

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

When calling please ask for:

Maureen Brown, Democratic Services  
Officer

**Policy and Governance**

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Calls may be recorded for training or monitoring

Date: 13 March 2015

**Membership of the Audit Committee**

Cllr Richard Gates (Chairman)  
Cllr Wyatt Ramsdale (Vice Chairman)  
Cllr Jenny Else  
Cllr Tony Gordon-Smith

Cllr Stephen Hill  
Cllr Peter Isherwood  
Vacancy

Dear Councillors

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

DATE: MONDAY, 23 MARCH 2015

TIME: 7.00 PM

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

The Agenda for the meeting is set out below.

Yours sincerely

ROBIN TAYLOR

Head of Policy and Governance

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## NOTE FOR MEMBERS

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

## AGENDA

### 1. MINUTES

To confirm the Minutes of the Meeting held on 19 November 2014 (to be laid on the table half an hour before the meeting).

### 2. APOLOGIES FOR ABSENCE

To receive apologies for absence.

### 3. DISCLOSURE OF INTERESTS

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

### 4. QUESTIONS BY MEMBERS OF THE PUBLIC

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

### 5. GRANTS AND CLAIMS 2013/14 (Pages 7 - 12)

To receive the attached Certification report from Grant Thornton.

#### Recommendation

**It is recommended that the Audit Committee receives and notes the contents of the Certification report for 2013/14.**

### 6. DRAFT EXTERNAL AUDIT PLAN 2014/2015 (Pages 13 - 32)

To receive the attached Draft External Audit Plan 2014/2015 from Grant Thornton.

#### Recommendation

**It is recommended that the Audit Committee receives and notes the contents of the Draft External Audit Plan 2014/2015.**

### 7. AUDIT COMMITTEE UPDATE PAPER (Pages 33 - 50)

To receive the attached Audit Committee Update paper from Grant Thornton.

Recommendation

**It is recommended that the Audit Committee receives and notes the contents of the Audit Committee Update paper.**

8. PROGRESS ON THE IMPLEMENTATION OF INTERNAL AUDIT RECOMMENDATIONS 2014/2015 (Pages 51 - 62)

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

Recommendation

**It is recommended that the Committee considers the information contained in Annexe 1 and identifies any action it wishes to be taken.**

9. PROGRESS ON THE INTERNAL AUDIT PLAN 2014-15 (Pages 63 - 70)

The Committee's terms of reference include provision for the Committee to comment on the progress made in the Audit Plan. This report updates the committee on the current position of the Internal Audit reviews detailed in the attached 2014/15 Audit Plan.

Recommendation

1. **It is recommended that the Audit Committee notes the progress for the Internal Audit Plan 2014/15 as attached at Annexe 1.**

2. **The Audit Committee approves the deferral of the Housing Asbestos Review until the 3<sup>rd</sup> quarter of the 2015-16 Audit Plan.**

10. PROPOSED AUDIT PLAN FOR 2015-16 (Pages 71 - 74)

The Committee's terms of reference include provision for the it to comment on the Internal Audit Client Manager's proposed Internal Audit Plan. This report presents the Draft Internal Audit Plan for 2015-16 and the Committee is invited to comment before the Plan is adopted.

Recommendation

**The Audit Committee is invited to comment on the draft Internal Audit Plan for 2015/16 as attached in Annexe 1 and adopt the plan.**

11. REVIEW OF CONTRACT PROCEDURE RULES AND FINANCIAL REGULATIONS (Pages 75 - 134)

Audit Committee are asked to pass observations of the revised Contract Procedure Rules and Finance Regulations onto the Executive, in compliance with Audit Committee terms of reference Under Article 8 of the Constitution. Specifically, the Audit Committee is required to maintain an overview of the

Council's Constitution in respect of contract procedure rules and financial regulations.

Recommendation

**It is recommended that the Committee passes their observations of the Finance Regulations and Contract Procedure Rules and tabled amendments onto the Executive.**

12. NATIONAL FRAUD INITIATIVE 2014/15 AND THE SURREY COUNTER FRAUD PARTNERSHIP (Pages 135 - 144)

The report provides an update to the Committee on the progress made by officers on the latest results of the Audit Commission's data-matching exercise known as the National Fraud Initiative (NFI).

Recommendation

**The Audit Committee is asked to note the activity and progress to carry out these checks and recognise the resources applied by the relevant services to investigate each of the data matches.**

13. RISK MANAGEMENT UPDATE (Pages 145 - 170)

This report presents the latest corporate risk registers as refreshed by heads of service with assistance from Zurich Municipal, the Councils insurance and risk management advisors.

Recommendation

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

14. EXCLUSION OF PRESS AND PUBLIC

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

Recommendation

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

15. INTERNAL AUDIT INVESTIGATION - UPDATE

To receive a verbal update from the Director of Finance and Resources.

16. ANY OTHER ISSUES TO BE CONSIDERED IN EXEMPT SESSION

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

**For further information or assistance, please telephone  
Maureen Brown, Democratic Services Officer, on 01483 523225 or by  
email at [maureen.brown@waverley.gov.uk](mailto:maureen.brown@waverley.gov.uk)**

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## Grant Thornton

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12 February 2015

Dear Graeme,

### **Certification work for Waverley Borough Council for year ended 31 March 2014**

We are required to certify certain claims and returns 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.

Arrangements for certification are prescribed by the Audit Commission, which agrees the scope of the work with each relevant government department or agency, and issues auditors with a Certification Instruction (CI) for each specific claim or return.

We have certified two claims and returns, Housing Benefit Subsidy and Pooling of Housing Capital Receipts, for the financial year 2013/14 relating to expenditure of £30.8 million. Further details of the claims certified are set out in Appendix A.

We wish to highlight for your attention the following issues arising from our certification work on Housing Benefits Subsidy:

- In the initial rent allowance testing we found two errors:
  - (i) For one case a retirement pension figure was incorrect causing an underpayment of £236. We carried out 40+ testing on rent allowance cases that had retirement pension figures included as part of their income assessment. A further error was found in the 40+ testing which caused an underpayment of £5. Neither of these were adjusted within the claim because subsidy cannot be claimed on benefit that has not been awarded.
  - (ii) In another case, expenditure of £78 was incorrectly classified. Testing was carried out on the full population of cases that are administered under the Pre-1996 rules and a further three errors were found whereby amounts had been included in the wrong cell. A total adjustment of £10,774 was made.
- Where an authority operates a discretionary local scheme to disregard some or all of any war pension over and above the statutory disregards, the increased benefit paid as a result of the discretionary scheme does not count as qualifying expenditure and is to be excluded from the claim. Such cases are classed as modified schemes. We found errors in the modified scheme testing as some of the amounts were incorrectly classed as modified schemes. There were some local annuities where a 100% discount had been applied, but

should not have been. The system incorrectly treated them as modified schemes. We tested the full population and found errors totalling £5,031. This expenditure should have been classed as either HRA rent rebate (£4,055) or rent allowance (£976).

The amendments relating to the errors above increased the total housing benefit subsidy claimed to £29,256,770, from £29,200,500.

As the Council completed additional work to enable the claim to be amended no further action was required in respect of the issues identified.

Our certification work at another client using the CIVICA benefits system identified an issue in relation to the system which resulted the incorrect amount of subsidy being claimed. At the time the claim was certified CIVICA were investigating the issue to ascertain why the error occurred. As the investigation and resolution to the system issue was in progress the potential impact on the Council was unknown, therefore we included the issue in a qualification letter accompanying the certified claim. The issue raised in the letter was outside of the control of the Council as it related to the use of the CIVICA system and was reported for CIVICA clients. We understand that CIVICA intend to issue a correction patch which will correct any errors in the 2014/15 subsidy claim.

There are three recommendations arising from our certification work which we wish to highlight for your attention in relation to the Housing Benefits Subsidy claim. They are set out in more detail in Appendix A.

We have no issues to bring to your attention with respect to Pooling of Housing Capital Receipts.

We are satisfied that the Council has appropriate arrangements to compile complete, accurate and timely claims/returns for audit certification.

The indicative fee for 2013/14 for the Council is based on the final 2011/12 certification fees, reflecting the amount of work required by the auditor to certify the claims and returns in that year. Fees for schemes no longer requiring certification (such as the national non-domestic rates return) have been removed. The fees for certification of Housing Benefit Subsidy claims have been reduced by 12 per cent, to reflect the removal of council tax benefit from the scheme. The indicative scale fee set by the Audit Commission for the Council for 2013/14 is £16,031 which is also the final fee for 2013/14. This is set out in more detail in Appendix C.

Yours sincerely



Emily Hill  
For Grant Thornton UK LLP



## Appendix A – Audit Action Plan

**Priority:**

**High** – Significant effect on control system

**Medium** – Effect on control system

**Low** – Best practice

Rec No	Recommendations	Priority	Management Response	Implementation date & responsibility
1.	The Council should complete a 100% check of the claimants whose cases are administered under the Pre-1996 rules every six months to make sure the expenditure is valid.	Medium	Agree	March 2015 & September 2015  Nicky Harvey, Benefit Manager
2.	The Council should complete a 100% check of the modified schemes every 6 months to make sure that the expenditure is valid.	Medium	Agree	March 2015 & September 2015  Nicky Harvey, Benefit Manager
3.	Once issued, the Council should run the CIVICA correction patch	High	Agree	As soon as the patch becomes available  Nicky Harvey, Benefit Manager

**Appendix B - Details of claims and returns certified for 2013/14**

<b>Claim or return</b>	<b>Value (£)</b>	<b>Amended?</b>	<b>Amendment (£)</b>	<b>Qualified?</b>	<b>Comments</b>
Housing benefits subsidy claim	29,256,770	Yes	+56,270	No	The adjustments made in respect of the 100% check of the modified schemes and the results of the 40+ testing element and 100% review element on rent allowances meant an increase in subsidy for the Council.
Pooling of Housing Capital Receipts	1,548,652	No	N/A	No	None

**Appendix C: Fees for 2013/14 certification work**

<b>Claim or return</b>	<b>2012/13 fee (£)</b>	<b>2013/14 indicative fee (£)</b>	<b>2013/14 actual fee (£)</b>	<b>Variance to 2012/13 (£)</b>	<b>Explanation for variances</b>
Housing benefits subsidy claim (BEN01)	15,049	15,175	15,175	+126	We have had to carry out 40+ testing and 100% cell reviews, but have been able to keep this within the original fee.
Pooling of Housing Capital Receipts (CFB06)	1,000	856	856	-144	No amendments were made in 2013/14 and no additional work was undertaken.
National non-domestic rates return (NNDR3)	3,551	N/A	N/A	-3,551	No requirement to certify this return in 2013/14
<b>Total</b>	<b>19,600</b>	<b>16,031</b>	<b>16,031</b>	<b>-3,569</b>	



# The Audit Plan for Waverley Borough Council

This version of the report is a draft. Its contents and subject matter remain under review and its contents may change and be expanded as part of the finalisation of the report.

Year ended 31 March 2015

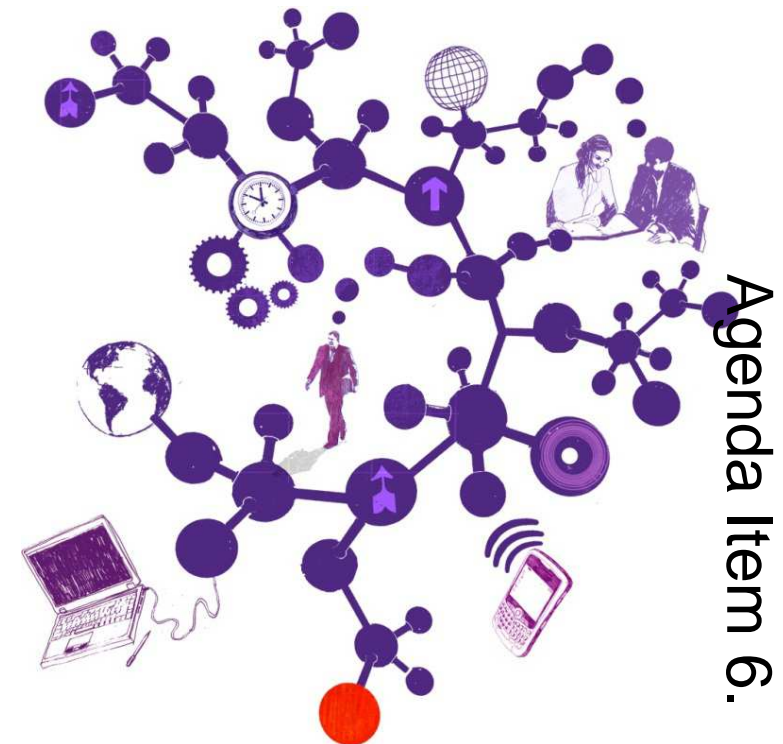
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March 2015

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Agenda Item 6.

