

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

When calling please ask for:

Amy McNulty, Democratic Services Officer

**Policy and Governance**

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Calls may be recorded for training or monitoring

Date: 10 November 2017

### Membership of the Audit Committee

Cllr John Gray (Chairman)

Cllr Richard Seaborne (Vice Chairman)

Cllr Mike Band

Cllr Pat Frost

Cllr Nicholas Holder

Cllr Jerry Hyman

Cllr Anna James

Cllr Stephen Mulliner

Dear Councillors

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

DATE: MONDAY, 20 NOVEMBER 2017

TIME: 7.00 PM

PLACE: COMMITTEE ROOMS 3 & 4, 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 26 September 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. **ANNUAL AUDIT LETTER 2016/17 (Pages 7 - 22)**

The attached Annual Audit Letter, produced by Grant Thornton, summarises the key findings arising from the work they have carried out at Waverley Borough Council for the year ended 31 March 2017.

The Letter provides a commentary on the results of Grant Thornton's work to the Council and its external stakeholders, and highlights issues they wish to draw to the attention of the public.

**Recommendation**

**It is recommended that the Audit Committee receives and comments on the Annual Audit Letter from Grant Thornton.**

6. **FINANCIAL REGULATIONS UPDATE**

The Audit Committee is asked to consider the revised Financial Regulations (to

follow) and recommend them to the Council, in compliance with Audit Committee Terms of Reference under Article 8 of the Constitution. Specifically, the Audit Committee is required to maintain an overview of the Council's Constitution in respect of financial regulations.

Recommendation

**It is recommended that the Committee recommends the revised Financial Regulations to the Council for adoption.**

7. ANNUAL GOVERNANCE STATEMENT 2017/2018 (Pages 23 - 38)

The purpose of this report is for the Audit Committee to consider governance progress in relation to informing the Annual Governance Statement (AGS) for the year ended 31 March 2018.

Recommendation

**It is recommended that the Audit Committee:**

- 1. reviews the 2016/17 Annual Governance Statement and pass comment for development of the 2017/18 statement;**
- 2. identifies and considers any internal governance issues; and**
- 3. considers any issues in the public domain from a governance perspective.**

8. RISK MANAGEMENT UPDATE (Pages 39 - 72)

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.**

9. AUDIT COMMITTEE TERMS OF REFERENCE 2017/18 (Pages 73 - 76)

Each year, the Audit Committee is invited to review its Terms of Reference. The attached document includes changes that have been proposed in consultation with officers.

Recommendation

**It is recommended that the Audit Committee:**

- 1. reviews its terms of reference; and**
- 2. recommends to the Standards Committee that the highlighted**

**amendments be adopted by Council.**

10. INTERNAL AUDIT PLAN PROGRESS (Pages 77 - 80)

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

Recommendation

**It is recommended that the Committee:**

- 1. receives the progress report for the Internal Audit Plan 2017/18, as attached at Annexe 1 and make any comments to officers; and**
- 2. endorses the deferral of the review on the Approval of Invoices on Agresso and approves the new additional review of Income Streams.**

11. PROGRESS ON THE IMPLEMENTATION OF INTERNAL AUDIT RECOMMENDATIONS (Pages 81 - 84)

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; and**
- 2. notes the progress on the project to implement the new GDPR requirements and provides any comments to officers.**

12. FRAUD INVESTIGATION SUMMARY (Pages 85 - 90)

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

**That the Audit Committee notes the success of the investigation activity and the results achieved.**

13. COMMITTEE RECURRENT WORK PROGRAMME (Pages 91 - 92)

Recommendation

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

14. CONSIDERATION OF WEBCASTING AUDIT COMMITTEE MEETINGS

The Committee to consider whether to webcast future meetings of the Audit Committee.

15. EXCLUSION OF PRESS AND PUBLIC

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

Recommendation

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

16. ANY OTHER ISSUES TO BE CONSIDERED IN EXEMPT SESSION

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

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

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**WAVERLEY BOROUGH COUNCIL**  
**AUDIT COMMITTEE**  
**20 NOVEMBER 2017**

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**Title:**

**ANNUAL AUDIT LETTER 2016/17**

**[Portfolio Holder: Cllr Ged Hall]**

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

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**Summary and purpose:**

The attached Annual Audit Letter, produced by Grant Thornton, summarises the key findings arising from the work they have carried out at Waverley Borough Council for the year ended 31 March 2017.

The Letter provides a commentary on the results of Grant Thornton's work to the Council and its external stakeholders, and highlights issues they wish to draw to the attention of the public.

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**Recommendation**

It is recommended that the Audit Committee receives and comments on the Annual Audit Letter from Grant Thornton.

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**Background Papers**

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

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# The Annual Audit Letter for Waverley Borough Council

Year ended 31 March 2017

Page 9  
October 2017

**Iain Murray**

Engagement lead

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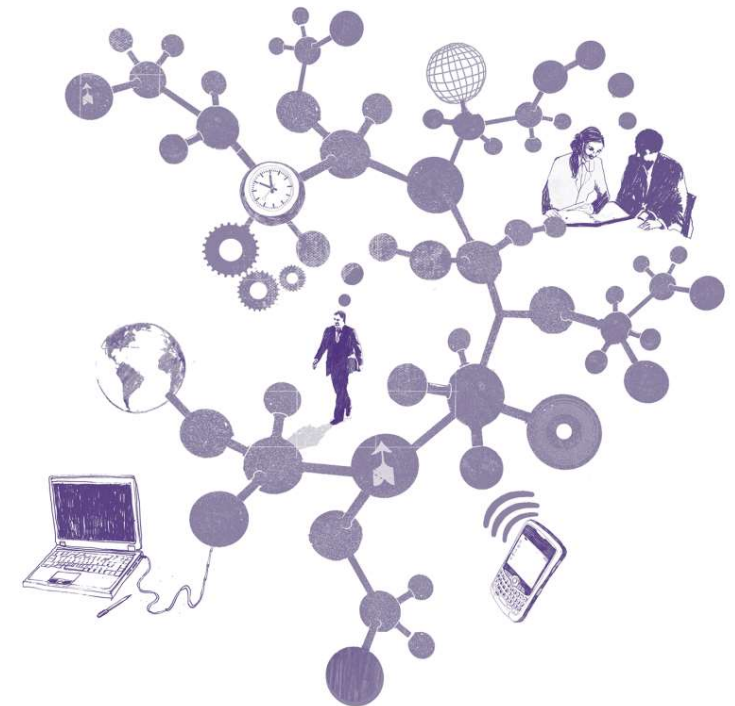
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## **Appendices**

A Reports issued and fees

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# Executive summary

## Purpose of this letter

Our Annual Audit Letter (Letter) summarises the key findings arising from the work we have carried out at Waverley Borough Council (the Council) for the year ended 31 March 2017.

