

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

When calling please ask for:

Amy McNulty, Democratic Services Officer
Policy and Governance

E-mail: amy.mcnulty@waverley.gov.uk

Direct line: 01483 523492

Calls may be recorded for training or monitoring

Date: 16 March 2018

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: TUESDAY, 27 MARCH 2018

TIME: 7.00 PM

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

The Agenda for the meeting is set out below.

Yours sincerely

ROBIN TAYLOR

Head of Policy and Governance

Agendas are available to download from Waverley's website (www.waverley.gov.uk/committees), where you can also subscribe to updates to receive information via email regarding arrangements for particular committee meetings.

Alternatively, agendas may be downloaded to a mobile device via the free Modern.Gov app, available for iPad, Android, Windows and Kindle Fire.

Most of our publications can be provided in alternative formats. For an audio version, large print, text only or a translated copy of this publication, please contact committees@waverley.gov.uk or call 01483 523351.

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 20 November 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.

The deadline for receipt of questions is 5pm on Tuesday 20 March 2018.

5. **2016/17 CERTIFICATION LETTER** (Pages 7 - 10)

To receive the 2016/17 Certification Letter from Grant Thornton, attached.

6. **EXTERNAL AUDIT PROGRESS REPORT** (Pages 11 - 30)

To receive the External Audit progress report from Grant Thornton, attached.

7. **2017/18 EXTERNAL AUDIT PLAN** (Pages 31 - 46)

To receive the 2017/18 Annual Audit Plan from Grant Thornton, attached.

8. STATEMENT OF ACCOUNTS - ACCOUNTING POLICIES (Pages 47 - 48)

Local authorities in the United Kingdom are required to prepare their accounts in compliance with the terms of the Code of Practice on Local Authority Accounting in the United Kingdom (the Code). The Code is developed each year by CIPFA/LASAAC and has effect for financial years commencing on or after 1 April each year. The 2018/19 edition of the Code introduces two substantial new financial reporting standards.

Recommendation

It is recommended that the Audit Committee notes the changes to financial reporting standards.

9. ANNUAL GOVERNANCE STATEMENT 2017/18 (Pages 49 - 62)

The draft Annual Governance Statement for 2017/18 is attached.

10. PROGRESS ON THE INTERNAL AUDIT PLAN FOR 2017/18 (Pages 63 - 68)

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

Recommendation

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

11. PROPOSED INTERNAL AUDIT PLAN FOR 2018/19 (Pages 69 - 72)

The Committee's terms of reference include provision for the Committee to comment on the proposed Internal Audit Plan for 2018/19. This report presents the Draft Internal Audit Plan for 2018-19 and the Committee is invited to comment before the Plan is adopted. The plan has been drawn up by the Internal Audit Client Manager through consultation with Heads of Service Team and Management Board and prepared by completing a full a risk assessment of the audit universe of the council's activities including the contents of the current corporate risk register provided by the Insurance and Risk Management Officer.

Recommendation

The Audit Committee is invited to comment on and approve the Internal Audit Plan for 2018/19, as attached in Annexe 1.

12. PROGRESS ON THE IMPLEMENTATION OF INTERNAL AUDIT RECOMMENDATIONS (Pages 73 - 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. The 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 being made to comply with General Data Protection Regulations by 25 May 2018.**

13. 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

It is recommended that the Audit Committee notes the success of the investigation activity and the results achieved.

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

Recommendation

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

15. EXCLUSION OF PRESS AND PUBLIC

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

Recommendation

That pursuant to Procedure Rule 20 and in accordance with Section 100A(4) of the Local Government Act 1972, the press and public be excluded from the meeting during consideration of the following item(s) on the grounds that it is likely, in view of the nature of the business to be transacted or the nature of the proceedings, that if members of the public were present during the item(s),

there would be disclosure to them of exempt information (as defined by Section 1001 of the Act) of the description specified in the appropriate paragraph(s) of the revised Part 1 of Schedule 12A to the Local Government Act 1972 (to be identified at the meeting).

16. FUTURE DELIVERY OF INTERNAL AUDIT FROM APRIL 2019 (Pages 93 - 100)

To consider the (Exempt) report on this matter, attached.

17. 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**

This page is intentionally left blank



Grant Thornton

An instinct for growth™

Graeme Clark
Chief Financial Officer
Waverley Borough Council
The Burys
Godalming
Surrey GU7 1HR

Grant Thornton UK LLP

30 Finsbury Square

London

EC2A 1AG

26 February 2018

Dear Graeme,

Certification work for Waverley Borough Council for year ended 31 March 2017

We are required to certify the Housing Benefit subsidy claim submitted by Waverley Borough Council ('the Council'). This certification typically takes place six to nine months after the claim period and represents a final but important part of the process to confirm the Council's entitlement to funding.

The Local Audit and Accountability Act 2014 gave the Secretary of State power to transfer Audit Commission responsibilities to other bodies. Public Sector Audit Appointments (PSAA) took on the transitional responsibilities for HB COUNT issued by the Audit Commission in February 2015.

We have certified the Housing Benefit subsidy return for the financial year 2016/17 relating to subsidy claimed of £29.243 million. We identified a number of issues from our certification work, which we wish to highlight for your attention and are set out in Appendix A.

The extrapolated financial impact on the claim, which we have reported to the DWP, was £36,655 which is relatively insignificant to the total subsidy receivable, and the claim was not amended for this amount. The Council has agreed to carry out further work in three areas following our certification of the 2016/17 subsidy return. This work may result in amendments being required through the 2017/18 return. Further details are set out in Appendix A.

The DWP may require the Council to undertake further work or provide assurances on the errors we have identified.

The indicative fee for 2016/17 for the Council was based on the final 2014/15 certification fees, reflecting the amount of work required by the auditor to certify the Housing Benefit subsidy return that year. The indicative scale fee set by PSAA for the Council for 2016/17 was £16,680. This is set out in more detail in Appendix B.

Yours sincerely

Grant Thornton UK LLP

Grant Thornton UK LLP

Appendix A - Details of claims and returns certified for 2016/17

Claim or return	Value	Amended?	Amendment value	Qualified?	Comments
Housing benefits subsidy claim	£29,243,482	No	n/a	Yes	See below

Findings from certification of 2016/17 housing benefits subsidy claim:

HRA rent rebates

- In the previous year we identified an error in relation to the calculation of the claimant's earned income within the HRA rent rebates section of the claim form. Given the nature of the population the Council was required to test 40 cases where a claimant's earned income is included within the Housing Benefit calculation for 2016/17. Testing identified no errors in the calculation of claimants' earned income. However, in our initial testing sample for 2016/17 we identified two cases where the claimants' income was incorrectly assessed. Detailed testing of this area is needed in 2017/18 to determine the impact on subsidy and to confirm if the issue has been adequately resolved.
- In our initial testing we identified that service charge uplifts for the Sheltered Housing Scheme were not applied in the correct timeframe. The Council will undertake full review of the 240 Sheltered Housing Scheme cases included in the 2016/17 subsidy claim and will report results to DWP when complete. Detailed testing of this area is needed in 2017/18 to determine whether the issue has been adequately resolved.

Rent allowances

- We identified one case in our initial testing where the claimant's earned income was incorrectly assessed. This resulted in an underpayment to the claimant and had no impact on subsidy. The Council will undertake additional testing 940 cases in this area and will report results to DWP when complete. Detailed testing of this area is needed in 2017/18 to determine whether the issue has been adequately resolved.
- We identified two cases in our initial testing where the claimants' self-employed income was incorrectly assessed and generated overpayments of subsidy. The Council will undertake full review of the 130 rent allowance claims that involve self-earned income and will report results to DWP when complete. Detailed testing of this area is needed in 2017/18 to determine whether the issue has been adequately resolved.

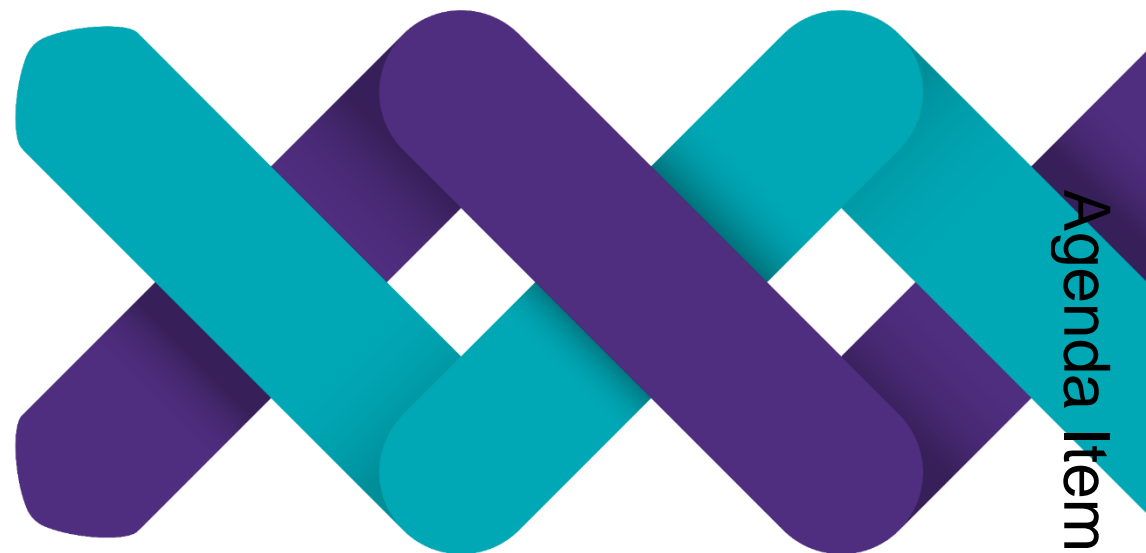
Claim or return	2015/16 fee (£)	2016/17 indicative fee (£)	2016/17 actual fee (£)	Variance (£)
Housing benefits subsidy claim (BEN01)	£15,557	£16,680	£16,680	-
Total	£15,557	£16,680	£16,680	-

This page is intentionally left blank

Audit Progress Report and Sector Update

Waverley Borough Council
Year ending 31 March 2018

27 March 2018



Contents

Section	Page
Introduction	3
Progress	4
Results of interim audit work	5
Audit deliverables	6
Sector update	8
Links	18

Introduction



Iain Murray

Engagement Lead

T +44 207 728 3328
M +44 7880 456 190
E iain.g.murray@uk.gt.com



Sophia Brown

Engagement Manager

T +44 207 728 3179
M +44 7584 617 957
E sophia.y.brown@uk.gt.com



Tom Beake

Audit In Charge

T +44 207 728 3425
E tom.beake@uk.gt.com

This paper provides the Audit Committee with a report on progress in delivering our responsibilities as your external auditors.

The paper also includes a summary of emerging national issues and developments that may be relevant to you as a local authority.

Members of the Audit Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications. Click on the Grant Thornton logo to be directed to the website www.grant-thornton.co.uk.

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

Progress at March 2018

Financial Statements Audit

We have completed planning for the 2017/18 financial statements audit and will issue a detailed audit plan, setting out our proposed approach to the audit of the Council's 2017/18 financial statements.

We carried out the following interim audit and early testing fieldwork in January and February 2018:

- Updated review of the Council's control environment
- Updated understanding of financial systems
- Review of Internal Audit reports on core financial systems
- Early work on emerging accounting issues
- Early substantive testing

The findings from our interim audit are summarised on pages 6 and 7.

The statutory deadline for the issue of the 2017/18 opinion is brought forward by two months to 31 July 2018. We are discussing our plan and timetable with officers.

The final accounts audit is due to begin on 1 June with findings reported to you in the Audit Findings Report by the earlier deadline of July 2018.

Value for Money

The scope of our work is set out in the guidance issued by the National Audit Office. The Code requires auditors to satisfy themselves that; "the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources".

The guidance confirmed the overall criterion as: "in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people".

The three sub criteria for assessment to be able to give a conclusion overall are:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties

We have made our initial risk assessment to determine our approach and report this to you in our Audit Plan.

We will report our work in the Audit Findings Report and give our Value For Money Conclusion by the deadline in July 2018.

Other areas

Certification of claims and returns

We are required to certify the Council's annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Work and Pensions. This certification work for the 2018/19 claim will be concluded by November 2018.

The results of the certification work are reported to you in our certification letter.

Meetings

We met with Finance Officers in February as part of our regular liaison meetings and continue to be in discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective.

Events

We provide a range of workshops, such as the Chief Accountants Workshop held in February, along with network events for members and publications to support the Council. Further details of the publications that may be of interest to the Council are set out in our Sector update section of this report.