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 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.

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10. Fees and independence
11. Communication of audit matters with those charged with governance

## Appendices

- A. Discussions with those charged with governance – letter to Audit Committee Chair

# 1. Understanding your business

In planning our audit we need to understand the challenges and opportunities you are facing. We set out a summary of our understanding below.

## Challenges/opportunities

### 1. Local Plan

- Your existing local plan was last formally updated in 2001, and is in the process of a required refresh.
- You have recently consulted on the preferred options for housing in the Borough.
- Your local plan will play a key part in decisions about how you develop your local area and communities and you plan to consult on a draft plan later in 2015.

### 2. Brightwells development

- The Brightwells Development remains a key part of the economic development for the Farnham area.
- The planning permission deadline and the recent up turn in the economy mean that further progress in relation to this development is likely in 2015.
- You are aware of the need to be strike a balance between expedience and the desirability of progress versus proper process and securing value for money for local residents.

### 3. LG Finance Settlement and financial sustainability

- The local government spending settlement presented local authorities with an average reduction in their spending power of 6% for 2015-16.
- You are aware that revenue support grant (RSG) will form a diminishing element of your revenues over the medium term. Your aspiration in the face of this challenge is become self-sufficient by 2018.
- To achieve this goal you have identified an indicative funding gap of £3.2m to be bridged by 2018.
- You continue to develop savings and invest to save schemes to address this gap.

### 4. Housing

- The provision of sufficient and affordable housing within the Borough is a key priority for you.
- You have been considering a number of potential schemes, investments and partnerships on a range of different sites to address this.

## Our response

- We will discuss your plans in these areas through our regular meetings with senior management and those charged with governance, providing advice and support where appropriate.

- We will review the current progress of the development throughout the year via discussions with key officers and review of relevant reports. This will help support our work on our Value for Money Conclusion.

- We will review performance throughout the year through discussions with key officers and consideration of your regular financial monitoring reports.
- We will review your Medium Term Financial Plan and financial strategy as part of our work on your arrangements for financial resilience.

- We will continue to discuss your priorities through our regular engagement with officers and members.
- We will consider your plans and priorities through our value for money conclusion work.
- We will consider the accounting treatment of your developments through our financial statements work.



## 2. Developments relevant to your business and the audit

In planning our audit we also consider the impact of key developments in the sector and take account of national audit requirements as set out in the Code of Audit Practice ('the code') and associated guidance.

### Developments and other requirements

#### 1. Financial reporting

- Changes to the CIPFA Code of Practice
- Adoption of new group accounting standards (IFRS 10,11 and 12)

#### 2. Legislation

- Local Government Finance settlement

#### 3. Corporate governance

- Annual Governance Statement (AGS)
- Explanatory foreword

#### 4. Financial Pressures

- Managing service provision with less resource
- Progress against savings plans

#### 5. Other requirements

- You are required to submit a Whole of Government accounts pack on which we provide an audit opinion
- You complete grant claims and returns on which audit certification is required

### Our response

We will ensure that

- You comply with the requirements of the CIPFA Code of Practice through discussions with management and our substantive testing,
- the group boundary is recognised in accordance with the Code and joint arrangements are accounted for correctly.

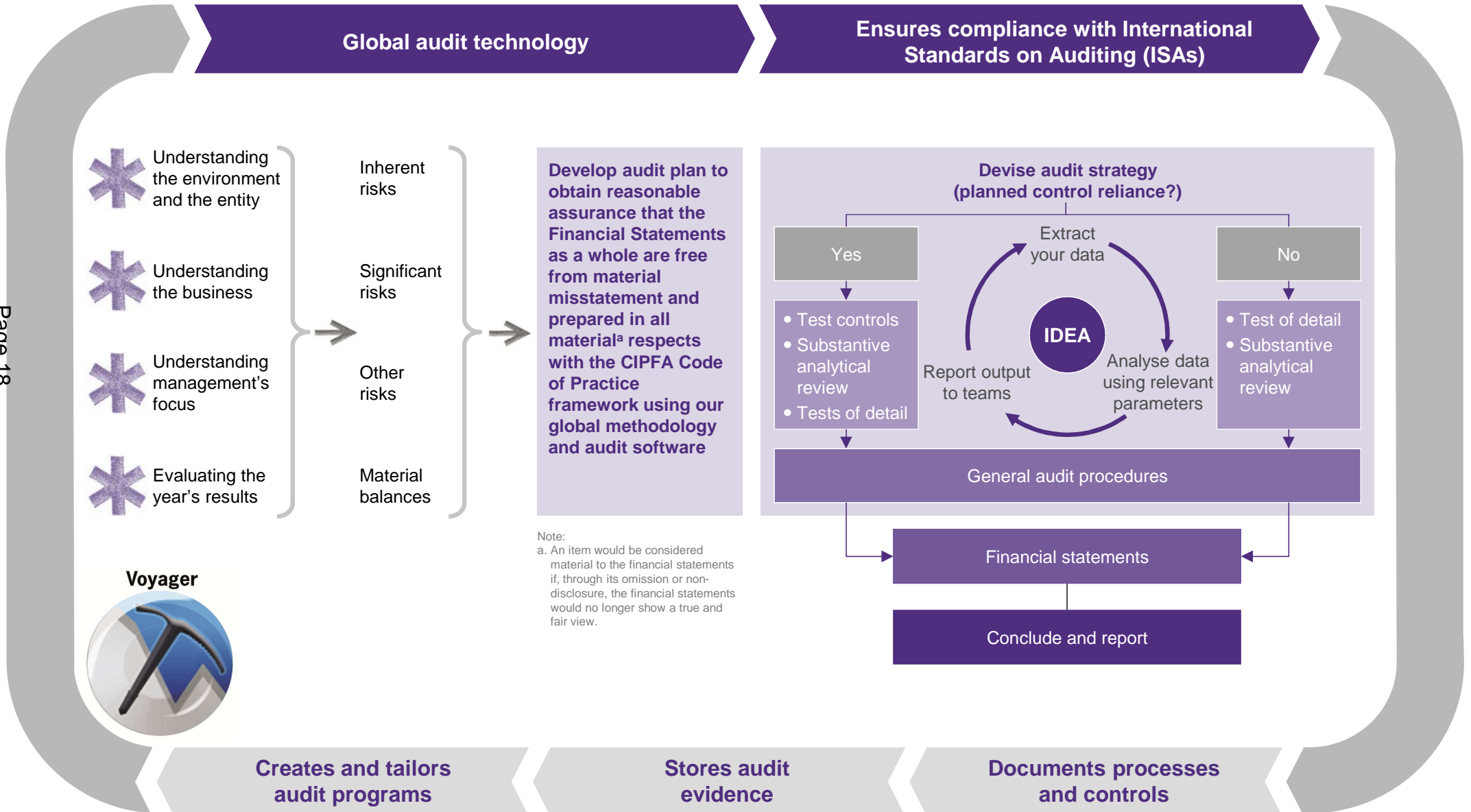
- We will discuss the impact of the legislative changes with you through our regular meetings with senior management and those charged with governance, providing a view where appropriate.

- We will review the arrangements you have in place for the production of the AGS.
- We will review the AGS and the explanatory foreword to consider whether they are consistent with our knowledge.

- We will review your performance against the 2014/15 budget, including consideration of performance against the savings plan.
- We will undertake a review of Financial Resilience as part of our VfM conclusion.

- We will carry out work on the WGA pack in accordance with requirements.
- We will certify the housing benefit subsidy claim in accordance with the requirements specified by Public Sector Audit Appointments Ltd. This company will take over the Audit Commission's responsibilities for housing benefit grant certification from 1 April 2015.

# 3. Our audit approach



Note:  
 a. An item would be considered material to the financial statements if, through its omission or non-disclosure, the financial statements would no longer show a true and fair view.

## 4. Significant risks identified

'Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty' (ISA 315).

In this section we outline the significant risks of material misstatement which we have identified. There are two presumed significant risks which are applicable to all audits under auditing standards (International Standards on Auditing – ISAs) which are listed below:

Significant risk	Description	Substantive audit procedures
The revenue cycle includes fraudulent transactions	<p>Under ISA 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>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"> <li>• there is little incentive to manipulate revenue recognition</li> <li>• opportunities to manipulate revenue recognition are very limited</li> <li>• the culture and ethical frameworks of local authorities, including this Council, mean that all forms of fraud are seen as unacceptable.</li> </ul>
Management over-ride of controls	<p>Under ISA 240 the presumption that the risk of management over-ride of controls is present in all entities.</p>	<p><b>Work completed to date:</b></p> <ul style="list-style-type: none"> <li>• Review of accounting estimates, judgments and decisions made by management</li> <li>• Testing of journal entries for months 1-8</li> <li>• Review of unusual significant transactions</li> </ul> <p><b>Further work planned:</b></p> <ul style="list-style-type: none"> <li>• Review of accounting estimates, judgments and decisions made by management</li> <li>• Testing of journal entries for months 9-12, including year end manual adjustment journals</li> <li>• Review of unusual significant transactions</li> </ul>

## 5. Other risks identified

The auditor should evaluate the design and determine the implementation of the entity's controls, including relevant control activities, over those risks for which, in the auditor's judgment, it is not possible or practicable to reduce the risks of material misstatement at the assertion level to an acceptably low level with audit evidence obtained only from substantive procedures (ISA 315).

In this section we outline the other risks of material misstatement which we have identified as a result of our planning.

Other risks	Description	Audit Approach
Operating expenses	Creditors understated or not recorded in the correct period	<p><b>Work completed to date:</b></p> <ul style="list-style-type: none"> <li>• Walkthrough of operating expenses system, updating our understanding</li> <li>• Substantive testing of months 1-8 expenditure</li> </ul> <p><b>Further work planned:</b></p> <ul style="list-style-type: none"> <li>• Substantive testing of months 9-12 expenditure</li> <li>• Testing of creditor payments, including accruals, for completeness, classification and occurrence</li> <li>• Review of control account reconciliations</li> <li>• Cut-off testing</li> <li>• Review of allocating/apportioning expenses to meet the requirements of the Service Reporting Code of Practice</li> </ul>
Employee remuneration	Employee remuneration accruals understated	<p><b>Work completed to date:</b></p> <ul style="list-style-type: none"> <li>• Walkthrough of payroll system, updating our understanding</li> <li>• Substantive testing of months 1-8 payroll records</li> </ul> <p><b>Further work planned:</b></p> <ul style="list-style-type: none"> <li>• Substantive testing of months 9-12 payroll records</li> <li>• Review of reconciliation of payroll to the general ledger</li> <li>• Trend analysis of employee remuneration expenses</li> </ul>

## 6. Group audit scope and risk assessment

ISA 600 requires that as Group auditors we 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 600	Risks identified	Planned audit approach
Shottermill Recreation Ground and Swimming Pool	No	Targeted	<ul style="list-style-type: none"><li>Plant, property and equipment (PPE) revaluation measures not correct</li><li>Recorded cash at bank not valid</li></ul>	<ul style="list-style-type: none"><li>Review PPE balances</li><li>Agree cash balances to external confirmations</li></ul>
Ewart Bequest	No	Targeted	<ul style="list-style-type: none"><li>Recorded cash at bank not valid</li></ul>	<ul style="list-style-type: none"><li>Agree cash balances to external confirmations</li></ul>

# 7. Value for money

## Value for money

The Code requires us to issue a conclusion on whether you have put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion.

Our VfM conclusion is based on the following criteria specified by the Audit Commission:

VfM criteria	Focus of the criteria
The organisation has proper arrangements in place for securing financial resilience	The organisation has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future
The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness	The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity

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We have undertaken a risk assessment to identify areas of risk to our VfM conclusion. We will undertake work in the following areas to address the risks identified:

- a review of your current financial performance and longer term planning
- the process used to identify and evaluate potential financial savings in order to achieve those longer term targets
- the latest plans for the Brightwells development, including plans to increase affordable housing in the area
- progress made on updating your Local Plan
- reviewing progress made against the VfM recommendations included in last year's Audit Findings Report

The results of our VfM audit work and the key messages arising will be reported in our Audit Findings report and in the Annual Audit Letter.