This Letter provides a commentary on the results of our work to the Council and its external stakeholders, and highlights issues we wish to draw to the attention of the public. In preparing this letter, we have followed the National Audit Office (NAO)'s Code of Audit Practice (the Code) and Auditor Guidance Note (AGN) 07 – 'Auditor Reporting'.

Page 11 We reported the detailed findings from our audit work to the Council's Audit Committee (as those charged with governance) in our Audit Findings Report on 24 July 2017.

## Our responsibilities

We have carried out our audit in accordance with the NAO's Code of Audit Practice, which reflects the requirements of the Local Audit and Accountability Act 2014 (the Act). Our key responsibilities are to:

- give an opinion on the Council's financial statements (section two)
- assess the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion) (section three).

In our audit of the Council's financial statements, we comply with International Standards on Auditing (UK and Ireland) (ISAs) and other guidance issued by the NAO.

## Our work

### Financial statements opinion

We gave an unqualified opinion on the Council's financial statements on 27 July 2017.

### Value for money conclusion

We were satisfied that the Council put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources during the year ended 31 March 2017. We reflected this in our audit opinion on 27 July 2017.

### Certificate

We certified that we had completed the audit of the accounts of Waverley Borough Council in accordance with the requirements of the Code on 27 July 2017.

### Certification of grants

We also carry out work to certify the Council's Housing Benefit subsidy claim on behalf of the Department for Work and Pensions. Our work on this claim is not yet complete and will be finalised by 30 November 2017. We will report the results of this work to the Audit Committee in our Annual Certification Letter.

## Working with the Council

We would like to record our appreciation for the assistance and co-operation provided to us during our audit by the Council's staff.

**Grant Thornton UK LLP**  
**October 2017**

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# Audit of the accounts

## Our audit approach

### Materiality

In our audit of the Council's accounts, we applied the concept of materiality to determine the nature, timing and extent of our work, and to evaluate the results of our work. We define materiality as the size of the misstatement in the financial statements that would lead a reasonably knowledgeable person to change or influence their economic decisions.

We determined materiality for our audit of the Council's accounts to be £1,629k, which is 2% of the Council's gross revenue expenditure. We used this benchmark, as in our view, users of the Council's accounts are most interested in how it has spent the income it has raised from taxation and grants during the year.

We did not identify any particular classes of transactions, account balances or disclosures where separate materiality levels were appropriate.

We set a lower threshold of £81k, above which we reported errors to the Audit Committee in our Audit Findings Report.

### The scope of our audit

Our audit involves obtaining enough evidence about the amounts and disclosures in the financial statements to give reasonable assurance they are free from material misstatement, whether caused by fraud or error. This includes assessing whether:

- The Council's accounting policies are appropriate, have been consistently applied and adequately disclosed;
- significant accounting estimates made by management are reasonable; and
- the overall presentation of the financial statements gives a true and fair view.

We also read the narrative report and annual governance statement to check they are consistent with our understanding of the Council and with the accounts included in the Statement of Accounts on which we gave our opinion.

We carry out our audit in line with ISAs (UK and Ireland) and the NAO Code of Audit Practice. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach was based on a thorough understanding of the Council's business and is risk based.

We identified key risks and set out overleaf the work we performed in response to these risks and the results of this work.

# Audit of the accounts

These are the risks which had the greatest impact on our overall strategy and where we focused more of our work.

| Risks identified in our audit plan  | How we responded to the risk  | Findings and conclusions  |
|---|---|---|
| <p><b>Valuation of plant, property and equipment</b><br/>The Council undertakes a rolling revaluation programme of its land and buildings.</p>  | <p>As part of our audit work we:</p> <ul style="list-style-type: none"> <li>walked through the plant, property and equipment system to update our understanding;</li> <li>reviewed management's processes and assumptions for the calculation of the estimate;</li> <li>reviewed the competence, expertise and objectivity of the valuer;</li> <li>reviewed the instructions issued to the valuer and the scope of their work;</li> <li>tested plant, property and equipment records to deeds;</li> <li>reviewed the consistency of the financial statements with the valuation report from your valuer;</li> <li>held discussions with your valuer about the basis on which the valuation is carried out and challenged key assumptions;</li> <li>reviewed and challenged information used by the valuer to ensure it is robust and consistent with our understanding;</li> <li>tested the data provided to the valuer; and</li> <li>evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value.</li> </ul> | <p>Our audit work did not identify any significant issues in relation to the risk identified.</p> |
| <p><b>Valuation of pension fund net liability</b><br/>The Council's pension fund asset and liability, as reflected in its balance sheet, represent significant estimates in the financial statements.</p> | <p>As part of our audit work we:</p> <ul style="list-style-type: none"> <li>identified the controls put in place by management to ensure the pension fund liability is not materially misstated. We assessed if the controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement;</li> <li>reviewed the competence, expertise and objectivity of the actuary carrying out your pension fund valuation. Gained an understanding of the basis on which the valuation was carried out;</li> <li>carried out procedures to confirm the reasonableness of the actuarial assumptions made;</li> <li>reviewed the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report; and</li> <li>tested the data provided to your actuary.</li> </ul>   | <p>Our audit work did not identify any significant issues in relation to the risk identified.</p> |

# Audit of the accounts continued

| Risks identified in our audit plan  | How we responded to the risk  | Findings and conclusions  |
|---|---|---|
| <p><b>Operating expenses</b><br/>Year end creditors and accruals are understated or not recorded in the correct period.</p> | <p>As part of our audit work we:</p> <ul style="list-style-type: none"> <li>walked through the operating expenses system to update our understanding;</li> <li>substantively tested operating expenditure transactions;</li> <li>tested creditor payments, including accruals, for completeness, classification and occurrence;</li> <li>reviewed control account reconciliations; and</li> <li>performed cut-off testing.</li> </ul> | <p>Our audit work did not identify any significant issues in relation to the risk identified.</p> |
| <p><b>Employee remuneration</b><br/>Employee remuneration accruals are understated.</p>                                     | <p>As part of our audit work we:</p> <ul style="list-style-type: none"> <li>walked through the payroll system to update our understanding;</li> <li>substantively tested payroll transactions;</li> <li>performed trend analysis of employee remuneration expenses; and</li> <li>reviewed reconciliation of payroll system to the general ledger.</li> </ul>  | <p>Our audit work did not identify any significant issues in relation to the risk identified.</p> |