Audit deliverables

2017/18 Deliverables	Planned Date	Status
Fee Letter Confirming audit fee for 2017/18.	April 2017	Complete
Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Audit Committee setting out our proposed approach in order to give an opinion on the Council's 2017-18 financial statements.	March 2018	Complete
Interim Audit Findings We will report to you the findings from our interim audit and our initial value for money risk assessment within our Progress Report.	March 2018	Complete
Audit Findings Report The Audit Findings Report will be reported to the July Audit Committee.	July 2018	Not yet due
Auditors Report This is the opinion on your financial statement, annual governance statement and value for money conclusion.	July 2018	Not yet due
Annual Audit Letter This letter communicates the key issues arising from our work.	August 2018	Not yet due
Annual Certification Letter This letter reports any matters arising from our certification work carried out under the PSAA contract.	December 2018	Not yet due

Results of interim audit work

The findings of our interim audit work, and the impact of our findings on the accounts audit approach, are summarised in the table below :

	Work performed	Conclusions and recommendations
Internal audit	<p>We have completed a high level review of internal audit's overall arrangements. Our work has not identified any issues which we wish to bring to your attention.</p> <p>We have also reviewed internal audit's work on the Council's key financial systems to date. We have not identified any significant weaknesses impacting on our responsibilities.</p>	<p>Overall, we have concluded that the internal audit service provides an independent and satisfactory service to the Council and that internal audit work contributes to an effective internal control environment.</p> <p>Our review of internal audit work has not identified any weaknesses which impact on our audit approach.</p>
Entity level controls	<p>We have obtained an understanding of the overall control environment relevant to the preparation of the financial statements including:</p> <ul style="list-style-type: none"> • Communication and enforcement of integrity and ethical values • Commitment to competence • Participation by those charged with governance • Management's philosophy and operating style • Organisational structure • Assignment of authority and responsibility • Human resource policies and practices 	<p>Our work has identified no material weaknesses which are likely to adversely impact on the Council's financial statements.</p>
Walkthrough testing	<p>We have completed walkthrough tests of the Council's controls operating in areas where we consider that there is a risk of material misstatement to the financial statements.</p> <p>Our work has not identified any issues which we wish to bring to your attention. Internal controls have been implemented by the Council in accordance with our documented understanding.</p>	<p>Our work has not identified any weaknesses which impact on our audit approach.</p>

	Work performed	Conclusions and recommendations
Journal entry controls	<p>We have reviewed the Council's journal entry policies and procedures as part of determining our journal entry testing strategy and have not identified any material weaknesses which are likely to adversely impact on the Council's control environment or financial statements.</p> <p>To date we have undertaken detailed testing on journal transactions recorded for the first 10 months of the financial year, by extracting 'unusual' entries for further review. No issues have been identified that we wish to highlight for your attention.</p>	<p>Our work has not identified any weaknesses which impact on our audit approach.</p> <p>We will complete our testing of journal transactions for the remainder of the financial year during our final accounts visit.</p>
Early substantive testing	<p>We have carried out early substantive testing in the following areas for the first 10 months of the financial year:</p> <ul style="list-style-type: none"> • Operating expenditure; • Other revenues; and • Payroll. 	<p>Our work has not identified any weaknesses which impact on our audit approach.</p> <p>We will complete our testing in the areas of operating expenditure, other revenues, and payroll for remainder of the financial year during our final accounts visit.</p>

Sector update

Local government finances are at a tipping point. Councils are tackling a continuing drive to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider NHS and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with audit committee members, as well as any accounting and regulatory updates.

- [Grant Thornton Publications](#)
- [Insights from local government sector specialists](#)
- [Reports of interest](#)
- [Accounting and regulatory updates](#)

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website

Public Sector Audit Appointments: Report on the results of auditors' work 2016/17

This is the third report on the results of auditors' work at local government bodies published by PSAA. It summarises the results of auditors' work at 497 principal bodies and 9,752 small bodies for 2016/17. The report covers the timeliness and quality of financial reporting, auditors' local value for money work, and the extent to which auditors used their statutory reporting powers.

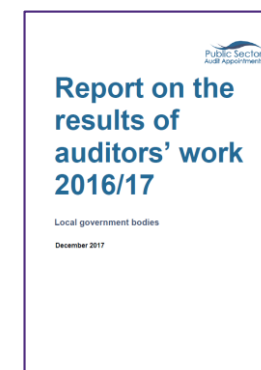
The timeliness and quality of financial reporting for 2016/17, as reported by auditors, remained broadly consistent with the previous year for both principal and small bodies. Compared with 2015/16, the number of principal bodies that received an unqualified audit opinion by 31 July showed an encouraging increase. 83 principal bodies (17 per cent) received an unqualified opinion on their accounts by the end of July compared with 49 (10 per cent) for 2015/16. These bodies appear to be well positioned to meet the earlier statutory accounts publication timetable that will apply for 2017/18 accounts.

Less positively, the proportion of principal bodies where the auditor was unable to issue the opinion by 30 September increased compared to 2015/16. Auditors at 92 per cent of councils (331 out of 357) were able to issue the opinion on the accounts by 30 September 2017, compared to 96 per cent for the previous year. This is a disappointing development in the context of the challenging new reporting timetable from 2017/18. All police bodies, 29 out of 30 fire and rescue authorities and all other local government bodies received their audit opinions by 30 September 2017.

The number of qualified conclusions on value for money arrangements has remained relatively constant at 7 per cent (30 councils, 2 fire and rescue authorities and 1 other local government body) compared to 8 per cent for 2015/16. The most common reasons for auditors issuing non-standard conclusions on the 2016/17 accounts were:

- the impact of issues identified in the reports of statutory inspectorates;
- corporate governance issues; and
- financial sustainability.

The latest results of auditors' work on the financial year to 31 March 2017 show a solid position for the majority of principal local government bodies. Generally, high standards of financial reporting are being maintained despite the financial and service delivery challenges currently facing local government.



Changes to the prudential framework of capital finance

The Ministry of Housing Communities and Local Government has updated the Local Authority Investments Guidance and the Minimum Revenue following its publication of consultation responses on 2 February 2018.

A total of 213 consultation responses were received by the MHCLG by the 22 December 2017 deadline from across local government. Following consideration of the responses the Government has:

- made some technical changes to the Investments Guidance and MRP Guidance
- amended proposals relating to useful economic lives of assets
- implemented the Investments Guidance for 2018-19, but allowed flexibility on when the additional disclosure first need to be presented to full Council
- deferred implementation of MRP Guidance to 2019-20 apart from the guidance “Changing methods for calculating MRP”, which applies from 1 April 2018.

Key changes are noted below.

Statutory Guidance on Local Authority Investments

Transparency and democratic accountability – the revised guidance retains the requirement for an Investment Strategy to be prepared at least annually and introduces some additional disclosures to improve transparency. However, as the changes to the CIPFA Prudential Code include a new requirement for local authorities to prepare a Capital Strategy, the revised guidance allows the matters required to be disclosed in the Investment Strategy to be disclosed in the Capital Strategy.

Principle of contribution – the consultation sought views on the introduction of a new principle requiring local authorities to disclose the contribution that non-core investments make towards core functions. Authorities’ core objectives include ‘service delivery objectives and/or placemaking role.’ This clarification has been made to recognise the fact that local authorities have a key role in facilitating the long term regeneration and economic growth of their local areas and that they may want to hold long term investments to facilitate this.

Introduction of a concept of proportionality – the Government is concerned that some local authorities may become overly dependent on commercial income as a source of revenue for delivering statutory services. The consultation sought views on requiring local authorities to disclose their dependence on commercial income to deliver statutory services and the amount of borrowing that has been committed to generate that income. A majority of respondents supported the introduction of a concept of proportionality, recognising the importance that local authorities make decisions based on an understanding of the overall risk that they face.

Borrowing in advance of need – by bringing non-financial investments (held primarily or partially to generate a profit) within the scope of the Investments Guidance, the consultation proposals made it clear that borrowing to fund acquisition of non-financial assets solely to generate a profit is not prudential. The Investment Guidance requires local authorities who have borrowed in advance of need solely to generate a profit to explain why they have chosen to disregard statutory guidance. It is also important to note that nothing in the Investment Guidance or the Prudential Code overrides statute, and local authorities will still need to consider whether any novel transaction is lawful by reference to legislation.

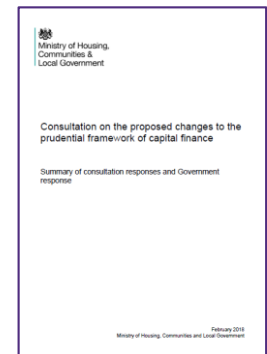
Minimum Revenue Provision Guidance

The consultation sought views on proposals to update the guidance relating to MRP to ensure local authorities are making prudent provision for the repayment of debt.

Meaning of a charge to the revenue account – the Government does not believe that crediting the revenue account is either prudent or within the spirit of the approach set out in the relevant Regulations. For this reason a charge to the account should not be a negative charge.

Impact of changing methods of calculating MRP – the Government does not expect any local authority to recalculate MRP charged in prior years due to the proposed changes in methodology.

Introduction of a maximum economic life of assets – the consultation sought views on setting a maximum useful economic life of 50 years for freehold land and 40 years for other assets. The MRP Guidance will set a maximum life of 50 years, but allow local authorities to exceed this where the related debt is PFI debt with a longer term than 50 years, or where a local authority has an opinion from an appropriately qualified person that an operational asset will deliver benefits for more than 50 years.



CIPFA publications - The Prudential Code and Treasury Management Code

CIPFA have published an updated 'Prudential Code for Capital Finance in Local Authorities'. Key developments include the introduction of more contextual reporting through the requirement to produce a capital strategy along with streamlined indicators.

The framework established by the Prudential Code should support local strategic planning, local asset management planning and proper option appraisal. The objectives of the Prudential Code are to ensure, within this clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable.

Local authorities are required by regulation to have regard to the Prudential Code when carrying out their duties in England and Wales under Part 1 of the Local Government Act 2003, in Scotland under Part 7 of the Local Government in Scotland Act 2003, and in Northern Ireland under Part 1 of the Local Government Finance Act (Northern Ireland) 2011.

Since the Prudential Code was last updated in 2011, the landscape for public service delivery has changed significantly following the sustained period of reduced public spending and the developing localism agenda. It reflects the increasing diversity in the sector and new structures, whilst providing for streamlined reporting and indicators to encourage better understanding of local circumstances and improve decision making.

The introduction of a capital strategy allows individual local authorities to give greater weight to local circumstances and explain their approach to borrowing and investment. The Code is available in hard copy and online.



CIPFA have also published an updated Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes. The Code provides a framework for effective treasury management in public sector organisations.

The Code defines treasury management as follows:

The management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

It is primarily designed for the use of local authorities (including police and crime commissioners and fire authorities), providers of social housing, higher and further education institutions, and the NHS. Local authorities in England, Scotland and Wales are required to 'have regard' to the Code.

Since the last edition of the TM Code was published in 2011, the landscape for public service delivery has changed significantly following the sustained period of reduced public spending and the developing localism agenda.

There are significant treasury management portfolios within the public services, for example, as at 31 March 2016, UK local authorities had outstanding borrowing of £88bn and investments of £32bn.

The Code is available in hard copy and online.

The adult social care workforce in England

This National Audit Office report considers the Department of Health & Social Care's role in overseeing the adult social care workforce and assesses whether the size and structure of the care workforce are adequate to meet users' needs for care now, and in the future, in the face of financial challenges and a competitive labour market.

The Department of Health and Social Care is not doing enough to support a sustainable social care workforce. The number of people working in care is not meeting the country's growing care demands and unmet care needs are increasing, according to the report. While many people working in care find it rewarding, there is widespread agreement that workers feel undervalued and there are limited opportunities for career progression, particularly compared with similar roles in health. In 2016-17, around half of care workers were paid £7.50 per hour or below (the National Living Wage was £7.20 in 2016-17), equivalent to £14,625 annually. This, along with tough working conditions and a poor image, prevents workers from joining and remaining in the sector.

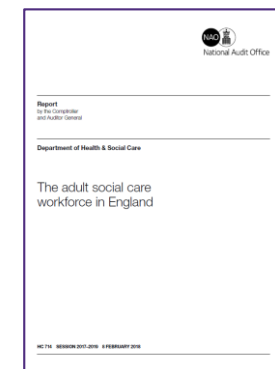
There are around 1.34 million jobs in the adult social care sector in England, across more than 20,300 organisations. The turnover rate of care staff has been increasing since 2012-13 and in 2016-17 reached 27.8%. The vacancy rate in 2016-17 for jobs across social care was 6.6%, which was well above the national average of 2.5%-2.7%. However, demographic trends suggest that demand for care will continue to increase and people's care needs will continue to become more complex. To meet these challenges, the Department estimates that the workforce will need to grow by 2.6% every year until 2035.

The social care market is operating in challenging circumstances. Care providers, already under financial pressures, are struggling to recruit and retain workers and are incurring additional costs as a result. Local authorities spent 5.3% less on care in 2016-17 compared with 2010-11, and spending is expected to reduce further over the next two years due to continued government funding cuts and increased financial pressures on local authorities. Uncertainty over funding is limiting local authorities' ability to plan future spending on care.

The Department cannot demonstrate that the sector is sustainably funded, which impacts workforce planning. Around 65% of independent providers' income comes from local authority-arranged care. The vast majority of local authorities are paying fees to homecare providers that are below the recommended minimum price for care, putting providers in financial difficulties. Furthermore, local authorities are not paying the full cost for care home placements. If this continues, there is a risk providers will not continue to invest in areas where there are high proportions of people receiving local authority funded care.

The Department has no national strategy to address this workforce challenge and key commitments it has made to help make the sector more attractive, through enhanced training and career development, have not been followed through. Furthermore, the NAO has not found any evidence that the Department is overseeing workforce planning by local authorities and local health and care partnerships, which commission care, to help with the challenge. Without a national strategy to align to, few local areas have detailed plans for sustaining the care workforce.

The NAO has recommended that the Department produces a robust national workforce strategy with the support of the Ministry of Housing, Communities and Local Government and that it encourages local and regional bodies to align their own plans to it. The Department also needs to invest more to enable commissioners to set appropriate fees for providers, so they can pay staff adequately and afford to offer career development and training opportunities.



Overview of the General Data Protection Regulation (GDPR)

What is it?

The GDPR is the most significant development in data protection for 20 years. It introduces new rights for individuals and new obligations for public and private sector organisations.

What's next?

Many public sector organisations have already developed strategic plans to implement the GDPR, which require policy, operational, governance and technology changes to ensure compliance by 25th May 2018.

How will this affect you?

- ✓ All organisations that process personal data will be affected by the GDPR.
- ✓ The definition of 'personal data' has been clarified to include any data that can identify a living individual, either directly or indirectly. Various unique personal identifiers (including online cookies and IP addresses) will fall within the scope of personal data

What organisations need to do by May 2018

- ✓ Local government organisations need to be able to provide evidence of completion of their GDPR work to internal and external stakeholders, to internal audit and to regulators.
- ✓ New policies and procedures need to be fully signed off and operational.