## 8. 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:

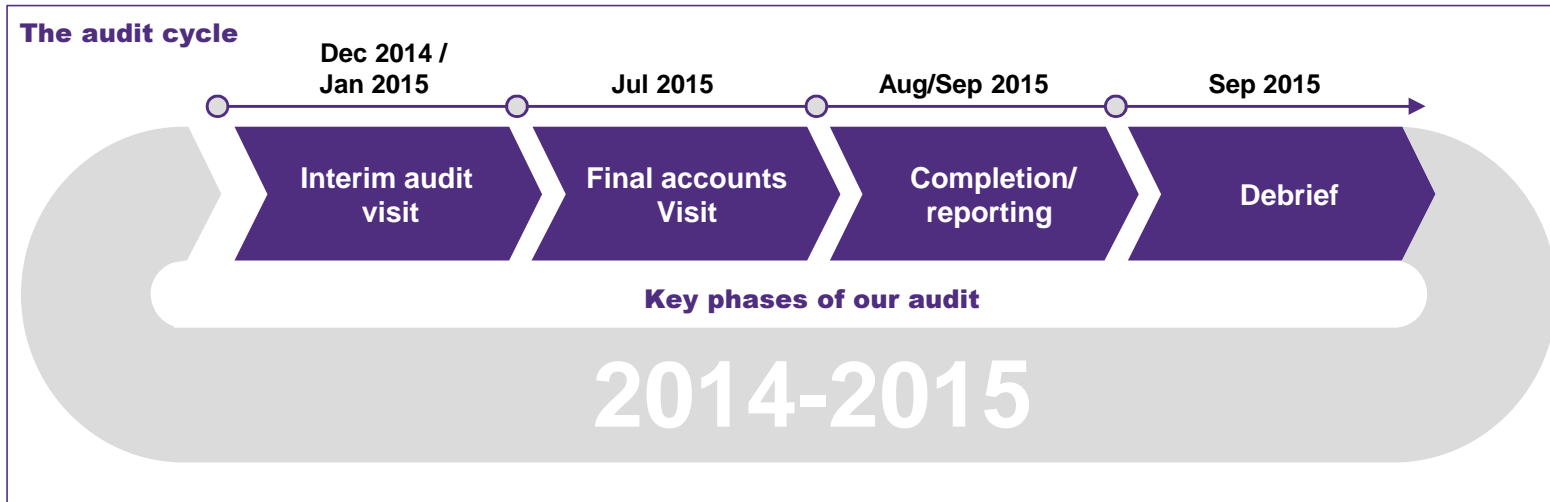
	Work performed	Findings and conclusions
<b>Internal audit</b>	<p>We have completed a high level review of internal audit's overall arrangements. Our work has not identified any issues which we wish to bring to your attention.</p> <p>We also reviewed internal audit's work on your key financial systems to date. We have not identified any significant weaknesses impacting on our responsibilities.</p>	<p>Overall, we have concluded that the internal audit service continues to provide an independent and satisfactory service 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>
<b>Walkthrough testing</b>	<p>We have completed walkthrough tests of 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 in accordance with our documented understanding.</p> <p>Our work has not identified any weaknesses which impact on our audit approach.</p>
<b>Entity level controls</b>	<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"> <li>• Communication and enforcement of integrity and ethical values</li> <li>• Commitment to competence</li> <li>• Participation by those charged with governance</li> <li>• Management's philosophy and operating style</li> <li>• Organisational structure</li> <li>• Assignment of authority and responsibility</li> <li>• Human resource policies and practices</li> </ul>	<p>Our work has identified no material weaknesses which are likely to adversely impact on your financial statements.</p>

# Results of interim audit work (continued)

	Work performed	Conclusion
<b>Review of information technology controls</b>	<p>We performed a high level review of the general IT control environment, as part of the overall review of the internal controls system. We have also performed a follow up of the issues that were raised last year.</p> <p>IT (information technology) controls were observed to have been implemented in accordance with our documented understanding.</p>	<p>Our work has identified no material weaknesses which are likely to adversely impact on your financial statements.</p>
<b>Journal entry controls</b>	<p>We have reviewed your 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 your control environment or financial statements.</p> <p>To date we have undertaken detailed testing on journal transactions recorded for the first eight months of the financial year, by extracting 'unusual' entries for further review.</p>	<p>Our work to date has identified no material weaknesses which are likely to adversely impact on your financial statements.</p> <p>Further work planned:</p> <ul style="list-style-type: none"> <li>• Review of accounting estimates, judgments and decisions made by management</li> <li>• Testing of journal entries for months 9-12, including year end manual adjustment journals</li> <li>• Review of unusual significant transactions</li> </ul>
<b>Early substantive testing</b>	<p>To date we have undertaken detailed testing on operating expenditure and payroll transactions recorded for the first eight months of the financial year. No issues have been identified that we wish to highlight for your attention.</p>	<p>Our work to date has identified no material weaknesses which are likely to adversely impact on your financial statements.</p> <p>Further work planned:</p> <ul style="list-style-type: none"> <li>• Substantive testing of months 9-12 expenditure</li> <li>• Substantive testing of months 9-12 payroll records</li> </ul>
<b>Value for money</b>	<p>We have completed our Initial Risk Assessment to identify areas of risk over our Value for Money conclusion. The main risks identified were:</p> <ul style="list-style-type: none"> <li>- Achievement of the 2015-16 Budget</li> <li>- Setting an achievable Medium Term Financial Plan over the next four years</li> <li>- Progressing the Brightwells development; and</li> <li>- Bringing the Council's Local Plan up to date.</li> </ul>	<p>Our work so far has identified some areas of focus for our Value for Money conclusion. Further work will be performed on these areas over the coming months to enable us to form an overall conclusion later in the year.</p>



## 9. Key dates



<b>Date</b>	<b>Activity</b>
<b>December 2014</b>	Planning
<b>December 2014 / January 2015</b>	Interim site visit
<b>23 March 2015</b>	Presentation of audit plan to Audit Committee
<b>July 2015</b>	Year end fieldwork
<b>8 September</b>	Audit findings clearance meeting with Executive Director and Director of Finance and Resources
<b>15 September 2015</b>	Report audit findings to those charged with governance (Audit Committee)
<b>By 30 September</b>	Sign financial statements opinion and value for money conclusion

# 10. Fees and independence

## Fees

	£
Council audit	71,851
Grant certification	13,240
<b>Total fees (excluding VAT)</b>	<b>85,091</b>

### Our fee assumptions include:

- Supporting schedules to all figures in the accounts are supplied by the agreed dates and in accordance with the agreed upon information request list
- The scope of the audit, and the Council and its activities, have not changed significantly
- The Council will make available management and accounting staff to help us locate information and to provide explanations

### Grant certification

- Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited, as the successor to the Audit Commission in this area.
- Fees in respect of other grant work, such as reasonable assurance reports, are shown under 'Fees for other services.'

## Fees for other services

Service	Fees £
None	Nil

### Fees for other services

Fees for other services reflect those agreed at the time of issuing our Audit Plan. Any changes will be reported in our Audit Findings Report and Annual Audit Letter.

### Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

Full details of all fees charged for audit and non-audit services will be included in our Audit Findings report at the conclusion of the audit.

We confirm that we have implemented policies and procedures to meet the requirement of the Auditing Practices Board's Ethical Standards.

# 11. Communication of audit matters with those charged with governance

International Standards on Auditing (ISA) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

This document, The Audit Plan, outlines our audit strategy and plan to deliver the audit, while The Audit Findings will be issued prior to approval of the financial statements and will present key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via a report to the Council.

## Respective responsibilities

This plan has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission ([www.audit-commission.gov.uk](http://www.audit-commission.gov.uk)).

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Council's key risks when reaching our conclusions under the Code.

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 communication plan	Audit plan	Audit findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issue arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence.	✓	✓
Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged.		
Details of safeguards applied to threats to independence		
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to the auditor's report, or emphasis of matter		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

# Appendices

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# Appendix A - Discussions with those charged with governance – letter to Audit Committee Chair

Chair of Audit Committee  
Cllr Richard Gates  
Waverley Borough Council  
The Bury  
Godalming  
Surrey  
GU7 1HR

18 March 2015

Dear Richard

**Financial statements for the year ended 31 March 2015 - Understanding how the Audit Committee gains assurance from management**

To comply with International Auditing Standards, we need to establish an understanding of how the Governing Body gains assurance over management processes and arrangements.

I would be grateful, therefore, if you could write to me in your role as Chairman of the Audit Committee with your responses to questions appended to this letter.

Please could you provide a response by Thursday 30 April 2015 and please contact me if you wish to discuss anything in relation to this request.

Yours sincerely

Iain Murray  
Engagement Lead  
For Grant Thornton UK LLP  
T: 020 7728 3262  
E: [iain.g.murray@uk.gt.com](mailto:iain.g.murray@uk.gt.com)

# Discussions with those charged with governance – letter to Audit Committee Chair (continued)

Item	Description	Comment
a	Have you assessed the risk of material misstatement in the financial statements due to fraud?	
b	What are the results of this process?	
c	What processes do you have in place to identify and respond to the risks of fraud?	
d	Have any specific fraud risks, or areas with a high risk of fraud, been identified, and what has been done to mitigate these risks?	
e	Are internal controls, including segregation of duties, in place and operating effectively?	
f	If not, where are the risk areas and what mitigating actions have been taken?	
g	Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example, because of undue pressure to achieve financial targets)?	
h	Are there any areas where there is a potential for misreporting?	
i	How do you exercise oversight over management's processes for identifying and responding to risks of fraud?	
j	What arrangements are in place to report fraud issues and risks to the Audit Committee?	
k	How do you communicate and encourage ethical behaviour of staff and contractors?	
l	How do you encourage staff to report their concerns about fraud? Have any significant issues been reported?	
m	Are you aware of any related party relationships or transactions that could give rise to risks of fraud?	
n	Are you aware of any instances of actual, suspected or alleged fraud, either within the Council as a whole or within specific departments since 1 April 2014?	
o	What arrangements do you have in place to prevent and detect non-compliance with laws and regulations?	
p	How does management gain assurance that all relevant laws and regulations have been complied with?	
q	How are you provided with assurance that all relevant laws and regulations have been complied with?	
r	Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2014?	
s	What arrangements do you have in place to identify, evaluate and account for litigation or claims?	
t	Are there any actual or potential litigation or claims that would affect the financial statements?	
u	Have there been any reports from other regulatory bodies, such as HMRC, which indicate non-compliance?	



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# Audit Committee Update for Waverley Borough Council

Year ended 31 March 2015

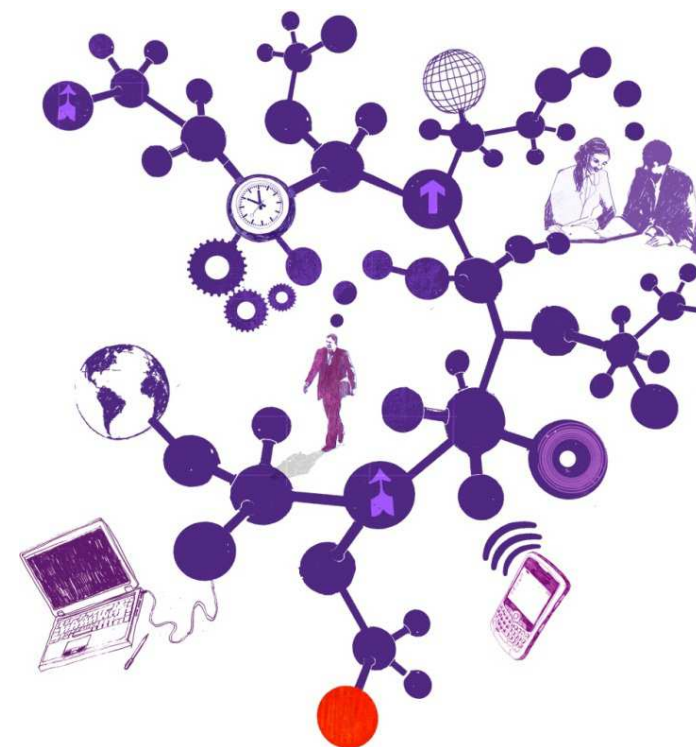
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March 2015

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Agenda Item 7.

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 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 your business 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.

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# Introduction

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; and
- a number of challenge questions in respect of these emerging issues which the Committee may wish to consider.