# Audit of the accounts continued

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| Risks identified in our audit plan  | How we responded to the risk   | Findings and conclusions  |
|---|--|---|
| <p><b>Changes to the presentation of the local authority financial statements</b></p> <p>CIPFA has been working on the 'Telling the Story' project, for which the aim was to streamline the financial statements and improve accessibility to the user and this has resulted in changes to the 2016/17 Code of Practice.</p> <p>The changes affect the presentation of income and expenditure in the financial statements and associated disclosure notes. A prior period adjustment (PPA) to restate the 2015/16 comparative figures is also required.</p> | <p>As part of our audit work we:</p> <ul style="list-style-type: none"> <li>• documented and evaluated the process for recording the required financial reporting changes to the 2016/17 financial statements;</li> <li>• reviewed the reclassification of the Comprehensive Income and Expenditure Statement (CIES) comparatives to ensure that they are in line with your internal reporting structure;</li> <li>• reviewed the appropriateness of the revised grouping of entries within the Movement in Reserves Statement (MiRS);</li> <li>• tested the classification of income and expenditure for 2016/17 recorded within the Cost of Services section of the CIES;</li> <li>• tested the completeness of income and expenditure by reviewing the reconciliation of the CIES to the general ledger;</li> <li>• tested the classification of income and expenditure reported within the new Expenditure and Funding Analysis (EFA) note to the financial statements; and</li> <li>• reviewed the new segmental reporting disclosures within the 2016/17 financial statements to ensure compliance with the CIPFA Code of Practice.</li> </ul> | <p>Our audit work did not identify any significant issues in relation to the risk identified.</p> |

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# Audit of the accounts

## **Audit opinion**

We gave an unqualified opinion on the Council's accounts on 27 July 2017, in advance of the 30 September 2017 national deadline, and in line with the earlier deadline that will be in place for next year.

The Council made the accounts available for audit at the end of May 2017, in advance of the statutory deadline, demonstrating it is well placed to meet the earlier deadlines for producing financial statements in 2017/18. The financial statements were supported by an excellent set of working papers and the finance team responded promptly and efficiently to our queries during the audit.

## **Issues arising from the audit of the accounts**

We reported the key issues from our audit of the accounts of the Council to the Council's Audit Committee on 24 July 2017.

None of the adjustments we identified had an impact on the Council's reported financial position. We identified a small number of adjustments to improve the presentation of the financial statements.

## **Annual Governance Statement and Narrative Report**

We are required to review the Council's Annual Governance Statement and Narrative Report. It published them on its website with the draft accounts in line with the national deadlines.

Both documents were prepared in line with the relevant guidance and were consistent with the supporting evidence provided by the Council and with our knowledge of the Council.

## **Other statutory duties**

We also have additional powers and duties under the Act, including powers to issue a public interest report, make written recommendations, apply to the Court for a declaration that an item of account is contrary to law, and to give electors the opportunity to raise questions about the Council's accounts and to raise objections received in relation to the accounts.



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# Value for Money conclusion

## Background

We carried out our review in accordance with the NAO Code of Audit Practice (the Code), following the guidance issued by the NAO in November 2016 which specified the criterion for auditors to evaluate:

*In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.*

## Key findings

Our first step in carrying out our work was to perform a risk assessment and identify the key risks where we concentrated our work.

The key risks we identified and the work we performed are set out in table 2 overleaf.

## Overall VfM conclusion

We are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2017.

# Value for Money

**Table 2: Value for money risks**

| Risk identified  | Work carried out   | Findings and conclusions  |
|--|--|---|
| <p><b>Financial position</b><br/>           When planning our work in March 2017 the Council had recently set its 2017/18 General Fund budget identifying a £1.15m shortfall. The Council's budget challenge process identified some proposals for cost savings, additional income and expenditure growth, all of which are subject to consideration by members. The financial strategy identifies budget pressures in each of the three years to 2019/20. Beyond this period there is significant uncertainty around business rate and new homes bonus funding.</p> | <p>We met with key officers to discuss key strategic challenges and the Council's response, and considered reports to members to:<br/>           review the outturn position for 2016/17 and the budget plans for 2017/18 and 2018/19<br/>           review the Council's progress in updating its medium term financial strategy<br/>           review how the Council works collaboratively with partners to deliver functions and services<br/>           review how the Council is making the best use of its asset base</p> | <p>On that basis we concluded that the risk was sufficiently mitigated and the Council has proper arrangements.</p> |
| <p><b>Brightwells development</b><br/>           Following special Executive and Council meetings in May 2016 the development moved into its next phase. This is a high profile development for the Council with the ambition of providing benefits to the Council and residents of Farnham. The Council is awaiting the outcome of a judicial review on this development to determine future progress.</p>  | <p>We reviewed the Council's arrangements to monitor the performance and governance of this project and how it continues to assess whether the development contributes to the effective delivery of its strategic objectives through discussion with officers and review of key documents.</p>   | <p>On that basis we concluded that the risk was sufficiently mitigated and the Council has proper arrangements.</p> |

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Please note, the risks in the above table were identified during our 2016/17 planning procedures, prior to carrying out our 2016/17 Value for Money audit work

# Appendix A: Reports issued and fees

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

## Fees

|  | Proposed fee<br>£ | Actual fees<br>£ | 2015/16 fees<br>£ |
|--|-------------------|------------------|-------------------|
| Statutory audit of Council                       | 53,881            | 53,881           | 53,881            |
| Shottermill Recreation Ground Trust              | 2,000             | 2,000            | 2,000             |
| Bequest of Joseph Ewart                          | 2,000             | 2,000            | 2,000             |
| Housing Benefit Grant Certification              | 11,381            | TBC              | 15,557            |
| Pooling of Housing Capital Receipts Return       | 2,800             | 2,800            | 2,800             |
| Homes and Communities Agency<br>Compliance Audit | 2,000             | 2,000            | n/a               |
| <b>Total fees (excluding VAT)</b>                | <b>74,062</b>     | <b>TBC</b>       | <b>76,238</b>     |

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

## Reports issued

| Report                | Date issued  |
|-----------------------|--------------|
| Audit Plan            | March 2017   |
| Audit Findings Report | July 2017    |
| Annual Audit Letter   | October 2017 |

# Reports issued and fees continued

We have considered whether other services might be perceived as a threat to our independence as the Council's auditor and have ensured that appropriate safeguards have been applied to mitigate these risks.