Organisation Accountability

- Organisations must document their assurance procedures, and make them available to regulators
- Some organisations need to designate a Data Protection Officer, who has expert knowledge of data protection law

Notifications and Rights

- Organisations must notify significant data breaches to regulators within 72 hours
- Organisations must explain to individuals what their rights over their personal information are and how it is being processed and protected

Claims and Fines

- For the most serious data breaches, privacy regulators can impose penalties of up to €20 million on public sector organisations,
- Individuals and representative organisations can claim compensation for infringements of data protection law

Questions for your organisation:

- Can your organisation erase personal data effectively?
- Have you appointed a Data Protection Officer if required to have one?
- How will your organisation ensure citizens know how their data is being used and whether it's being shared with other organisations?

Through a local lens: SOLACE summit 2017

The Industrial Strategy matters to places but places also matter to the Industrial Strategy.

This was a strong message coming out of discussions at the recent SOLACE (Society of Local Authority Chief Executives) summit where we facilitated 100 local authority CEOs and senior leaders to consider how the Industrial Strategy could be brought to life at a local level.

For some time now we have engaged in an ongoing and inclusive dialogue with communities and business, local authority and third sector leaders from across the country, to share aspirations, ideas and insight focused on building a vibrant economy for the UK. These discussions have helped to form the basis of our Vibrant Economy 'Blueprint for the UK' and they will go on to inform our recommendations to Government around a place-based approach to the Industrial Strategy.

This year's summit provided us with an invaluable opportunity to take this dialogue further.

We focused on the integral role local government will have in delivering the Industrial Strategy. Delegates applied a local lens to the national growth agenda, encouraging them to consider what strategies and approaches were already working in their place; what they could be doing more of to support growth in their area, and how they could steer the Industrial Strategy agenda from a local level.

Using the appreciative inquiry technique, we discussed the following questions:

What role would leaders and local institutions be playing if they were delivering positive outcomes from the industrial strategy?

Looking ahead and considering our diverse local authority agendas, the industrial strategy and surrounding policy landscape what aspects might work well for everyone?



You can see and hear what delegates thought on our [website](#)

Commercial Healthcheck: commercial investments and governance

Our latest healthcheck report was launched at CIPFA's Income Generation Summit in November. It is part of our 'The Income Spectrum' series, giving leaders of local government and public services insights into why and how local authorities are changing their approach to commercialisation, some of the related governance and risk management issues, and the latest innovation trends with case studies ranging from Angus and Luton to Oldham and Stirling.

The research shows that councils need to do more than simply adhere to the drafted rules to ensure an approach to commercialisation that balances outcomes and risks. The report therefore also includes a healthcheck diagnostic tool designed to give local government leaders extra comfort and confidence that they are pursuing a suitably balanced approach

Governance of commercial commitments is key to building confidence in the path to financial sustainability. The CIPFA code is the sector's primary rule book for treasury management and is expected to place a stronger emphasis on how councils will balance security, liquidity and return.

Key findings from the report include:

- While property has tended to be the focus, it is just one of a number of areas of activity. In the past year, borrowing includes £4.8 billion on bonds and commercial paper, and investment includes £7 billion in inter-authority lending (Investment in property for councils is a growing trend – a third of councils have done so since 2010, spending more than £2.4 billion between them, but this is not the only major area of investment activity)
- More entrepreneurial councils are adopting innovative approaches such as place-based market offerings, working together locally to add social value and cross-boundary franchising
- For many councils, investing in commercial assets is key to developing anchor institutions that contribute to place – ranging from airports, business parks and forestry to GP surgeries and cinemas
- A 'beyond compliance' approach to governance of commercial activities is required by progressive councils wanting to do more with less

[Click on the report cover to download and read more](#)



Grant Thornton publication



Supply Chain Insights tool helps support supply chain assurance in public services

Grant Thornton UK LLP has launched a new insights and benchmarking platform to support supply chain assurance and competitor intelligence in public services.

The Supply Chain Insights service is designed for use by financial directors and procurement professionals in the public sector, and market leaders in private sector suppliers to the public sector. It provides users with a detailed picture of contract value and spend with their supply chain members across the public sector. The analysis also provides a robust and granular view on the viability, sustainability, market position and coverage of their key suppliers and competitors.

The platform is built on aggregated data from 96 million invoices and covers £0.5 trillion of spending. The data is supplemented with financial standing data and indicators to give a fully rounded view. The service is supported by a dedicated team of analysts and is available to access directly as an on-line platform.

Phillip Woolley, Partner, Grant Thornton UK LLP, said:

"The fall-out from the recent failure of Carillion has highlighted the urgent need for robust and ongoing supply chain monitoring and assurance. Supply Chain Insights provides a clear picture of your suppliers' activities across the sector, allowing you to understand risks, capacity and track-record. We think it's an indispensable resource in today's supplier market."



The tool enables you to immediately:

- access over 96 million transactions that are continually added to
- segment invoices by:
 - organisation and category
 - service provider
 - date at a monthly level
- benchmark your spend against your peers
- identify:
 - organisations buying similar services
 - differences in pricing
 - the leading supplier
- see how important each buyer is to a supplier
- benchmark public sector organisations' spend on a consistent basis
- see how much public sector organisations spend with different suppliers

Supply Chain Insights forms part of the Grant Thornton Public Sector Insight Studio portfolio of analytics platforms.

Click on Supply Chain Insights for more information.

Supply Chain Insights

Grant Thornton publication



Cost Assurance

Did you know....

40
Number of Public Sector engagements to date

£125m
Annual spend analysed

£3.55m
Rebate opportunities identified

£1.1m
Fee income identified

2.84%
Error rate – rebates versus spend volume

55%
Of Public Sector engagements are Local Government

Our Cost Assurance service line provides Local Authorities with an independent and retrospective audit of their legacy telecommunications and utilities costs incurred during the past 6 years (as per the Statute of Limitation).

We find that there are repeat errors contained within a Suppliers' invoice arrangements – errors that aren't necessarily picked up by the end client. This is due to the fact that they tend to be contained in suppliers' billing systems 'at source' and are much further down the supply chain which the user won't necessarily have visibility of.

We are supported by a comprehensive library of legacy supplier pricing that has been collated since 2011. Our one aim is to ensure that the client has only paid for the services used during the period by:

- ensuring that bills presented by Suppliers' are in line with their contracts and relevant pricing mechanisms
- ensuring the client receives the Supplier refunds where errors have been identified by us
- ensuring consequential savings are identified and implemented immediately for the client

Our Cost Assurance work is based on a contingent-fee model and is supported by PSAA Ltd. Each of our Local Authority engagements include a fee cap to ensure governance and regulatory standards are maintained.

In summary, we are able to bring much needed financial benefit to the sector as well as providing insight into errors that may be prone to repeat offence by suppliers long after our work is concluded.

Grant Thornton



Links

Grant Thornton website links

<https://www.grantthornton.co.uk/>

<http://www.grantthornton.co.uk/industries/publicsector>

<http://www.grantthornton.co.uk/en/insights/through-a-local-lens-solace-summit-2017/>

<http://www.grantthornton.co.uk/en/insights/combined-authorities-signs-of-success/>

<http://www.grantthornton.co.uk/en/insights/a-guide-to-setting-up-a-social-enterprise/>

<http://www.grantthornton.co.uk/en/insights/commercial-healthcheck-in-local-authorities/>

<http://www.cfoinsights.co.uk/>

<http://supplychaininsights.grantthornton.co.uk/>

PSAA website links

<https://www.psa.co.uk/audit-quality/reports-on-the-results-of-auditors-work/>

MHCLG website links

<https://www.gov.uk/government/consultations/proposed-changes-to-the-prudential-framework-of-capital-finance>

<https://www.gov.uk/government/publications/capital-finance-guidance-on-local-government-investments-second-edition>

<https://www.gov.uk/government/publications/capital-finance-guidance-on-minimum-revenue-provision-third-edition>

CIPFA website link

<http://www.cipfa.org/policy-and-guidance/publications/the-prudential-code-for-capital-finance-in-local-authorities-2017-edition-book>

National Audit Office link

<https://www.nao.org.uk/report/the-adult-social-care-workforce-in-england/>

This page is intentionally left blank

External Audit Plan

Year ending 31 March 2018



Contents



Your key Grant Thornton team members are:

Iain Murray

Engagement Lead

T: 020 7728 3328

E: Iain.G.Murray@uk.gt.com

Sophia Brown

Engagement Manager

T: 020 7728 3179

E: Sophia.Y.Brown@uk.gt.com

Tom Beake

Audit In-charge

T: 020 7728 3425

E: Tom.Beake@uk.gt.com

Section

	Page
1. Introduction & headlines	3
2. Deep business understanding	4
3. Significant risks identified	5
4. Reasonably possible risks identified	7
5. Other matters	8
6. Materiality	9
7. Group audit scope and risk assessment	10
8. Value for Money arrangements	11
9. Audit logistics, team & audit fees	12
10. Independence & non-audit services	13

Appendices

A. Revised ISAs	14
-----------------	----

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No. OC307742. Registered office: 30 Finsbury Square, London, EC2A 1AG. A list of members is available from our registered office. Grant Thornton UK LLP is authorised and regulated by the Financial Conduct Authority. Grant Thornton UKLLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

Introduction & headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Waverley Borough Council ('the Council') for those charged with governance.

Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of Waverley Borough Council. We draw your attention to both of these documents on the [PSAA website](#).

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the:

- financial statements (including the Annual Governance Statement) that have been prepared by management with the oversight of those charged with governance (the Audit committee); and
- Value for Money arrangements in place at the Council for securing economy, efficiency and effectiveness in your use of resources.

The audit of the financial statements does not relieve management or the Audit Committee of your responsibilities. It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

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

Page 33

Significant risks

Those risks requiring specific audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Management override of controls
- Valuation of Property, plant, and equipment
- Valuation of the net Pension Fund liability

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Materiality

We have determined planning materiality to be £1,579k (PY £1,629m), which equates to 2% of your forecast gross expenditure for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £79k (PY £xm).

Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money has identified the following area as a significant risk:

- The Council's financial position in the context of the wider uncertainty of local government finances

Audit logistics

Our interim visit has taken place in January with early testing visits planned for February and April. Our final visit will take place in June-July. Our key deliverables are this Audit Plan and our Audit Findings Report.

Our fee for the audit will be no less than £53,888. (PY: £53,888) for the Council.

Independence

We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements

Business understanding

Changes to service delivery

Commercialisation

The scale of investment activity, primarily in commercial property, has increased as local authorities seek to maximise income generation. These investments are often discharged through a company, partnership or other investment vehicle. Local authorities need to ensure that their commercial activities are presented appropriately, in compliance with the CIPFA Code of Practice and statutory framework, such as the Capital Finance Regulations. Where borrowing to finance these activities, local authorities need to comply with CIPFA's Prudential Code. A new version is due to be published in December 2017.

The Council's Investment Strategy is to expand its portfolio of investments to support the Council's priority of achieving value for money and to enhance its long term financial resilience. The Investment Advisory Board (IAB), established in 2016/17, considers all proposals that contribute to the delivery of the Investment Strategy and meet the Council's investment criteria, to support economic growth in the Borough.

Over the last 12 months the IAB has supported investment in four acquisitions which secure a strong annual financial return for the Council. Going forward, the Council is reviewing other potential investment proposals to use cash reserves and balances to support income generating investment.

Brightwells development

The completion of an unconditional agreement between the Council and developer Crest Nicholson sees the beginning of the Brightwells Farnham Regeneration Scheme.

We have held early discussions with the Council regarding the accounting treatment of the Brightwells development and will review the planned governance framework for the scheme.

Changes to financial reporting requirements

Accounts and Audit Regulations 2015 (the Regulations)

The Department of Communities and Local Government (DCLG) is currently undertaking a review of the Regulations, which may be subject to change. The date for any proposed changes has yet to be confirmed, so it is not yet clear or whether they will apply to the 2017/18 financial statements.

Under the 2015 Regulations local authorities are required to publish their accounts along with the auditors opinion by 31 July 2018.

Housing Revenue Account (HRA)

DCLG has issued revised guidance on the calculation of the Item 8 Determination for 2017/18, which :

- extend transitional arrangements for reversing impairment charges and revaluation losses on dwelling assets and applies this principle to non-dwelling assets from 2017/18; and
- confirms arrangements for charging depreciation to the HRA and permitting revaluation gains that reverse previous impairment and revaluation losses to be adjusted against the HRA.

Changes to the CIPFA 2017/18 Accounting Code

CIPFA have introduced other minor changes to the 2017/18 Code which confirm the going concern basis for local authorities, and updates for Leases, Service Concession arrangements and financial instruments.

Key challenges

Financial pressures

Public bodies continue to be under a high level of scrutiny from central government and from taxpayers on the use of resources.

In 2017/18 the Council is on track to deliver its planned budget position (£1.15m shortfall).

The General Fund has a net budget of £13.4m in 2017/18 and the latest estimate forecast is to be on budget over the year.

This presents a strong financial outlook for the Council which will continue to be monitored.

Our response

- We will consider your arrangements for managing and reporting your financial resources, including your progress on devolution and use of investment vehicles as part of our work in reaching our Value for Money conclusion.
- We will consider whether your financial position leads to uncertainty about the going concern assumption and will review any related disclosures in the financial statements.
- We will keep you informed of changes to the Regulations and any associated changes to financial reporting or public inspection requirements for 2017/18 through on-going discussions and invitations to our technical update workshops.
- As part of our opinion on your financial statements, we will consider whether your financial statements reflect the financial reporting changes in the 2017/18 CIPFA Code, and revised stock valuation guidance for the HRA and the impact of impairment assessment.

