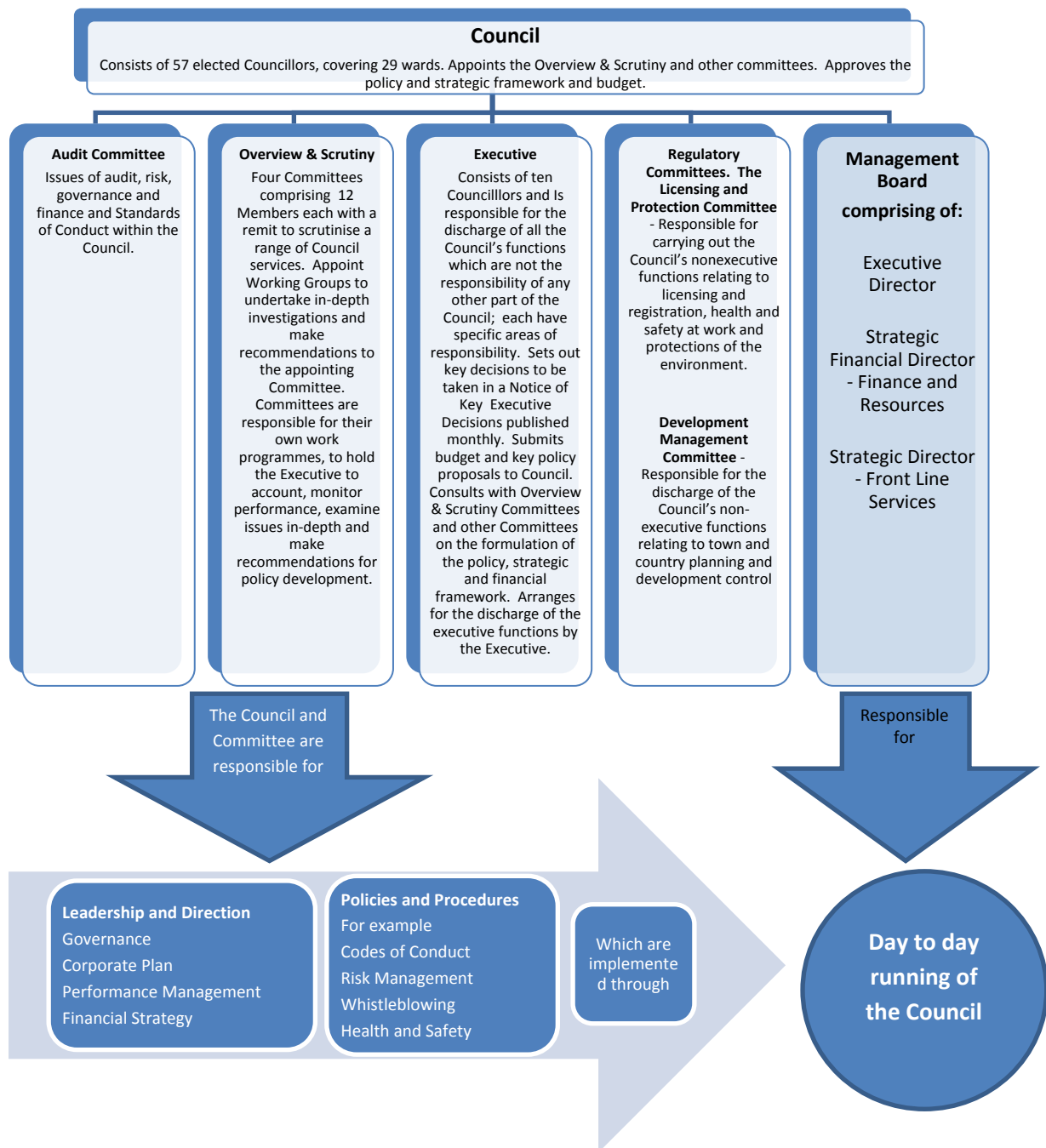
- Regular performance and financial reporting
- Annual financial report
- External audit reports
- Internal audit reports
- On-going review of governance
- External reviews and inspectorate reports
- Customer feedback
- Council's democratic arrangements including scrutiny reviews, Audit committee and Standards Panel
- Staff surveys
- Community consultations

#### **4.2 Opportunities to Improve**

- 4.21 This statement builds upon those of previous years. All the key governance mechanisms remain in place and are referred to in previous statements which are available on the Council's website. This statement therefore describes the key changes and developments within the Council's governance framework during 2016/17 and up to the date of approval of the Annual Financial Report. No significant governance issues were identified in the previous year and all identified key areas for improvement that were identified were resolved during the previous year.
- 4.22 This statement allows the Council to meet the requirement of the Accounts & Audit (England) Regulations 2016, to prepare and publish an AGS to accompany the 2016/17 Annual Financial Report.

### **5 The Council: How it works**

- 5.1 All Councillors meet together as the Full Council. All meetings are open to public but occasionally some items subject to confidentiality rules are held in exempt. The conduct of the Council's business is defined by formal procedures and rules, which are set out in the Constitution.
- 5.2 The Constitution explains the roles and responsibilities of the executive, scrutiny and officer functions and the delegation arrangements that are in place. It also contains the Codes of Financial Management and Procurement and the Code of Conduct for Members'.



### 5.3 Changes in governance during the year

5.31 Following the resignation of two councillors and resulting by-elections, two new councillors were elected to the Council in August 2016. Accordingly, the Council agreed the reallocation of seats on the Council's principal committees in line with the Local Government and Housing Act 1989 (Committees and Political Groups Regulations 1990) on 18 October 2016. The death of a councillor in September 2016 resulted in a by-election in December 2016, however, there was no change in the party representation so no further reallocation of seats was required.

- 5.32 The Council's previous Monitoring Officer retired on 30 June 2016 and the new Monitoring Officer took over this statutory function from 1 July 2016.
- 5.33 In a report to the Standards Panel the Monitoring Officer recommended that the panel consider reviewing and revising the Waverley Borough Council *Member Code of Conduct*, the *Arrangements for Dealing with Standards Allegations* and the *Councillors Planning Code of Good Conduct* in light of examples that had come forward and advice that had been given. The Standards Panel agreed this recommendation and asked the new Monitoring Officer to bring forward suggested changes to all three documents in consultation with the Council's designated Independent Persons. Changes were brought forward to the October 2016 Standards Panel and subsequently agreed by Council.
- 5.34 The Standards Panel also asked for briefing sessions to be provided to all members on the Member Code of Conduct and Arrangements for dealing with Standards Allegations. The Monitoring Officer, Deputy Monitoring Officer and Borough Solicitor provided these briefings sessions in January and February 2017.
- 5.35 In light of the significant changes to Local Government funding and the resulting need to think differently about how service delivery is sustained and supported to meet the needs of Waverley's communities, the Executive agreed in November 2016 to fund a Strategic Review of Waverley Borough Council and, following a procurement exercise, Cratus Communications were appointed to undertake the review. The review commenced on 21 November 2016 and concluded on 15 December 2016. The work was neither an inspection nor a peer review of a council in difficulties but was rather a strategic review intended to be a catalyst for Waverley to develop a more ambitious strategic vision and improved ways of working. These two areas of focus – 'strategic vision' and 'how the council works' – underpinned the structure and methodology of the consultants' review, its findings and its recommendations for a way forward. The Council approved its action plan in response to the review at its February 2017 meeting.
- 5.36 In February 2017 Full Council also agreed a number of changes to the constitution and scheme of delegation in respect of financial thresholds for virements and supplementary estimates and the need to gain Council approval for any change to the Council's staffing establishment. Council also agreed a timetable for a more fundamental review and agreed the principles of a more streamlined, flexible and simplified constitution and scheme of delegation. The recommendations coming forward from that subsequent review were agreed by Council in April 2017 and will therefore be reported in the 2017/18 Annual Governance Statement.
- 5.37 Significant work was also done during the year to take forward the workstreams of the Council's scrutiny change programme. In line with Council decisions, a dedicated scrutiny policy officer was appointed and a programme of learning and development was provided to both officers and councillors. The constitutional changes relating to the Council's approach to overview and scrutiny were worked up by officers and members during the year but as these were agreed in April 2017 these will also be reported in full in the 2017/18 Annual Governance Statement.
- 5.38 Further information on the Constitution and decision making structure including dates of meetings, agendas and reports can be found on the Council's webpages.