|                               | Service provided to  | Fees          | Threat identified | Safeguards  |
|-------------------------------|--|---------------|-------------------|---|
| <b>Audit related services</b> | Independent examination of Shottermill Recreation Ground and Swimming Pool 2016/17 | £2,000        | • Self-interest   | We carry out independent examinations of Shottermill Recreation Ground and Swimming Pool and the Bequest of Joseph Ewart. We rely on this work for the audit of the Council's 2016/17 financial statements. The level of these recurring fees taken on its own is not considered to be a significant threat to independence as the fees for this work in comparison to the total fee for the audit (£53,881) for the Council and in particular to Grant Thornton UK LLP overall turnover is not considered to be significant. Furthermore, the work relates to audit related services for which there is a fixed fee and no contingent element to the fee. These factors are deemed to adequately mitigate the perceived self-interest threat to an acceptable level. |
|                               | Bequest of Joseph Ewart 2016/17  | £2,000        | • Self-interest   |   |
|                               | Pooling of housing capital receipts return 2016/17                                 | £2,800        | • Self-interest   |   |
|                               | Housing and Communities Agency Compliance Audit                                    | £2,000        | • Self-interest   | These are recurring fees, therefore a self-interest threat exists. However, the level of these recurring fees taken their own is not considered to be a significant threat to independence as the fees for this work in comparison to the total fee for the audit (£53,881) for the Council and in particular to Grant Thornton UK LLP overall turnover is not considered to be significant. Furthermore, the work relates to audit related services for which there is a fixed fee and no contingent element to the fee. These factors are deemed to adequately mitigate the perceived self-interest threat to an acceptable level.  |
|                               | <b>TOTAL</b>   | <b>£6,800</b> |                   |   |



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## WAVERLEY BOROUGH COUNCIL

### AUDIT COMMITTEE – 20 NOVEMBER 2017

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#### **Title:**

**ANNUAL GOVERNANCE STATEMENT 2017/2018**

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

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

The purpose of this report is for the Audit Committee to consider governance progress in relation to informing the Annual Governance Statement (AGS) for the year ended 31 March 2018.

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

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

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

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

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

There are no direct resource implications resulting from the Annual Governance Statement for 2017/2018.

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#### **Introduction**

1. The Annual Governance Statement is produced alongside the annual Statement of Accounts and reports publicly on how the Council has complied with the governance code, 'Delivering Good Governance in Local Government: Framework' published by CIPFA/SOLACE, and describes any governance issues, including how they will be addressed.
2. Each year the Council is required to produce an AGS which describes how its corporate governance arrangements have been working over the year and comprises the arrangements put in place to ensure that the Council achieves its objectives while acting in the public interest at all times.
3. The AGS is required to be signed by the Leader of the Council and the Executive Director on behalf of the Council and then approved by a delegated committee.
4. The AGS will be included with the Statement of Accounts as part of the Annual Financial Report for 2017/2018.

5. At the meeting on 24 July 2017 a number of members of the Committee raised several issues to test against the principles set out in the AGS to identify any governance issues that should be identified in the AGS according to the Code of Practice.
6. The Committee minuted that for any issues in the public domain, it was important to show that they had been acknowledged and dealt with even if they weren't all necessarily governance issues. Iain Murray added, from an external audit perspective, that the bar of what needed to be included in the AGS was set very high so there was no specific requirement to include the issues that had been discussed by the Committee, however this didn't prevent the Committee from reviewing such areas. He also reminded the Committee that their remit was risk and assurance, and therefore these were the areas that needed to be focused on when reviewing issues.
7. The Committee felt that it would be useful to review potential governance issues at Audit Committee meetings throughout the year so that they could inform the AGS next year.
8. The AGS is included with the Agenda as a separate document at Annexe 1.

### **Recommendation**

It is recommended that the Audit Committee;

1. Reviews the 2016/17 Annual Governance Statement and pass comment for development of the 2017/18 statement;
2. Identifies and considers any internal governance issues; and
3. Considers any issues in the public domain from a governance perspective.

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### **Background Papers**

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

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### **CONTACT OFFICER:**

**Name:** Vicki Basley

**Telephone:** 01483 523250

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# Annual Governance Statement

## 2016/2017

### 1 Introduction

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

### 2 What is Corporate Governance?

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

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

The Council aims to achieve good standards of governance by:

#### **3.1 Principle 1**

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

**This is achieved by:**

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

#### **3.2 Principle 2**

Ensuring openness and comprehensive stakeholder engagement.