Significant risks identified

Significant risks are defined by professional standards as risks that, in the judgement of the auditor, require special audit consideration because they have a higher risk of material misstatement. Such risks often relate to significant non-routine transactions and judgmental matters. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
The revenue cycle includes fraudulent transactions	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition; • opportunities to manipulate revenue recognition are very limited; and • The culture and ethical frameworks of local authorities, including Waverley Borough Council, mean that all forms of fraud are seen as unacceptable. <p>Therefore we do not consider this to be a significant risk for Waverley Borough Council.</p>
Management override of controls	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities. Management override of controls is a risk requiring special audit consideration.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Gain an understanding of the accounting estimates, judgements applied and decisions made by management and consider their reasonableness ; • Obtain a full listing of journal entries, identify and test unusual journal entries for appropriateness; and • Evaluate the rationale for any changes in accounting policies or significant unusual transactions.

Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<p>Valuation of property, plant and equipment</p>	<p>The Council revalues its land and buildings on a rolling 5-year basis to ensure that carrying value is not materially different from fair value. Certain assets are also revalued more regularly (e.g. Investment Properties). All assets not formally revalued will be revalued using an uplift percentage.</p> <p>This represents a significant estimate by management in the financial statements.</p> <p>We identified the valuation of land and buildings revaluations and impairments as a risk requiring special audit consideration.</p>	<p>We will:</p> <ul style="list-style-type: none"> Review management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work; Consider the competence, expertise and objectivity of valuations experts used; Discuss with the valuer the basis on which the valuation is carried out and challenge the key assumptions; Review and challenge the information used by the valuer to ensure it is robust and consistent with our understanding; Test revaluations made during the year to ensure they are input correctly into the Council's asset register; and Evaluate 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.
<p>Valuation of pension fund net liability</p>	<p>The Council's pension fund asset and liability as reflected in its balance sheet represent a significant estimate in the financial statements.</p> <p>We identified the valuation of the pension fund net liability as a risk requiring special audit consideration.</p>	<p>We will:</p> <ul style="list-style-type: none"> Identify the controls put in place by management to ensure that the pension fund liability is not materially misstated. We will also assess whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement; Evaluate the competence, expertise and objectivity of the actuary who carried out your pension fund valuation. We will gain an understanding of the basis on which the valuation is carried out; Undertake procedures to confirm the reasonableness of the actuarial assumptions made; and Check the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary.

Reasonably possible risks identified

Reasonably possible risks (RPRs) are, in the auditor's judgment, other risk areas which the auditor has identified as an area where the likelihood of material misstatement cannot be reduced to remote, without the need for gaining an understanding of the associated control environment, along with the performance of an appropriate level of substantive work. The risk of misstatement for an RPR is lower than that for a significant risk, and they are not considered to be areas that are highly judgmental, or unusual in relation to the day to day activities of the business.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<p>Employee remuneration</p>	<p>Payroll expenditure represents a significant percentage (21%) of the Council's operating expenses.</p> <p>As the payroll expenditure comes from a number of individual transactions and an interface with a sub-system (iTrent) there is a risk that payroll expenditure in the accounts could be understated. We therefore identified completeness of payroll expenses as a risk requiring particular audit attention</p>	<p>We will</p> <ul style="list-style-type: none"> Evaluate the Council's accounting policy for recognition of payroll expenditure for appropriateness; Gain an understanding of the Council's system for accounting for payroll expenditure and evaluate the design of the associated controls; Re-perform the year end payroll reconciliation and test whether year-end payroll accruals, e.g. tax and pension creditors, unpaid leave accrual) have been recognised and not understated; and Perform a detailed substantive analytical review of payroll expenditure in order to gain assurance over movements in these expenses against the prior year.
<p>Operating expenses</p>	<p>Non-pay expenses on other goods and services also represents a significant percentage (60%) of the Council's operating expenses. Management uses judgement to estimate accruals of un-invoiced costs.</p> <p>We identified completeness of non-pay expenses as a risk requiring particular audit attention:</p>	<p>We will</p> <ul style="list-style-type: none"> Evaluate the Council's accounting policy for recognition of non-pay expenditure for appropriateness; Gain an understanding of the Council's system for accounting for non-pay expenditure and evaluate the design of the associated controls; Perform sample-based testing of operating expenses in the period to gain assurance that expenses are valid; and Test whether year-end operating expenditure accruals have been recognised and not understated (unrecorded liabilities testing procedures).

Page 37

Other matters

Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with the guidance issued and consistent with our knowledge of the Council.
- We will read your Narrative Statement and check that it is consistent with the financial statements on which we give an opinion and that the disclosures included in it are in line with the requirements of the CIPFA Code of Practice.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under the Act and the Code, as and when required, including:
 - giving electors the opportunity to raise questions about your 2017/18 financial statements, consider and decide upon any objections received in relation to the 2017/18 financial statements;
 - issue of a report in the public interest; and
 - making a written recommendation to the Council, copied to the Secretary of State.
- We certify completion of our audit.

Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

Going concern

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK) 570). We will review management's assessment of the going concern assumption and evaluate the disclosures in the financial statements.

Materiality

The concept of materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality for planning purposes

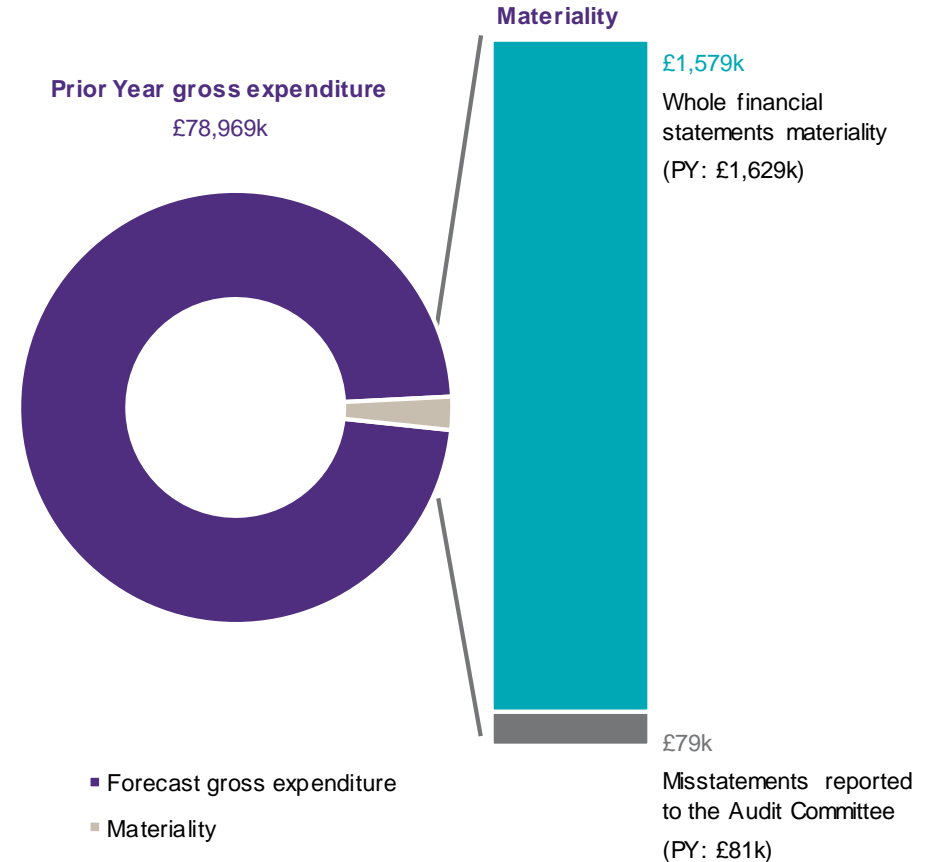
We propose to calculate financial statement materiality based on a proportion of the gross expenditure of the Council for the financial year. In the prior year we used the same benchmark. We have determined planning materiality (the financial statements materiality determined at the planning stage of the audit) to be £1,579k (PY £1,629k), which equates to 2% of your prior year gross expenditure. We design our procedures to detect errors in specific accounts at a lower level of precision.

We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality

Matters we will report to the Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £79k (PY £81k).

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities.



Group audit scope and risk assessment

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

Component	Significant?	Level of response required under ISA (UK and Ireland) 600	Risks identified	Planned audit approach
Waverley Borough Council	Yes	Comprehensive	See pages 5-7.	Full scope UK statutory audit performed by Grant Thornton UK
Shottermill Recreation Ground and Swimming Pool	No	Targeted	Property, plant and equipment (PPE) revaluation measures not correct Recorded cash at bank not valid	Specific (targeted) procedures to be performed by Grant Thornton UK
Bequest of Joseph Ewart	No	Targeted	Recorded cash at bank not valid	Specific (targeted) procedures to be performed by Grant Thornton UK

Key changes within the group:

- None in the year to 31 March 2018.

Audit scope:

Comprehensive – the component is of such significance to the group as a whole that an audit of the components financial statements is required

Targeted – the component is significant to the Group, audit evidence will be obtained by performing targeted audit procedures rather than a full audit

Analytical – the component is not significant to the Group and audit risks can be addressed sufficiently by applying analytical procedures at the Group level

Value for Money arrangements

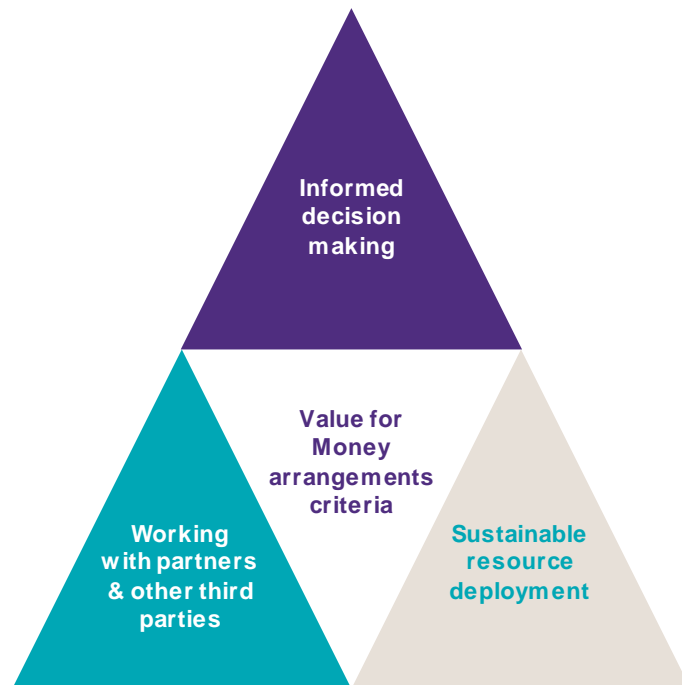
Background to our VFM approach

The NAO issued its guidance for auditors on Value for Money work for 2017/18 in November 2017. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has proper arrangements in place.

The guidance identifies one single 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.”

This is supported by three sub-criteria, as set out below :



Significant VFM risks

Those risks requiring specific audit consideration and procedures to address the likelihood that proper arrangements are not in place at the Council to deliver value for money.

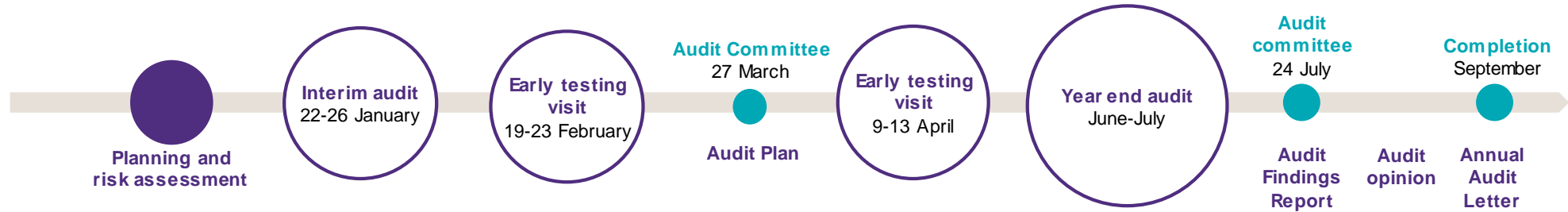


Financial Position

The Council set a balanced General Fund budget for 2017/18 which is robust but challenging to deliver. The Council's budget challenge process identified proposals for cost savings, additional income and expenditure growth. The Council has identified income and savings proposals which total £1.036m, growth proposals of £0.055m, and council tax increase of £5 at band D of £0.268m. 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.

We will update our understanding of your medium term financial strategy and review the supporting information trails and assumptions.

Audit logistics, team & audit fees



Page 42



Iain Murray, Engagement Lead

Responsible for overall quality control of the audit, accounts opinions, final authorisation of reports, and liaison with the Audit Committee.



Sophia Brown, Audit Manager

Responsible for overall audit management, quality assurance of audit work and output, and liaison with the Audit Committee.



Tom Beake, Audit In-charge

Responsible for management and delivery of audit fieldwork, including both interim and final accounts work.

Audit fees

The planned audit fees are no less than £53,888 (PY: £53,888) for the financial statements audit. Fees for the Housing Benefits certification are yet to be confirmed. Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited Fees in respect of other grant work, such as reasonable assurance reports, are shown under 'Fees for other services'.

In setting your fee, we have assumed that the scope of the audit, and the Council and its activities, do not significantly change.

Independence & non-audit services

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We would like to draw to your attention the following relationship that might constitute a threat to our independence that we are required to report to you and those charged with governance. A family member of one of your councillors is a senior audit manager in the public sector assurance department of our London office. We employ the following safeguards to mitigate the risk to our independence as auditors:

- The senior audit manager has not worked on the Waverley Borough Council audit, and will not work on the Waverley Borough Council audit; and
- The audit files are held in a location with access rights limited to the Waverley Borough Council audit team.

We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2016 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council.

Other services

The following other services and fees were identified

Service	Fees £	Threats	Safeguards
Independent Examinations of the Shottermill Recreation Ground Trust & Bequest of Joseph Ewart	4,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £4,000 in comparison to the total fee for the audit of £53,888, and in particular relative to Grant Thornton UK LLPs turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors mitigate the perceived self-interest threat to an acceptable level.
Certification of the pooling of housing capital receipts return	2,800	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £2,800 in comparison to the total fee for the audit of £53,888, and in particular relative to Grant Thornton UK LLPs turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors mitigate the perceived self-interest threat to an acceptable level.