Members of the Audit Committee can find further useful material on our website [www.grant-thornton.co.uk](http://www.grant-thornton.co.uk), where we have a section dedicated to our work in the public sector (<http://www.grant-thornton.co.uk/en/Services/Public-Sector/>). Here you can download copies of our publications including:

- All aboard? our local government governance review 2015
- Stronger futures: development of the local government pension scheme
- Rising to the challenge: the evolution of local government, summary findings from our fourth year of financial health checks of English local authorities
- 2020 Vision, exploring finance and policy future for English local government
- Where growth happens, on the nature of growth and dynamism across England

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 Audit Manager.

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**Matt Dean** Audit Manager T: 020 7728 3181 M: 07867 150 991 Email: [matthew.dean@uk.gt.com](mailto:matthew.dean@uk.gt.com)

# Progress at March 2015

Work	Planned date	Complete?	Comments
<p><b>2014-15 Accounts Audit Plan</b> We are required to issue a detailed accounts audit plan to the Council setting out our proposed approach in order to give an opinion on the Council's 2014-15 financial statements.</p>	March 2015	Complete	Our 2014-15 Audit Plan is included on the agenda for this meeting.
<p><b>Interim accounts audit</b> Our interim fieldwork visit includes:</p> <ul style="list-style-type: none"> <li>• updating our review of the Council's control environment</li> <li>• updating our understanding of financial systems</li> <li>• review of Internal Audit reports on core financial systems</li> <li>• early work on emerging accounting issues</li> <li>• early work on Journals</li> </ul>	January 2015	Complete	The results of our interim visit will be reported within the Audit Plan mentioned above. At this stage no issues have been identified which we wish to bring to your attention.
<p><b>Early substantive testing</b> Planned testing of the following areas:</p> <ul style="list-style-type: none"> <li>• expenditure incurred to date</li> <li>• employee remuneration transactions to date</li> </ul>	January 2015	Complete	The results from this early testing visit are also reported in detail in the Audit Plan. Again no significant issues have been identified which we wish to bring to your attention at this stage.

# Progress at March 2015

Work	Planned date	Complete?	Comments
<p><b>2014-15 final accounts audit</b> Including:</p> <ul style="list-style-type: none"> <li>• audit of the 2014-15 financial statements</li> <li>• proposed opinion on the Council's accounts</li> <li>• proposed Value for Money conclusion.</li> </ul>	July 2015	Not yet due	
<p><b>Value for Money (VfM) conclusion</b> The scope of our work to inform the 2014/15 VfM conclusion comprises:</p> <ul style="list-style-type: none"> <li>• updating our understanding of the key risks facing the Council</li> <li>• identifying whether any new risks have arisen since we completed our work in the prior year</li> <li>• undertaking detailed work on those risks which impact 2014-15</li> </ul>	February and July 2015	In progress	The areas of focus for our value for money conclusion are included in our audit plan. Our work will include a review of your key documents and discussions with key management where necessary.

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# Emerging issues and developments

# Rising to the challenge

## Grant Thornton

Our national report, Rising to the Challenge, the Evolution of Local Government, was published in December and is available at: <http://www.grant-thornton.co.uk/en/Publications/2014/Rising-to-the-challenge---The-evolution-of-local-government/>

This is the fourth in our series of annual reports on the financial health of local government. Like previous reports, it covers key indicators of financial performance, strategic financial planning, financial governance and financial control. It also includes case studies of best practice and a comparison to the NHS. This year it has been extended to use benchmarking information on savings plans and budget performance.

The overall message is a positive one. What stands out is how well local authorities have navigated the first period of austerity in the face of ever increasing funding, demographic and other challenges. Many authorities are forecasting financial resilience confidently in their medium term financial strategy. This reflects an evolution in financial management that would have been difficult to envisage in 2010. However, there remains much to be achieved if the sector is to become sustainable in the long term, and authorities should consider if their:

- medium- to long-term strategy redefines the role of the authority creatively
- operational environment will adapt, working in partnership with other authorities and local organisations
- strategy looks beyond the traditional two- to three-year resource planning horizon
- organisational culture is aligned to where the authority needs to be in the medium to long term
- senior leadership teams – both officers and members – have the necessary skills and capacity to ensure delivery against the medium-term challenges
- corporate governance arrangements ensure effective oversight and scrutiny of the organisation as it adapts to the challenges it faces.

The importance of these actions will be magnified if local government devolves further, particularly in relation to fiscal devolution. The new-found confidence of local government in responding to the medium-term challenges will be tested significantly by the second phase of austerity.

Hard copies of our report are available from your Engagement Lead or Audit Manager.



# 2020 Vision

## Grant Thornton

Our national report '2020 Vision' is available at: <http://www.grant-thornton.co.uk/en/Publications/2014/2020-Vision-Exploring-finance-and-policy-futures-for-English-local-government-as-a-starting-point-for-discussion/>

In a time of unprecedented challenge for English local government, how can the sector develop towards 2020 if it is to have a sustainable future? Our latest report provides a thorough analysis of the current political and economic context, explores a range of potential policies and outcomes, and suggests several scenarios to facilitate an open debate on the future for the sector.

Produced in collaboration with the University of Birmingham's Institute for Local Government Studies (INLOGOV), our report suggests that fundamental changes to local government are both operationally necessary and constitutionally inevitable, for the sector to remain relevant by 2020. The report offers a thorough analysis of the current political and economic context and explores a range of potential future policies and outcomes that English local government will need to adopt and strive towards as they seek to adapt and overcome these challenges.

Placed in the context of enhanced devolution, following the Scottish independence referendum, 2020 Vision maintains a wary eye fixed on the 2015/16 Spending Round and looks ahead to the life time of the next government. It highlights that the economic and financial situation remains increasingly untenable, with an expanding North/South divide arising from the pattern of funding reductions and economic growth.

It highlights that English local authorities continue to face unprecedented challenges, relating to the pressures of austerity and central government funding reductions, and demographic and technological change. Our report highlights the vital role of a successful local government sector and encourages it to think hard about how it will cope in the future.

Informed by the views of a broad range of local authority leaders, chief executives and other sector stakeholders, the report offers a set of six forward-looking scenarios\* in which councils could be operating within by 2020. Though not mutually exclusive, we suggest that key stakeholders need to take urgent action to avoid a potential slow and painful demise for some councils by 2020.

Hard copies of our report are available from your Engagement Lead or Audit Manager.

# All Aboard? - Local Government Governance Review 2015

## Grant Thornton

Our fourth annual review of local government governance is available at <http://www.grant-thornton.co.uk/en/Publications/2015/Local-Government-Governance-review-2015-All-aboard1/>.

We note that the challenges faced by local authorities are intensifying as austerity and funding reductions combine with demographic pressures and technological changes to create a potential threat to the long-term sustainability to some organisations. Maintaining effective governance is becoming ever more complex and increasingly important.

Against this background we have focused this year's review on three key areas:

**Governance of the organisation** – the main area of concern highlighted in this year's governance survey  
Is the level of dissatisfaction with the scrutiny process.

**Governance in working with others** – there is an urgent need for scrutiny to exercise good governance over the complex array of partnerships in which local authorities are now involved. Boundary issues notwithstanding, by 'shining a light' on contracted-out activities and joint operations or ventures, scrutiny committees can bring a new level of transparency and accountability to these areas

**Governance of stakeholder relations** – despite the work that a number of local authorities are doing with the public on 'co-production', almost a third of respondents to our survey did not think their organisation actively involves service users in designing the future scope and delivery of its services.

We conclude that local authorities need to ensure that their core objectives and values are fulfilled through Many other agencies . This implies a greater role for scrutiny and a need to make sure local public sector Bodies' arrangements are a transparent as possible for stakeholders.

Hard copies of our report are available from your Engagement Lead or Audit Manager.



# Stronger futures: development of the LGPS

## Grant Thornton

Our second review on governance in LGPS funds in England and Wales is based on comprehensive research with pension fund senior officers, supported by insights from pension fund auditors and is available at <http://www.grant-thornton.co.uk/Publications/2015/Stronger-futures-development-of-the-LGPS/>

With the local government pensions scheme (LGPS) continuing to face significant change and challenge, there is a clear commitment to ensuring its survival and the provision of affordable pension benefits for the future. Following the implementation of a career average pension scheme in 2014, administering authorities are preparing for significant changes in governance arrangements effective from April 2015.

Some of the key messages from the report are:

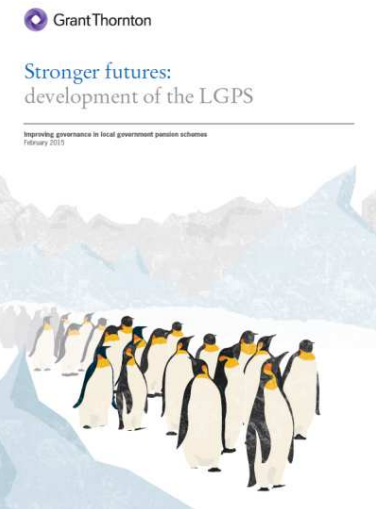
there are increasing strong examples of innovation and increased collaborative working across the LGPS to achieve reduced costs and improved use of specialist skills and knowledge;

implementation of the career average scheme from April 2014 went well and demonstrated good project management and effective communication with members and employers; and

there have been several other positive trends across the LGPS since our 2013 review particularly around the widening scope of reporting to Pension Committees including performance reporting, risk management and internal audit reviews.

However, we saw a wide variation in practice, including a concentration of risk reporting on investment risk, over half of funds have not implemented the CIPFA knowledge and skills framework as part of their member training, 45 per cent of Pension Committees do not receive internal audit reports and 15 per cent do not have specific internal audit coverage, and nearly half of funds have no information around the value of their liabilities in between the triennial valuations.

Hard copies of our report are available from your Engagement Lead or Audit Manager.



# Independent Commission into Local Government Finance

## Local government issues

The Independent Commission on Local Government Finance was established in 2014 to examine the system of funding local government in England and bring forward recommendations on how it can be reformed to improve funding for local services and promote sustainable economic growth. It published its final report, [Financing English Devolution](#), on 18 February 2015.

The report notes that the core of the Commission's proposition is the devolution of powers, funding and taxes to sub-national entities over a 10 year period. They estimate that this could lead to over £200 billion in public expenditure being controlled at a sub-national level. The expectation is that councils and their partners would work collaboratively to manage differences in capacity and resources. They see local areas becoming self sufficient.

The Commission advocates a 'variable speed' approach to reform with 'Pioneers' able to and wishing to reform at a faster pace. Reforms advocated for all authorities include:

- An independent review of the functions and sustainability of local government in advance of the next spending review
- Freedom to set council tax and council tax discounts and full retention of business rates and business rates growth
- Multi-year financial settlements
- The ability to raise additional revenue through the relaxation of the rules on fees and charges

'Pioneer' authorities would also implement:

- Single placed-based budgets for all public services
- Management of funding equalisation across a sub-national area
- Further council tax reforms including the ability to vary council tax bands and undertake revaluations
- Newly assigned and new taxes such as stamp duty, airport taxes and tourism taxes
- The establishment of Local Public Accounts Committees to oversee value for money across the placed-base budget.

## Challenge question

Has the Council considered the key findings of the Independent Commission's final report?

# Help into work programmes

## Local government issues

In its press release of 12 January 2015 the LGA reported that more than one million unemployed people are falling through cracks in national work schemes that are failing to reach some of the most vulnerable jobseekers. It warned that whilst councils are being left to pick up the pieces to prevent more vulnerable people slipping further into long-term unemployment and disengagement they cannot afford to continue resolving the failings of these national schemes in their communities without the appropriate funding.

As a remedy the LGA calls on the next government to commit to devolving all nationally-run education, skills and employment schemes to local areas so councils can join-up services to support their most vulnerable residents. A report published by the National Institute of Economic and Social Research (NIESR), commissioned by the LGA, explores in detail how a sample of councils across the country have provided a safety net for their most vulnerable and hardest to reach residents. The NIESR report's lead author, Dr Heather Rolfe, said:

*"Local authorities have a unique position in their communities, are able to bring services together, forging partnerships and strengthening referral networks. It is through such work that they are able to help unemployed people who are beyond the reach of national programmes."*

## Challenge question

Has the Council reviewed the headline messages from the NIESR report and its implications for the authority's strategies around community engagement, employment, regeneration and economic development?