**This is achieved by:**

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

#### **3.3 Principle 3**

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

**This is achieved by:**

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

### 3.4 Principle 4

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

**This is achieved by:**

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

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

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

### 3.5 Principle 5

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

**This is achieved by:**

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

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

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

### 3.6 Principle 6

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

**This is achieved by:**

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

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

### 3.7 Principle 7

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

**This is achieved by:**

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

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

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

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

### 4.1 Governance Framework

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

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

#### 4.12 Sources of Assurance:

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

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

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

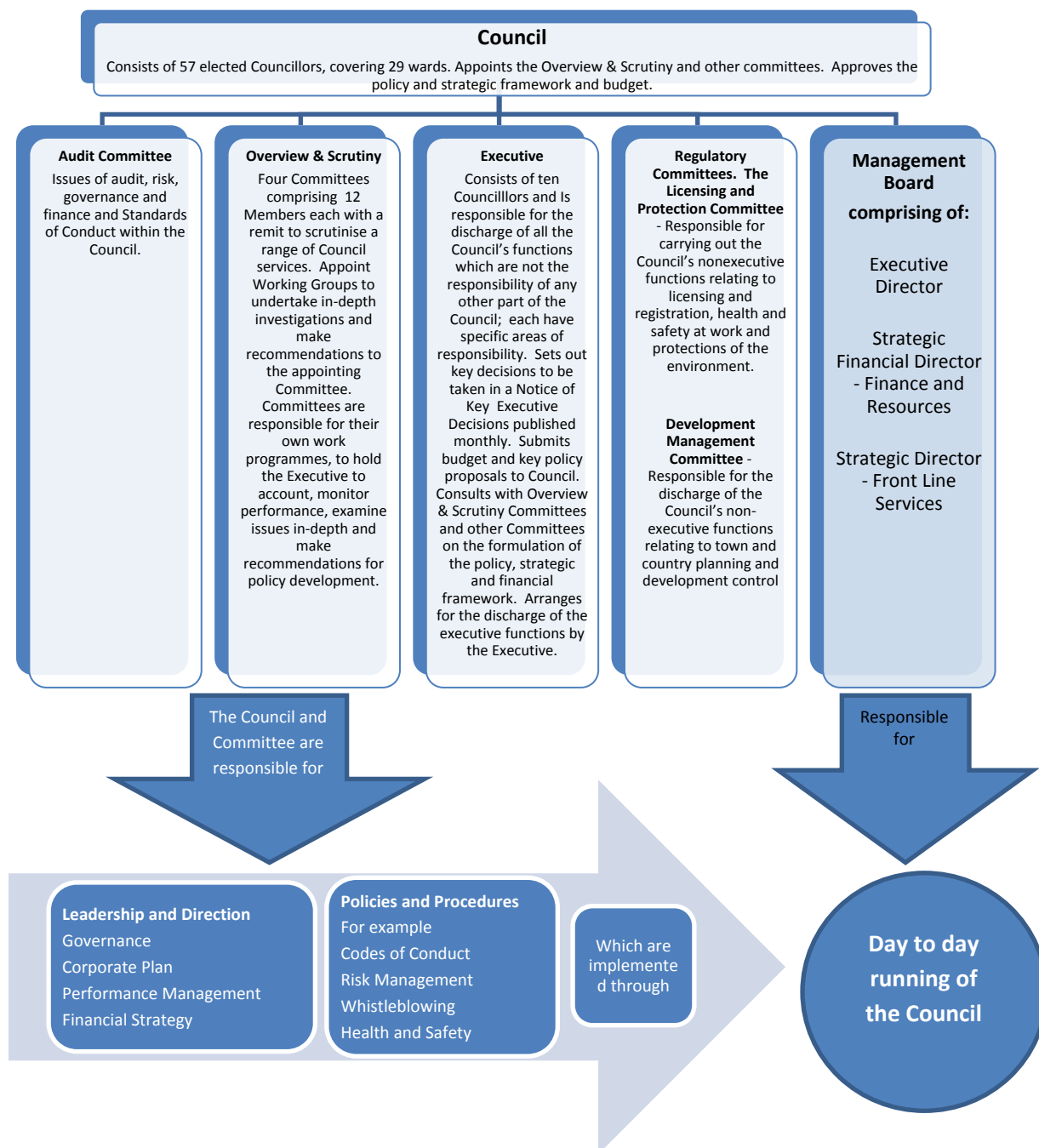
- Regular performance and financial reporting
- Annual financial report
- External audit reports
- Internal audit reports
- On-going review of governance
- External reviews and inspectorate reports
- Customer feedback
- Council's democratic arrangements including scrutiny reviews, Audit committee and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

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

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

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

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



### 5.3 Changes in governance during the year

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

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

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

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

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

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

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

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

## **6 Audit Committee seeking assurance**

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



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

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

## 7 Managing key risks

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

The corporate risk register was reviewed by the Audit Committee.

## 8 Managing the risk of fraud

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

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

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

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

## **9 Responsible Chief Financial Officer**

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

## **10 Managing resources**

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

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

## 11 Internal and External Audit assurance

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

### 11.1 Internal Audit

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

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

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

- 11.14 The Internal Audit Client Manager reports to the Strategic Director of Finance and Resources and has direct access to the Executive Director, the Audit Committee and its Chairman.
- 11.15 One of the key assurance statements the Council receives is the annual report and opinion of the Internal Audit Client Manager. The opinion for the 12 month period ending March 2017 is shown below.

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

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

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

## **11.2 External Audit**

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

## **12 Significant Governance Issues**

- 12.1 The officers and Audit Committee have reviewed the governance arrangements and no significant governance issues were identified.

## **13 Level of Assurance**

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

## **14 Certification**

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

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

Signed  
Leader of the Council

Executive Director

Dated

Dated

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## WAVERLEY BOROUGH COUNCIL

### AUDIT COMMITTEE - 20 NOVEMBER 2017

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**Title:****RISK MANAGEMENT UPDATE**

[Portfolio Holder for Finance: Cllr Ged Hall]

[Wards Affected: N/A]

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

Annexes to this report contain 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)

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**Summary and purpose:**

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

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**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 25<sup>th</sup> 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.

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## **Background Papers**

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

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## **CONTACT OFFICERS:**

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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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## 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.~~<sup>[a1]</sup>

## Terms of Reference

The Terms of Reference are as follows:

### **1. Corporate Governance**

- 1.1 To ~~consider~~ review 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 review the Council's compliance with its own and other published regulations, standards and controls, covering both financial and general issues and, if appropriate, make recommendations to Council.~~
- ~~1.32~~ To maintain an overview of the ~~Council's Constitution in respect of~~ contract procedure rules, and financial regulations and, if thought fit, recommend their adoption by the Council. ~~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~~ review Council policies in "Whistleblowing" and the anti-fraud and anti-corruption strategy and the Council's complaints handling process and recommend any changes to Council.
- 1.5 To monitor the effective development and operation of internal control in the Council with particular reference to all aspects of risk management, including Waverley's Corporate Risk Registers. ~~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.~~<sup>[a2]</sup>
- 1.68 To review any issue referred to it by the Head of Paid Service or a director or any other Council ~~body~~ Committee.
- ~~1.9 To request a report from any Head of Service relating to an outstanding internal audit recommendation issue.~~<sup>[a3]</sup>
- 1.76 To approve the Council's Annual Governance Statement.

### **2. External scrutiny Audit**

- 2.1 To consider whether appropriate accounting policies have been followed in the preparation of the annual statement of accounts and to approve any changes to these policies.
- 2.2 To ~~consider receive~~ all ~~communications reports~~ 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.~~<sup>[a4]</sup>
- 2.3 To consider ~~whether there are~~any concerns arising from the audit or the accounts and to agree appropriate action to be taken that need to be brought~~including bringing the matter~~ 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.~~<sup>[a5]</sup>
- ~~2.6 To make recommendations to Council regarding the appointment of the External Auditor.~~

### 3. Internal audit

- ~~3.1 To consider the Annual Review of the system of Internal Audit.~~
- ~~3.1 To approve the Internal Audit Charter.~~
- ~~3.2 To approve the Annual Internal Audit (Risk-Based) Plan.~~
- ~~3.32~~ To consider the Internal Audit Client Manager's Annual Report and Internal Audit Opinion.
- ~~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~~Service Area 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 and to agree appropriate action, including~~1.9~~  
To requesting a report from any Head of Service relating to an outstanding internal audit recommendation issue.
- ~~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.~~<sup>[a6]</sup>
- ~~3.67~~ To commission work ~~or reports~~ from the Internal Audit Service.
- ~~3.8 To consider any specific internal audit reports requested by the Audit Committee.~~
- ~~3.79~~ To monitor the progress of any specific internal audit projects not included in the Audit Plan.
- ~~3.408~~ To consider reports dealing with the appointment, management and performance of the providers of internal audit services.

