

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

When calling please ask for:
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Calls may be recorded for training or monitoring
Date: 15 September 2017

Membership of the Audit Committee

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

Dear Councillors

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

DATE: TUESDAY, 26 SEPTEMBER 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. **MINUTES**

To confirm the Minutes of the Meeting held on 24 July 2017 (to be laid on the table half an hour before the meeting).

2. **APOLOGIES FOR ABSENCE**

To receive apologies for absence.

3. **DISCLOSURE OF INTERESTS**

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

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

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

5. **AUDIT COMMITTEE TERMS OF REFERENCE FOR 2017/18** (Pages 7 - 8)

Each year, the Audit Committee is invited to review its Terms of Reference. The current Terms of Reference are attached.

Recommendation

It is recommended that the Audit Committee reviews its terms of reference and recommends any amendments it wishes to be adopted by Council (if necessary).

6. **AUDIT COMMITTEE ANNUAL ACTIVITY REPORT 2016/17** (Pages 9 - 36)

Good practice indicates that an annual appraisal of the work of the Committee would be beneficial and an Annual Activity Report for 2016/17 is attached.

Recommendation

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

7. INTERNAL AUDIT CHARTER (Pages 37 - 48)

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

Recommendation

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

8. INTERNAL AUDIT PLAN PROGRESS 2017/18 (Pages 49 - 52)

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 2017/18 is presented.

Recommendation

It is recommended that the Committee notes the progress for the Internal Audit Plan 2017/18 as attached at Annexe 1.

9. PROGRESS ON THE IMPLEMENTATION OF INTERNAL AUDIT RECOMMENDATIONS (Pages 53 - 60)

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.**
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.

10. FRAUD INVESTIGATION SUMMARY (Pages 61 - 66)

The report provides an update to the Committee on the progress made by Waverley Borough Council officers on the work being completed in investigating all types of fraud, primarily focusing on Housing Tenancy fraud, enhanced by the co-operation and supported by all the members of the Surrey Counter Fraud Partnership and extended partners including Registered Social Landlords.

Recommendation

It is recommended that the Audit Committee notes:

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

11. APPOINTMENT OF EXTERNAL AUDITOR

At its meeting on 15 November 2016, the Audit Committee agreed to recommend to Council that Waverley opt-in to the appointing person arrangements made by Public Sector Audit Appointments (PSAA) for the appointment of external auditors from 2018/19. This recommendation was approved by Council on 13 December 2016.

PSAA is therefore responsible for appointing an external auditor to each opted-in authority. Grant Thornton (UK) LLP was successful in winning a contract in the procurement, and PSAA proposes to appoint them as the auditor of Waverley Borough Council for a period of 5 years from 2018/19. The appointment will start on 1 April 2018.

The PSAA will consult on scale fees for 2018/19 in due course and will publish confirmed scale fees for 2018/19 for opted-in bodies on their website in March 2018.

Recommendation

It is recommended that the Audit Committee notes the PSAA's appointment of Grant Thornton (UK) LLP as the council's external auditor for a period of 5 years from 2018/19.

12. COMMITTEE RECURRENT WORK PROGRAMME (Pages 67 - 68)

Recommendation

The Audit Committee is invited to note the recurrent annual work

programme, attached.

13. RISK MANAGEMENT UPDATE (Pages 69 - 102)

This report presents the latest corporate risk register as refreshed by Heads of Service.

Recommendation

It is recommended that the Audit Committee considers the revised corporate risks register at (Exempt) Annexe 1 and passes comments and observations to officers.

14. EXCLUSION OF PRESS AND PUBLIC

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

Recommendation

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

15. ANY OTHER ISSUES TO BE CONSIDERED IN EXEMPT SESSION

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

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

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Audit Committee

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

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

An Audit Committee Charter was adopted in September 2013.

Terms of Reference

The Terms of Reference are as follows:

1. Corporate Governance

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

2. External scrutiny

- 2.1 To consider whether appropriate accounting policies have been followed in the preparation of the annual statement of accounts.
- 2.2 To consider all communications from the external auditor to the Audit Committee, including:
 - 2.2.1 the audit letter;
 - 2.2.2 the report on issues arising from the audit of the accounts; and
 - 2.2.3 any other reports requested by the Audit Committee from the external auditor.

- 2.3 To consider whether there are concerns that need to be brought to the attention of the Council that arise from:
- 2.3.1 the audit; or
 - 2.3.2 the accounts.
- 2.4 To consider and, if thought fit, approve the annual statement of accounts.
- 2.5 To comment on the scope and depth of external audit work and to ensure that it gives value for money, especially with regard to reports dealing with risk management and performance matters.
- 2.6 To oversee all aspects of risk management, including Waverley's Corporate Risk Registers.