# DCLG – Build to rent scheme

## Local government issues

Housing Minister Lewis Brandon announced on 10 January 2015 a £55 million deal to provide nearly 800 homes for private sector rent in Manchester and Salford as part of the government's wider £1 billion [Build to Rent scheme](#), which has the objective of building 10,000 new homes for private rent. The Chief Executive of the Homes and Communities Agency (HCA) Andy Rose said:

*"this is a major investment in the private rented sector in Manchester. It demonstrates how the HCA, working closely with partners, is combining financial and local expertise to increase the private rented choice in areas where there is a high demand for homes".*

As part of its strategy of creating a bigger and better private rented sector the government has also

- published a [How to rent](#) guide, so tenants and landlords know their rights and what to expect when renting privately
- published a [model tenancy agreement](#), so tenants who want to ask for longer tenancy agreements have the opportunity to do so;
- introduced a new requirement for letting agents to belong to one of three redress schemes, so the minority of tenants and landlords who get a raw deal have somewhere to go with their complaint

## Challenge question

Has the Council considered the government's Build to Rent scheme and other aspects of its initiative to increase the private sector housing market and its implications for the authority's housing strategy?

# Provision for Business Rates Appeals

## Accounting and audit issues

### Unlodged appeals

The Chancellor's Autumn Statement included a change to the rules relating to business rates appeals. As a result we do not expect to see any provisions for unlodged appeals in local authorities' 2014/15 accounts, although we will expect this to be re-considered for 2015/16 accounts.

The change restricts the backdating of Valuation Office Agency (VOA) alterations to rateable values. Only VOA alterations made before 1 April 2016 and ratepayers' appeals made before 1 April 2015 can now be backdated to the period between 1 April 2010 and 1 April 2015. The aim is to put authorities in the position as if the revaluation had been done in 2015 as initially intended, before the deadline was extended to 2017.

There may be some fluctuations in provisions at 31 March 2015 as unlodged appeals provisions are released. However, there may also be increased numbers of appeals lodged prior to 31 March 2015. These appeals may be more speculative in nature and therefore authorities may need to consider whether prior year assumptions remain valid in estimating their provisions.

### Utilisation of provision

As part of the provisions disclosures in the accounts, local authorities need to disclose additional provisions made in the year, the amounts used (i.e. incurred and charged against the provision) during the year and unused amounts reversed during the year.

We understand that the software used for business rates may not provide values for the amounts charged against the provision during the year and that there is no simple software solution for this for 2014/15. Local authorities will need to consider available information and make an estimate of the amount for appeals settled in the year.

### Challenge questions

- Has your finance team reassessed the methodology for making the business rates provision?
- Does your finance team have arrangements in place for the estimation of appeals to be charged against the provision?

# Early payment of pension contributions

## Accounting and audit issues

During 2014/15 some local authorities paid pension fund deficit contributions covering three years (2014/15 to 2016/17). By doing this the local authority benefits from a discount on the total amount payable resulting in a lower overall charge.

Due to the amounts involved, some authorities are seeking to spread the impact of the payment over the three-year period. In doing so, they must be satisfied that the amounts charged to the general fund in a financial year are the amounts payable for that year as defined by regulation 30 of [The Local Authorities \(Capital Finance and Accounting\) \(England\) Regulations 2003](#).

We expect authorities that are spreading the impact of pension deficit contributions to obtain legal advice (either internally or externally) to determine the amounts that are chargeable to the general fund. The accounting judgements and treatment should reflect the advice received and should be documented accordingly.

Where an authority has received legal advice that the up-front payment can be recognised in the general fund over three years, based on our understanding of the arrangement we would expect the total amount to be reflected in the pension fund liability. This means that the pension reserve will not equal the pension liability. We expect the background to the transactions and the reason for the difference to be disclosed in a note to the accounts.

### Challenge question

- Has your authority paid pension fund contributions covering more than one year and if so has the Council obtained legal advice and documented their judgement on accounting for the early payment of pension contributions?



# Inclusion of overtime in the calculation of holiday pay

## Accounting and audit issues

The Employment Appeal Tribunal (EAT) has delivered its judgement on the extent to which overtime pay should be included in the calculation of holiday pay. This case stems from an apparent conflict between UK law and European Law.

The EAT found that non-guaranteed overtime (i.e. overtime, which is not guaranteed by the employer, but which the worker is obliged to work, if it is offered), should be included in the calculation of holiday pay. Back-dated claims can only be made if it is less than three months since the last incorrect payment of holiday pay.

It is likely that there will be an Appeal to this decision. However that does not mean that authorities should hold off assessing the impact. Local authorities should be considering their own circumstances and if necessary taking their own legal advice as to the extent they might be affected by the ruling. If an authority is going to be affected they need to assess whether the liability can be reliably measured.

For an authority likely to be affected in a material way, where it is possible to reliably measure that liability, then appropriate provision should be made in the 2014/15 accounts. The fact that the issue might go to Appeal at some uncertain time in the future is not of itself grounds for not including a provision. The chances of any success would need to be taken account of in the legal analysis but, in any case, there are some indications that the key issue on Appeal would be whether to remove the three month cap (if this were done then the provision would increase), rather than dismissing the entire decision to include overtime in the calculation of holiday pay.

### Challenge question

- Has your authority taken legal advice and assessed if a provision is required in the 2014/15 accounts?



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## WAVERLEY BOROUGH COUNCIL

### AUDIT COMMITTEE – 23/03/2015

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#### **Title:**

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

**[Wards Affected: All]**

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

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

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

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

#### **Financial Implications:**

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

#### **Legal Implications:**

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

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#### **Introduction**

1. This report provides the Audit Committee with the latest position regarding the implementation of Internal Audit recommendations.
2. Annexe 1 provides the current position on recommendations due for completion by 30<sup>th</sup> April 2015.

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#### **Conclusion**

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.

4. It is the Internal Audit Client Managers opinion that those recommendations that are near their due date are in progress with Heads of Service striving to achieve implementation within the agreed target dates.

### **Recommendation**

It is recommended that the Committee considers the information contained in Annexe 1 and identifies any action it wishes to be taken.

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### **Background Papers**

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

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### **CONTACT OFFICER:**






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## Audit Recommendations overdue or due within next month




Generated on: 12 March 2015

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


### Head of Service Standing, Roger


<b>Action Code &amp; Description</b>	IA15/07.004 IT Security Policies	Requirements for PCI DSS compliance should be documented in IT security policies and approved.	<b>Exit Meeting Date</b>	12-Mar-2015
			<b>Due Date</b>	31-Mar-2015
<b>Audit Report Code and Description</b>		IA15/07 Payment Card Industry Data Security Standard		
<b>Agreed Action</b>		This will be included to convey what Waverley Borough Council does		
<b>Status</b>		In Progress	<b>Progress</b>	80%
<b>Head of Service</b>	Roger Standing; Peter Vickers			
<b>All Notes</b>	Draft documentation underway.			12-Mar-2015


### Head of Service Taylor, Robin


<b>Action Code &amp; Description</b>	IA15/10.001 Members Allowances Scheme	The next revision of the Members allowances scheme should be considered in conjunction with the Local Authorities (Members' Allowances) (England) Regulations 2003, as there are areas that should be included in the WBC scheme for example Section 8(2) relating to when a member could be suspended.	<b>Exit Meeting Date</b>	12-Mar-2015
			<b>Due Date</b>	31-Mar-2015
<b>Audit Report Code and Description</b>		IA15/10 Member Expenses		
<b>Agreed Action</b>		Agreed		
<b>Status</b>		In Progress	<b>Progress</b>	75%
<b>Head of Service</b>	Robin Taylor			
<b>All Notes</b>	The Members' Allowances Scheme is now updated annually to increase allowances by the same level as any annual pay award made to staff. For this reason, the contents of the scheme itself have not been reviewed in 2014/15. In view of this audit recommendation, it is proposed to bring forward a review of the scheme to early in the new electoral term and proposed changes will therefore be considered by the Executive in June and agreed by full Council in July.			12-Mar-2015

**Head of Service Vickers, Peter**



<b>Action Code &amp; Description</b>	IA14/26.003 Training Expenses	Develop the ability to enter training expenses on iTrent.	<b>Exit Meeting Date</b>	08-Apr-2014	
			<b>Due Date</b>	31-Mar-2015	
<b>Audit Report Code and Description</b>		IA14/26 Staff Mileage and Subsistence			
<b>Agreed Action</b>		This is addressed in the Organisation Development Service Plan.			
<b>Status</b>	 Assigned	<b>Progress</b>	0%	<b>Head of Service</b>	Peter Vickers
<b>All Notes</b>	To be developed as part of 2015/16 Service Plan –current deadline July-15 – more realistic to be Dec 15			11-Feb-2015	




<b>Action Code &amp; Description</b>	IA15/05.001 Outstanding Debts	The Debt Recovery Team should provide the Housing Needs Team on a frequent basis with all outstanding debtors that have gone to the Debt Collections Agency relating to Rent Deposit Scheme. By doing this the Housing Needs Team would be able to identify those that are currently on the Housing Register and advise them of the consequences re possible suspension if they do not pay back the debts.	<b>Exit Meeting Date</b>	08-Oct-2014	
			<b>Due Date</b>	31-Mar-2015	
<b>Audit Report Code and Description</b>		IA15/05 Rent Deposit Scheme			
<b>Agreed Action</b>		The report has been produced but there are many historical entries that are required to be written-off. A separate report for relating to Rent Deposit Scheme current year debt will be produced and provided to Housing Needs on a quarterly basis.			
<b>Status</b>	 In Progress	<b>Progress</b>	0%	<b>Head of Service</b>	Peter Vickers
<b>All Notes</b>	In progress with exchequer services.			11-Feb-2015	

<b>Action Code &amp; Description</b>	IA15/11.001 Processes documented	Processes should be established to ensure that in the absence of the Senior Revenues Officer that another member of staff can manage the reconciliation of Refunds and therefore complete these in a timely manner.	<b>Exit Meeting Date</b>	12-Mar-2015	
			<b>Due Date</b>	29-Dec-2014	
<b>Audit Report Code and Description</b>		IA15/11 National Non Domestic Rates			
<b>Agreed Action</b>		Agreed			
<b>Status</b>	 Overdue	<b>Progress</b>	55%	<b>Head of Service</b>	Peter Vickers
<b>All Notes</b>	In progress Senior Finance Officer involved in the training.			12-Mar-2015	



<b>Action Code &amp; Description</b>	IA15/13.001 Council Tax Discount	Accounts receiving council tax discount are recommended to be reviewed on a more frequent basis, to make sure they are still correctly eligible for discount. Two of the ten accounts we reviewed that were receiving a discount on their council tax were supported by out of date documentation.	<b>Exit Meeting Date</b>	12-Mar-2015	
			<b>Due Date</b>	29-Mar-2015	
<b>Audit Report Code and Description</b>		IA15/13 Council Tax			
<b>Agreed Action</b>		Agreed this will be included as part of a larger project on voids.			
<b>Status</b>	 In Progress	<b>Progress</b>	47%	<b>Head of Service</b>	Peter Vickers
<b>All Notes</b>	Work in progress to ensure a rolling review is completed			12-Mar-2015	