- 3.419 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 eight 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.

Revised: 03.11.17

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**WAVERLEY BOROUGH COUNCIL**  
**AUDIT COMMITTEE**  
**20 NOVEMBER 2017**

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**Title:**

**INTERNAL AUDIT PLAN PROGRESS 2017/18**

[Wards Affected: All]

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**Summary and purpose:**

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

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

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

**Financial Implications:**

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

**Legal Implications:**

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

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**1. Introduction**

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

**Proposed changes to the Audit Plan**

The project relating to the Approval of invoices on Agresso is dependant on the implementation of the interface of the Orchard system to Agresso being completed to enable the internal Audit review to be carried out. However, this project has yet to be completed and it is therefore proposed that this review is deferred until 2018-19. The 6 audit days from this review will assist in resourcing a new proposed review of income streams (10 days). This review is required to give assurance that where an increase in income is being generated that appropriate controls and workflows are in place to ensure that all income due is collected in a timely manner.

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## **Recommendation**

It is recommended that the Committee:-

1. receives the progress report for the Internal Audit Plan 2017/18, as attached at Annexe 1 and make any comments to officers.
2. endorses the deferral of the review on the Approval of Invoices on Agresso and approves the new additional review of Income Streams.

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## **Background Papers**

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

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## **CONTACT OFFICER:**

**Name:** Gail Beaton  
**Internal Audit Client Manager**

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

AUDIT PLAN AGREED BY AUDIT  
COMMITTEE ON 21 MARCH 2017

| Report No. | AUDIT PLAN AS AT 09/11/2017   | 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       |
|------------|---|------------------|---------------------------|------------------------|----------------------|-------------------------------|--------------------------|--|--|---|-----------------------------|-----------------------------|-----------------------|
|            | <b>Key</b>  |                  | 2017/18                   | (c)                    | (d)                  | (e)                           |                          |  |  |   |                             |                             |                       |
|            | Awaiting Draft Report   |                  |                           |                        |                      |                               |                          |  |  |   |                             |                             |                       |
|            | Completed   |                  |                           |                        |                      |                               |                          |  |  |   |                             |                             |                       |
|            | New Review added since 21/03/2017   |                  |                           |                        |                      |                               |                          |  |  |   |                             |                             |                       |
|            | 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.   | Q3-4*  | 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                   | 7.00                 | 0.00                          | Awaiting Draft Report    | 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                          | Final 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                          | Final 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  |
| IA18-11    | BACs Electronic System  | Medium           | 5.00                      | 5.00                   | 5.00                 | 0.00                          | Final Report Stage       | 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                |                             |                       |
| IA18-13    | Housing Benefit and Council Tax Reduction Scheme  | High             | 10.00                     | 10.00                  | 10.00                | 0.00                          | Draft Report Stage       | Review of the effectiveness of the systems in operation, High value with complex process.  | Q3   | 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             | 0.00                      | 0.00                   | 0.00                 | 0.00                          |                          | Integration of the Housing Orchard invoicing into the Agresso system to enable payments to be processed.   | Q4   | Head of Finance - Peter Vickers   | 01483-523539                |                             |                       |
| IA18-00    | Production of Final Accounts  | High             | 7.00                      | 7.00                   | 0.00                 | 7.00                          | SD 27/11/2017            | Review of the process in place and identify if there are any actions that could be taken to expedite the completion of the Final Account to meet the Accounts and Audit Regulations 2015 timetable of 31 July.   | Q2-Q4  | Head of Finance - Peter Vickers   | 01483-523539                |                             |                       |
|            | Sub total for Key Financial Systems   |                  | 74.00                     | 74.00                  | 60.00                | 14.00                         |                          |  |  |   |                             |                             |                       |
| 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                |                             |                       |
| IA18-14    | Environmental Health Services - Food Inspections  | High             | 10.00                     | 10.00                  | 10.00                | 0.00                          | Draft Report Stage       | 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.                | Q3   | Head of Environmental Services - Richard Homewood   | 01483-523411                |                             |                       |
| IA18-09    | Recycling   | Medium           | 7.00                      | 7.00                   | 7.00                 | 0.00                          | Draft Report Stage       | 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                  | 10.00                | 0.00                          | Awaiting Draft Report    | Compliation of the Risk Management Plan, Tree Surveys, Proactive/Reactive/HRA/Public Areas/ Dunfold risk management /Budgets   | Q3   | 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.   | Q4   | 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. | 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 09/11/2017   | 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                      |
|------------|---|------------------|---------------------------|------------------------|----------------------|-------------------------------|--------------------------|--|--|--|-----------------|-----------------------------|--------------------------------------|
|            | <b>Key</b>  |                  | 2017/18                   | (c)                    | (d)                  | (e)                           |                          |  |  |  |                 |                             |                                      |
|            | Awaiting Draft Report   |                  |                           |                        |                      |                               |                          |  |  |  |                 |                             |                                      |
|            | Completed   |                  |                           |                        |                      |                               |                          |  |  |  |                 |                             |                                      |
|            | New Review added since 21/03/2017   |                  |                           |                        |                      |                               |                          |  |  |  |                 |                             |                                      |
|            | 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                          | Final report on Covalent | To ensure that the system in operation is working effectively and controls are in place re the control of keys for any Waverley Owned property or garage.  | Q1/2   | Head of Housing Operations - Hugh Wagstaff         | 01483-523363    | 9                           | No Assurance                         |
| IA18-00    | Gas Maintenance   | High             | 10.00                     | 10.00                  | 0.00                 | 10.00                         | SD 05/02/2018            | 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                  | 10.00                | 0.00                          | Draft Report Stage       | Assurance on the operational aspects of the management and access to the register.   | Q3   | Head of Housing Operations (Hugh Wagstaff)         | 01483-523363    |                             |                                      |
| IA18-10    | Completeness of Fire Safety Assessment Checks                                       | High             | 5.00                      | 5.00                   | 5.00                 | 0.00                          | Draft Report Stage       | 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    |                             |                                      |
| IA18-12    | Planning Systems Appeals  | High             | 10.00                     | 10.00                  | 10.00                | 0.00                          | Draft Report Stage       | 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    |                             |                                      |
| NEW        | Income Streams  | High             | 10.00                     | 10.00                  | 0.00                 | 10.00                         |                          | Review of Income Streams, including Property, Green Waste, Building Control, Planning, to provide assurance that any growth income activity is appropriately controlled and workflows are in place to ensure that all income due is collected in a timely manner.                            | Q3/4   | Corporate  |                 |                             |                                      |
| 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   |                  | 5.00                      | 5.00                   | 0.00                 | 5.00                          |                          |  |  |  |                 |                             |                                      |
|            | Sub Total for Operational Reviews (Inc Cont)  |                  | 158.00                    | 158.00                 | 82.00                | 76.00                         |                          |  |  |  |                 |                             |                                      |
|            | Subtotal Key Financial Systems Reviews  |                  | 74.00                     | 74.00                  | 60.00                | 14.00                         |                          |  |  |  |                 |                             |                                      |
|            | 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                 | 142.00               | 104.00                        |                          |  |  |  |                 |                             |                                      |