3. Internal audit

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

Composition of Audit Committee

(a) Membership and Meetings

The Audit Committee will

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

(b) Quorum

The quorum for meetings will be three Councillors.

WAVERLEY BOROUGH COUNCIL

AUDIT COMMITTEE

26 SEPTEMBER 2017

Title:

AUDIT COMMITTEE ANNUAL ACTIVITY REPORT 2016/17

Summary and Purpose

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

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

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

1. INTRODUCTION AND TERMS OF REFERENCE

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

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

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

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

Standing items

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

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

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

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		

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

2. REVIEW OF PROGRESS IN IMPLEMENTATION OF INTERNAL AUDIT RECOMMENDATIONS

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

2.2 21 June 2016

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

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

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

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

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

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

2.3 13 September 2016

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

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

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

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

2.4 15 November 2016

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

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

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

2.5 21 March 2017

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

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

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

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

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

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

3. INTERNAL AUDIT PLAN

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

3.2 21 June 2016

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

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

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

3.3 13 September 2016

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

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

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

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

3.4 15 November 2016

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

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

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

3.5 21 March 2017

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

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

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

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

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

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

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

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

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

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

4. REPORTS BY EXTERNAL AUDITORS

4.1 External Audit Update Report – 21 June 2016

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

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

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

4.2 External Audit Findings Report – 13 September 2016

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

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

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

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

1. Housing Revenue Account (HRA) asset register;

The HRA asset register included five assets with a total value £297k, which had been demolished, converted or where ownership had transferred during the year. There was a risk that the HRA asset register had not correctly reflected the HRA asset base.

2. Pension Fund Liability;

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

3. Short term debtors and HRA rent arrears;

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

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

1. Housing Revenue Account (HRA) asset register;

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

2. Pension Fund Liability;

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

3. Short term debtors and HRA rent arrears;

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

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

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

4.2.7 Councillors also expressed concern at the cumulative general fund budget shortfall of £3m identified as a significant risk on page 24 of the Report (page 32 of the agenda pack). Officers explained that the shortfall was mainly due to the changes to funding under consideration by central government. It was noted that the

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

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

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

4.3 External Audit Annual Audit Letter – 15 November 2016

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

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

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

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

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

4.3.5 Cllr Jerry Hyman disagreed with the Value for Money findings and conclusions of the Annual Audit Letter specifically relating to the Local Plan on page 21 and the Brightwell's development on page 22 and wanted this to be recorded in the Minutes.

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

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

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

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

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

4.5 External Audit Plan 2016/17 – 21 March 2017

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

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

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

4.5.4 Cllr Hyman expressed a concern that the risk identified in relation to development and regeneration and the response, on pages 4 and 14 of the External Audit Plan, relied on information provided by the Council, and he felt that there were additional issues that Grant Thornton should be aware of including the validity of the planning consent for the Brightwells development.

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

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

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

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

4.5.9 Cllr Hyman advised that Waverley's Opposition Group had concerns in relation to performance against the sub-criteria detailed on page 12 of the Audit Plan.

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

5. ANNUAL GOVERNANCE STATEMENT

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

5.1.1 Peter Vickers, Head of Finance, presented the draft Annual Governance Statement for 2015/16. He explained to the Committee that Waverley was responsible for ensuring that its business had been conducted in accordance with

the law and proper standards, and that public monies were safeguarded and properly accounted for, and had been used economically, efficiently and effectively.

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

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

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

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

5.2 Annual Governance Statement – 13 September 2016

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

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

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

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

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

6. COUNTER FRAUD

6.1 Counter Fraud Report – 21 June 2016

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

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

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

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

6.2 Counter Fraud Investigation Summary – 13 September 2016

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

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

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

6.3 Counter Fraud Investigation Summary – 15 November 2016

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

6.3.2 The Committee was very pleased with the progress being made and asked officers to add the previous quarter's figures to the bottom of Annexe 1 from the next meeting to help Members to identify the trend. They also asked that they be provided with the progress report relating to the Surrey Counter Fraud Partnership Data hub referred to in paragraph 7 on page 121 of the report.

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

6.4 Fraud Investigation Summary – 21 March 2017

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

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

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

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

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

7.1 Internal Audit Charter

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

7.1.2 Officers were asked about how often the Charter would be reviewed and it was agreed that it would be reviewed by the Internal Audit Client Manager annually. If changes were required it would be brought to the Audit Committee for approval. However, if no changes were required, then the Internal Audit Charter would be presented every 2 years for approval.