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit. None of the services provided are subject to contingent fees.

Appendix A: Revised ISAs

Detailed below is a summary of the key changes impacting the auditor's report for audits of financial statement for periods commencing on or after 17 June 2016.

Section of the auditor's report	Description of the requirements
Conclusions relating to going concern	We will be required to conclude and report whether: <ul style="list-style-type: none">• The directors use of the going concern basis of accounting is appropriate• The directors have disclosed identified material uncertainties that may cast significant doubt about the Council's ability to continue as a going concern.
Material uncertainty related to going concern	We will need to include a brief description of the events or conditions identified that may cast significant doubt on the Council's ability to continue as a going concern when a material uncertainty has been identified and adequately disclosed in the financial statements. Going concern material uncertainties are no longer reported in an Emphasis of Matter section in our audit report.
Other information	We will be required to include a section on other information which includes: <ul style="list-style-type: none">• Responsibilities of management and auditors regarding other information• A statement that the opinion on the financial statements does not cover the other information unless required by law or regulation• Reporting inconsistencies or misstatements where identified
Additional responsibilities for directors and the auditor	We will be required to include the respective responsibilities for directors and us, as auditors, regarding going concern.
Format of the report	The opinion section appears first followed by the basis of opinion section.



© 2017 Grant Thornton UK LLP. All rights reserved.

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires.

Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

This page is intentionally left blank

Statement of Accounts - Accounting Policies

Local authorities in the United Kingdom are required to prepare their accounts in compliance with the terms of the Code of Practice on Local Authority Accounting in the United Kingdom (the Code). The Code is developed each year by CIPFA/LASAAC (Local Authority Scotland Accounts Advisory Committee) and has effect for financial years commencing on or after 1 April each year.

The Code specifies the principles and practices of accounting required to prepare financial statements which give a true and fair view of the financial position and transactions of a local authority.

2017/2018 Statement of Accounts – there are no changes in Accounting Policies that have a material impact on the financial statements.

2018/2019 Statement of Accounts – the year ahead.

The 2018/19 edition of the Code introduces two substantial new financial reporting standards:

Change	Area affected	Impact
<p>IFRS 9 Financial Instruments</p> <p>This introduces a new classification and measurement of financial assets with a requirement to make a loss allowance based on a new 'expected credit loss' impairment model rather than the 'incurred loss' model.</p>	<p>Financial Assets:</p> <ul style="list-style-type: none"> • Bank deposits • Trade Receivables (Debtors) • Lease Receivables • Investments <p>These need to be assessed for credit risk and an appropriate impairment allowance recognised based on the level of risk.</p>	<p>The risk is considered 'low' due to:</p> <ul style="list-style-type: none"> • The Council already recognises an Impairment Allowance for Trade Receivables. • A Commercial Property void/non-payment Fund has been established. • Investments are made in accordance with the Council's Treasury Management Strategy.
<p>IFRS 15 Revenue from Contracts with Customers</p> <p>This applies to all contracts with customers except leases, financial instruments and insurance contracts. A Customer is a service recipient of goods or services.</p>	<p>Revenue is to be recognised when the service recipient receives the benefit of the goods or service.</p> <p>The policy is aimed at ensuring revenue recognition of group entities is accounted for in compliance with IFRS 15 on consolidation into Local Authority Group Accounts.</p>	<p>Currently no impact</p> <p>The Council recognises revenue in this way for the supply of goods and services.</p> <p>The current group entities follow the same accounting policy as the Council for revenue recognition.</p>

IFRS – International Financial Reporting Standard

This page is intentionally left blank

Annual Governance Statement 2017/2018

1 Introduction

- 1.1 The Leader of the Council (Cllr Julia Potts) and the Executive Director (Tom Horwood) 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 2017/18 and was considered and approved by the Audit Committee at its meeting on 24 July 2018.
- 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).

3.64 Independent review of the internal controls by Internal Audit when carrying out assessments of key activity areas.

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 2017/18 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.

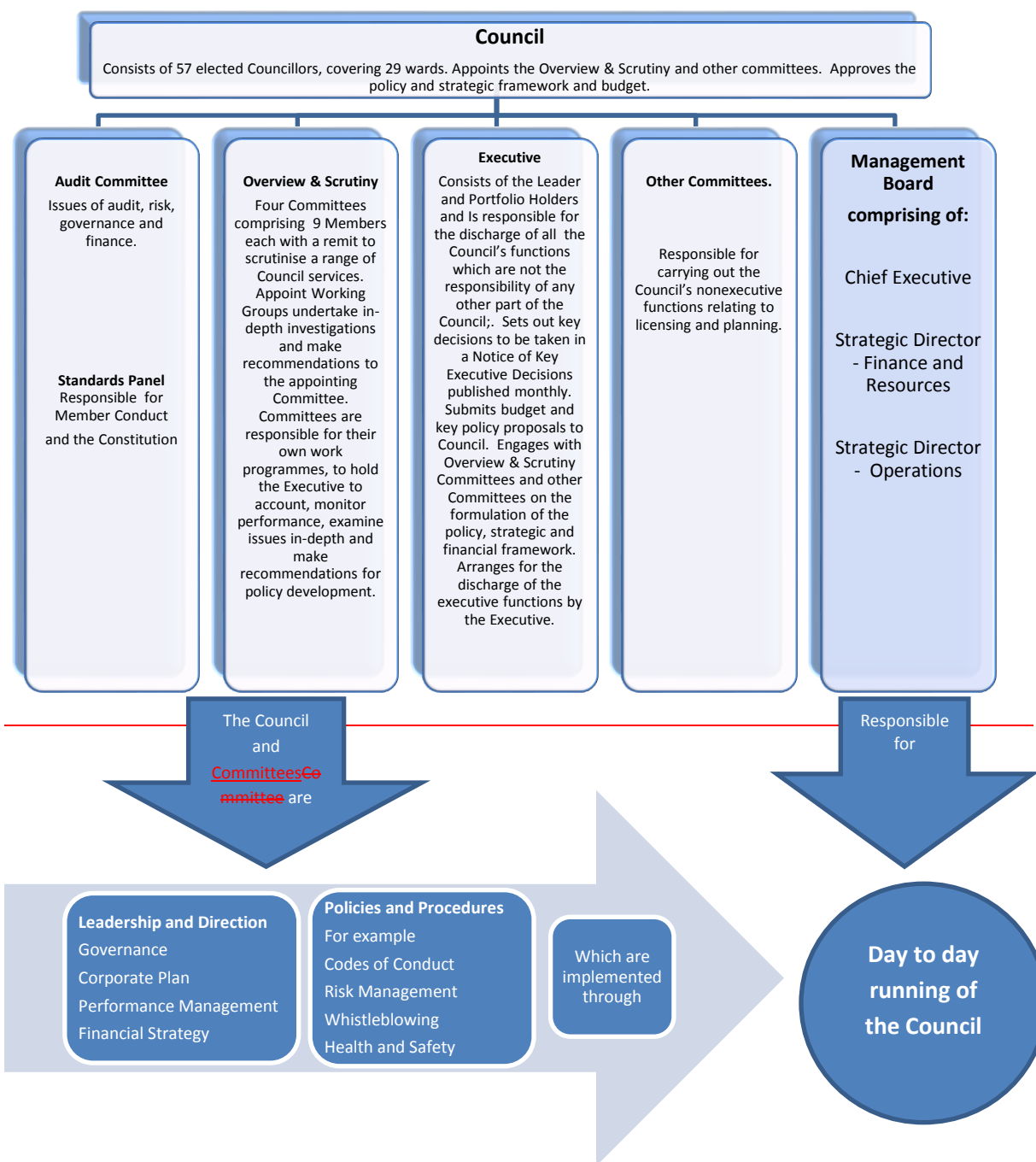
4.22 This statement allows the Council to meet the requirement of the Accounts & Audit (England) Regulations 2016, to prepare and publish an AGS to accompany the 2017/18 Annual Financial Report.

5 The Council: How it works

5.1 All Councillors meet together as the Full Council at least four times a year. 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 also explains the roles and responsibilities of the Executive, Scrutiny and Officer functions. The 'Scheme of delegation' sets out ~~and~~ the basis officers may take decisions under delegated authority. The Council also follows

~~codes delegation arrangements that are in place. It also contains the Codes of Financial Management and Procurement and maintains the Code of Conduct for Members.~~



5.3 Changes in governance during the year

5.31 Following the ~~election resignation of two councillors and resulting by-elections, two new Borough Councillor at a By-Election~~ ~~councillors were elected to the Council in December 2017~~ ~~August 2016.~~ Accordingly, the Council agreed the reallocation of

Waverley

seats on the Council's principal committees in line with the Local Government and Housing Act 1989 (Committees and Political Groups Regulations 1990) on 19 December 2017.~~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.~~

~~In a report to the Standards Panel oversaw a comprehensive review the Monitoring Officer recommended that the panel consider reviewing and revising the Waverley Borough Council *Member Code of the Council's Scheme Conduct*, the *Arrangements for Dealing with Standards Allegations* and the *Councillors Planning Code of Delegation and put 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.~~

~~5.32 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 change which were subsequently agreed by the Council a way forward. The Council approved its action plan in response to the review at its February 2017 meeting.~~

~~5.33 A number of smaller changes to the Constitution were also put forward and agreed during the past 12 months. The most significant of these related to the Council's new approach to overview and scrutiny following a comprehensive member-led scrutiny review in 2016/17. In April 2017 the Council agreed changes to the Constitution which saw the introduction of four smaller scrutiny committees with new terms of reference.~~

~~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.~~

5.385.34 Further information on the Constitution and decision making structure including dates of meetings, agendas and reports can be found on the Council's webpages.

5.395.35 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 2016-19 Plan was approved by the Council in March 2016 and led to a number of changes to the key actions to be delivered during 2017/18. Work was undertaken during 2017/18 to review and revise the Council's Corporate Plan including consultation, led by the Chief Executive, with all members. Proposals for a new corporate strategy will be brought forward in 2018/19.

5.405.36 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 ~~Committees~~Panels, Executive and the Management Board.

5.415.37 The Chief Executive 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.

5.425.38 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.

5.435.39 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 2017/18

-
-
-
-

- ~~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: 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 2017/18 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 2017/18, considering a wide range of governance issues.

Audit Committee Work Programme for 2017/18			
July 2017	September 2017	November 2017	March 2018
<u>Review the progress of the Internal Audit Plans for 2016/17 and 2017/18</u>	<u>Review the progress of the Internal Audit Plan for 2017/18</u>	<u>Review the progress of the Internal Audit Plan for 2017/18</u>	<u>Review the progress of the Internal Audit Plan for 2017/18</u>
<u>Review the progress on the implementation of Internal Audit Recommendations</u>	<u>Review the progress on the implementation of Internal Audit Recommendations</u>	<u>Review the progress on the implementation of Internal Audit Recommendations</u>	<u>Review the progress on the implementation of Internal Audit Recommendations</u>
<u>Review Contract Procurement Rules and Recommend adoption to Council</u>	<u>Update on the work being completed as part of the Surrey Counter Fraud Partnership</u>	<u>Update on the work being completed as part of the Surrey Counter Fraud Partnership</u>	<u>Update on the work being completed on Housing Tenancy Fraud - SCF Partnership</u>
<u>Review the External Audit Findings Report</u>	<u>Review of the Corporate Risk Register</u>	<u>Review of the Corporate Risk Register</u>	<u>Comment on the proposal of internal Audit service delivery from April 2019.</u>
<u>Consider and approve the Statement of Accounts for year ended 31 March 2017</u>	<u>Review and revision of the Internal Audit Charter</u>	<u>Review Financial Regulations and Recommend adoption to Council</u>	<u>Approve proposed Internal Audit Plan for 2018/19</u>
<u>Consider and approve the Letter of Representation for 2016/17</u>	<u>Note the appointment of External Auditor</u>	<u>Receive the External Audit Annual Audit Letter</u>	<u>Receive the External Audit Grants and Returns Certification Report</u>
<u>Review and approve the Annual Governance</u>	<u>Review of the Audit Committee Terms of</u>	<u>Review and recommend</u>	<u>Review External Audit proposed External</u>

Waverley

Statement for 2016/17	Reference	amendments to the Audit Committee Terms of Reference	Audit Plan for 2018/19
Review the Annual Internal Audit Report	Note Audit Committee Activity Report	Interim consideration of Annual Governance Statement issues	Note updated Financial Reporting Standards for Statement of Accounts
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 A corporate ~~An anti-fraud risk assessment~~ review was completed in December 2016, with all reasonable endeavours made to ensure the effectiveness of management processes and controls are in place. This assessment was— 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.

8.2 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 and intranet where applicable. -

8.3 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.

~~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 issues raised throughs its governance policies.
~~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 identified 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 and Internal Audit as Section 151 Officer under the Local Government Act 1972 has responsibility for the control and financial management of the authority.:-

Waverley

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 an annual report from the Internal Audit Client 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.
- ~~control and governance processes.~~

averley
Council
7/2018

11.14 The Internal Audit Client Manager reports to the Strategic Director ~~of~~ Finance and Resources and has direct access to the Chief 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 (Chief Audit Executive).~~:-~~ The opinion for the 12 month period ending March 2018 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~~11.16 The assurance opinion is unchanged from 2016/17.

~~11.18~~11.17 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~~11.18 The Internal Audit Client Manager is not aware of any significant changes having occurred across the Council's internal control environment between April 2017 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 2017/18 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 2017/18, 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

Chief Executive

Dated

Dated

WAVERLEY BOROUGH COUNCIL
AUDIT COMMITTEE – 27 MARCH 2018

Title:

PROGRESS ON THE INTERNAL AUDIT PLAN FOR 2017/18

[Wards Affected: All]

Summary and purpose:

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

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

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

Financial Implications:

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

Legal Implications:

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

Introduction

1. The progress on the completion of the Internal Audit Plan for 2017/18 is shown as attached at Annexe 1. The majority of the work has now been completed. The IT review on email and server virus protection initially planned to utilise 7 days resource is included within the requirements of the PSN annual review that is completed to comply with the government security requirements. Therefore as assurance on this area has already been supplied through the continuation of our PSN certification this review will not be carried out to prevent duplicate use of resources.