| 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 |
| IACM18-03     | Careline             | High                          | 8.00                      | 8.00                   | 7.50                 | 0.50                          | Draft Report Stage       | To provide assurance that controls are in place to ensure that all clients that are receiving the service are being accurately charged and income collected in a timely manner. |  | Head of Communities and Special Projects Kelvin Mills & Head of Finance Peter Vickers | 01483-523432    |                             |                      |

## WAVERLEY BOROUGH COUNCIL

### AUDIT COMMITTEE

20 NOVEMBER 2017

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#### Title:

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

[Wards Affected: ALL]

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

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

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

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

#### **Financial Implications:**

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

#### **Legal Implications:**

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

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#### **Introduction**

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

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

2. At the previous Audit Committee meeting, members noted the request for a time extension for three recommendations relating to data protection and information security governance. Members noted that a new Information governance Board had been created which is overseeing the detailed work of the Information Governance Group which comprises officer representation from all services of the Council. The Strategic Director for Finance and Resources advised members that a recommendation would be put to the Executive in October for additional funds to support the procurement of external specialist support to support the Council's

programme of work in order to be compliant with the new General Data Protection Regulations (GDPR) once these took effect in May 2018.

The Executive approved £50,000 of resource to support GDPR implementation and following an invitation to tender, a number of suppliers put forward bids and one has been selected. They are due to commence their information audit on 20 November 2017 and complete it on 4 December 2017.

As noted at the previous meeting, the external specialist work is being done in conjunction with the work underway by Waverley officers on GDPR. Actions since the previous Audit Committee meeting undertaken include:

- Appointment of Project Manager and project planning activity for GDPR compliance;
- Appointment of GDPR 'champions' across the organisation;
- Agreement to work in partnership with East Hampshire and Havant on GDPR technical issues;
- Development of an online GDPR training materials to be rolled out across the Council;
- All staff briefings on GDPR;
- Development of a GDPR communications and engagement strategy.
- Plan to update the Information Governance Policy and associated procedures and refresh the strategy to ensure it is aligned to GDPR requirements

3. 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; and
2. notes the progress on the project to implement the new GDPR requirements and provides any comments to officers.

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### **Background Papers**

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

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### **CONTACT OFFICER:**

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## Audit Recommendations overdue or due within next month

Generated on: 30 October 2017

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

| Head of Service Taylor, Robin            |   |   |                          |             |                        |                            |
|--|---|---|--------------------------|-------------|------------------------|----------------------------|
| <b>Action Code &amp; Description</b>     | IA16/22.001 Policies  | The Council's Information Management Policy, Record Disposal and Retention Schedule and the Acceptable Use of IT policy were last updated over a year ago. The policies do not cover off the process to be followed in regard to the retention, sharing and disposal of manual or electronic data. The policies also do not cover the procedure to be followed if manual or electronic data is lost or subject to misappropriation.   | <b>Exit Meeting Date</b> | 02-Jun-2016 | <b>Due Date</b>        | 03-Jul-2017                |
|  |   |   |                          |             |                        |                            |
| <b>Audit Report Code and Description</b> |   | IA16/22 Information Security Governance   |                          |             |                        |                            |
| <b>Agreed Action</b>                     |   | <p>The Council will update the Record Disposal and Retention Schedule to ensure it includes the preferred disposal method for all types of data.</p> <p>The Council will ensure that the Information Management policy is updated to include the procedure to be followed if manual data is lost or subject to misappropriation. It should also include Council procedure in regard to manual security measures or physical security re the sharing of all types of information.</p> <p>Both the Acceptable Use of IT policy and the Information Management policy will also be updated to include how data loss/misappropriation is reported to Senior Management.</p> <p>All policy and procedural documentation relating to Information Security Governance will be reviewed and updated where necessary on an annual basis going forward.</p> |                          |             |                        |                            |
| <b>Status</b>                            |  | Overdue   | <b>Progress</b>          | 50%         | <b>Head of Service</b> | Robin Taylor; Robin Taylor |
| <b>All Notes</b>                         | PLEASE SEE COVERING REPORT INTRODUCTION PARA 2 RE UPDATE ON STATUS OF GDPR.         |   |                          |             |                        | 01-Mar-2017                |

|  |   |  |                          |                        |              |
|--|---|--|--------------------------|------------------------|--------------|
| <b>Action Code &amp; Description</b>     | IA16/22.002 Storage of Records re ISO5489   | As per the most recent Information Management Policy (Section 10), all records should be stored in accordance with ISO15489. The policy does not go on to state what the requirements of ISO15489 are. | <b>Exit Meeting Date</b> | 02-Jun-2016            |              |
|  |   |  | <b>Due Date</b>          | 03-Jul-2017            |              |
| <b>Audit Report Code and Description</b> |   | IA16/22 Information Security Governance  |                          |                        |              |
| <b>Agreed Action</b>                     |   | The Council will detail the requirements of ISO15489 within the Information Management Policy that staff will need to comply with to ensure records are stored appropriately.                          |                          |                        |              |
| <b>Status</b>                            |  Overdue | <b>Progress</b>  | 50%                      | <b>Head of Service</b> | Robin Taylor |
| <b>All Notes</b>                         | <b>PLEASE SEE COVERING REPORT INTRODUCTION PARA 2 RE UPDATE ON STATUS OF GDPR.</b>        |  |                          |                        |              |