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

7.2 Internal Audit Annual Report 2015/16 Activity

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

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

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

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

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

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

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

7.3.2 Members were happy with the update but asked whether a column could be added to include due dates and persons responsible to the Report. Cllr Hesse was dissatisfied with the phrases and information used in the Report and expressed concern that the 'covalent' system used to produce the data was not comprehensive enough. Officers explained that some of the wording and classifications used may be different to those experienced by Cllr Hesse in his work outside of the council but that they were sure risks were being captured correctly and managed. Gail Beaton agreed to hold a one to one session with Cllr Hesse to show him around the covalent system.

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

7.4 Statement of Accounts

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

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

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

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

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

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

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

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

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

7.5 Observations of the Trustee Reports and Financial Statements

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

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

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

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

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

7.6 Appointment of External Auditors

7.6.1 At its meeting on 15 November 2016, the Committee received a report on the Appointment of External Auditors. As part of closing the Audit Commission the Government novated external audit contracts to Public Sector Audit Appointments which is a sector-led body set up by the Local Government Association, on 1 April 2015. The audits were due to expire following conclusion of the audits of the 2016/17

accounts, but could be extended for a period of up to three years by PSAA, subject to approval from the Department for Communities and Local Government.

7.6.2 In October 2015 the Secretary of State confirmed that the transitional provisions would be amended to allow an extension of the contracts for a period of one year. This meant that for the audit of the 2018/19 accounts it would be necessary for authorities to either undertake their own procurements or to opt in to the appointing person regime through the sector-led body.

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

7.6.4 Option 1 – To make a stand-alone appointment

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

Advantages/benefits

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

Disadvantages/risks

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

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

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

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

under the Act and the Council would need to liaise with other local authorities to assess the appetite for such an arrangement.

Advantages/benefits

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

Disadvantages/risks

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

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

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

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

Advantages/benefits

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

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

- Assure timely auditor appointments
- Manage independence of auditors
- Secure highly competitive prices

- Save on procurement costs
- Save time and effort needed on auditor panels
- Focus on audit quality
- Operate on a not for profit basis and distribute any surplus funds to scheme members.

Disadvantages/risks

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

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

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

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

7.7 Revised Governance Policies

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

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

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

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

7.8 Revised Anti-Fraud and Corruption Policy

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

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

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

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

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

8. RISK MANAGEMENT

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

8.2 Risk Management Policy – 15 November 2016

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

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

8.2.3 Officers then moved on to discuss the Risk Management Report by Zurich Municipal. The Audit Committee resolved that the Committee revisit this item at the

next meeting in March 2017 following an informal risk workshop with Zurich Municipal in January 2017.

8.3 Risk Management Policy Update – 21 March 2017

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

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

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

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

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

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

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

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

8.3.9 Cllr Band agreed that his experience as Finance Portfolio Holder was that risk had been discussed in project management meetings, and he was confident that this was still happening, although it might not be in the way that Cllr Hesse would expect it to be discussed.

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

9. BRIEFING SESSIONS

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

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

Recommendation

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

Background Papers

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

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ANNEXE 1

ATTENDANCE AT AUDIT COMMITTEE MEETINGS 2016/17

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

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

AUDIT COMMITTEE CHAIRMAN ROLE DESCRIPTION

Purpose

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

Duties and responsibilities

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

AUDIT COMMITTEE CHAIRMAN PERSON SPECIFICATION

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

Providing leadership and direction:

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

Promoting the role of the Audit Committee:

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

Internal governance, ethical standards and relationships:

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

AUDIT COMMITTEE MEMBER ROLE DESCRIPTION

Purpose

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

Duties and responsibilities

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

AUDIT COMMITTEE MEMBER PERSON SPECIFICATION

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

Understanding the nature of the Audit Committee:

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

Governance, ethical standards and relationships:

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

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WAVERLEY BOROUGH COUNCIL

AUDIT COMMITTEE

26 SEPTEMBER 2017

Title:

INTERNAL AUDIT CHARTER

[Wards Affected: ALL]

Summary and purpose:

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

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

Financial Implications:

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

Legal Implications:

There are no legal implications.

Introduction

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

3. The objectives of PSIAS are to:
 - Define the nature of internal auditing within the UK Public Sector
 - Set basic principles for carrying out internal audit in the UK public sector
 - Establish a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations;
 - Establish the basis for the evaluation of internal audit performance and to drive improvement planning.