- 5.39 The Council's Vision, Strategic Priorities and Objectives are contained within its Corporate Plan, which covers a three year period. The Plan sets out what the Council aims to achieve in addition to the core statutory services. The 2016/18 Plan was approved by the Council in March 2016 and lead to a number of changes to the key actions to be delivered during 2016/17.
- 5.40 The Corporate Plan includes a number of key performance measures that provide additional supporting information for each of the Strategic Priorities and are reported to the Overview and Scrutiny Panels, Executive and the Management Board.
- 5.41 The Executive Director is the Council's Head of Paid Service and is responsible for how the Council operates. He is assisted by the Management Board. The Council is required to appoint a Monitoring Officer whose role includes ensuring that decision making is lawful and fair.
- 5.42 The Council and its decisions are open and accessible. All reports requiring a decision are considered by appropriately qualified legal and finance staff before being considered by relevant decision making forum.
- 5.43 In meeting the requirements of the Local Government Transparency Code 2015 the Council has also published on its website a wide range of 'open data' and information.

## **5.5 Significant operational events in 2016/17**

- General Fund Property Investment Strategy: an Investment Advisory Board has been set up to provide a governance framework within which to advise the Executive on implementation of the property investment strategy.
- Housing Maintenance Contract Renewal: the nine housing maintenance contracts were considered to determine whether they either need to be extended or terminated in early 2019.

One of the key areas in which the Council keeps its residents informed is via its website: <http://www.Waverley.gov.uk/>. The website was redesigned in 2015 to make it easier to use on tablets and mobile phones – the method most used to access the website.

## **5.6 Other governance issues that have been addressed during 2016/17 include:**

2016/17 Treasury Management Strategy  
Cultural Strategy Action Plan 2017/18

## **6 Audit Committee seeking assurance**

The Audit Committee has responsibility for requesting and receiving reports that deal with issues that are key to good governance. It met four times in 2016/17, considering a wide range of governance issues.

Audit Committee work programme for 2016/17			
June 2016	September 2016	November 2016	March 2017
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		

The Audit Committee considers each year how effective it has been in overseeing the Council's governance arrangements and submits an annual report to Council that summarises its work and allows the Council to take comfort that key governance processes are being reviewed.

## 7 Managing key risks

- 7.1 All Councillors and Managers are responsible for ensuring that risk implications are considered in the decisions they take. Managing risk is a key element of service planning. The successful delivery of the Corporate Plan priorities depends on the Council's ability to tolerate and manage risk where it cannot be eliminated altogether.
- 7.2 Significant risks that may be potentially damaging to the achievement of the Council's Corporate Plan objectives are recorded in a risk register and assigned owners. Senior Managers regularly review and update the risk register and are required to positively state the level of assurance they can place upon the controls that mitigate risks. If the residual risk exceeds the 'risk appetite', managers are required to consider whether cost effective actions that will reduce the likelihood and/or impact of the risk occurring can be introduced. This information is used by Internal Audit during annual audit planning and reviewed during individual audits.

The corporate risk register was reviewed by the Audit Committee.

## 8 Managing the risk of fraud

- 8.1 An anti-fraud review was completed December 2016, with all reasonable endeavours made to ensure the effectiveness of management processes and controls. The Council has raised the profile of the anti-fraud, bribery and corruption policy and the whistleblowing policy by increasing their visibility through inclusion on the Council's website.

- 8.2 During 2016/17 the anti-fraud, bribery and corruption policy, prosecution policy, whistleblowing policy and anti-money laundering policy was reviewed and updated and agreed by the Audit Committee at the March 2017 meeting. Any issues raised relating to these policies are dealt with by the appropriate responsible officers in accordance with the requirements of these policies.
- 8.3 A corporate fraud risk assessment was completed in 2016 and reported to the Audit Committee on the controls in place and the work being completed to minimise the risk of fraud. Resources are utilised to investigate and deter fraud. For the last few years a particular focus on the safeguarding of our housing stock, against those seeking to obtain a tenancy fraudulently and those using the property for personal gain, resulted in 12 properties being made available for those on our waiting list.

## **8.4 Anti-Fraud and Corruption Statement**

- 8.5 Waverley Borough Council is committed to the highest possible standards of honesty, openness and accountability.
- 8.6 It will ensure that internal procedures are in place to identify, deter and prevent the risk of fraud and corruption and maintain clear and well publicised arrangements for receiving and investigating complaints.
- 8.7 The Council will pursue appropriate action, including the recovery of any losses it has suffered, in every case where fraud and corruption has been found.

## **9 Responsible Chief Financial Officer**

- 9.1 The Strategic Director of Finance and Resources is the Responsible Chief Financial Officer and has responsibility for delivering and overseeing the financial management arrangements of the Council and has line management responsibility for the Finance team. The role conforms to the good practice requirements within the CIPFA Statement on the Role of the Chief Financial Officer in Local Government.
- 9.2 The Responsible Financial Officer has been involved in reviewing the Code of Corporate Governance and preparing this Statement and is satisfied with the arrangements that are in place for managing finances, considers the system of internal control works effectively and that no matters of significance have been omitted from this Statement.

## **10 Managing resources**

- 10.1 The Council is continuing to face increasing financial pressures but, as shown through the Medium Term Financial Strategy, it aims to be self-financing by 2020/21. In order to achieve this, a number of initiatives have been introduced:
- An initiative to strengthen procurement was undertaken with the recruitment to a new procurement post to provide skilled capacity to challenge business delivery.
  - The Corporate Procurement Regulations were reviewed to streamline the procurement process and a procurement advisory board set up consisting of key

spending officers from across the services to oversee all procurement governance.

## 11 Internal and External Audit assurance

The Council receives a substantial amount of assurance from the work that is undertaken by its Internal Audit Service (RSM) and External Auditors (Grant Thornton LLP).

### 11.1 Internal Audit

- 11.11 The Council considers its Internal Audit Service to be a key component of its governance framework.
- 11.12 Each year the Audit Committee review the Internal Audit Charter (which sets out the internal audit role and its responsibilities and clarifies its independence) and align it to the Public Sector Internal Audit Standards (PSIAS).
- 11.13 Internal audit is required by the PSIAS to review how they work each year. The Audit committee receives a report from the Internal Audit & Risk Manager on the outcome of effectiveness self-assessment with no issues reported.

#### **The Internal Audit Service has been established to:**

- provide independent, risk-based and objective assurance, advice and insight to the Council on its operations
- enhance and protect value, by assisting management improve the delivery of the Council's objectives and operations through evaluating and challenging the effectiveness of risk management, control and governance processes.

- 11.14 The Internal Audit Client Manager reports to the Strategic Director of Finance and Resources and has direct access to the Executive Director, the Audit Committee and its Chairman.
- 11.15 One of the key assurance statements the Council receives is the annual report and opinion of the Internal Audit Client Manager. The opinion for the 12 month period ending March 2016 is shown below.

#### **The Internal Audit opinion:**

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

- 11.16 The organisation has an adequate and effective framework for risk management, governance and internal control. However, further enhancements to the framework of risk management, governance and internal control to ensure that it remains adequate and effective have been identified.
- 11.17 The assurance opinion is unchanged from 2015/16.
- 11.18 The Internal Audit Client Manager has stated in their annual report that they were no constraints placed upon them in respect of determining overall audit coverage, audit methodology, the delivery of the audit plan or proposing actions for improvement or forming opinions on individual audit reports issued.
- 11.19 The Internal Audit Client Manager is not aware of any significant changes having occurred across the Council's internal control environment between April 2016 and the approval of this Statement.

## **11.2 External Audit**

- 11.21 The Council's external auditors are appointed by Public Sector Audit Appointments Limited (PSAA). Grant Thornton LLP were appointed by PSAA to undertake the Council's external audit.
- 11.22 The statutory financial statements for 2016/17 have been audited and an unqualified opinion has been issued.
- 11.23 The external auditor has also issued an unqualified opinion on the Council's arrangements for securing economy, efficiency and effectiveness (value for money) and in the use of its resources.

## **12 Level of Assurance**

- 12.1 This Annual Governance Statement demonstrates that the systems and processes that comprised Waverley's governance arrangements during 2016/17, and which remain in force, and continue to provide a comprehensive level of assurance to the Council. The Audit Committee will continue to review these governance arrangements to ensure they are fit for purpose in accordance with the governance framework.

## **13 Certification**

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



We therefore commend the Governance Statement to the Audit Committee for approval.

Signed  
Leader of the Council

Executive Director

Dated

Dated

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## WAVERLEY BOROUGH COUNCIL

### AUDIT COMMITTEE

24 JULY 2017

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**Title:**

**REVISION OF THE CONTRACT PROCUREMENT RULES**

[Portfolio Holder: Cllr Ged Hall]  
[Wards Affected: All Wards]

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**Summary and purpose:**

The purpose of this report is for the Audit Committee to review and recommend the approval of the revised CPRs.

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

By following the CPRs, Service Areas help to ensure that Value for Money is achieved.

**Financial Implications:**

There are no direct financial implications arising from this report; the implementation of the new CPRs will be achieved using current resources.