Conclusion

2. The Committee is asked to note the progress made on the 2017/18 Audit Plan, and to note that the contractor has achieved the plan by 31 March 2018.

Recommendation

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

Background Papers

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

CONTACT OFFICER:

Name: Gail Beaton

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 16/03/2018	2017-18 Priority	Org Proposed No. of Plan Days	Revised Plan (a) + (b)	Actual Total to date	Days Planned to end March '18	Progress	Details	Proposed quarter to be started * indicates change from original plan	Head of Service & Manager Responsible for Area	Contact Details	No. of Recs in Final Report	Overall Opinion
	Key		2017/18	(c)	(d)	(e)							
	Awaiting Draft Report Completed												
	New Review added since 21/03/2017												
	Deferred												
	Removal from Plan												
	Systems and Services Audit												
	IT SERVICES												
IA18-00	System Development & Change Control Management re Upgrades and Patches to existing systems	High	7.00	7.00	1.00	6.00	In progress	Assurance on the change controls in place re the upgrades and application of patches of key systems.	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	0.00		Assurance on the systems in place to limit the risk of systems being compromised due to virus or penetration attacks. Areas identified covered by PSN requirements therefore Audit Review not commenced.	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	0.00	1.00	6.00							
	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
IA18-17	Payroll	Medium	7.00	7.00	7.00	0.00	Final Report on Covalent	Compliance with agreed processes.	Q3	Head of Finance - Peter Vickers	01483-523539	5	Reasonable Assurance
IA18-06	Petty Cash/Cash Equivalent/Supplier A/Cs	High	7.00	7.00	7.00	0.00	Final Report on Covalent	Compliance with process and include account held with other re Screwfix, John Lewis etc	Q1	Head of Finance - Peter Vickers	01483-523539	11	Partial Assurance
IA18-05	Main Accounting (Budgetary Control & Ledger)	High	7.00	7.00	7.00	0.00	Final Report on Covalent	Compliance with agreed processes including Journals	Q2-3	Head of Finance - Peter Vickers	01483-523539	4	Reasonable Assurance
IA18-26	Reconciliations	High	7.00	7.00	7.00	0.00	Draft Report Stage	Review re timely and completeness.	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 on Covalent	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	5	Substantial Assurance
IA18-13	Housing Benefit and Council Tax Reduction Scheme	High	10.00	10.00	10.00	0.00	Final Report on Covalent	Review of the effectiveness of the systems in operation, High value with complex process.	Q3	Head of Finance - Peter Vickers	01483-523539	3	Substantial Assurance
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	7.00	-7.00	-7.00	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		
IA18-20	Production of Final Accounts	High		7.00	7.00	0.00	Final Report on Covalent	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	3	Substantial Assurance
IA18-18	Income Streams	High		10.00	10.00	0.00	Final Report on Covalent	To provide assurance that income streams are being actively monitored and controlled to ensure that all income due is being invoiced, collected and credited to the appropriate income budget. 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 manor.	Q4	Various Officers		5	Reasonable Assurance
	Sub total for Key Financial Systems		74.00	77.00	77.00								
IA18-19	Restaurant (Catering Facilities)	Medium	7.00	7.00	7.00	0.00	Final report on Covalent	To provide assurance that controls are in place and operating as intended.	Q3-Q4	Head of Customer and Corporate Services David Allum	01483-523338	11	Partial Assurance
IA18-14	Environmental Health Services - Food Inspections	High	10.00	10.00	10.00	0.00	Final report on Covalent	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	5	Reasonable Assurance
IA18-09	Recycling	Medium	7.00	7.00	7.00	0.00	Final report on Covalent	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	2	Substantial Assurance

AUDIT PLAN AGREED BY AUDIT
COMMITTEE ON 21 MARCH 2017

Report No.	AUDIT PLAN AS AT 16/03/2018	2017-18 Priority	Org Proposed No. of Plan Days	Revised Plan (a) + (b)	Actual Total to date	Days Planned to end March '18	Progress	Details	Proposed quarter to be started * indicates change from original plan	Head of Service & Manager Responsible for Area	Contact Details	No. of Recs in Final Report	Overall Opinion
	Key		2017/18	(c)	(d)	(e)							
	Awaiting Draft Report												
	Completed												
	New Review added since 21/03/2017												
	Deferred												
	Removal from Plan												
	Systems and Services Audit												
IA18-16	Tree Management	High	10.00	10.00	10.00	0.00	Final report on Covalent	Compilation 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	5	Reasonable Assurance
IA18-00	Responsive Repairs and Voids	High	10.00	10.00	10.00	0.00	Awaiting Draft Report	Ensure that Post Inspection process is in place and being complied with.	Q4	Head of Housing Operations - Hugh Wagstaff	01483-523363		
IA18-24	Removal and Addition of Properties (Sales Of Council owned properties (Inc. RTB) Process, purchases and new build)	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 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	5	Partial Assurance
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
IA18-23	Gas Maintenance	High	10.00	10.00	10.00	0.00	Final report on Covalent	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	5	Reasonable Assurance
IA18-15	Asbestos Exposure	High	10.00	10.00	10.00	0.00	Final report on Covalent	Assurance on the operational aspects of the management and access to the register.	Q3	Head of Housing Operations (Hugh Wagstaff)	01483-523363	5	Reasonable Assurance
IA18-10	Completeness of Fire Safety Assessment Checks	High		5.00	5.00	0.00	Final report on Covalent	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	4	Reasonable Assurance
IA18-12	Planning Systems Appeals	High	10.00	10.00	10.00	0.00	Final report on Covalent	Planning Performance re changes in government targets re the number of appeals allowed against WBC.	Q2	Head of Planning - Elizabeth Sims	01483-523193	3	Reasonable Assurance
IA18-25	Home Choice (Management of the Housing Register)	High	10.00	10.00	10.00	0.00	Draft Report Stage	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	Final report on Covalent	Review of the effectiveness of the systems in operation re recent changes	Q1 to Q2*	Head of Policy and Governance - Robin Taylor	01483-523108	3	Substantial Assurance
IA18-21	Contract Final Accounts	High		7.00	7.00	0.00	Final Report Stage	Contract management re Final accounts and retention of documentation	Q1-Q4	Corporate			
	Governance and Risk Reviews												
IA18-22	Gifts and Hospitality		5.00	5.00	5.00	0.00	Draft Report Stage		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	4.00	1.00							
	Contingency		27.00	19.00	0.00	19.00							
			158.00	162.00	142.00	20.00							
	Subtotal Key Financial Systems Reviews		74.00	77.00	77.00	0.00							
	Subtotal of IT Reviews		14.00	7.00	1.00	6.00							
	Total Plan Contractor Review Days* (RSM 230 & 16 Days from 2016/17 re deferrals)		246.00	246.00	220.00	26.00							

AUDIT PLAN AGREED BY AUDIT
COMMITTEE ON 21 MARCH 2017

Report No.	AUDIT PLAN AS AT 16/03/2018	2017-18 Priority	Org Proposed No. of Plan Days	Revised Plan (a) + (b)	Actual Total to date	Days Planned to end March '18	Progress	Details	Proposed quarter to be started * indicates change from original plan	Head of Service & Manager Responsible for Area	Contact Details	No. of Recs in Final Report	Overall Opinion
	Key		2017/18	(c)	(d)	(e)							
	Awaiting Draft Report												
	Completed												
	New Review added since 21/03/2017												
	Deferred												
	Removal from Plan												
	Systems and Services Audit												
Report Ref No	Audit Topic							Details		Head of Service & Manager Responsible for Area			
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
IACM18-02	Council Tax Reduction Scheme	High	15.00	15.00	15.00	0.00	Final Report on Covalent	To provide assurance that applications for a reduction are legitimate, accurately recorded and evidence held to support award of discount.		Head of Finance Peter Vickers	01483-523539	13	Advisory
IACM18-03	Careline	High	8.00	8.00	8.00	0.00	Final Report on Covalent	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	13	Advisory

This page is intentionally left blank

WAVERLEY BOROUGH COUNCIL

AUDIT COMMITTEE - 27/03/2018

Title:

PROPOSED AUDIT PLAN FOR 2018-19

[Wards Affected: All]

Summary and purpose:

The Committee's terms of reference include provision for the Committee to comment on the proposed Internal Audit Plan for 2018/19. This report presents the Draft Internal Audit Plan for 2018-19 and the Committee is invited to comment before the Plan is adopted. The plan has been drawn up by the Internal Audit Client Manager through consultation with Heads of Service Team and Management Board and prepared by completing a full a risk assessment of the audit universe of the council's activities including the contents of the current corporate risk register provided by the Insurance and Risk Management Officer.

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:

Internal audit work includes the consideration of value for money issues and, allied to this, the potential for waste, loss, theft and inefficiency. 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 Audit Plan that must cover a period of no more than a year in order to fully comply with the requirements of the Code of Practice issued by CIPFA, which is given mandatory status by the Accounts and Audit Regulations.

Introduction

1. The draft Internal Audit Plan for 2018-19, attached at Annexe 1, has been prepared after consultation with key officers of the council and an Audit Risk Assessment of Waverley's control environment and activities. Views were taken on board throughout the consultations, however it is necessary to consider the balance between the resources available and how Internal Audit Service is best able to assist with the organisation achieving its objectives by

having a meaningful input in providing management assurance on changes to the control environment.

Proposed Plan for 2018-19

2. The proposed draft Internal Audit Plan for 2018/19 presented for endorsement has been prepared by the Internal Audit Client Manager, through consultation with Heads of Service, agreed by the Section 151 Officer and Management Board.
3. It is proposed that the number of days procured remains at 230 days and to be provided by the contractor RSM for the financial year 2018/19. The resource of the Internal Audit Client Manager will be utilised to manage the contract and will deal with any corporate reviews or investigations requiring internal audit expertise that arise throughout the year.
4. The draft 2018/19 proposed Internal Audit Plan has been prepared with reference to the Internal Audit Risk Assessment, as well as assessing the current control environment, operational risk register and operational management input.
5. Resources have been allocated to priority risk areas including those that may hinder the achievement of Waverley's corporate objectives.
6. Where there are identified changes to systems and services throughout the year, a provision (in contingency) has been included in the Plan to resource these reviews. A provision of 15 days resource has been allocated for Information Technology reviews although these have not yet been specified but will be as the year progresses.

Conclusion

7. The proposed Internal Audit Plan for 2018-19 gives coverage to the key known issues facing Waverley in the coming 12 months, with a contingency to address those issues that may materialise in the year.

Recommendation

The Audit Committee is invited to comment on and approve the Internal Audit Plan for 2018/19, as attached in Annexe 1.

Background Papers

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

CONTACT OFFICER:

Name: Gail Beaton

Telephone: 01483 523260

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

AUDIT PLAN TO BE PRESENTED TO 27 MARCH 2018 AUDIT COMMITTEE					
AUDIT PLAN AS AT 01 APRIL 2018	2018/19 PRIORITY	Proposed No. of Plan Days	Details	Head of Service & Manager Responsible for Area	Contact Details
	RISK BAND	2018/19			
Systems and Services Audit					
IT SERVICES					
Reviews to be decided throughout the year.		0.00		Head of Customer, IT and Office Services - David Allum	01483 523221
Contingency		15.00			
IT Total		15.00			
GENERAL SYSTEM REVIEWS					
Key Financial Systems					
Creditors	High	7.00	KFS testing. Review processes for identifying procurement route, and for issue and control of orders and agreeing payment of invoices. P2P.	Head of Finance - Peter Vickers	01483-523539
Housing Benefit and Council Tax Reduction Scheme	High	10.00	Key systems tests. Review of access to accounts on-line, Systems Thinking Outputs.	Head of Finance - Peter Vickers	01483-523539
Business Rates (NNDR)	Medium	10.00	Review of on-line access to accounts, and revaluation implementation.	Head of Finance - Peter Vickers	01483-523539
Housing Rent Collection	High	7.00	KFS testing. Review the implementation of universal credit planned October 2018.	Head of Housing Operations Hugh Wagstaff	01483 523363
Car Parking	High	7.00	Revenue expenditure re Car park maintenance, low value accumulates to high value CPF.	Head of Environment - Richard Homewood	01483 523411
Sub total for Key Financial Systems		41.00			
Flexi-Time - Consistency of Application	High	7.00	Assurance that Consistency is applied	Head of Finance - Peter Vickers	01483-523539
Staff Expenses and Allowances (Itrent)	High	10.00	Accuracy of claims	Head of Finance - Peter Vickers	01483-523539
Risk Management	Medium	10.00	Effective and impact of the system in operation	Head of Finance - Peter Vickers	01483-523539
Housing approval of invoices re Interface with Agresso	High	10.00	Re process from Orchard through to Agresso re authorisations and controls	Head of Housing Operations Hugh Wagstaff & Head of Finance - Peter Vickers	01483 523363 & 523539
Management of Flexible Tenancies	High	7.00	Preparedness re 5 years since 1st awarded - What happens next	Head of Housing Operations Hugh Wagstaff	01483 523363
RTB process	High	7.00	Risks – single point of control, individual expertise in the area, large sums of money, controls in place.	Head of Housing Operations Hugh Wagstaff	01483 523363
Housing Rent Deposit Scheme (Landlords)	High	7.00	Relates to the award/renewal of deposit bonds and recovery of charges from tenants when we pay out on a deposit bond or rent in advance.	Head of Strategic Housing Andrew Smith	01483 323096
Safeguarding	High	7.00	Assurance that awareness is embedded and actions recorded appropriately	Head of Strategic Housing Andrew Smith	01483 323096