Findings

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

Conclusion

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

Recommendation

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

Background Papers

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

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INTERNAL AUDIT CHARTER

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Version	Endorsed by	Date
V 1	Audit Committee	17/09/2013
V 2	Audit Committee	21/06/2016
V 3	Present to Audit Committee	26/09/2017

1. Introduction

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

2. Definitions

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

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

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

The mission of Internal Audit is to 'enhance and protect organisational value by providing risk-based and objective assurance, advice and insight'

2.2 The 'Board'

The board is defined as:

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

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

2.3 Senior Management

Senior Management is defined as:

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

Within this Council the role of 'Senior Management' will be fulfilled by the Management Board made up of the Head of Paid Services (Currently the Interim Managing Director), Strategic Director - Finance and Resources (S151 Officer) and the Strategic Director – Front Line Service.

2.4 Chief Audit Executive

The Chief Audit Executive is described as:

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

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

3. Purpose of Internal Audit

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

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

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

4. Professionalism

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

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

5. Authority of Internal Audit

The authority of Internal Audit is set out in the Council's Financial Regulations. The Strategic Director - Finance and Resources has nominated a Head of Internal Audit (the Internal Audit Client Manager) has the right to direct access to the Head of Paid Service (currently the Interim Managing Director), and the Audit Committee where necessary.

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

6. Organisation

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

7. Responsibility of the Internal Audit

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

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

8. Scope of Internal Audit

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

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

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

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

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

9. Independence and Objectivity

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

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

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

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

The independence of the Internal Audit Client Manager is safeguarded by the Head of Paid Services (currently the Interim Managing Director) reviewing and countersigning the performance reviews of the Internal Audit Client Manager.

10. Internal Audit Plan

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

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

11. Internal Audit Resources

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

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

The Internal Audit Client Manager will ensure that the Internal Audit service has access to an appropriate range of knowledge, skills, qualifications (to meet continued professional development (CPD) requirements of their institute/s) and experience required to deliver the audit plan.

12. Reporting and Monitoring

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

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

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

The Internal Audit Client Manager is responsible for the delivery of an annual audit opinion on the control environment that is also included in the Annual Governance Statement. The annual opinion will conclude on the overall adequacy and effectiveness of the organisations' framework of governance, risk management and control. The annual opinion will be formed as part of the Annual Internal Audit Report initiated by the Internal Audit Contractor who fulfils the role of completing the majority of the Internal Audit Plan.

13. Role of Internal Audit in Fraud Related Work

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

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

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

The Internal Audit Client Manager also facilitates the authority's participation in specified data matched exercises including other Local Authorities and other external agencies to detect potential fraudulent activity.

14. Performance of Non-Audit Activities

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

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

15. Periodic Assessment

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

In addition, the Internal Audit Client Manager will communicate to Management and the Audit Committee on the internal audit activity's quality assurance and improvement program, including results of ongoing internal assessments and external assessments conducted at least every five years. However, as the majority of Waverley's Internal Audit work is completed by an external contractor Waverley requires them to have an external assessment completed at least every 5 years and this is confirmed and included in the Annual Internal Audit Report each year. The evidence of this assessment is checked by the External Auditors as part of their assessment of the internal control framework in place within Waverley Borough Council as part of the work completed for the External Audit findings report.

16. Review of the Internal Audit Charter

This charter will be reviewed annually by the Internal Audit Client Manager and where changes are required presented at least every 2nd year to the Audit Committee for approval.

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WAVERLEY BOROUGH COUNCIL
AUDIT COMMITTEE
26 SEPTEMBER 2017

Title:

INTERNAL AUDIT PLAN PROGRESS 2017/18

[Wards Affected:All]

Summary and purpose:

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

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

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

Financial Implications:

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

Legal Implications:

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

1. Introduction

The progress on the completion of the Internal Audit Plan for 2017/18, is shown as attached at Annexe 1.

Recommendation

It is recommended that the Committee notes the progress for the Internal Audit Plan 2017/18, as attached at Annexe 1.