**Legal Implications:**

The Contract Procurement Rules are an essential part of the Council's administration to ensure that the ordering and paying for works, goods and services is carried out in accordance with the Council's Financial Regulations and thereby form part of the Council's Constitution. It ensures that the Council is transparent in its procurement of works, goods and services and that economic operators are treated equally and without discrimination. In addition, the Contract Procedure Rules ensure that the Council receives best value for money in its procurement of works, goods and services.

The Contract Procurement Rules comply with and reflect the Public Contracts Regulations 2015 and the subsequent Procurement Policy Notes issued by the Crown Commercial Service.

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**Background**

The Contract Procurement Rules (previously the Contract Procedure Rules) were last updated in 2015. A re-write was 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.

### **Recommendation**

That the Audit Committee recommends to Council that the revised CPRs be approved, and for them to come in to use, effective immediately.

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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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### **CONTACT OFFICER:**

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# 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

### AUDIT COMMITTEE

24 JULY 2017

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**Title:**

**ANNUAL INTERNAL AUDIT REPORT**

[Wards Affected: ALL]

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**Summary and purpose:**

The Accounts and Audit Regulations 2015 (Part 2 s3) require local authorities to have a sound system of internal control. Internal Audit is part of this system of internal control whereas (Part 2 s5) of the regulations state an authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes.

This report is a summary of the work carried out by Internal Audit during the financial year 2016-17 and also provides an assurance opinion to support the Annual Governance Statement on the organisations control environment which will also be considered by the Committee at its meeting on 24 July 2017.

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

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

**Financial Implications:**

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

**Legal Implications:**

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

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**1. Introduction**

To enable the Committee to consider the report in conjunction with the Annual Governance Statement for consideration at this meeting on the 24<sup>th</sup> July 2017.

As set out in Public Sector Internal Audit Standard (PSIAS) 2450, the Chief Audit Executive (Internal Audit Client Manager) must provide an annual report to the board (Audit Committee) timed to support the Annual Governance Statement. This report and opinion should be considered as part of the evidence supporting the Annual Governance Statement.

Attached in Annexe 1 is the Internal Audit Annual Report covering the activity for 2016/17, complete with the annual performance measures.

## **Recommendation**

It is recommended that the Audit Committee notes the contents and comments on the report.

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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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**Internal Audit Annual Report for 2016/17**

**July 2017**

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# 1 THE HEAD OF INTERNAL AUDIT OPINION

In accordance with Public Sector Internal Audit Standards, the Head of Internal Audit (at Waverley Borough Council this role is fulfilled by the Internal Audit Client Manager) is required to provide an annual audit opinion, based upon and limited to the work performed, on the overall adequacy and effectiveness of the organisation's risk management, control and governance processes. The opinion should contribute to the organisation's Annual Governance Statement.

## 1.1 The opinion

For the 12 months ended 31 March 2017, the Head of Internal Audits' Opinion for Waverley Borough Council (the Council) is as follows:

### Head of internal audit opinion 2016/2017

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

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

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

## 1.2 Scope of the Internal Audit work

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

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

The majority of the Internal Audit Plan work is completed by the Internal Audit Contractors. Quarterly contract monitoring meetings take place with the contractor ensuring that reviews are progressed to completion and where issues materialise in the delivery of the plan these are resolved to aid the completion of the plan.

There have been no impairments identified to the independence of the internal auditors during the period 2016/17.

### **1.3 Factors and findings which have informed my opinion**

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

There were no reviews issued as 'no assurance' (red) opinions.

21 audits have been completed. The 21 reports can be summarised as follows:

- 3 - Substantial assurance
- 8 - Reasonable assurance
- 7 - Partial assurance
- 3 - Reports where a formal opinion was not provided as these were advisory audits

A review of action tracking for the housing void process was also completed on where it was assessed that reasonable progress is being made in embedding the recommendations made for the review that was completed in the previous year financial year. A summary of the internal audit work undertaken, and the resulting conclusions, is provided at Appendix B. As noted above, partial assurance opinions in respect of 7 areas subject to internal audit were provided. The areas for improvement for which management have agreed actions to address for each of these areas are detailed in Appendix B.

### **1.4 Topics judged relevant for consideration as part of the Annual Governance Statement**

There are no areas that I am aware of through the work completed or from wider sector knowledge that have impacted my opinion and therefore this should be flagged in the AGS.

## 2 THE BASIS OF THE INTERNAL AUDIT OPINION

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

### 2.1 Acceptance of internal audit management actions

Management has agreed actions to address all of the findings reported by the internal audit service during 2016/2017. A sample of these recommendations will be selected at a future date to ensure these have been embedded into the relevant systems.

### 2.2 Implementation of internal audit management actions

The follow up of the actions agreed to address previous years' internal audit findings shows that the organisation had made reasonable progress in implementing the agreed actions.

There are no high rated actions not yet implemented.

There are however medium actions requiring management action, relating to Information Security Governance. I am aware that management action is ongoing to resolve the issues identified.

Recommendation Priority	Number made in 2015/16	Addressed	In Progress or Not Implemented	Ref No.
High	14	14		
Medium	46	43	3	IA16/12.001. IA16/22.001, IA16/22.004,
Low	53	52	1	IA16/22.002
<b>Totals</b>	<b>113</b>	<b>109</b>	<b>4</b>	

### 2.3 Working with other assurance providers

In forming my opinion I have placed reliance on the internal audit assignments completed on Waverley Borough Council's behalf by the contractor RSM Risk Assurance LLP (RSM) and the IT Auditor at Spelthorne Borough Council, whose services were utilised for the specialist IT Sharepoint Platform audit review which could not be fulfilled RSM.

RSM affirms that its internal audit services are designed to conform to the Public Sector Internal Audit Standards (PSIAS). Under PSIAS, internal audit services are required to have an external quality assessment every five years. RSM commissioned an external independent review of its internal audit services in 2016 to provide assurance whether its approach meets the requirements of the International Professional Practices Framework (IPPF) published by the Global Institute of Internal Auditors (IIA) on which PSIAS is based.

The external review concluded that “there is a robust approach to the annual and assignment planning processes and the documentation reviewed was thorough in both terms of reports provided to audit committee and the supporting working papers.” RSM was found to have an excellent level of conformance with the IIA’s professional standards.

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

RSM has also completed a review of subcontracting controls at Waverley Training Services, in the year in order to allow the Council to report to the Skills Funding Agency regarding its subcontracting arrangements. This was completed as agreed upon procedures work and consequently no opinion for this work was given and I do not consider this represents a conflict of interests.

In the year RSM has:

- issued 8 local authority news bulletins;
- highlighted actions for management throughout the audit reports based on their knowledge and experience in the local government sector to provide areas for consideration.

## 2.4 Performance indicators

A number of performance indicators were agreed with the audit committee. Our performance against those indicators is as follows:

<b>Delivery</b>				
Calendar Days	<b>Annual Target</b>	<b>Actual Year 2016/17</b>	Previous Year 2015/16	Previous Year 2014/15
Average no. of days between Contractor exit meeting and the issue of Draft Report (C)	<b>28</b>	<b>17</b>	19	21
Average no. of days between the Contractor providing the report to WBC and WBC receiving the file. (C)	<b>5</b>	<b>6</b>	15	10
Average number of days between the Internal Audit Client Managers Exit meeting & obtaining management comments and the issuing of Final Report (WBC)	<b>28</b>	<b>26</b>	34	35
Average number of days for Heads of Service to return report to Internal Audit Client Manager after signing. (WBC)	<b>5</b>	<b>5</b>	13	12
Completion of audit plan by 31 <sup>st</sup> March (C)	<b>100%</b>	<b>83%</b>	83%	82%



## APPENDIX A: ANNUAL OPINIONS

The following shows the full range of opinions available to me within my internal audit methodology to provide context regarding my annual internal audit opinion.