**Head of Service Wagstaff, Hugh**

<b>Action Code &amp; Description</b>	IA14/07.001 Policies and Procedures	Clear policies and procedures need to be developed, held centrally, cascade their location to those involved in the activities. This will assist in ensuring that consistency is applied throughout the service and limit the risk of deviation. A procedure note with a flowchart of processes be drawn up and agreed with the contractor to ensure clarity and compliance, cascading this to all members of staff involved in the management or administration of the contract.	<b>Exit Meeting Date</b>	12-Feb-2015
			<b>Due Date</b>	31-Mar-2015
<b>Audit Report Code and Description</b>		IA14/07 Housing Decent Homes		
<b>Agreed Action</b>		<p>A project to review the end to end Planned Maintenance process is planned to start in November 2014. The scope of the project includes:</p> <ul style="list-style-type: none"> <li>- The delivery of a set of defined processes and procedures for the end to end planned works process (including in the scope the Kitchens and Bathrooms Decent Homes Works)</li> <li>- The outputs will include a flow chart with all the activities and handoffs to all third party contractors</li> <li>- The Waverley team members and third parties will be involved in defining this process and it will be trained out to all users and training developed for use with new starters The recommendations in this report will inform the review.</li> </ul>		
<b>Status</b>		In Progress	<b>Progress</b>	60%
<b>All Notes</b>	The project has commenced and is progressing well. The deliverables include a procedure note with a flowchart, this has been reviewed with the internal team and contractor for completeness. This process guide and system instructions will form the basis of user training that is planned in across all impacted teams throughout February and March 2015. The relevant sections (i.e. the process overview) will also be trained to members of the main contractors team to ensure consistency of knowledge on how the process works.			16-Feb-2015
	Process Improvement Project still on target - workshops ect have been held to develop documentation			12-Feb-2015
	Process Improvement Project on target to start November scope completed.			15-Jul-2014
<b>Action Code &amp; Description</b>	IA14/07.002 Full Details of Works	Full details of works (Decent Homes and Voids) should be entered on Orchard rather than a summary line of Kitchen, bathroom, or void works, although resource intensive the benefits should outweigh the cost in resources. Improvements of full integration between Orchard and MCM system would assist in achieving this.	<b>Exit Meeting Date</b>	15-Jul-2014
			<b>Due Date</b>	31-Mar-2015
<b>Audit Report Code and Description</b>		IA14/07 Housing Decent Homes		
<b>Agreed Action</b>		<p>The Planned Maintenance project includes the entry of all works into the relevant system. The scope will include the following:</p> <ul style="list-style-type: none"> <li>- The process for the capture and entry of all works to Orchard (ensuring that the system capability is utilised)</li> <li>- The assignment of costs and expense codes to ensure that all decent homes cost can be identified Opportunities to interface with MCM will also be identified and delivered as part of the project</li> </ul>		
<b>Status</b>		In Progress	<b>Progress</b>	50%
<b>All Notes</b>	The project has commenced and is progressing well. The scope of the project includes the capture of all job data on Orchard. As part of the new process all SOR items completed at the property as part of the works will be stored on Orchard. The Orchard changes are completed to enable this and the new process is to be implemented on the Planned jobs with the Main Contractor from the new financial year. The final completion date for the Main Contractors development is to be confirmed so final confirmation of this live date is pending.			16-Feb-2015
	Process Improvement project is continuing to develop the processes to implement the recommendation in full			12-Feb-2015




<b>Action Code &amp; Description</b>	IA14/07.003 Variation	Where variations may be required, written approval and authority should be obtained from the WBC Surveyor before the works are continued and completed.	<b>Exit Meeting Date</b>	15-Jul-2014
			<b>Due Date</b>	31-Mar-2015
<b>Audit Report Code and Description</b>		IA14/07 Housing Decent Homes		
<b>Agreed Action</b>		The Planned Maintenance project includes the management of all works on the relevant system. The scope will include the following: - The variation process - Roles and responsibilities in the variation - Approval or rejection of the variation on Orchard to provide audit trail of decisions made Flow of approvals and rejections to the contractor and remedial action required		
<b>Status</b>		In Progress	<b>Progress</b>	50%
<b>All Notes</b>	The project has commenced and is progressing well. In the new process all variations from the main contractor for Planned Works will be raised and approved on Orchard providing an audit trail of changes to the job. The Orchard changes are completed to enable this and the new process is to be implemented on the Planned jobs with the Main Contractor from the new financial year. The final completion date for the Main Contractors development is to be confirmed so final confirmation of this live date is pending			16-Feb-2015
	All surveyors have been instructed to follow process - reminder to be sent out today. Process Improvement Project working on the final processes			12-Feb-2015
<b>Action Code &amp; Description</b>	IA14/07.004 Inspections	All inspections (Pre/Post/Quality) or visits to a property should be recorded on the Orchard System, including before and after pictures of the repair/visit or installation has been completed.	<b>Exit Meeting Date</b>	15-Jul-2014
			<b>Due Date</b>	31-Mar-2015
<b>Audit Report Code and Description</b>		IA14/07 Housing Decent Homes		
<b>Agreed Action</b>		The Planned Maintenance project includes the management of all works on the relevant system. The scope will include the following: - The pre/post inspection process will be defined in the end to end process The inspection data to be captured on Orchard		
<b>Status</b>		In Progress	<b>Progress</b>	80%
<b>All Notes</b>	The project has commenced and is progressing well. The end to end process for each Planned works type has been defined including the business rules for pre and post inspection for each contract type.			16-Feb-2015
	The Orchard set up has been enabled to allow for the capture of the pre/post inspection data. The pre-inspection data is captured through accurate capture of the SORs on the Orchard system. New clerk of works following the process in the recommendation (confirmed at the Decent Homes Meeting 11th February) Need to test arrange and agree final written procedure.			11-Feb-2015
<b>Action Code &amp; Description</b>	IA14/07.007 Contractor systems integration with Orchard	Any integrations of the Orchard system with any of the contractors system needs to be improved to ensure that the management information extracted from Orchard is accurate and reliance can be placed on the integrity of the output reports.	<b>Exit Meeting Date</b>	15-Jul-2015
			<b>Due Date</b>	31-Mar-2015
<b>Audit Report Code and Description</b>		IA14/07 Housing Decent Homes		
<b>Agreed Action</b>		The Planned Maintenance project includes the management of all works on the relevant system. The scope will include the following: - Interfaces between Orchard and MCM are being developed and implemented for responsive repairs jobs This project will look at to what extent interfaces can be used for the Planned Maintenance		
<b>Status</b>		In Progress	<b>Progress</b>	49%
<b>All Notes</b>	The project has commenced and is progressing well. As part of the initial phase of the project it has been identified that the interface implemented for the Responsive Repairs			16-Feb-2015



	process with Mears can be re-used for the Planned works process. This will enable robust integration between MCM and Orchard, with Orchard becoming the master source of job data on the Planned works. The Orchard changes are completed to enable this and the new process is to be implemented on the Planned jobs with the Main Contractor from the new financial year. The final completion date for the Main Contractors development is to be confirmed so final confirmation of this live date is pending.					
	Task on Service IT plan - to confirm progress at next governance meeting				12-Feb-2015	
<b>Action Code &amp; Description</b>	IA14/07.008 Controls to prevent over charging	As reliance cannot currently be placed on the contractor to invoice the correct amounts, controls should be put in place to limit the possibility of being over charged for works. Recovery of any overpayments identified should be obtained from the contractor and/or consideration of terminating the contract. Evidence of the checks completed including arithmetical and content of the contractor applications for payment should be annotated on the application by the surveyor before it is passed for payment on Agresso.		<b>Exit Meeting Date</b>	15-Jul-2014	
				<b>Due Date</b>	31-Mar-2015	
<b>Audit Report Code and Description</b>		IA14/07 Housing Decent Homes				
<b>Agreed Action</b>		The Planned Maintenance project includes the management of all works on the relevant system. The scope will include the following: The invoice and invoice authorisation process will be in the scope of the process review				
<b>Status</b>		In Progress	<b>Progress</b>	51%	<b>Head of Service</b>	Hugh Wagstaff
<b>All Notes</b>	The project has commenced and is progressing well. The interface with the main contractor includes a number of validations of the invoice to ensure the amounts charged are correct. The main contractor will be required to add all SORs to the job prior to its completion, these changes will be treated as variations and will be subject to the appropriate variation approval process. Orchard will not enable the Main Contractor to invoice an amount that is different to the approved job amount on Orchard. This will result in an automatic rejection of the request for payment				16-Feb-2015	
	Project Improvement Programme developing processes to implement recommendation				12-Feb-2015	
<b>Action Code &amp; Description</b>	IA14/07.009 Overrides	The use of overrides should not be permitted, but fully details of all materials should be included on the invoice before payments are processed. Where works include Structural Works these should be on a separate order and invoice, to prevent inaccurate turnover figures being used to calculate fixed and variable profit elements each quarter.		<b>Exit Meeting Date</b>	15-Jul-2014	
				<b>Due Date</b>	31-Mar-2015	
<b>Audit Report Code and Description</b>		IA14/07 Housing Decent Homes				
<b>Agreed Action</b>		The Planned Maintenance project includes the management of all works on the relevant system. The scope will include the following: - The business rules and commercial rules for what can be included in a planned works order The business rules for what job types can be defined planned and split between; decent homes, structural works, asbestos and voids				
<b>Status</b>		In Progress	<b>Progress</b>	50%	<b>Head of Service</b>	Hugh Wagstaff
<b>All Notes</b>	The project has commenced and is progressing well. The business process implemented for this project includes guidance on what jobs should be raised on which contract, the expenditure codes that should be applied to work types and the appropriate SORs to be applied to each job type. The business process has been agreed that no Override SORs should be applied to Planned jobs – this is included in the training documents.				16-Feb-2015	
<b>Action Code &amp; Description</b>	IA14/07.010 M3NFH Schedule of Rates	Detail by Mears relating to material costs already included in the M3NFH schedule of rates should be thoroughly checked before being accepted. The credit should be accurately reflected on the Orchard system		<b>Exit Meeting Date</b>	15-Jul-2014	
				<b>Due Date</b>	31-Mar-2015	

<b>Audit Report Code and Description</b>		IA14/07 Housing Decent Homes				
<b>Agreed Action</b>		The Planned Maintenance project includes the management of all works on the relevant system. The scope will include the following: Invoice checking and review procedures				
<b>Status</b>		In Progress	<b>Progress</b>	14%	<b>Head of Service</b>	Hugh Wagstaff
<b>All Notes</b>	The project has commenced and is progressing well. The scope of the project includes a full alignment of all SORs available for use on MCM and Orchard. The actual SORs and values assigned to them will be match and any anomalies resolved prior to go live.					16-Feb-2015
	The Orchard changes are completed to enable this and the new process is to be implemented on the Planned jobs with the Main Contractor from the new financial year. The final completion date for the Main Contractors development is to be confirmed so final confirmation of this live date is pending					
		Data Analysis post holder progressing			12-Feb-2015	
<b>Action Code &amp; Description</b>	IA14/07.011 Credits	Any credits received from contractors should be checked for accuracy, correctly reflected i.e. schedule of rates reduced against the job number in the Orchard system and accounted for accordingly otherwise any reconciliation between Orchard and Agresso system will not be accurate.			<b>Exit Meeting Date</b>	15-Jul-2014
					<b>Due Date</b>	31-Mar-2015
<b>Audit Report Code and Description</b>		IA14/07 Housing Decent Homes				
<b>Agreed Action</b>		The Planned Maintenance project includes the management of all works on the relevant system. The scope will include the following: The invoice and invoice credit process will be in the scope of the process review				
<b>Status</b>		In Progress	<b>Progress</b>	50%	<b>Head of Service</b>	Hugh Wagstaff
<b>All Notes</b>	The credits process impacts all of the processes being implemented with the main contractor. The main aim of the projects is to reduce the need for credits by the use of system controls and provision of accurate up to date information on the Orchard system. Where an invoice has yet to be approved the credit is managed by rejecting jobs and or SORs. This removes the SOR or job from the invoice and forces the values to be corrected before invoice approval. Where an invoice has been authorised there is a system limitation which prevents that invoice from being amended. Notes can be added to the invoice and job to ensure that there is an audit trail of the record the job applies to.					16-Feb-2015
	Data Analysis progressing					12-Feb-2015
<b>Action Code &amp; Description</b>	IA14/07.012 Housing Surveyors Checks re coding	Housing Surveyors responsible for checking the contractors' detailed invoices before being paid, should verify that the works are being invoiced and coded to decent homes also comply with the grant funding criteria.			<b>Exit Meeting Date</b>	15-Jul-2014
					<b>Due Date</b>	31-Mar-2015
<b>Audit Report Code and Description</b>		IA14/07 Housing Decent Homes				
<b>Agreed Action</b>		The Planned Maintenance project includes the management of all works on the relevant system. The scope will include the following: - Guidelines on the use of expense codes Invoice checking and review procedures				
<b>Status</b>		In Progress	<b>Progress</b>	80%	<b>Head of Service</b>	Hugh Wagstaff
<b>All Notes</b>	The project has commenced and is progressing well. The business process implemented for this project includes guidance on what jobs should be raised on which contract, the expenditure codes that should be applied to work types and the appropriate SORs to be applied to each job type.					16-Feb-2015
	Recommendation implemented - final confirmation needed that coding was correct					12-Feb-2015
<b>Action Code &amp; Description</b>	IA14/08.001 Rent Increase Letters	The Council should maintain records of rent increase letters sent to tenants. The Project Manager for Housing suggested a bulk upload to Orchard could be done to			<b>Exit Meeting Date</b>	02-Apr-2015
					<b>Due Date</b>	31-Mar-2015