AUDIT PLAN TO BE PRESENTED TO 27 MARCH 2018 AUDIT COMMITTEE					
AUDIT PLAN AS AT 01 APRIL 2018	2018/19 PRIORITY	Proposed No. of Plan Days	Details	Head of Service & Manager Responsible for Area	Contact Details
	RISK BAND	2018/19			
Systems and Services Audit					
Environmental Street Cleaning	Medium	7.00	Management contract terms and non compliance.	Head of Environment - Richard Homewood	01483 523411
Leisure - Share profits arrangement	High	7.00	Special Interest Group early January 2017 so Q4 or 2018/9	Head of Communities and Special Projects - Kelvin Mills	01483 523432
Ground Maintenance	High	10.00	Management contract terms and non compliance.	Head of Communities and Special Projects - Kelvin Mills	01483 523432
Memorial Hall	High	10.00	Project management re quality and cost delivery, upgrade Project	Head of Communities and Special Projects - Kelvin Mills	01483 523432
Waverley Training Services	Medium	10.00	Operational review re growth in business impact on council, business plan, contractor relationships, governance arrangements, remoteness of service.	Head of Communities and Special Projects - Kelvin Mills	01483 523432
Local Land Charges	Medium	7.00	Assurance that system is operating as intended	Head of Policy and Governance - Robin Taylor	01483 523108
Community Infrastructure Levy	High	7.00	Assurance that new system is operating as intended	Head of Planning -Elizabeth Sims & Head of Finance - Peter Vickers	01483 523292 & 523539
Governance and Risk Reviews					
Corporate Complaints System	High	7.00	Accuracy of reporting information and output management	Head of Policy and Governance - Robin Taylor	01483 523108
Investment Board and Commercial Investment Ventures	High	10.00	Assurance on the Governance, initiation and reporting arrangements		
Brightwells	High	10.00	Assurance on the controls re risk of loss, legal obligations etc.	Head of Communities and Special Projects - Kelvin Mills	01483 523432
Management Contract Liaison Meetings		6.00			
Contingency		28.00			
Sub Total for Operational Reviews (Inc. Cont.)		184.00			
Subtotal Financial Systems Reviews		41.00			
Subtotal of IT Reviews		15.00			
Total Contractor Plan Review Days		240.00			
Total Days Plan (230 Plus 10 re deferred from 2017-18 = 240)		240.00			

WAVERLEY BOROUGH COUNCIL

AUDIT COMMITTEE

27 MARCH 2018

Title:

PROGRESS ON THE IMPLEMENTATION OF INTERNAL AUDIT RECOMMENDATIONS

[Wards Affected: ALL]

Summary and purpose:

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

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

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

Financial Implications:

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

Legal Implications:

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

Introduction

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

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

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. These recommendations correlate to the work currently being completed on the introduction

of the General Data Protection Regulations 2018. Detailed below is an update on the progress being made as at 5th March 2018:-

- a. The project is progressing well on target with both the Information Governance Board (IGB) and the Information Governance Group (IGG) meeting fortnightly to ensure that the remaining tasks are progressing as expected and to manage any issues arising.
 - b. The Information Asset Audit was conducted at the end of November 2017 and comprehensive service specific Personal Data Registers have been created. These registers constitute part of the Council's Information Asset Database. The registers have been reviewed by the Heads of Service and their teams for accuracy and going forward will be reviewed on an annual basis.
 - c. The policies and procedures relating to data protection are being reviewed and updated to comply with the new legislation and the final drafts will be finalised in March including the main Information Governance Policy, the Data Retention Schedule and the Subject Access Request and Data Breach procedures.
 - d. Privacy Notices have been reviewed across the Council and a template has been prepared. Once this is finalised it will be used to inform service specific notices with assistance from the legal team. The "Consent" process is also being reviewed (the requirement for people to opt in rather than opt out). A template to conduct Data Protection Impact Assessments will be finalised in March and will be included as a requirement in the project initiation document for any new projects. In addition, the legal team is reviewing the supplier contracts and SLA agreements.
 - e. The recruitment of the Data Protection Officer is under way with the interview stage taking place in March. The post will be part of the Legal team under Policy & Governance.
 - f. A Training Strategy has been devised to ensure all staff are trained at the appropriate level. The Information Governance Board, Group and Champions will receive in-depth trainer led sessions during January to April. All staff have received an initial briefing and will be expected to complete an e-learning module by May. Further all staff briefings will be conducted in May. Arrangements are also currently being made for specific councillor training.
 - g. An internal Communication Strategy has been prepared with a series of subject specific campaigns being launched from March to May 2018.
 - h. IT systems are being reviewed for data deletion functionality to ensure that we are able to comply with right to be forgotten requests. In some instances additional modules may need to be purchased from suppliers in order to delete data the Data Protection section on Waverley's website is also being reviewed and updated with new information.
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 being made to comply with General Data Protection Regulations by 25th May 2018
-

Background Papers

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

CONTACT OFFICER:

Name: Gail Beaton

Telephone: 01483 523260

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

Audit Recommendations overdue or due within next month





Generated on: 14 March 2018

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




Head of Service Taylor, Robin



Action Code & Description	IA16/22.001 Policies	The Council's Information Management Policy, Record Disposal and Retention Schedule and the Acceptable Use of IT policy were last updated over a year ago. The policies do not cover off the process to be followed in regard to the retention, sharing and disposal of manual or electronic data. The policies also do not cover the procedure to be followed if manual or electronic data is lost or subject to misappropriation.	Exit Meeting Date	02-Jun-2016
			Due Date	30-Apr-2018
Audit Report Code and Description		IA16/22 Information Security Governance		
Agreed Action		<p>The Council will update the Record Disposal and Retention Schedule to ensure it includes the preferred disposal method for all types of data.</p> <p>The Council will ensure that the Information Management policy is updated to include the procedure to be followed if manual data is lost or subject to misappropriation. It should also include Council procedure in regard to manual security measures or physical security re the sharing of all types of information.</p> <p>Both the Acceptable Use of IT policy and the Information Management policy will also be updated to include how data loss/misappropriation is reported to Senior Management.</p> <p>All policy and procedural documentation relating to Information Security Governance will be reviewed and updated where necessary on an annual basis going forward.</p>		
Status		In Progress	Progress	95%
Head of Service	Robin Taylor			
All Notes	As part of the GDPR compliance most of the policies and procedures concerning data protection has been reviewed and updated to comply with the new legislation and the final drafts will be finalised in March including the main "Information Governance Policy", "SAR procedure", "Use of IT" and "Data Breach procedure" as well as "Data Retention Schedule". The final versions of the document will be sent to the Information Governance Board for approval and once approved the reviewed policies can be appended to the system as an evidence of completion.			05-Mar-2018
Action Code &	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	Exit Meeting Date	02-Jun-2016
			Due Date	30-Apr-2018



		with ISO15489. The policy does not go on to state what the requirements of ISO15489 are.		
Audit Report Code and Description		IA16/22 Information Security Governance		
Agreed Action		The Council will detail the requirements of ISO15489 within the Information Management Policy that staff will need to comply with to ensure records are stored appropriately.		
Status		In Progress	Progress	95%
			Head of Service	Robin Taylor
All Notes	This action is being progressed as part of the Council's programme of work in preparation for the implementation of General Data Protection Regulations. It is nearing completion and will be in place by the end of May 2018.			14-Mar-2018



Action Code & Description	IA16/22.004 Procedure	As per comment from the Borough Solicitor at the time of the audit, a documented procedure is not in place detailing how the Council upholds Information Security Governance responsibilities if staff normally responsible are unavailable. The Council also does not have a published structure chart in place showing the members of staff involved with Information Security Governance and the responsibilities they hold.	Exit Meeting Date	02-Jun-2016
			Due Date	30-Apr-2018
Audit Report Code and Description		IA16/22 Information Security Governance		
Agreed Action		The Council will ensure that the Information Governance Strategy is put into place as soon as possible. It will include the procedure to be followed in relation to upholding Information Security Governance responsibilities if staff members who are normally involved are unavailable. It will also include a structure chart which will detail the staff that are involved with Information Security Governance and the responsibilities they hold. The chart will be disseminated to all staff.		
Status		In Progress	Progress	95%
			Head of Service	Robin Taylor
All Notes	This action is being progressed as part of the Council's programme of work in preparation for the implementation of General Data Protection Regulations. It is nearing completion and will be in place by 17 April 2018.			14-Mar-2018


Action Code & Description	IA18/02.001 Programme	No formal programme is yet in place for ensuring that the Council's major decision makers and managers and staff with personal data-related responsibilities are fully aware of the forthcoming GDPR legislation and the impact that this is likely to have across the Council.	Exit Meeting Date	03-Jul-2017
			Due Date	30-Apr-2018
Audit Report Code and Description		IA18/02 Framework for compliance with the General Data Protection Regs 2018		
Agreed Action		<p>Management will ensure that a programme is put in place to ensure that senior decision makers and those with data management responsibilities are fully aware of the timing and implications for the Council of the new GDPR legislation:</p> <p>Potentially, this will include:</p> <ul style="list-style-type: none"> - Presentations to senior management, information security groups and other staff with key information management responsibilities. - Updating all key data management policies and guidance documents to reflect the changes resulting from the introduction of GDPR. - Publicising the key changes arising from GDPR across the Council, and notifying management as to who to approach or where to find additional guidance on the matter. - Ensuring that data protection training courses for new staff are updated to include guidance on complying with the new legislation and that proposed refresher training for existing staff also reflects GDPR requirements. 		

Status		In Progress	Progress	70%	Head of Service	Robin Taylor
All Notes	All Staff Briefing sessions were conducted in November 2017. The IG Board and Group were created which meet on fortnightly basis. Additional GDPR Champions were selected to support the IG Group representative with the GDPR implementation project delivery. All Data Protection policies and procedure have been reviewed and the final drafts are currently being worked on. Trainer led and e-learning courses are being offered to key stakeholders and involved members of staff and will be rolled out to All staff in April-May 2018. The Councillor training sessions are also being devised. GDPR e-learning module will be included as part of the induction package for all new starters.					09-Mar-2018
Action Code & Description	IA18/02.003 Website Privacy Policy	The Council has a privacy policy on its website which refers to the collection of personal data via the site itself. However, this relates solely to compliance under the Data Protection Act 1998 and has not been updated to take account of the provisions of GDPR and the Council has no formal plan in place to address this.			Exit Meeting Date	03-Jul-2017
					Due Date	30-Apr-2018
Audit Report Code and Description		IA18/02 Framework for compliance with the General Data Protection Regs 2018				
Agreed Action		Management will ensure that the Council's existing privacy impact notices are reviewed and updated as necessary to comply with the requirements of GDPR. Management have noted that examples of additional information which organisations are required to provide people with under the new Act, include: - Explaining the legal basis for processing the data. - Confirming data retention periods. Informing people that they have a right to complain to the ICO if they think there is a problem with the way the organisation is handling their data.				
Status		In Progress	Progress	70%	Head of Service	Robin Taylor
All Notes	The master template of the new GDPR compliant Privacy Notice was prepared and it is at the final draft stage. Once approved by the IG Board the policy will be put on the Waverley website and service specific policies will be appended to it.					09-Mar-2018
Action Code & Description	IA18/02.004 Review Information Rights Policy and Procedure	The Council has a documented Information Rights Policy/Procedure, but there are no plans in place to ensure that this is reviewed and revised to ensure that it is compliant with GDPR.			Exit Meeting Date	03-Jul-2017
					Due Date	30-Apr-2018
Audit Report Code and Description		IA18/02 Framework for compliance with the General Data Protection Regs 2018				
Agreed Action		Management will arrange for its documented approach to ensuring that information rights are met to be reviewed and amended as necessary, in line with the requirements of the GDPR. These will include the following rights relating to individuals: - Subject access; - To have inaccuracies corrected; - To have information erased; - To prevent direct marketing, - To prevent automated decision-making and profiling; and Data portability.				
Status		In Progress	Progress	60%	Head of Service	Robin Taylor
All Notes	The Subject Access Procedure was prepared and it is going through the final draft stage. The IT team is still reviewing all current system to ensure that from May 2018 we will be able to correct or erase information. Additional software modules might need to be purchased to enable data correction and erasure.					09-Mar-2018
Action Code & Description	IA18/02.005 Review Subject Access Request Rules	The Council has an established Subject Access Request (SAR) procedure in place and has provided information for the public regarding the process for obtaining access to their personal data, on its website. However, the above processes and related			Exit Meeting Date	03-Jul-2017
					Due Date	30-Apr-2018


		documentation have not yet been reviewed and updated to take account of the changes to the Subject Access Request rules under GDPR and no formal plans are in place to address this task.		
Audit Report Code and Description		IA18/02 Framework for compliance with the General Data Protection Regs 2018		
Agreed Action		<p>Management will ensure that the Council's Subject Access Request procedures, together with any associated guidance for staff and members of the public are reviewed and updated in line with the new requirements under GDPR.</p> <p>Management have noted that these include:</p> <ul style="list-style-type: none"> - In most cases the organisation will not be able to charge for complying with a SAR. - There will be a month to comply with SARs, rather than the current 40 days. - There are new grounds for refusing to comply with a SAR which is manifestly unfounded; excessive requests can be charged for or refused. - Where a request is refused, policies and procedures should be in place to demonstrate why the request meets the refusal criteria. <p>Additional information must be disclosed to people making requests, such as data retention periods and the right to have inaccurate data corrected.</p>		
Status		In Progress	Progress	80%
			Head of Service	Robin Taylor
All Notes	The Subject Access Procedure has been now amended to ensure compliance with the new legislation. The final draft is reviewed by the legal team at then moment. The IT team will be easily able to amend the response time from 40 days to a month in the current application used for logging all SAR requests - the change will be implemented in May. Waverley already has an online form allowing our residents to raise subject access requests and guidance will also be included in the master Privacy Notice on our website.			09-Mar-2018
Action Code & Description	IA18/02.006 Legal basis of processing Personal data	The Council has produced a range of documentation concerning the legal basis for processing personal data in line with the requirements of the Data Protection Act 1998; for example it has published a Fair Processing Notice in respect of the re-use of Council Tax data on its website. However, the organisation has not documented the legal basis for processing all the different types of personal data it holds and considered whether the results of that exercise have any practical implications for its approach to personal data processing under GDPR.	Exit Meeting Date	03-Jul-2017
			Due Date	20-May-2018
Audit Report Code and Description		IA18/02 Framework for compliance with the General Data Protection Regs 2018		
Agreed Action		<p>Management will ensure that the legal basis for processing personal data handled by the Council is fully documented and the practical implications of changes stipulated under GDPR are considered.</p> <p>Management have noted that these could include:</p> <ul style="list-style-type: none"> - The modification of some individuals' rights, depending on the legal basis for processing. - Impacts on the SAR process. <p>Some people will have a stronger right to have their data deleted where the organisation uses consent as its legal basis for processing.</p>		
Status		In Progress	Progress	70%
			Head of Service	Robin Taylor
All Notes	The Personal Data Registers which specify what personal data we collect in each service area include a field specifying what our legal basis for collection is. The legal basis for processing will also be included in our Master Privacy Notice.			09-Mar-2018