### Annual opinions

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

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

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

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

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

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## APPENDIX B: SUMMARY OF INTERNAL AUDIT WORK COMPLETED 2016/2017

Assignment	Assurance level	Actions agreed		
		H	M	L
(IA17-01) Recruitment and Performance Management	Reasonable	-	1	2
(IA17-02) Planning & Building Control Applications	Partial	-	7	1
(IA17-03) Action Tracking (Housing Voids)	Reasonable Progress			
(IA17-04) Rent Collection	Substantial	-	-	1
(IA17-05) Risk Management	Partial	-	3	1
(IA17-06) Health and Safety	Partial	-	5	-
(IA17-07) Data Quality	Reasonable	-	4	-
(IA17-08) Licensing – Environmental Services	Reasonable	-	1	5
(IA17-09) Car Parking	Reasonable	-	1	3
(IA17-10) Licensing - Alcohol	Reasonable	-	1	4
(IA17-11) Management of Contractors	Partial	2	6	-
(IA17-12) Accuracy of Tenancy Information	Partial	1	4	3
(IA17-13) Payroll	Substantial	-	2	1
(IA17-14) Health and Safety Compliance - Electrical	Reasonable	-	-	1
(IA17-15) Corporate Governance	Substantial	-	2	1
(IA17-16) Creditors	Reasonable	1	2	2
(IA17-17) Procurement	Partial	1	4	3
(IA17-18) Construction Industry Scheme	Partial	1	2	-
(IA17-19) Emergency Planning and Business Continuity	Reasonable	-	4	1
(IA17-20) Agresso Upgrade	Advisory	-	-	2
(IA17-21) Garden Waste Renewals LEAN review Workshop Outputs	Advisory	-	-	-
(IA17-22) Project Management	Advisory	6 ungraded		

## Detailed audit findings impacting on my opinion

The auditors gave a partial opinion in respect of the Council's Planning and Building Control arrangements (IA17-02). The identified the following seven areas for improvement which management agreed actions to address:	
Issues Raised	Current Status of related Recommendation
No trend analysis of building applications which are not processed in time is undertaken.	<b>Implemented</b>
The Council could not provide evidence that all extensions had agreed with the applicant.	<b>Implemented</b>
The figures for Q3 and Q4 for the number of Major applications received per the Community Overview and Scrutiny Committee reflected the cumulative figures to date and not the number for the relevant quarter.	<b>Implemented</b>
The figures reported in the Q1 report to the Community Overview and Scrutiny Committee were not correct due a timing issue and a retrospective 'sent date' being put in.	<b>Implemented</b>
We reviewed Officer Reports where an application was not completed within the agreed timeframes, and in instances tested a rationale was not documented.	<b>Implemented</b>
The Building Control Policies and Procedures are outdated and do not reflect current operating practice.	<b>Implemented</b>
Our review of data reported to the Community Overview and Scrutiny Committee identified inconsistencies when reconciled back to source data.	<b>Implemented</b>

The auditors gave a partial opinion in respect of the council's Risk Management arrangements (IA17-05). They identified the following three areas for improvement which management agreed actions to address:	
Issues Raised	Current Status of related recommendation
The risk register and mitigating actions are not up to date and do not incorporate the new corporate plan. If the risk register is not maintained and used as a living document, this increases the risk that risks are not monitored	<b>Implemented</b>

effectively.	
The risk register has not been presented to the Head of Service team meetings in the current financial year. The lack of oversight / review by a Risk Management Group (HoST / MB) increases the likelihood of risks materializing, new risks not being identified and inappropriate mitigating actions being put in place.	<b>Implemented</b>
The risk register has not been presented to the Audit Committee since September 2015. A lack of oversight by the members of the Audit Committee increases the risk that members of the Council are not informed on movements in relation to risks. This may impact on the achievement of the Council's strategic objectives. Additionally, members cannot assure themselves that appropriate actions are being taken by management.	<b>Implemented</b>

**The auditors a partial opinion in respect of the council's Health and Safety arrangements systems (IA17-06). We identified the following five areas for improvement which management agreed actions to address:**

<b>Issues Raised</b>	<b>Current Status of related recommendation</b>
Where staff have additional health and safety responsibilities, beyond those applicable to all employees, these are not reflected in the employee's job description.	<b>Implemented</b>
There is currently no monitoring system in place to ensure service areas are complying with the Health and Safety Policy and specifically the completion of activity based risk assessments.	<b>Implemented</b>
There are no Key Performance Indicators (KPIs) being produced and reported upon with regards to health and safety. Without KPI's in place, the Council is unable to demonstrate improvement and performance against its strategic aims in relation to health and safety.	<b>Implemented</b>
The Council has in place a draft training matrix to ensure all staff have completed the expected training courses in relation to health and safety however it is currently not ready to be used as a result of a number of staff member's risk assessments which are used to identify training needs being missing from the Risk Assessment Record Centre.	<b>Implemented</b>
In addition to this the Council is unable to determine effectively when staff should have their training refreshed.	<b>Implemented</b>

Without an operational training matrix there is a risk that staff are completing activities without undergoing the required training first.	
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**The auditors gave a partial opinion in respect of the council's Management Contractors (IA17-11). They identified the following eight areas for improvement which management agreed actions to address:**

<b>Issues Raised</b>	<b>Current Status of related recommendation</b>
Adequate tools, methods, approaches and regular meetings for the managing of contract performance were not detailed within all contracts reviewed.	<b>Implemented</b>
Although actions are output from meetings that do occur, we noted that these are not formally tracked which leads to the risk of outstanding actions not being completed.	<b>Implemented</b>
At present contracts reviewed do not stipulate KPIs, and in one instance where they do these are currently under review by the Council. Due to this there is no approach in place for measuring KPI data received.	<b>Implemented</b>
With regards to contract reviewed, the contract at present does not stipulate the payment terms. Without this there is a risk that the Council may pay for incomplete or inadequate works undertaken.	<b>Implemented</b>
One Contractor reviewed utilised subcontractors. Through reviewing the Contractor's list of subcontractors and the Council's internal tracker we noted unapproved subcontractors being utilised on that contract. For a remaining subcontractor, evidence of Council approval could not be located.	<b>Implemented</b>
For one contract appropriate evidence relating to the original tender and compliance with OJEU regulations could not be located, additionally the Council's current threshold for OJEU regulations is not up to date with current guidance.	<b>Implemented</b>
Reviewing variations for a contract we noted that in two instances approval for the issue of the variation could not be sourced. Both of these instances related to variations resulting in additional payments needing to be paid. It was noted that approval may be held within another member of staff's email.	<b>Implemented</b>

Evidence relating to the training records, DBS clearance and other health and safety documentation could not be located for two contracts. Discussion with staff confirmed this was a pre-requisite to accepting a new contractor.	<b>Implemented</b>
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<b>The auditors gave a partial opinion in respect of the council's Accuracy of Tenancy Information Systems (IA17-12). They identified the following five areas for improvement which management agreed actions to address:</b>	
<b>Issues Raised</b>	<b>Current Status of related recommendation</b>
No strategy or plan is in place in relation to home visits for secure / flexible tenancy arrangements. By not having a formal strategy / approach in place in relation to home visits for flexible and secure tenants.	<b>Implemented</b>
We identified an instance where the four and seven month home visits had not been completed in line with timeframes due to paternity leave. We also noted instances where the visit form had not been completed in full.	<b>Implemented</b>
The calculation of the Performance Indicators for monthly reporting to Corporate Management Team is a manual process and access to the excel spreadsheet is not restricted.	<b>Implemented</b>
No formal quality review process for completed home visit forms is in place.	<b>Implemented</b>
A defined process to document, track progress and follow up on actions identified at the home visits is not in place.	<b>Implemented</b>

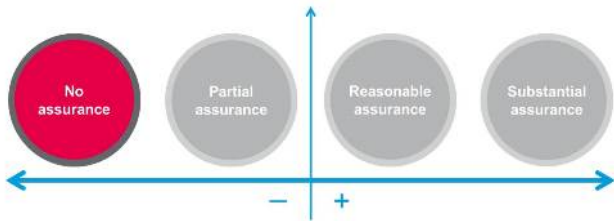
<b>We gave a partial opinion in respect of the council's Procurement arrangements (IA17-17). We identified the following five areas for improvement which management agreed actions to address:</b>	
<b>Issues Raised</b>	<b>Current Status of related recommendation</b>
We selected a judgemental sample of contracts in excess of Financial Threshold 2 (£25k) and identified that supplier checks were incomplete and not evidenced on InTend. All had at least one required check	<b>Implemented</b>

completed.	
We reviewed a judgemental sample of payments to contractors and identified that 75% were not supported by a purchase order.	<b>Due 30 Sept 2017</b>
Our review of items of expenditure in excess of £5k identified that 30% were not procured through InTend and 35% were not included on the Council's Contract register.	<b>Due 30 Sept 2017</b>
Our review of awarded contracts identified that an assessment matrix was not uploaded to InTend for any of the instances tested.	<b>Implemented</b>
Our review of awarded contracts identified 25% of instances where the lowest quote / tender was not awarded the contract and no assessment matrix was completed to provide a rationale.	<b>Implemented</b>

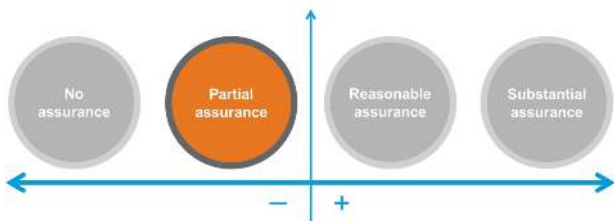
**We gave a partial opinion in respect of the Construction Industry Scheme arrangements (IA17-18). We identified the following seven areas for improvement which management agreed actions to address:**