		record this for each tenancy.			
<b>Audit Report Code and Description</b>	IA14/08 Housing Rents				
<b>Agreed Action</b>	The possibilities for IT to bulk upload the rent increase letters is not achievable before the next increase i.e. April 2014. However, IT have confirmed that they will create an audit trail to record in orchard of the letter produced and it will be scanned into the CIVICA document management system for the 2015 rent increases.				
<b>Status</b>		In Progress	<b>Progress</b>	80%	<b>Head of Service</b>
<b>All Notes</b>	IT consultants have confirmed that a bulk upload to Orchard to record an increase letter against each tenancy is not possible this year. For this year, we will be creating one PDF with all the letters in it. This can then be held centrally on Sharepoint and using the 'Find' function, any letter can then be easily accessed.  It is included within the project though to see if there is anything that can directly link with Orchard.				11-Feb-2015
	Orchard Test system to have a new copy in November to enable upgrade testing and rent increase testing.				21-Oct-2014
	Rent Process Improvement Project has identified that Orchard can facilitate rent increase letters. The letters can be automatically stored in Civica again the appropriate tenant. The project team to take forward to test.				25-Sep-2014
	Rent Process Improvement Project commenced in June. Process to transfer letters form Orchard to Civica included in project design.				15-Jul-2014
	2014 rent increase letters were sent and stored on Civica tenancy files. The Rent Process Improvement Project will ensure future rent increase letters be automatically stored on Civica.				11-Jun-2014
<b>Action Code &amp; Description</b>	IA14/11.007 Variations	Where variations may be required, written approval and authority should be obtained from the WBC Surveyor before the works are continued and completed.		<b>Exit Meeting Date</b>	11-Feb-2015
				<b>Due Date</b>	31-Mar-2015
<b>Audit Report Code and Description</b>	IA14/11 Structural Works				
<b>Agreed Action</b>	Agreed				
<b>Status</b>		Assigned	<b>Progress</b>	0%	<b>Head of Service</b>
<b>All Notes</b>					
<b>Action Code &amp; Description</b>	IA14/11.008 Inspections	All inspections (Pre/Post/Quality) or visits to a property should be recorded on the Orchard System, including where possible before and after pictures of the void works completed.		<b>Exit Meeting Date</b>	11-Feb-2015
				<b>Due Date</b>	31-Mar-2015
<b>Audit Report Code and Description</b>	IA14/11 Structural Works				
<b>Agreed Action</b>	Agreed				
<b>Status</b>		Assigned	<b>Progress</b>	0%	<b>Head of Service</b>
<b>All Notes</b>					
<b>Action Code &amp; Description</b>	IA14/11.010 Property Project Pack	Document (Property project pack) relating to the awarding of structural works should be scanned and held by WBC rather than held by the contractors Agent to enable awards of contracts to be supported and reconciled to the procurement portal		<b>Exit Meeting Date</b>	11-Feb-2015
				<b>Due Date</b>	31-Mar-2015
<b>Audit Report Code and Description</b>	IA14/11 Structural Works				
<b>Agreed Action</b>	Agreed				
<b>Status</b>		Assigned	<b>Progress</b>	0%	<b>Head of Service</b>
<b>All Notes</b>					

<b>All Notes</b>						
<b>Action Code &amp; Description</b>	IA14/11.11 Budget Monitoring	Budget monitoring discussions with Accountancy should be documented to ensure that any decisions made are agreed upon by all parties, particularly with those that have day to day responsibility for procuring works and committing the authority to expenditure.	<b>Exit Meeting Date</b>		11-Feb-2015	
			<b>Due Date</b>		31-Mar-2015	
<b>Audit Report Code and Description</b>			IA14/11 Structural Works			
<b>Agreed Action</b>			Agreed 2			
<b>Status</b>		Assigned	<b>Progress</b>	0%	<b>Head of Service</b>	Hugh Wagstaff
<b>All Notes</b>						
<b>Action Code &amp; Description</b>	IA14/29.008 Post Inspections	Over time as the issues with the contractor are resolved we would suggest that the Council looks to reduce the percentage of repairs selected for post inspection.	<b>Exit Meeting Date</b>		02-Apr-2015	
			<b>Due Date</b>		31-Mar-2015	
<b>Audit Report Code and Description</b>			IA14/29 Housing Responsive and Void Repairs			
<b>Agreed Action</b>			Taking into account current Mear's performance the client will continue to undertake 20% post inspections. This percentage will be reviewed annually (anniversary of the contract).			
<b>Status</b>		In Progress	<b>Progress</b>	80%	<b>Head of Service</b>	Hugh Wagstaff
<b>All Notes</b>	Report going to February CORE meeting recommending a reduction in the % of post inspections - key text from draft report - "attempting to post-inspect a 20% random sample of completed jobs would imply a volume of around 720 inspections per quarter. Assuming one wanted the same level of significance for client opinion as for customer opinion (that is, a confidence level of 95% and a confidence interval of +/-4), then a quarterly sample of 500 (that is, 14%) would be quite sufficient to uncover any weakness with the quality of the service. This approach would save 220 inspections per quarter (perhaps 275 person hours)".					11-Feb-2015
	Data analysts reviewing responsive repairs work to make recommendation to Core Group in December.					21-Oct-2014
<b>Action Code &amp; Description</b>	IA15/03.001 Interface between Orchard and Keystone	Ideally a process of automated integration and interface between Orchard and Keystone would provide better data management that would ensure renewal and replacement of property elements within Orchard are captured more systematically by the Keystone Stock Condition Database. Alternatively a single data platform for the management of housing repairs and stock condition may provide a more effective and efficient solution to the handling of such data although the costs and risks for such a proposal would need to be fully explored.	<b>Exit Meeting Date</b>		29-Aug-2014	
			<b>Due Date</b>		01-Apr-2015	
<b>Audit Report Code and Description</b>			IA15/03 Housing Keystone Asset Management Database			
<b>Agreed Action</b>			Project Leaders and the Clerk of works will be responsible for updating Keystone when works are completed. To automate the interface between Orchard and Keystone will be to be implemented. A feasibility study will be undertaken a budget will be sought if the project is thought to be viable.			
<b>Status</b>		In Progress	<b>Progress</b>	0%	<b>Head of Service</b>	Hugh Wagstaff
<b>All Notes</b>						



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## WAVERLEY BOROUGH COUNCIL

### AUDIT COMMITTEE – 23/03/2015

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#### **Title:**

**Progress on the Internal Audit Plan 2014-15**

**[Wards Affected: All]**

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

The Committee's terms of reference include provision for the Committee to comment on the progress made in the Audit Plan. This report updates the committee on the current position of the Internal Audit reviews detailed in the attached 2014/15 Audit Plan.

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

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

#### **Financial Implications:**

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

#### **Legal Implications:**

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

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#### **Introduction**

1. The Internal Audit Plan work is completed by our contractors Baker Tilly who are currently procured to provide approximately 230 days per year, with an additional 20 days carried over for deferred reviews from 2013/14. The progress on the completion of the Internal Audit Plan for 2014/15 is shown as attached at Annexe 1. The contractor is currently on track to achieve the audit plan with the review of reconciliations being one review that will bridge over into 2015/16 due to the nature of this review.

2. The council continues to make significant improvements in managing asbestos in Waverley properties however a request is made that the review originally planned in 2014/15 (10 Days) is deferred until the 3<sup>rd</sup> quarter in 2015/16 Audit Plan. In support of this request the following background information has been provided by the service, "in 2014, Waverley commissioned Ridge Consultants to undertake an independent review of asbestos management within the Council to assess compliance with regulations. A health check report was issued and an action plan was formed to address the findings identified. Progress is well underway. The audit of asbestos management would be of greater value once the re-procurement of the asbestos surveying and removal contracts has been completed and the contracts mobilised. It would also be advisable to test the adequacy of the new Asbestos Register and associated protocols once these have been implemented. Therefore, it is requested that this Asbestos audit is postponed until Quarter 3 for 2015/16."
3. The Internal Audit Client Manager has been provided with a copy of the healthcheck report prepared by Ridge and Partners complete with an Asbestos Recommendation Action Plan which is continually being updated and progress is being closely monitored by the Asbestos Management Group who report progress to the Corporate O & S Committee.
4. The Audit Committee can be assured that any asbestos issues relating to the non HRA properties (including pavilions etc, that Waverley owns) are inspected, assessed, and any necessary works are completed and managed by the Property and Engineering Team.

### **Conclusion**

5. The Committee is asked to note the progress made on the 2014/15 audit plan.
6. The committee considers the request for deferral of the Housing Asbestos Review.

### **Recommendation**

1. It is recommended that the Audit Committee notes the progress for the Internal Audit Plan 2014/15 as attached at Annexe 1.
2. The Audit Committee approves the deferral of the Housing Asbestos Review until the 3<sup>rd</sup> quarter of the 2015/16 Audit Plan.

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### **Background Papers**

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

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### **CONTACT OFFICER:**



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Mar-15 AUDIT PLAN AGREED BY 18 MARCH 2014  
AUDIT COMMITTEE

Report No.	AUDIT PLAN AS AT 10/03/2015	2014/15 PRIORITY	Proposed No. of Plan Days	Variations	Revised plan (a) + (b)	B/F from Previous Month	Actual Total to date	Days Planned to end March '15	Total expected time ((d)+(e) to match (c))	Balance	Progress	Details	Last Audited	Quarter to be started	Head of Service & Manager Responsible for Area	Contact Details	Auditor
		RISK BAND	2014/15 (a)	(b)	(c)		(d)	(e)									
	<b>Systems and Services Audit</b>																
	<b>IT SERVICES</b>																
IA15-07	Payment Card Industry Std (PCI)	H	5.00	0.00	5.00	5.00	5.00	0.00	5.00	0.00	Final Report on Covalent	Assurance on system controls in operation re security and information held.	N/A	QTR 2- TM in contact with RS.	Head of Customer, IT and Office Services - Roger Standing, Linda Frame - IT Development Manager	01483 523221 - 01483 523157	BT
IA15-04	Wireless Network	M	5.00	0.00	5.00	5.00	5.00	0.00	5.00	0.00	Final Report on Covalent	Assessment of security control in place	N/A	QTR 2 - TM in contact with RS.	Head of Customer, IT and Office Services - Roger Standing, Martin Wilson - Operations Manager	01483 523221 - 01483 523155	BT
IA15-08	Systems Review of Orchard IT Management System	H	15.00	0.00	15.00	15.00	15.00	0.00	15.00	0.00	Final Report on Covalent	Request by Housing Management re connectivity and functionality over all modules of the system.	N/A	QTR 2/3	Head of Housing Operations, Hugh Wagstaff	01483 523363	BT
	Contingency		5.00	-2.00	3.00	0.00	0.00	3.00	3.00	0.00							
	<b>IT Total</b>		<b>30.00</b>	<b>-2.00</b>	<b>28.00</b>	<b>10.00</b>	<b>25.00</b>	<b>3.00</b>	<b>28.00</b>	<b>0.00</b>							
	<b>GENERAL SYSTEM REVIEWS</b>																
	<b>Key Financial Systems</b>																
AS	Payroll	H	7.00	0.00	7.00	0.00	0.00	7.00	7.00	0.00	Start date 16/03/2015	Production of payroll by SLA	2013-14	QTR 4*	Head of Finance - Peter Vickers, Karen Booker, Payroll and Employee Services Manager	01483-523539, 01483-523248	BT
IA15-09	Housing Benefit and Council Tax Support	H	10.00	0.00	10.00	10.00	10.00	0.00	10.00	0.00	Final Report on Covalent	Embedding in of revised scheme	2013-14	QTR 3	Head of Finance - Peter Vickers, Benefits Manager - Nicky Harvey	01483-523539 & 01483 5233021	BT
IA15-11	Council Tax	H	7.00	0.00	7.00	7.00	7.00	0.00	7.00	0.00	Final Report on Covalent	Embedding in of revised scheme	2013-14	QTR 3	Head of Finance - Peter Vickers, Revenues Manager - Simon Piper	01483-523539 & 01483 523104	BT
IA15-19	Asset Register	H	10.00	0.00	10.00	10.00	10.00	0.00	10.00	0.00	Draft Report Stage	New accounting principles for leases to come into force in 2015.	2012-13	QTR 3	Head of Finance - Peter Vickers Senior Accountant - Vicki Basley, Estates and Valuation Manager - Ailsa Woodruff.	01483-523539, & 01483 523459.	BT
AS	Reconcilations of all Key Financial systems incl, Debtors Creditors, General Ledger, HB, Ctax etc)	H	10.00	0.00	10.00	0.00	0.00	10.00	10.00	0.00	Mar-15	Reconcilations of key financial systems	2013-14	QTR 4	Head of Finance - Peter Vickers	01483-523539	BT
IA15-13	NNDR	H	7.00	0.00	7.00	7.00	7.00	0.00	7.00	0.00	Final Report on Covalent	Mandatory and Discretionary relief, Insolvency status appropriately claimed.	2013-14	QTR 3	Head of Finance - Peter Vickers, Revenues Manager - Simon Piper	01483-523539 & 01483 523104	BT
IA15-17	Cash Income System	H	5.00	0.00	5.00	5.00	5.00	0.00	5.00	0.00	Draft Report Stage	New Project running from Apr-Aug 2014 upgrade CIVICA and Adelante	2012-13	QTR 4	Head of Finance - Peter Vickers Senior Accountant Vicki Basley & L Heath	01483-523539 & 01483 523250	BT
IA15-14	Payments	H		10.00	10.00	10.00	10.00	0.00	10.00	0.00	Draft Report Stage	Provide assurance that controls are in place for any payments made by the council.	Request	QTR 3	Head of Finance - Peter Vickers	01483-523539	BT
	<b>Sub total for Key Financial Systems</b>		<b>56.00</b>	<b>10.00</b>	<b>66.00</b>	<b>49.00</b>	<b>49.00</b>	<b>17.00</b>	<b>66.00</b>	<b>0.00</b>							
<b>Deferred from 2013-14</b>	Housing tenancy void management and terminations	H	10.00	0.00	10.00	0.00	0.00	10.00	10.00	0.00	Awaiting Draft Report	Review of revised processes introduced in 2013-14	Pre 2008	QTR 4 Feb 2015	Head of Housing Operations Hugh Wagstaff	01483 523363	BT