Background Papers

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

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AUDIT PLAN AGREED BY AUDIT
COMMITTEE ON 21 MARCH 2017

Report No.	AUDIT PLAN AS AT 14/09/2017	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	No. of Recs in Final Report	Overall Opinion
	Key		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.	Q2-3*	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	Final Report on Covalent	Accuracy of rent setting, completeness of income and pursuit of arrears.	Q2	Head of Housing Operations - Hugh Wagstaff	01483-523363	4	Reasonable Assurance
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		
IA18-06	Petty Cash/Cash Equivalent/Supplier A/Cs	High	7.00	7.00	7.00	0.00	Draft Report Stage	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	Final Report on Covalent	Review of the write off processes and procedures	Q1	Head of Finance - Peter Vickers	01483-523539	6	Reasonable Assurance
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	Final Report on Covalent	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	1	Substantial Assurance
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	ASAP	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	7.00	0.00	Awaiting Draft Report	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	SD 11/10/2017	Compliance 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	SD 05/02/2018	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		

AUDIT PLAN AGREED BY AUDIT
COMMITTEE ON 21 MARCH 2017

Report No.	AUDIT PLAN AS AT 14/09/2017	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	No. of Recs in Final Report	Overall Opinion
	Key		2017/18	(c)	(d)	(e)							
	Awaiting Draft Report												
	Completed												
	New Review												
	Deferred												
	Systems and Services Audit												
IA18-07	Management of garages system to include keys to both Housing Properties and Garages	High	10.00	10.00	10.00	0.00	Draft Report Stage	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		
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	Start Date 23 Oct 2017	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	5.00	0.00	Awaiting Draft Report	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	Start Date 03 Oct 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		
IA18-08	Hackney Carriage Licensing	Medium	7.00	7.00	7.00	0.00	Draft Report Stage	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	SD 09/01/2018	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		Q3	Head of Policy and Governance - Robin Taylor	01483-523108		
IA18-02	Framework for Compliance with the General Data Protection Regulations 2018		10.00	10.00	10.00	0.00	Final Report on Covalent	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	11	ADVISORY Review therefore not graded
	Management Contract Liaison Meetings		5.00	5.00	3.00	2.00							
	Contingency		9.00	9.00	0.00	9.00							
	Sub Total for Operational Reviews (Inc Cont)		152.00	152.00	42.00	110.00							
	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	80.00	166.00							

2017-18		Reviews Completed by the IACM											
Report Ref No	Audit Topic	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	No. of Recs in Final Report	Overall Opinion
IACM18-01	Payroll - Midland HR	High	10.00	10.00	10.00	0.00	Final Report on Covalent	To provide assurance that controls are in place to accurately calculate the payroll and safeguard the data.		Head of Finance Peter Vickers	01483-523539	4	Reasonable Assurance

WAVERLEY BOROUGH COUNCIL

AUDIT COMMITTEE

26 SEPTEMBER 2017

Title:

PROGRESS ON THE IMPLEMENTATION OF INTERNAL AUDIT RECOMMENDATIONS

[Wards Affected: ALL]

Summary and purpose:

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

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

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

Financial Implications:

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

Legal Implications:

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

Introduction

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

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, relating to Information Security Governance, these were discussed at the July 2017 Audit Committee, however a revised implementation date was not proposed or agreed at that meeting.

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.
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.

Background Papers

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

CONTACT OFFICER:






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Audit Recommendations overdue or due within next month




Generated on: 08 September 2017


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

Head of Service Taylor, Robin

Action Code & Description	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.	Exit Meeting Date	02-Jun-2016
			Due Date	03-Jul-2017
Audit Report Code and Description		IA16/22 Information Security Governance		
Agreed Action		<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>		
Status		Overdue	Progress	50%
Head of Service	Robin Taylor			
All Notes	<p>The resources required to deliver this recommendation will need to be approved by Committee and sufficient time allowed to enable them to grasp the requirements of the Council and legislative needs before this recommendation can be fully implemented.</p> <p>Therefore a request is made for a revised implementation in Annexe 2.</p>			01-Mar-2017
Action Code & Description	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.	Exit Meeting Date	02-Jun-2016
			Due Date	03-Jul-2017


Audit Report Code and Description		IA16/22 Information Security Governance				
Agreed Action		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.				
Status		Overdue	Progress	50%	Head of Service	Robin Taylor
All Notes	The resources required to deliver this recommendation will need to be approved by Committee and sufficient time allowed to enable them to grasp the requirements of the Council and legislative needs before this recommendation can be fully implemented. Therefore a request is made for a revised implementation in Annexe 2.					

Action Code & Description	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.	Exit Meeting Date	02-Jun-2016
			Due Date	03-Jul-2017

Audit Report Code and Description		IA16/22 Information Security Governance				
Agreed Action		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.				
Status		Overdue	Progress	50%	Head of Service	Robin Taylor
All Notes	The resources required to deliver this recommendation will need to be approved by Committee and sufficient time allowed to enable them to grasp the requirements of the Council and legislative needs before this recommendation can be fully implemented. Therefore a request is made for a revised implementation in Annexe 2.					