<b>Issues Raised</b>	<b>Current Status of related recommendation</b>
We undertook a review of all payments made to the Council's subcontractors in the current financial year and identified that potential deductions were not taken from subcontractors.	<b>Implemented</b>
The CIS procedural documents are not up to date and do not reflect current operating practice.	<b>Implemented</b>
The Council does not maintain its own list of subcontractors who are registered with HMRC for CIS.	<b>Implemented</b>

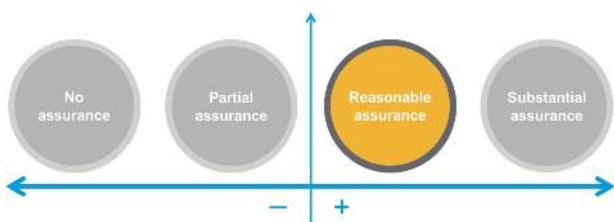
We use the following levels of opinion classification within our internal audit reports. Reflecting the level of assurance the board can take:



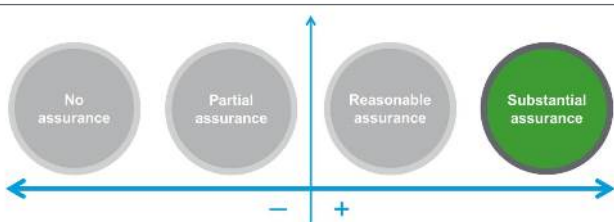
Taking account of the issues identified, the board cannot take assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied or effective. Urgent action is needed to strengthen the control framework to manage the identified risk(s).



Taking account of the issues identified, the board can take partial assurance that the controls to manage this risk are suitably designed and consistently applied. Action is needed to strengthen the control framework to manage the identified risk(s).



Taking account of the issues identified, the board can take reasonable assurance that the controls in place to manage this risk are suitably designed and consistently applied. However, we have identified issues that need to be addressed in order to ensure that the control framework is effective in managing the identified risk(s).



Taking account of the issues identified, the board can take substantial assurance that the controls upon which the organisation relies to manage the identified risk(s) are suitably designed, consistently applied and operating effectively.

**FOR FURTHER INFORMATION CONTACT**

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**Tel No: 01483 523260**



## WAVERLEY BOROUGH COUNCIL

### AUDIT COMMITTEE

24 JULY 2017

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**Title:**

**INTERNAL AUDIT PLAN PROGRESS 2016/17 AND 2017/18**

[Wards Affected:All]

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**Summary and purpose:**

The Committee's Terms of Reference include provision for the Committee to comment on the progress made in the achievement of the Audit Plan. An update on the current position of the reviews in 2016/17 and 2017/18 is presented.

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

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

**Financial Implications:**

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

**Legal Implications:**

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

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**1. Introduction**

The progress on the completion of the Internal Audit Plan for 2016/17 is shown as attached at Annexe 1.

The progress on the commencement of the Internal Audit Plan for 2017/18, including the relevant quarters as agreed by the Head of Services and Service Managers are attached at Annexe 2.

Two new reviews have been proposed for the 2017/18 Internal Audit Plan, by the relevant Heads of Service. The first review relates to the Production of the Final Accounts process that we have in operation to assessment whether there any improvements that can be made to meet the new revised timescales. The second review relates to Fire Safety Assessment Checks to provide management assurance

that these are completely in accordance with our procedures and meet legislative requirements.

The Committee is also asked to note that the review of Data Protection deferred from 2016/17 has been completed in Quarter 1 of 2017/18 financial year.

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### **Recommendation**

It is recommended that the Committee:

1. notes the progress for the Internal Audit Plan 2016/17 as attached at **Annexe 1**;
2. notes the progress for the Internal Audit Plan 2017/18 as attached at **Annexe 2**, 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 as indicated in blue.

### **Background Papers**

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

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### **CONTACT OFFICER:**

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**Internal Audit Client Manager**

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

AUDIT PLAN AGREED BY AUDIT  
COMMITTEE ON 15 MARCH 2016

Report No.	AUDIT PLAN AS AT 13/07/2017	Proposed No. of Plan Days	Variations	Revised Plan (a) + (b)	Actual Total to date	Total expected time ((d)+(e) to match (c))	Balance	Progress	Details	Proposed quarter to be started * indicates change from original plan	Head of Service & Manager Responsible for Area	No. of Recs in Final Report	Overall Opinion
	Key	2016/17	(b)	(c)	(d)								
	Awaiting Draft Report												
	Completed												
	New Review												
	Deferred												
	Systems and Services Audit												
	IT SERVICES												
IA17-01A	IT Sharepoint	10.00	2.00	12.00	12.00	12.00	0.00	Final Report on Covalent	Technical Audit - Knowledge of Sharepoint - Resilience re volume of files, structure, hierarchy and permissions documented as to who can see what etc This review resource has being procured from Spelthorne Borough Council who have an experienced specialist IT auditor with Sharepoint knowledge having completed reviews in this area at other authorities.	B/F from 2015/16	Head of Customer, and Corporate Service - David Allum, Linda Frame - IT Development Manager	0	Substantial Assurance
IA17-20	Agresso Upgrade	10.00	-4.00	6.00	6.00	6.00	0.00	Final Report on Covalent	Post Implementations of new Agresso upgrade	Q4	Head of Customer, and Corporate Service - David Allum, Linda Frame - IT Development Manager	2	Advisory
	Contingency	0.00	0.00	0.00	0.00	0.00	0.00						
	IT Total	20.00	-2.00	18.00	18.00	18.00	0.00						
	GENERAL SYSTEM REVIEWS												
	Key Financial Systems												
IA17-09	Car Parking	10.00	0.00	10.00	10.00	10.00	0.00	Final Report On Covalent	Compliance with Agreed Processes	Q1	Head of Environmental Services - Richard Homewood	4	Reasonable Assurance
IA17-04	Rent Collection	10.00	0.00	10.00	10.00	10.00	0.00	Final Report On Covalent	Accuracy of rent setting, completeness of income and pursuit of arrears.	Q2	Head of Housing Operations - Hugh Wagstaff	1	Substantial Assurance
IA17-13	Payroll	8.00	0.00	8.00	8.00	8.00	0.00	Final Report On Covalent	Compliance with agreed processes.	Q3	Head of Finance - Peter Vickers	3	Substantial Assurance
IA17-16	Creditor Payments	6.00	0.00	6.00	6.00	6.00	0.00	Final Report On Covalent	Compliance with Agreed Processes	Q3 (24/10/2016)	Head of Finance - Peter Vickers	3	Reasonable Assurance
IA17-00	Approval of invoices on Agresso	6.00	-6.00	0.00	0.00	0.00	0.00	Deferred to 2017/18	Review of the effectiveness of the systems in operation	Deferral Requested	Head of Finance - Peter Vickers		
	Sub total for Key Financial Systems	40.00	-6.00	34.00	34.00	34.00	0.00						
IA17-08	Licensing - Environmental Services - Animals, Premises etc	6.00	0.00	6.00	6.00	6.00	0.00	Final Report on Covalent	To ensure that appropriate policies and procedues are in place to ensure that income due from goods and services is properly identified, charged appropriately and can be collected in full and recorded in the accounts of the Council.	Q1	Head of Environmental Services - Richard Homewood	6	Reasonable Assurance
IA17-06	Health & Safety Policy	8.00	0.00	8.00	8.00	8.00	0.00	Final Report on Covalent	Partial Assurance Summary - Job Descriptions, Service Level compliance monitoring, Risk Assessment Uploads, KPI's and Training Matrix.	Q2	Corporate - Head of Environmental Service -Richard Homewood	5	Partial Assurance
IA17-19	Emergency Planning and Business Continuity	10.00	0.00	10.00	10.00	10.00	0.00	Final Report on Covalent	Emergency Planning - the Council is designated as a category 1 responder under the Civil Contingencies Act. The Council do not have a direct labour workforce and is reliant on contractors to support an emergency response. Operational controls ensure compliance with Civil Contingencies Act. We will also review the Council's business continuity processes to ensure these are appropriate and in line with our experiences elsewhere.	Q4	Head of Environmental- Richard Homewood	5	Reasonable Assurance
IA17-02	Recruitment of permanent and agency staff and performance management	10.00	0.00	10.00	10.00	10.00	0.00	Final Report on Covalent	Staff skill and capacity Management - For a high performing and highly engaged team there a a need to recruit develop and retain high performing staff who fit the organisational culture and for Waverley to be an employer of choice. To ensure that staff are only employed where there is an identified need, are recruited appropriately and their employment is then monitored with routine appraisals undertaken and competency frameworks are met. We will consider - how temporary staff are engaged and their continuing engagement monitored, the monitoring of costs associated with recruitment and staff turnover, provision of training for new staff as well as the cost to the Council: and management control of staff retention to retain key staff.	Q1	Corporate - Head of Finance - Peter Vickers	3	Reasonable Assurance
IA17-18	Construction Industry Scheme (CIS)	0.00	10.00	10.00	10.00	10.00	0.00	Final Report on Covalent	Partial Assurance Summary - Procedures, Subcontractors List and deductions.	Q4	Head of Finance - Peter Vickers	3	Partial Assurance