Action Code & Description	IA18/02.007 Consent processes	The Council has no plans in place for reviewing and updating its processes for seeking, obtaining and recording consent to handling individuals' personal data in line with changes to those processes contained within GDPR.	Exit Meeting Date	03-Jul-2017
			Due Date	30-Apr-2018
Audit Report Code and Description		IA18/02 Framework for compliance with the General Data Protection Regs 2018		
Agreed Action		<p>Management will ensure that its processes for seeking, obtaining and recording consent to handling individuals' personal data are reviewed and updated in accordance with the requirements of the GDPR.</p> <p>Management have noted that the requirements for consent processes under the new Act include:</p> <ul style="list-style-type: none"> - Explicit consent must be given for data collection, data usage and marketing. - Consent must be verifiable /subject to an appropriate audit trail. <p>There must be positive indication of agreement of personal data being processed, i.e. this must not be inferred from silence, pre-ticked boxes or Inactivity.</p>		
Status		In Progress	Progress	40%
Head of Service				Robin Taylor
All Notes	A registered of all consent seeking forms and clauses used around the council is being created. At the moment each service team is gathering this information which will form part of the Consent Register. All forms and clauses will be reviewed by the legal team to ensure that they are still fit for purpose and compliant with the new Data Protection regulation.			09-Mar-2018
Action Code & Description	IA18/02.008 Dealing with Childrens Personal Data	<p>The Council has produced a limited amount of guidance concerning requests for access to children's personal data from their parents or guardians.</p> <p>Regarding requests from children themselves, the Council has provided its staff with a link to the ICO's Subject Access Code of Practice document dated February 2014, for reference when handling such requests.</p> <p>However, none of the above information has been reviewed and updated to reflect the new requirements regarding children's personal data requests contained within the GDPR.</p>	Exit Meeting Date	03-Jul-2017
			Due Date	30-Apr-2018
Audit Report Code and Description		IA18/02 Framework for compliance with the General Data Protection Regs 2018		
Agreed Action		<p>Management will ensure that the Council's existing documented guidance on handling children's personal data is reviewed and updated so as to comply with the requirements of the GDPR.</p> <p>Management have noted that these include:</p> <ul style="list-style-type: none"> - Special protection for children's Internet / social networking. - The need for new systems to verify individuals' ages and to gather parental or guardian consent for the data processing activity. <p>Children under the age of 13 (in the UK) require parental / guardian consent to be able to access their personal data.</p>		
Status		In Progress	Progress	70%
Head of Service				Robin Taylor
All Notes	The Information Audit haven't found any areas in which our organisation would offer information services directly to children and the action has been marked as not applicable. However, as we might want to provide such service in the future a guidance to all staff for how children data should be obtained (for example if a parent or guardian consents to it) and handled needs to be devised.			09-Mar-2018
Action Code & Description	IA18/02.009 Investigating Data Breaches	The Council does not have written procedures for detecting, reporting and investigating personal data breaches.	Exit Meeting Date	03-Jul-2017

				Due Date	30-Apr-2018
Audit Report Code and Description		IA18/02 Framework for compliance with the General Data Protection Regs 2018			
Agreed Action		<p>Management will ensure that documented personal data breach procedures are produced which take account of the latest requirements in this area that have been incorporated into the GDPR. These include:</p> <ul style="list-style-type: none"> - The need for the data breach procedures to include guidance on breach detection, reporting and investigation. - The requirement to identify the types of data held (for which a breach has occurred) that fall within the notification requirement. - The need for policies for managing personal data breaches. - The need for data breach notifications to be issued to the ICO within 72 hours where the individual is likely to suffer some form of damage, such as through identity theft or a confidentiality breach. - The rule that failure to report a breach when required to do so could result in a fine, as well as a fine for the breach itself. <p>Confirmation that fines may be imposed by the ICO amounting to up to 20 million euros or 4% of annual turnover, whichever is the greater.</p>			
Status		In Progress	Progress	50%	Head of Service Robin Taylor
All Notes	The current Data Breach procedure is currently being reviewed and a clear guidance to all staff on what constitutes a breach and how to report it needs to be still prepared.				09-Mar-2018
Action Code & Description	IA18/02.010 Privacy Impact Assessment Process	The Council has not reviewed and updated its privacy impact assessment processes to ensure that these comply with the guidance in the GDPR.		Exit Meeting Date	03-Jul-2017
				Due Date	30-Apr-2018
Audit Report Code and Description		IA18/02 Framework for compliance with the General Data Protection Regs 2018			
Agreed Action		<p>Management should ensure that the Council's Data Protection by Design and Privacy Impact Assessment processes are reviewed and aligned with the guidance on such processes contained in the GDPR. This includes the following:</p> <ul style="list-style-type: none"> - The now express legal requirement for organisations to take a 'privacy by design' and data minimisation approach. - DPIA (Data Privacy Impact Assessments) are required for high-risk situations, for example where a new technology is being deployed or where a profiling operation is likely to significantly affect individuals. <p>If the DPIA indicates High Risk processing, e.g. new technology, the ICO will need to be consulted.</p>			
Status		In Progress	Progress	70%	Head of Service Robin Taylor
All Notes	The Data Protection Impact Assessment (DPIA) form has been prepared and will be included in a suit of pre-requisite documentation required ahead of a project launch. The form and the guidance on when DPIA needs to be conducted are in a draft version at the moment and will be sent for the approval from the IG Board.				09-Mar-2018
Action Code & Description	IA18/02.011 Roles & responsibilities	As the SIRO (Senior Information Risk Owner) for the Council, the Borough Solicitor/Head of Legal Services has nominal responsibility for Data Protection matters. However, the detailed responsibilities associated with the Data Protection role have not currently been documented. The allocation and responsibilities pertaining to other Data Protection roles within the organisation have similarly not been documented.		Exit Meeting Date	03-Jul-2017
				Due Date	30-Apr-2018
Audit Report Code and Description		IA18/02 Framework for compliance with the General Data Protection Regs 2018			
Agreed Action		Management will ensure that:			

		<ul style="list-style-type: none"> The need for a Data Protection Officer role is identified within the Council's structure and governance arrangements. The role is formally allocated to an individual with the knowledge, support and authority to carry out the duties associated with it effectively. The detailed responsibilities attached to the role should be documented and communicated to the individual concerned. Additional roles which support the duties of the Data Protection Officer should also be formally allocated and the responsibilities associated with them documented and made available to those concerned. 				
Status		In Progress	Progress	70%	Head of Service	Robin Taylor
All Notes	The recruitment process for the Data Protection Officer has already started with the interview date set on the 13/03/2018. Going forward the Information Governance Board and the GDPR Champions will continue to support the DPO in his role to ensure the new legislation compliance.					09-Mar-2018

Head of Service Wagstaff, Hugh

Action Code & Description	IA18/03.002 On-line Rent Payment System	Through discussions with the Rent Collections Managers and review of the review of the Housing Development plan 2017-19 we confirmed that as part of this process the Council will review information held on the on rent Collection online. This will also include the introduction of an interactive online rent payment system which will allow users to view more information about their account, for example payment history, compared to the current system which only allows users to make payments. There is risk that users might not be able to make informed decisions as the information provided currently is limited.	Exit Meeting Date	24-Jul-2017		
			Due Date	31-Mar-2018		
Audit Report Code and Description		IA18/03 Rent Collection				
Agreed Action		As planned the Council will ensure that tenants are provided with up to date detailed information in relation to rent collection, rent increases and arrears on the website.				
Status		In Progress	Progress	77%	Head of Service	Hugh Wagstaff
All Notes	System to be tested this month					10-Oct-2017

Action Code & Description	IA18/03.004 Debt Collection Agency	We noted that the Council Service Level Agreement with Rossendale Collect debt collection agency was last updated in December 2007. There is a risk that the service being provided might no longer be fit for purpose or represent value for money for service being received or meets for the Rent Collection team's needs.	Exit Meeting Date	24-Jul-2017
			Due Date	31-Mar-2018
Audit Report Code and Description		IA18/03 Rent Collection		
Agreed Action		Whilst the debt collection service is a shared service with other services, the Rent Collections team should take the lead or work jointly with other services to review and update the contract in place to ensure it remains fit for purpose and meets the needs of the Council and specifically the rent arrears collection team's requirements.		
Status		In Progress	Progress	50%
Head of Service				Hugh Wagstaff
All Notes	Scope terms of contract - ready to tender			10-Oct-2017

This page is intentionally left blank

WAVERLEY BOROUGH COUNCIL

AUDIT COMMITTEE – 27 MARCH 2018

Title:

FRAUD INVESTIGATION SUMMARY

[Wards Affected: All]

Summary and purpose:

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

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

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

Resource/Value for Money implications:

Through the detection of instances of housing related fraud, the Council's resources are better safeguarded thus improving value for money and reducing the waiting list for homes. This work ensures that members of the public are only provided with housing and other services that they are legally 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 through to prosecution. However, these costs are far outweighed 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 and stopping fraudsters receiving services that they are not entitled to.

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 one dedicated experienced Fraud Investigator focusing solely

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 April 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 3, 31 December 2017. The Audit Committee are provided with regular updates 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 success of the partnerships.
3. For comparison purposes, as requested by the Audit Committee, the final figures for 2016/17 have been provided.
4. In this period, results include 8 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 4 instances the tenant/s either withdrew their application for housing/succession or was 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.
6. In this period of reporting the Council successfully obtained Legal possession of a property, own by Ewart Bequest but managed by Waverley on there behalf, after any years of that property not being occupied in accordance with the tenancy agreement. This successful prosecution informs those that seek to abuse there tenancy agreements that Waverley will not tolerate this behaviour as it deprives others of accommodation.

Conclusion

7. 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 also assist in minimising the risk of fraudulent activity.

8. The notional value of financial savings detailed in Annexe 1 up to 31 December 2017, is currently £481,420 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

It is recommended that the Audit Committee notes the success of the investigation activity and the results achieved.

Background Papers

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

CONTACT OFFICER:

Name: Gail Beaton

Telephone: 01483 523260

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

This page is intentionally left blank

Name of Partner	Waverley
Quarter	3

Record of cases investigated in the period covering 01 April 2017 to 31 December 2017

	Cases currently being investigated from previous year	Referrals received since 1 April 2017	Cases Started	Cases closed	Still under investigation	Positive outcomes includes previous years cases	Properties retained by the Council	Properties Handed Back /Recovered	Housing / Homeless/RTB / Succession/Mutual Exchange/Shared ownership application withdrawn	Financial Value	Prosecutions
Housing											
Social housing Fraud	10	22	32	25	7	6	1	5		108,000	
Housing Register Fraud	2	7	9	8	1	7	7		Housing Applications Rejected	126,000	
Homelessness Applications											
Right To Buy/Right To Acquire	2	19	21	17	4	2	2		Right to Buy and Tenancy Relinquished	155,800	
Mutual Exchange	5	31	36	36	0	0	0	0	Mutual Exchange denied/rejected	0	
Successions	0	12	12	11	1	3		3	Succession denied	54,000	
Recovered properties for others	2	0	2	2	0	2				36,000	
Council Tax Discount											
SPD & LCTRS						4				1,620	
Student Exemptions											
Disability											
Council Tax Support (benefit)											
Business rates											
NNDR	0					0				0	
Other											
	21	91	112	99	13	24	10	8		481,420	0
2016/17 Previous Year Total	11	127	138	118	20	32	13	12		688,866	

Value of financial savings

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

Housing/Homeless 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 £77,900)

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)

This page is intentionally left blank

Agenda Item 14.

AUDIT COMMITTEE RECURRENT ANNUAL WORK PROGRAMME

Meeting	Item	Action	Responsibility
July 2018	External Audit Findings Report	Note	External audit
	Annual Governance Report	Endorse	External Audit
	Statement of Accounts (Deadline 31/07/2018)	Approve	Head of Finance, Peter Vickers
	Annual Governance Statement (Deadline 31/07/2018)	Approve	Head of Policy and Governance, Robin Taylor
	Annual Internal Audit Report (Activity of previous financial year)	Comment and Note	Internal Audit Client Manager, Gail Beaton
September 2018	Risk Management	Approve	Head of Finance, Peter Vickers
	Review Audit Committee's Terms of Reference	Rec to Council, if necessary	Committee Services
	Audit Committee Annual Report	Note	Committee Services
	Internal Audit Charter	Endorse	Internal Audit Client Manager, Gail Beaton
November 2018	External Audit Annual Audit Letter	Note	External Audit
	Risk Management	Approve	Head of Finance, Peter Vickers
	Annual Governance Statement – Interim Review	Comment and instruct	Head of Finance, Peter Vickers
March 2019	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

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.

This page is intentionally left blank

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

Document is Restricted

This page is intentionally left blank

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

Document is Restricted

This page is intentionally left blank