Head of Service Vickers, Peter

Action Code & Description	IACM18/01.004 Safeguarding of Data re Escrow	There is no evidence to confirm that an Escrow agreement is in place. Without such an agreement in place there is no assurance that if Midland Itrent were no longer to exist, where Waverley's data would be held and how access could be obtained to that data to enable Waverley BC to continue to pay staff. There are concerns re the security of the payment information which could be jeopardised if we had no knowledge of where that data is held and the possible unauthorised use of that data. The data not only includes grade and payment information but the personal bank account details of staff and members, so unauthorised access to that sensitive data needs to be restricted.	Exit Meeting Date	02-May-2017
			Due Date	29-Sep-2017

Audit Report Code and Description		IACM18/01 Payroll				
Agreed Action		Confirmation needs to be obtained from Midland HR that Escrow agreement or any other recognised independent alternative third party arrangement is in place to safeguards Waverley's payroll data.				
Status		In Progress	Progress	20%	Head of Service	Peter Vickers

All Notes

SLA includes access to data in case of transfer to alternative provider or WBC terminating contract. WBC in discussions with Midland HR in case of the company ceasing to exist and quotations are pending on the cost to include Escrow in agreement. Cost will be considered against the risk.

08-Sep-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
IA16/22.001	Policies	<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>	<p>Resources will be acquired to deliver this recommendation however sufficient time will be needed to enable them to grasp the requirements of the Council and legislative needs before this recommendation can be fully implemented.</p> <p>Therefore a request is made for the implementation date to be revised to 01/04/2018.</p>	Head of Policy and Governance – Robin Taylor

Report ref/ recommendation ref	Title	Recommendation	Head of Service written justification/ Reason for change in implementation date	Responsible officer
IA16/22.002	Storage of Records	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.	<p>Resources will be acquired to deliver this recommendation however sufficient time will be needed to enable them to grasp the requirements of the Council and legislative needs before this recommendation can be fully implemented.</p> <p>Therefore a request is made for the implementation date to be revised to 01/04/2018.</p>	Head of Policy and Governance – Robin Taylor
IA16/22.004	Procedure	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.	<p>Resources will be acquired to deliver this recommendation however sufficient time will be needed to enable them to grasp the requirements of the Council and legislative needs before this recommendation can be fully implemented.</p> <p>Therefore a request is made for the implementation date to be revised to 01/04/2018.</p>	Head of Policy and Governance – Robin Taylor

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WAVERLEY BOROUGH COUNCIL

AUDIT COMMITTEE – 26 SEPTEMBER 2017

Title:

FRAUD INVESTIGATION SUMMARY

[Wards Affected: All]

Summary and purpose:

The report provides an update to the Committee on the progress made by Waverley Borough Council officers on the work being completed in investigating all types of fraud, primarily focusing on Housing Tenancy fraud, enhanced by the co-operation and supported by all the members of the Surrey Counter Fraud Partnership and extended partners including Registered Social Landlords.

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

Internal Audit work and other fraud initiatives contribute to the safeguarding of assets against loss and waste. This contributes to the corporate priority of Value for Money.

Resource/Value for Money implications:

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

Legal Implications:

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

Introduction

1. This report provides the Audit Committee with an update on the progress being made on fraud investigations that are being completed. As part of the Surrey Counter Fraud Partnership (SCFP) 8 Surrey councils and other social housing providers are working together, including attendance at relevant sub groups in collaboration to fight fraud and share information, ideas and achievements. The SCFP and its partners have signed up to Information Sharing Protocols to facilitate data matching exercises between members. Waverley has obtained the services of an experienced Fraud Investigator

focusing on Housing Tenancy Fraud since March 2015, the success of the work completed has been supported by the introduction of the Prevention of Social Housing Fraud Act 2013 where the maximum penalty is up to 2 years imprisonment or a fine (or both) and the continued support of the council to fund this post, until 2019.