AUDIT PLAN AGREED BY AUDIT  
COMMITTEE ON 15 MARCH 2016

Report No.	AUDIT PLAN AS AT 13/07/2017	Proposed No. of Plan Days	Variations	Revised Plan (a) + (b)	Actual Total to date	Total expected time ((d)+(e) to match (c))	Balance	Progress	Details	Proposed quarter to be started * indicates change from original plan	Head of Service & Manager Responsible for Area	No. of Recs in Final Report	Overall Opinion
	Key	2016/17	(b)	(c)	(d)								
	Awaiting Draft Report												
	Completed												
	New Review												
	Deferred												
	Systems and Services Audit												
	IT SERVICES												
IA17-17	Procurement	8.00	0.00	8.00	8.00	8.00	0.00	Final Report on Covalent	Partial Assurance Summary - Purchase Orders Usage, Use of Intend, Updating of Contracts, Thesholds, completion of documentation re dates, Assessment Matrix, Audit Trail of Activity and Awarding of Contracts.	Q4	Head of Finance - Peter Vickers	8	Partial Assurance
IA17-03	Voids follow up review of 2014/15	5.00	0.00	5.00	5.00	5.00	0.00	Final Report on Covalent	Follow up of previous audit	Q1	Head of Housing Operations - Hugh Wagstaff	3	Good Progress
IA17-11	Management of Contractors	8.00	0.00	8.00	8.00	8.00	0.00	Final Report on Covalent	Partial Assurance Summary - Issues Raised:- Contract Register maintenance, Accuracy of OJEU thesholds, Contract Meeting Actions, Monitoring arrangements, KPI's Payment Terms in Contracts, Variations, Training, DBS and use of Subcontractors.	Q2	Head of Housing Operations - Hugh Wagstaff	8	Partial Assurance
IA17-12	Accuracy of Tenancy Information	7.00	0.00	7.00	7.00	7.00	0.00	Final Report on Covalent	Partial Assurance Summary - Issues Raised:- Review processes and procedures, Visits Forms upload, Reports from Civica (PI's), Annual Home Visits (S & F Tenants), Scanning of documents, Quality review, Changed Uploaded to Orchard, and track actions.	Q3	Head of Housing Operations - Hugh Wagstaff	8	Partial Assurance
IA17-14	Health & Safety Compliance	10.00	0.00	10.00	10.00	10.00	0.00	Final Report on Covalent	Assurance on the operational aspects of Health & Safety compliance for all council owned properties through the rolling programme. To focus on maintenance processes and compliance specifically electrical testing at all properties.	Q3	Head of Housing Operations (Hugh Wagstaff) & Head of IT and Corporate Services (David Allum)	1	Reasonable Assurance
IA17-02	Planning Applications and Building Control	10.00	0.00	10.00	10.00	10.00	0.00	Final Report on Covalent	Partial Assurance Summary - Issues Raised:- Retention and signing off of time extensions, sign off and consistency of reporting of Performance Information. BC- Documentation of procedures, Retention, rationale for not achieving timeframes, consistency of reporting stats.	Q1	Head of Planning - Elizabeth Sims	8	Partial Assurance
IA17-10	Licensing - Alcohol	6.00	0.00	6.00	6.00	6.00	0.00	Final Report on Covalent	To ensure that appropriate policies and procedues are in place to ensure that income due from goods and services is properly identified, charged appropriately and can be collected in full and recorded in the accounts of the Council.	Q1 to Q2*	Head of Policy and Governance - Robin Taylor	5	Reasonable Assurance
IA17-07	Data Quality	10.00	0.00	10.00	10.00	10.00	0.00	Final Report on Covalent	Review of the effectiveness of the systems in operation	Q2	Head of Finance - Peter Vickers	3	Reasonable Assurance
IA17-00	Data Protection	10.00	-10.00	0.00	0.00	0.00	0.00	Deferred starting in 2017/18	Changes in European Legislation are expected in year and thus review will consider the compliance with legislation as well as the preparedness for required changes. Our work will consider the lessons learned and changes made from any complaints received or involvement of the ICO.	Q4	Head of Policy and Governance - Robin Taylor		
	Governance and Risk Reviews												
IA17-05	Risk Management/Assurance Stocktake	8.00	0.00	8.00	8.00	8.00	0.00	Final Report on Covalent	Partial Assurance Summary - Issues Raised:- Risk Register maintenance and presentation to others.	Q2	Corporate - Head of Finance - Peter Vickers	4	Partial Assurance
IA17-15	Corporate Governance	8.00	0.00	8.00	8.00	8.00	0.00	Final Report on Covalent	Governance failure across the Council there is the potential of a governance failure. Review of the Council's Governance processes against required practice.	Q3	Corporate Head of Corporate Governance and Policy-Robin Taylor	3	Substantial Assurance
IA17-22	Project Management	20.00	0.00	20.00	20.00	20.00	0.00	Draft Report Stage	Major capital projects including regeneration - The council is engaged in a number of high level projects to support regeneration areas within the borough. (Brightwells and Ockford Ridge). Specialist review of the Council's approach to the management of projects. This will focus on the Brightwells project, as well as others, and provide the Council with advice as to project management in the future.	Q4	Corporate - Head of Leisure and Special Projects	Advisory	
IA17-21	Lean Approach Workshop	8.00	0.00	8.00	8.00	8.00	0.00	Workshop and report of outcomes provided	To provide guidance on this process and how the Council can undertake Lean reviews to maximise efficiency in the service delivery. This could be the provision of training on lean methodolgy, or to undertake a specific lean review on an area identified by managment which will incorporate a workshop and will involve the sharing of the methodology followed. It is likely that this Assurance on the implementation to meet transparency code	Q3	Head of Environment - Richard Homewood	Advisory	
	Management Contract Liaison Meetings	7.00	0.00	7.00	3.00	3.00	-4.00						
	Contingency	21.00	-12.00	9.00	0.00	0.00	-9.00						

AUDIT PLAN AGREED BY AUDIT  
COMMITTEE ON 15 MARCH 2016

Report No.	AUDIT PLAN AS AT 13/07/2017	Proposed No. of Plan Days	Variations	Revised Plan (a) + (b)	Actual Total to date	Total expected time ((d)+(e) to match (c))	Balance	Progress	Details	Proposed quarter to be started * indicates change from original plan	Head of Service & Manager Responsible for Area	No. of Recs in Final Report	Overall Opinion
	Key	2016/17	(b)	(c)	(d)								
	Awaiting Draft Report												
	Completed												
	New Review												
	Deferred												
	Systems and Services Audit												
	IT SERVICES												
	Sub Total for Operational Reviews (Inc Cont)	180.00	-12.00	168.00	155.00	155.00	-13.00						
	Subtotal Key Financial Systems Reviews	40.00	-6.00	34.00	34.00	34.00	0.00						
	Subtotal of IT Reviews	20.00	-2.00	18.00	18.00	18.00	0.00						
	Total Plan Contractor Review Days* (RSM 230, SBC 12)	240.00	-20.00	220.00	207.00	207.00	-13.00						