|  |   |   |                          |                        |              |
|--|---|---|--------------------------|------------------------|--------------|
| <b>Action Code &amp; Description</b>     | IA16/22.004 Procedure   | As per comment from the Borough Solicitor at the time of the audit, a documented procedure is not in place detailing how the Council upholds Information Security Governance responsibilities if staff normally responsible are unavailable. The Council also does not have a published structure chart in place showing the members of staff involved with Information Security Governance and the responsibilities they hold.   | <b>Exit Meeting Date</b> | 02-Jun-2016            |              |
|  |   |   | <b>Due Date</b>          | 03-Jul-2017            |              |
| <b>Audit Report Code and Description</b> |   | IA16/22 Information Security Governance   |                          |                        |              |
| <b>Agreed Action</b>                     |   | The Council will ensure that the Information Governance Strategy is put into place as soon as possible. It will include the procedure to be followed in relation to upholding Information Security Governance responsibilities if staff members who are normally involved are unavailable. It will also include a structure chart which will detail the staff that are involved with Information Security Governance and the responsibilities they hold. The chart will be disseminated to all staff. |                          |                        |              |
| <b>Status</b>                            |  Overdue | <b>Progress</b>   | 50%                      | <b>Head of Service</b> | Robin Taylor |
| <b>All Notes</b>                         | <b>PLEASE SEE COVERING REPORT INTRODUCTION PARA 2 RE UPDATE ON STATUS OF GDPR.</b>          |   |                          |                        |              |



## WAVERLEY BOROUGH COUNCIL

### AUDIT COMMITTEE – 20 NOVEMBER 2017

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#### Title:

#### **FRAUD INVESTIGATION SUMMARY**

[Wards Affected: All]

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#### 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.

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#### 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.

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#### 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 2, 30 September 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 final figures for 2016/17 have been provided.
4. In this period, results include 7 properties being relinquished, and has been made available to be re-let to tenants on our waiting list. 4 of these were 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 were 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.

### **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. Where possible working closely with other officers 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 notional value of financial savings detailed in Annexe 1 for Quarter 1 of 2017-18, is currently £409,000 based on Audit Commission 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.

### **Recommendation**

That the Audit Committee notes the success of the investigation activity and the results achieved.

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### **Background Papers**

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

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

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|                 |          |
|-----------------|----------|
| Name of Partner | Waverley |
| Quarter         | 2        |

|   |
|---|
| <b>Record of cases Investigation in the period covering 01 April 2017 - 30th September 2017</b> |
|---|

|                                      | 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 |
|--------------------------------------|---|---------------------------------------|---------------|--------------|---------------------------|---|------------------------------------|-----------------------------------|--|-----------------|--------------|-----------------|
| <b>Housing</b>                       |   |                                       |               |              |                           |   |                                    |                                   |  |                 |              |                 |
| Social housing Fraud                 | 11  | 20                                    | 31            | 21           | 10                        | 5   | 1                                  | 4                                 |  | 90,000          |              |                 |
| Housing Register Fraud               | 2   | 6                                     | 8             | 8            | 0                         | 6   | 6                                  |                                   | Housing Application Rejected   | 108,000         |              |                 |
| Homelessness Applications            |   |                                       |               |              |                           |   |                                    |                                   |  |                 |              |                 |
| Right To Buy/Right To Acquire        | 2   | 14                                    | 16            | 14           | 2                         | 2   | 2                                  | 0                                 | Right to Buy and/or Tenancy Relinquished   | 155,800         |              |                 |
| Mutual Exchange                      | 5   | 21                                    | 26            | 26           | 0                         | 0   | 0                                  | 0                                 | Mutual Exchange denied/rejected  | 0               |              |                 |
| Successions                          | 0   | 10                                    | 10            | 9            | 1                         | 3   |                                    | 3                                 | Succession denied  | 54,000          |              |                 |
| Recovered properties for others      |   |                                       |               |              |                           | 0   |                                    |                                   |  | 0               |              |                 |
| <b>Council Tax Discount</b>          |   |                                       |               |              |                           |   |                                    |                                   |  |                 |              |                 |
| SPD & LCTRS                          |   |                                       |               |              |                           | 3   |                                    |                                   | * SPD identified as part of case investigations  | 1,215           |              |                 |
| Student Exemptions                   |   |                                       |               |              |                           |   |                                    |                                   |  |                 |              |                 |
| Disability                           |   |                                       |               |              |                           |   |                                    |                                   |  |                 |              |                 |
| <b>Council Tax Support (benefit)</b> |   |                                       |               |              |                           |   |                                    |                                   |  |                 |              |                 |
| <b>Business rates</b>                |   |                                       |               |              |                           |   |                                    |                                   |  |                 |              |                 |
| NNDR                                 |   |                                       | 0             | 0            | 0                         | 0   |                                    |                                   |  | 0               |              |                 |
| <b>Other</b>                         |   |                                       |               |              |                           |   |                                    |                                   |  |                 |              |                 |
| <b>Total accumulative to date</b>    | <b>20</b>   | <b>71</b>                             | <b>91</b>     | <b>78</b>    | <b>13</b>                 | <b>19</b>                                       | <b>9</b>                           | <b>7</b>                          |  | <b>409,015</b>  | <b>0</b>     | <b>0</b>        |
| 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 Application 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 13.

## AUDIT COMMITTEE RECURRENT ANNUAL WORK PROGRAMME

| Meeting               | Item   | Action                       | Responsibility                              |
|-----------------------|--|------------------------------|---|
| <b>March 2018</b>     | External Audit Plan  | Note                         | External Audit                              |
|                       | Certification Report   | Note                         | External Audit                              |
|                       | Internal Audit Plan  | Approve                      | Internal Audit Client Manager, Gail Beaton  |
|                       | Risk Management  | Approve                      | Head of Finance, Peter Vickers              |
| <b>July 2018</b>      | External Audit Findings Report                                     | Note                         | External audit                              |
|                       | Annual Governance Report   | Endorse                      | External Audit                              |
|                       | Statement of Accounts<br><b>(Deadline 31/07/2018)</b>              | Approve                      | Head of Finance, Peter Vickers              |
|                       | Annual Governance Statement<br><b>(Deadline 31/07/2018)</b>        | 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  |
|                       | Risk Management  | Approve                      | Head of Finance, Peter Vickers              |
| <b>September 2018</b> | 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  |
|                       | External Audit Annual Audit Letter                                 | Note                         | External Audit                              |
| <b>November 2018</b>  | Risk Management  | Approve                      | Head of Finance, Peter Vickers              |
|                       | Annual Governance Statement – Interim Review                       | Comment and instruct         | Head of Finance, Peter Vickers              |

**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];

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

Fraud Investigation Summary [To note].

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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