Details of Results

2. A summary of the volumes of cases being investigated is detailed in Annexe 1, for activity up until the end of Quarter 1, 30 June 2017. The Audit Committee are provided with updates at each committee meeting throughout the year. Results are also collated and provided to Surrey County Council to enable these to be cascade to the Surrey Treasurers and used for publicising the partnerships successes.
3. For comparison purposes, the inclusion of final figures for 2016/17 have been provided, however at this point in time the monetary values appear low. This is due there being no right to buy applications involved in the 1st quarter of the year where the maximum right to buy discount is £78,600, in comparison to the £18,000 use for others areas of housing services activity.
4. In this period, results include 1 property being relinquished, and has been made available to be re-let to tenants on our waiting list. This was due to the properties not being occupied by the tenant in accordance with the Tenancy Agreements terms and conditions, or the tenancy was originally obtained by providing inaccurate information. In the other 3 instances the tenant/s either withdrew their application for housing/succession or refused the right for the application to continue due to the inaccuracies of the information provided on the application not reflecting the true circumstances of the applicants.
5. An increase in Housing staff training and awareness has enabled cases to be dealt with more confidently and efficiently, however work continues to embed new ideas and processes to safeguard our assets. Cases that require further investigation or legal intervention from other bodies are also continuing to progress. Opportunities that occur that enables members of the public to be made aware that we will not tolerate fraud will be taken where appropriate and where properties have been recovered as part of our action will act as a deterrent to others that may consider committing fraud against us.

Conclusion

6. The Fraud Investigation Officer, supported by the Internal Audit Client Manager, will continue to investigate the cases reported and introduce enhancements to policies and procedures to maintain strong working practices, and where possible liaise with others in the council and in the partnership to maximise successful outcomes. The housing team also continue to raise awareness with tenants that breaches of tenancy agreements will not be tolerated and this will assist in minimising the risk of fraudulent activity.

7. The value of financial savings detailed in Annexe 1 for Quarter 1 of 2017-18, is currently £72,990 based on Audit Commission notional figures. However, these notional figures do not include the real value to Waverley Borough Council, as it costs on average £200,000 to build a new house. When tenancies are relinquished or those that are not applicable for social housing these are then allocated to those on our housing waiting list who fulfil the necessary criteria. These outcomes not only highlights the fundamental financial value of continuing to support the work being carried out but the ethical importance to ensure that only those that qualify for social housing are successful, and by securing the return of properties back into housing stock helps Waverley to meet the needs of legitimate housing applicants.
8. The increased utilisation of data matching within the SCFP is hoped to enhance the work already completed as part of the National Fraud Initiative (NFI) and assist in identifying any issues promptly and prevent the continuation of fraudulent practices.

Recommendation

That the Audit Committee notes:-

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

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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Name of Partner	Waverley
Quarter	1

Record of cases Investigation in the period covering 01 April 2017 - 30th June 2017
--

	Cases currently being investigated from previous year	Referrals received since 1 April 2017	Cases Started	Cases closed	Still under investigation	Positive outcomes includes previous years cases	Properties retained by the Council	Properties Handed Back /Recovered	Housing / Homeless/RTB / Succession/Mutual Exchange/Shared ownership application withdrawn	Financial Value	Prosecutions	Other sanctions
Housing												
Social housing Fraud	11	12	23	8	15	2	1	1		36,000		
Housing Register Fraud	2	4	6	4	2	2			Housing Application Rejected	36,000		
Homelessness Applications												
Right To Buy/Right To Acquire	2	4	6	4	2	0	0	0	Right to Buy and Tenancy Relinquished	0		
Mutual Exchange	5	9	14	14	0	0	0	0	Mutual Exchange denied/rejected	0		
Successions	0	6	6	6	0	0			Succession denied			
Recovered properties for others						0				0		
Council Tax Discount												
SPD & LCTRS	0	2	2	2		2				990		
Student Exemptions												
Disability												
Council Tax Support (benefit)												
Business rates												
NNDR			0	0	0	0				0		
Other												
Total for this Quarter	20	37	57	38	19	6	1	1		72,990	0	0
2016/17 Previous Year Total	11	127	138	118	20	32	13	12		688,866		

Value of financial savings

Tenancy Recovered £18,000 (Audit Commission notional figure)

Housing/Homeless Applicant withdrawn £18,000 (as above)

Right To Buy/Right To Acquire withdrawn/terminated Value of individual amount of discount offered by Housing provider - (max discount £78,600)

Council Tax Discount £405 per case (25% discount on avge band C property)

Council Tax Support - actual figure per case based on amount of CTS added back to account from effective date of change to end of current financial year.

Business Rates - actual figure per case

Resources utilised to investigate - 1 full time officer, approx £60,000 per year including on costs (£15K per quarter)

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Agenda Item 12.