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AUDIT PLAN AGREED BY AUDIT COMMITTEE ON 21 MARCH 2017

Report No.	AUDIT PLAN AS AT 13/07/2017	2017-18 Priority	Proposed No. of Plan Days	Revised Plan (a) + (b)	Actual Total to date	Days Planned to end March '18	Progress	Details	Proposed quarter to be started * indicates change from original plan	Head of Service & Manager Responsible for Area	Contact Details
	<b>Key</b>		2017/18	(c)	(d)	(e)					
	Awaiting Draft Report										
	Completed										
	New Review										
	Deferred										
	Systems and Services Audit										
	IT SERVICES										
IA18-00	System Development & Change Control Management	High	7.00	7.00	0.00	7.00		Assurance on the change controls in place re the development of inhouse systems into the sharepoint environment.	Q1-2	Head of Customer, and Corporate Service - David Allum, Linda Frame - IT Development Manager	01483 523338 - 01483 523157
IA18-00	Email Server & Virus Protection	High	7.00	7.00	0.00	7.00		Assurance on the systems in place to limit the risk of systems being compromised due to virus or penetration attacks	Q4	Head of Customer, and Corporate Service - David Allum, Linda Frame - IT Development Manager	01483 523338 - 01483 523157
	Contingency		0.00	0.00	0.00	0.00					
	IT Total		14.00	14.00	0.00	14.00					
	GENERAL SYSTEM REVIEWS										
	Key Financial Systems										
IA18-03	Rent Collection	High	10.00	10.00	10.00	0.00	Draft Report Stage	Accuracy of rent setting, completeness of income and pursuit of arrears.	Q2	Head of Housing Operations - Hugh Wagstaff	01483-523363
IA18-00	Payroll	Medium	7.00	7.00	0.00	7.00	SD 30/10/2017	Compliance with agreed processes.	Q3	Head of Finance - Peter Vickers	01483-523539
IA18-00	Petty Cash/Cash Equivalent/Supplier A/Cs	High	7.00	7.00	7.00	0.00	Awaiting Draft Report	Compliance with process and include account held with other re Screwfix, John Lewis etc	Q1	Head of Finance - Peter Vickers	01483-523539
IA18-05	Main Accounting (Budgetary Control & Ledger)	High	7.00	7.00	7.00	0.00	Draft Report Stage	Compliance with Agreed Processes including Journals	Q2-3	Head of Finance - Peter Vickers	01483-523539
IA18-00	Reconciliations	High	7.00	7.00	0.00	7.00	SD 26/02/2018	Review re timely and competeness.	Q4	Head of Finance - Peter Vickers	01483-523539
IA18-01	Recovery of Debts	High	7.00	7.00	7.00	0.00	Draft Report Stage	Review of the write off processes and procedures	Q1	Head of Finance - Peter Vickers	01483-523539
IA18-00	BACs Electronic System	Medium	5.00	5.00	0.00	5.00	SD 02/10/2017	Review of the effectiveness of the systems in operation re changes in personnel involved in the process	Q3	Head of Finance - Peter Vickers	01483-523539
IA18-00	Housing Benefit and Council Tax Reduction Scheme	High	10.00	10.00	0.00	10.00	SD 09/02/2018	Review of the effectiveness of the systems in operation, High value with complex process.	Q4	Head of Finance - Peter Vickers	01483-523539
IA18-04	Treasury Management	High	7.00	7.00	7.00	0.00	Draft Report Stage	Review of the effectiveness of the systems in operation, recent changes in personnel involved in the process.	Q1	Head of Finance - Peter Vickers	01483-523539
IA18-00	Approval of Invoices on Agresso	High	6.00	6.00	0.00	6.00		Integration of the Housing Orchard invoicing into the Agresso system to enable payments to be processed.	Q4	Head of Finance - Peter Vickers	01483-523539
IA18-00	Production of Final Accounts	High	7.00	7.00	0.00	7.00	SD 30/05/2017	Review of the process in place and identify if there are any actions that could be taken to expedite the completion of the Final Account to meet the Accounts and Audit Regulations 2015 timetable of 31 July.	Q2-Q4	Head of Finance - Peter Vickers	01483-523539
	Sub total for Key Financial Systems		80.00	80.00	38.00	42.00					
IA18-00	Restaurant (Catering Facilities)	Medium	7.00	7.00	0.00	7.00	SD 08/01/2018	To provide assurance that controls are in place and operating as intended.	Q3-Q4	Head of Customer and Corporate Services David Allum	01483-523338
IA18-00	Environmental Health Services - Food Inspections	High	10.00	10.00	0.00	10.00	SD 16/10/2017	To ensure that appropriate policies and procedures are in place to ensure that income due from goods and services is properly identified, charged appropriately and can be collected in full and recorded in the accounts of the Council.	Q1-Q2*	Head of Environmental Services - Richard Homewood	01483-523411
IA18-00	Recycling	Medium	7.00	7.00	0.00	7.00	SD 17/07/2017	Assurance on the systems in operation are achieving the objective of increasing recycling levels and effective management of the contractual terms with the contractor ensuring that areas of responsibility are clear.	Q2	Corporate - Head of Environmental Service -Richard Homewood	01483-523411
IA18-00	Tree Management	High	10.00	10.00	0.00	10.00		Compliation of the Risk Management Plan, Tree Surveys, Proactive/Reactive/ HRA/Public Areas/ Dunfold risk management /Budgets	Q1/2	Head of Communities and Special Projects - Kelvin Mills	01483-523432
IA18-00	Responsive Repairs and Voids	High	10.00	10.00	0.00	10.00		Ensure that Post Inspection process is in place and being complied with.	Q1/2	Head of Housing Operations - Hugh Wagstaff	01483-523363
IA18-00	Removal and Addition of Properties (Sales Of Council owned properties (Inc RTB) Process, purchases and new build)	High	10.00	10.00	0.00	10.00		To ensure that the system in operation is working effectively and controls are in place to ensure records are updated and maintained re sold, built or purchased. Property Service, RTBs & Legal, New build - e.g. Station Road - Maintenance programme.	Q1-Q4	Lead officer Head of Housing Operations - Hugh Wagstaff	01483-523363
IA18-00	Management of garages system to include keys to both Housing Properties and Garages	High	10.00	10.00	0.00	10.00		To ensure that the system in operation is working effectively and controls are in place re the control of keys for nay Waverley Owned property or garage.	Q1/2	Head of Housing Operations - Hugh Wagstaff	01483-523363

AUDIT PLAN AGREED BY AUDIT COMMITTEE ON 21 MARCH 2017

Report No.	AUDIT PLAN AS AT 13/07/2017	2017-18 Priority	Proposed No. of Plan Days	Revised Plan (a) + (b)	Actual Total to date	Days Planned to end March '18	Progress	Details	Proposed quarter to be started * indicates change from original plan	Head of Service & Manager Responsible for Area	Contact Details
	<b>Key</b>		2017/18	(c)	(d)	(e)					
	Awaiting Draft Report										
	Completed										
	New Review										
	Deferred										
	Systems and Services Audit										
IA18-00	Gas Maintenance	High	10.00	10.00	0.00	10.00		Compliance with terms and conditions of the contract in place and the monitoring of this compliance.	Q4	Head of Housing Operations - Hugh Wagstaff	01483 523363
IA18-00	Asbestos Exposure	High	10.00	10.00	0.00	10.00		Assurance on the operational aspects of the management and access to the register.	Q3	Head of Housing Operations (Hugh Wagstaff)	01483 523363
IA18-00	Completeness of Fire Safety Assessment Checks	High	5.00	5.00	0.00	5.00		Assurance on the operational aspects of the management and assessment and completeness of Fire Safety registers and other relevant documentation.	Q2/Q3	Head of Housing Operations (Hugh Wagstaff)	01483 523363
IA18-00	Planning Systems Appeals	High	10.00	10.00	0.00	10.00	SD 21/08/2017	Planning Performance re changes in government targets re the number of appeals allowed against WBC.	Q2	Head of Planning - Elizabeth Sims	01483-523193
IA18-00	Home Choice	High	10.00	10.00	0.00	10.00		Review and assess the effectiveness of the systems in operation.	Q4	Head of Housing Strategy & Delivery - Andrew Smith	01483-523096
IA18-00	Hackney Carriage Licensing	Medium	7.00	7.00	0.00	7.00	SD 21/08/2017	Review of the effectiveness of the systems in operation re recent changes	Q1 to Q2*	Head of Policy and Governance - Robin Taylor	01483-523108
IA18-00	Contract Final Accounts	High	7.00	7.00	0.00	7.00		Contract management re Final accounts and retention of documentation	Q1-Q4	Corporate	
	Governance and Risk Reviews										
IA18-00	Gifts and Hospitality		5.00	5.00	0.00	5.00	SD 13/11/2017				
IA18-02	Data Protection		10.00	10.00	10.00	0.00	Draft Report Stage	Changes in European Legislation are expected in year and thus review will consider the compliance with legislation as well as the preparedness for required changes. Our work will consider the lessons learned and changes made from any complaints received and or involvement of the ICO.	Q1	Head of Policy and Governance - Robin Taylor	01483-523108
	Management Contract Liaison Meetings		5.00	5.00	0.00	5.00					
	Contingency		9.00	9.00	0.00	9.00					
	Sub Total for Operational Reviews (Inc Cont)		152.00	152.00	10.00	142.00					
	Subtotal Key Financial Systems Reviews		80.00	80.00	38.00	42.00					
	Subtotal of IT Reviews		14.00	14.00	0.00	14.00					
	Total Plan Contractor Review Days* (RSM 230 & 16 Days from 2016/17 re deferrals)		246.00	246.00	48.00	198.00					



## WAVERLEY BOROUGH COUNCIL

### AUDIT COMMITTEE

24 JULY 2017

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#### Title:

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

[Wards Affected: ALL]

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#### **Summary and purpose:**

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

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

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

#### **Financial Implications:**

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

#### **Legal Implications:**

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

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#### **Introduction**

1. This report provides the Audit Committee with the latest position regarding the implementation of Internal Audit recommendations.

Annexe 1 provides the current position on recommendations due for completion at the end of the month of the Audit Committee date.