AUDIT COMMITTEE RECURRENT ANNUAL WORK PROGRAMME

Meeting	Item	Action	Responsibility
November 2017	External Audit Annual Audit Letter	Note	External Audit
	Risk Management	Approve	Head of Finance, Peter Vickers
	Annual Governance Statement Review	Comment and instruct	Head of Finance, Peter Vickers
March 2018	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
July 2018	External Audit Findings Report	Note	External audit
	Annual Governance Report	Endorse	External Audit
	Statement of Accounts (Deadline 31/07/2018)	Approve	Head of Finance, Peter Vickers
	Annual Governance Statement (Deadline 31/07/2018)	Approve	Head of Policy and Governance, Robin Taylor
	Annual Internal Audit Report (Activity of previous financial year)	Comment and Note	Internal Audit Client Manager, Gail Beaton
September 2018	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

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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WAVERLEY BOROUGH COUNCIL

AUDIT COMMITTEE - 26 SEPTEMBER 2017

Title:**RISK MANAGEMENT UPDATE**

[Portfolio Holder for Finance: Cllr Ged Hall]

[Wards Affected: N/A]

Note Pursuant to Section 100B(5) of the Local Government Act 1972

Annexes to this report contains exempt information by virtue of which the public is likely to be excluded during the item to which the report relates, as specified in paragraph 3 of the revised part 1 of Schedule 12A to the Local Government Act 1972, namely:-

Information relating to the financial or business affairs of any particular person (including the authority holding that information)

Summary and purpose:

This report presents the latest corporate risk register as refreshed by Heads of Service.

How this report relates to the Council's Corporate Priorities

Good management of risk helps to ensure that Waverley achieves its objectives and minimises loss and damage which has a positive impact on the Borough's environment. The community benefits from Waverley's services being provided in an effective, safe manner.

Equality and Diversity Implications:

There are no implications arising from this report. The Strategic Risk Register can be provided in larger print if required.

Resource and legal implications:

There are no direct resource implications resulting from the Strategic Risk Register.

Introduction and Background

1. The Risk Management Policy and Risk Register was reviewed by the Audit Committee at the meeting in November 2016 and reviewed again at the March 2017 meeting following an informal risk workshop with Zurich Municipal in January 2017 to understand the methodology for producing the corporate risk register. The Audit Committee also heard from the Strategic Director of Finance & Resources and the Risk & Insurance Officer about how the register was updated.
2. At the March 2017 meeting, the Committee discussed the specific role of the Audit Committee in reviewing the risk register, and agreed that their purpose

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

3. The risk register shows the high-level risks that could prevent the Council from achieving its corporate aims and objectives and has been reviewed to ensure that it aligns to the current key risks facing the Council. The risk register is included as **(Exempt) Annexe 1**. Members are asked to consider the risks and pass any comments to officers as appropriate.

The Key Risks

4. Sixteen risks have been identified and analysed for likelihood of risk scenario materialising and impact on ability to deliver corporate objectives. The register shows the current mitigations that have been put in place with further actions identified. Changes in risks resulting from the latest review are summarised on the Change Log **(Exempt) Annexe 2**.

Emerging Risks

5. The Grenfell Tower disaster highlighted a number of housing related risks that the Council immediately reviewed. Waverley manages 5,000 Council homes, none of these fall within the category of high rise and has three 4 story flatted developments. None of Waverley's Council homes have the type of cladding that was used on Grenfell Tower – i.e. Aluminium Composite Material (ACM). The Council also has very robust arrangements for managing gas safety in all of its housing properties, with all gas appliances subject to an annual safety check by the Council's specialist gas contractor and legal action taken against any tenant that refuses access. Waverley continues to be fully up to date with all of its Fire Risk Assessments. The Council continues to closely monitor the progress of investigations into the Grenfell Tower tragedy and remains poised to respond to any findings, professional guidance, or changes in regulations that may help further strengthen fire safety for Waverley tenants and residents.
6. Information Governance, General Data Protection Regulation (GDPR) statute comes into effect on 25th May 2018. This concerns a significantly enhanced and expanded data protection rights statute that the Council must comply with or risk significant fines. To address the whole scope of the legislation and prepare the Council in readiness, a governance board has been convened and an action group set up including representatives from each service. An overarching governance framework has been agreed and an action plan is being developed to achieve compliance.
7. Head of Paid Service is a statutory position responsible for managing the officers to give advice, implement Council decisions and manage day to day service delivery. The position is currently held by an interim Director. This creates risks around delivery of long term Council strategy and workforce stability. These risks and mitigations are currently being worked through.

Recommendation

It is recommended that the Audit Committee considers the revised corporate risks register at (Exempt) Annexe 1 and passes comments and observations to officers.

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

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