Annexe 2 details the request for change of implementation due date.

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

## **Recommendation**

It is recommended that the Committee:

1. considers the information contained in Annexe 1 and, following discussion at the Audit Committee meeting, identifies any action it wishes to be taken, particularly in relation to the Information Security Governance recommendations which are linked to the recent Data Protection review completed in preparation for the General Data Protection Regulations (GDPR) that comes into force in May 2018.
2. agrees an appropriate implementation date for the recommendations listed in Annexe 2, where a request has been made by the Head of Service for a change in the previous implementation date.

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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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## **CONTACT OFFICER:**






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Internal Audit Client Manager


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## Audit Recommendations overdue or due within next month




Generated on: 06 July 2017


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


Head of Service Taylor, Robin						
<b>Action Code &amp; Description</b>	IA16/22.001 Policies	The Council's Information Management Policy, Record Disposal and Retention Schedule and the Acceptable Use of IT policy were last updated over a year ago. The policies do not cover off the process to be followed in regard to the retention, sharing and disposal of manual or electronic data. The policies also do not cover the procedure to be followed if manual or electronic data is lost or subject to misappropriation.	<b>Exit Meeting Date</b>	02-Jun-2016	<b>Due Date</b>	03-Jul-2017
<b>Audit Report Code and Description</b>		IA16/22 Information Security Governance				
<b>Agreed Action</b>		<p>The Council will update the Record Disposal and Retention Schedule to ensure it includes the preferred disposal method for all types of data.</p> <p>The Council will ensure that the Information Management policy is updated to include the procedure to be followed if manual data is lost or subject to misappropriation. It should also include Council procedure in regard to manual security measures or physical security re the sharing of all types of information.</p> <p>Both the Acceptable Use of IT policy and the Information Management policy will also be updated to include how data loss/misappropriation is reported to Senior Management.</p> <p>All policy and procedural documentation relating to Information Security Governance will be reviewed and updated where necessary on an annual basis going forward.</p>				
<b>Status</b>		Overdue	<b>Progress</b>	50%	<b>Head of Service</b>	Robin Taylor
<b>All Notes</b>						01-Mar-2017

<b>Action Code &amp; Description</b>	IA16/22.002 Storage of Records re ISO5489	As per the most recent Information Management Policy (Section 10), all records should be stored in accordance with ISO15489. The policy does not go on to state what the requirements of ISO15489 are.	<b>Exit Meeting Date</b>	02-Jun-2016
			<b>Due Date</b>	03-Jul-2017
<b>Audit Report Code and Description</b>		IA16/22 Information Security Governance		
<b>Agreed Action</b>		The Council will detail the requirements of ISO15489 within the Information Management Policy that staff will need to comply with to ensure records are stored appropriately.		
<b>Status</b>		Overdue	<b>Progress</b>	50%
			<b>Head of Service</b>	Robin Taylor
<b>All Notes</b>				

<b>Action Code &amp; Description</b>	IA16/22.004 Procedure	As per comment from the Borough Solicitor at the time of the audit, a documented procedure is not in place detailing how the Council upholds Information Security Governance responsibilities if staff normally responsible are unavailable. The Council also does not have a published structure chart in place showing the members of staff involved with Information Security Governance and the responsibilities they hold.	<b>Exit Meeting Date</b>	02-Jun-2016
			<b>Due Date</b>	03-Jul-2017
<b>Audit Report Code and Description</b>		IA16/22 Information Security Governance		
<b>Agreed Action</b>		The Council will ensure that the Information Governance Strategy is put into place as soon as possible. It will include the procedure to be followed in relation to upholding Information Security Governance responsibilities if staff members who are normally involved are unavailable. It will also include a structure chart which will detail the staff that are involved with Information Security Governance and the responsibilities they hold. The chart will be disseminated to all staff.		
<b>Status</b>		Overdue	<b>Progress</b>	50%
			<b>Head of Service</b>	Robin Taylor
<b>All Notes</b>				

**Head of Service Vickers, Peter**

<b>Action Code &amp; Description</b>	IA16/12.001 Financial Regulations and CPRS	Our review of the Financial Regulations and Contract Procedure Rules identified that the documents do not provide any guidance on what system will be used to prepare official orders.	<b>Exit Meeting Date</b>	12-Jul-2016
			<b>Due Date</b>	30-Jun-2017
<b>Audit Report Code and Description</b>		IA16/12 Sharepoint Official Orders		
<b>Agreed Action</b>		The Council will update the Financial Regulations and Contract Procedure Rules to include the requirement for all service areas to use the same system for orders not already processed via Orchard. This will require corporate buy in to agree a system. Financial regulations could also be changed to say that the systems adopted must be approved by the Section 151 Officer.		
<b>Status</b>		Overdue	<b>Progress</b>	75%
			<b>Head of Service</b>	Peter Vickers
<b>All Notes</b>		The Agresso purchase order system implementation project is currently underway. Full roll out will be completed by the end of January 2018. The CPR's are already updated and due for adoption by Audit Committee in July 2017. The financial regulations will be updated to coincide with this roll out and taken to the 21 November 2017 Audit Committee and Council in December 2017 for adoption. <b>Therefore a requested for an extension to the 30<sup>th</sup> December 2017 is included in Annex 2.</b>		12-Jul-2017

<b>Action Code &amp; Description</b>	IA17/17.004 Out of Date Contracts	Our review of contracts identified that some were out of date and have not been through a further procurement process or obtained a waiver.	<b>Exit Meeting Date</b>	10-Apr-2017
			<b>Due Date</b>	30-Jul-2017
<b>Audit Report Code and Description</b>		IA17/17 Procurement		
<b>Agreed Action</b>		b) A review of contract end dates will be completed to identify those contracts which have passed this date or are due to end, to ensure that an additional procurement exercise can be completed to ensure value for money.		
<b>Status</b>		In Progress	<b>Progress</b>	80%
			<b>Head of Service</b>	Peter Vickers
<b>All Notes</b>	Work on updating the contracts register has been updated. Contracts due for renewal and not currently under a renewal process have been raised with the relevant lead officer for the contract, to meet the 30 July 2017 due date.			28-Jun-2017

## ANNEXE 2

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

Report ref/ recommendation ref	Title	Recommendation	Head of Service written justification/ Reason for change in implementation date	Responsible officer
IA16/12.001	Sharepoint Official Orders	The Council will update the Financial Regulations and Contract Procedure Rules to include the requirement for all service areas to use the same system for orders not already processed via Orchard. This will require corporate buy in to agree a system. Financial regulations could also be changed to say that the systems adopted must be approved by the Section 151 Officer.	<p>The updated Agresso financial management system has recently enabled access to integrated purchase ordering. This will be adopted as the council's official ordering system. The implementation project is now underway with a completion date of the end of January 2018. The financial regulations are due a complete review and will be presented to the December 2018 Council for adoption.</p> <p><b>Therefore a request to extend the implementation date to 31 December 2018 is being made.</b></p>	<b>Head of Finance – Peter Vickers</b>

# Agenda Item 14.

## AUDIT COMMITTEE RECURRENT ANNUAL WORK PROGRAMME

Meeting	Item	Action	Responsibility
<b>July 2017</b>	External Audit Findings Report	Note	External audit
	Annual Governance Report	Endorse	External Audit
	Statement of Accounts <b>(Deadline 31/07/2017)</b>	Approve	Head of Finance, Peter Vickers
	Annual Governance Statement <b>(Deadline 31/07/2017)</b>	Approve	Head of Policy and Governance, Robin Taylor
<b>September 2017</b>	Risk Management	Approve	Head of Finance, Peter Vickers
	Review Audit Committee's Terms of Reference	Rec to Council, if necessary	Committee Services
	Audit Committee Annual Report	Note	Committee Services
	Internal Audit Charter	Endorse	Internal Audit Client Manager, Gail Beaton
	Annual Internal Audit Report (Activity of previous financial year)	Comment and Note	Internal Audit Client Manager, Gail Beaton
<b>November 2017</b>	External Audit Annual Audit Letter	Note	External Audit
	Risk Management	Approve	Head of Finance, Peter Vickers
<b>March 2018</b>	External Audit Plan	Note	External Audit
	Certification Report	Note	External Audit
	Internal Audit Plan	Approve	Internal Audit Client Manager, Gail Beaton
	Risk Management	Approve	Head of Finance, Peter Vickers
<b>July 2018</b>	External Audit Findings Report	Note	External audit
	Annual Governance Report	Endorse	External Audit
	Statement of Accounts <b>(Deadline 31/07/2018)</b>	Approve	Head of Finance, Peter Vickers
	Annual Governance Statement <b>(Deadline 31/07/2018)</b>	Approve	Head of Policy and Governance, Robin Taylor

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

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

Review of the progress in achieving the Audit Plan [To note and instruct]

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

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