Report No.	AUDIT PLAN AS AT 10/03/2015	2014/15 PRIORITY	Proposed No. of Plan Days	Variations	Revised plan (a) + (b)	B/F from Previous Month	Actual Total to date	Days Planned to end March '15	Total expected time ((d)+(e) to match (c))	Balance	Progress	Details	Last Audited	Quarter to be started	Head of Service & Manager Responsible for Area	Contact Details	Auditor
Request to Defer until 2015-16	Asbestos in Waverley Properties	H	10.00	0.00	10.00	0.00	0.00	10.00	10.00	0.00	Request to Defer	Review of revised processes introduced in 2013-14	2011-12	QTR 4	Head of Housing Operations Hugh Wagstaff	01483 523363	BT
Risk Reg	Legionella, Electrical, Fire checks etc re Waverley Property	H	10.00	0.00	10.00	0.00	0.00	10.00	10.00	0.00	Start date 16/03/2015	Review of revised processes introduced in 2013-14	2011-12	QTR 4	Head of Housing Operations Hugh Wagstaff	01483 523363	BT
IA15-03	Housing property database (Keystone)	H	10.00	0.00	10.00	10.00	10.00	0.00	10.00	0.00	Final Report on Covalent	Assurance on the accuracy and reliability of the Keystone System.	Pre 2008	QTR 1/2	Head of Housing Operations Hugh Wagstaff	01483 523363	BT
IA15-12	Gas Maintenance in Waverley Properties	H	10.00	0.00	10.00	10.00	10.00	0.00	10.00	0.00	Final Report on Covalent	Review of revised processes introduced in 2013-14	2011/12	QTR 2	Head of Housing Operations Hugh Wagstaff	01483 523363	BT
IA15-04	Rent Deposit Scheme	H	5.00	0.00	5.00	5.00	5.00	0.00	5.00	0.00	Final Report on Covalent	Document process, provide assurance that Rent deposits are recovered where possible.	Fees reviewed previously	QTR 2	Head of Housing Strategy - Jane Abrahams, Head of Finance - Peter Vickers	01483- 523096, 01483 523539	BT
IA15-02	Planning - Procurement of specialist professional services (Agricultural appraisals, Counsel etc)	H	10.00	0.00	10.00	10.00	10.00	0.00	10.00	0.00	Final Report on Covalent	Provide assurance that the procurement of specialist professional services are in accordance with CPR's with the appropriate approvals obtained.	New	QTR 1	Head of Planning - Matthew Evans	01483- 523298	BT
IA15-18	Health & Safety	H	7.00	0.00	7.00	0.00	7.00	0.00	7.00	0.00	Draft Report Stage	Assurance that H & S inspections completed by the Environmental Health Team are completed in accordance with Policies and Procedures and controls are in place.	Pre 2008	QTR 3	Head of Environment - Rob Anderton	01483 523411	BT
AS	Safeguarding	H	7.00	0.00	7.00	0.00	7.00	0.00	7.00	0.00	Awaiting Draft Report	Assurance that clear responsibilities, policies, procedures and training are in place.	2011-12	QTR 3	Kelvin Mills Head of Community Service and Major Projects	01483 523432	BT
IA15-16	Car Parking	H	10.00	0.00	10.00	0.00	10.00	0.00	10.00	0.00	Final Report Stage	Assurance on the collection of fees through to the recovery of fines and write offs.	2012-13	QTR 3 15/12/2014	Head of Environment - Rob Anderton	01483 523411	BT
AS	Refuse Collection	M	10.00	0.00	10.00	0.00	0.00	10.00	10.00	0.00	Awaiting Draft Report	Post review of Green Waste collection	2011-12	QTR 3/4	Head of Environment - Rob Anderton	01483 523411	BT
IA15-20	Environmental Protection Team	H	10.00	0.00	10.00	0.00	0.00	10.00	10.00	0.00	Draft Report Stage	Reviewing the way in which the Environmental Protection team and the Planning Team work together on planning consultations.	Pre 2008	QTR 3	Head of Environment - Rob Anderton & Deputy Environmental Health Manager - Colin Giddings	01483 523411 - 01483 523435	BT
IA15-01	Fuel Cards (WBC Owned Vehicles, Pool cars and Countryside)	M	5.00	0.00	5.00	5.00	5.00	0.00	5.00	0.00	Final Report on Covalent	Assurance that Fuel cards are being appropriately used by those staff they were issued to.	New	QTR 1	Kelvin Mills Head of Community Service and Major Projects	01483 523432	BT
Risk Reg	Sport Centre Refurbishment (Herons)	H	10.00	0.00	10.00	0.00	0.00	10.00	10.00	0.00	Mar-15	Assurance that project controls are in operation and being complied with.	New Project	QTR 4	Kelvin Mills Head of Community Service and Major Projects	01483 523432	BT
HOS	Document Scanning service	M		7.00	7.00	0.00	0.00	7.00	7.00	0.00	Mar-15	Assurance re compliant with Info Security, certification of copy of original - time and motion re utilisation of resources.	2010	QTR 3	Roger Standing Head of Customer, IT and Officer Services	01483 523221	BT
IA15-06	Waverley Training Services	H	10.00	0.00	10.00	10.00	10.00	0.00	10.00	0.00	Final Report on Covalent	Growth and expansion of service.	2012-13	QTR 2	Kelvin Mills Head of Community Service and Major Projects	01483 523432	BT
IA15-06B	WTS contractor funding issue			3.00	3.00	3.00	3.00	0.00	3.00	0.00	Final Report Stage	SFA Funding Issue re PTS		QTR3	Kelvin Mills Head of Community Service and Major Projects	01483 523432	BT
	<b>Governance and Risk Reviews</b>																
IA15-10	Member Expenses	H	7.00	0.00	7.00	7.00	7.00	0.00	7.00	0.00	Final Report on Covalent	Assurance that system in operation is compliant with documented and agreed scheme	2009-10	QTR 3	Head Of Policy and Governance - Robin Taylor	01483 523222	BT
	In Progress																
	Completed																
	New review utilising contingency days																
	Deferral Requested																

Report No.	AUDIT PLAN AS AT 10/03/2015	2014/15 PRIORITY	Proposed No. of Plan Days	Variations	Revised plan (a) + (b)	B/F from Previous Month	Actual Total to date	Days Planned to end March '15	Total expected time ((d)+(e) to match (c))	Balance	Progress	Details	Last Audited	Quarter to be started	Head of Service & Manager Responsible for Area	Contact Details	Auditor
	Management Contract Liaison Meetings		5.00	0.00	5.00	1.00	1.00	4.00	5.00	0.00							
	Contingency		18.00	-18.00	0.00	0.00	0.00	0.00	0.00	0.00							
	Sub Total for Operational Reviews (Inc Cont)		164.00	-8.00	156.00	61.00	85.00	71.00	156.00	0.00							
	Subtotal Financial Systems Reviews		56.00	10.00	66.00	49.00	49.00	17.00	66.00	0.00							
	Subtotal of IT Reviews		30.00	-2.00	28.00	10.00	25.00	3.00	28.00	0.00							
	<b>Total Contractor Plan Review Days</b>		<b>250.00</b>	<b>0.00</b>	<b>250.00</b>	<b>120.00</b>	<b>159.00</b>	<b>91.00</b>	<b>250.00</b>	<b>0.00</b>							
	<b>Inhouse Service (GB)</b>																
HOS	Sale of and repurchase of Council Houses	H	10.00	0.00	10.00	4.00	5.00	5.00	10.00	0.00	In Progress	Involvement in RTB Re-engineering process and identification of additional homes to add to housing stock.	Pre 2008	QTR 4	Head of Housing Operations Hugh Wagstaff, Head of Strategic Housing, Jane Abraham.	01483 523363	GB
HOS	Disclosure and Barring Service	H		10.00	10.00	0.00	3.00	7.00	10.00	0.00	In Progress	Assurance that the System is working effectively to protection those involved in the process.	CRB 2012	QTR 4	Head Of Policy and Governance - Robin Taylor	01483 523222	GB
	Other reviews to be decided	H	20.00	-10.00	10.00	0.00	0.00	10.00	10.00	0.00							
	<b>Total Inhouse Internal Audit Reviews</b>		<b>30.00</b>	<b>0.00</b>	<b>30.00</b>	<b>4.00</b>	<b>8.00</b>	<b>22.00</b>	<b>30.00</b>	<b>0.00</b>							
	<b>Total Part 1 of Plan</b>		<b>280.00</b>	<b>0.00</b>	<b>280.00</b>	<b>124.00</b>	<b>167.00</b>	<b>113.00</b>	<b>280.00</b>	<b>0.00</b>							

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## WAVERLEY BOROUGH COUNCIL

### AUDIT COMMITTEE

23/03/2015

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#### Title:

**PROPOSED AUDIT PLAN FOR 2015-16**

**[Wards Affected: All]**

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#### Summary and purpose:

The Committee's terms of reference include provision for the it to comment on the Internal Audit Client Manager's proposed Internal Audit Plan. This report presents the Draft Internal Audit Plan for 2015-16 and the Committee is invited to comment before the Plan is adopted.

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

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

#### Financial Implications:

Internal audit work includes 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.

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#### Introduction

1. The draft Internal Audit Plan for 2015-16, 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. Many issues were raised in those consultations, and it has been necessary to consider carefully which of the many current developments and pressures the Internal Audit Service is best able to assist with, or have a meaningful input in providing management assurance.

## **Proposed Plan for 2015-16**

2. The proposed draft Internal Audit Plan (Part 1) for 2015/16 presented for committee endorsement has been set by the Internal Audit Client Manager (IACM), in consultation with Head of Service, agreed by the Section 151 Officer and Corporate Management Team.
3. The plan proposes to remain at the same number of days as previous years at 230 days which will be allocated to the contractor Baker Tilly for 2015/16. The Internal Audit Client Managers resource, as well as managing the contract, will deal with any other audit issues that arise including utilisation to provide the necessary support in the investigation of Tenancy Fraud issues.
4. The draft 2015/16 proposed Plan has been prepared with reference to Internal Audit Risk Assessment, as well as assessing the current control environment, operational risk register, operational management input and the resources available.
5. Time has been allocated to priority high risk areas including those that may hinder the achievement of Waverley's corporate objectives.

Where there are identified changes to systems and services throughout the year a provision (in contingency) has been included in the Plan to review these operational areas where possible.

IT audits have been risk assessed using the same methodology as the general systems reviews and selected by the Internal Audit Client Manager in conjunction with the Head of Service's assessment of the major changes in new IT developments within the authority and provide independent assurance on the improvements implemented within the IT Service.

## **Conclusion**

6. The proposed Internal Audit Plan for 2015-16 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 the draft Internal Audit Plan for 2015/16 as attached in Annexe 1 and adopt the plan.

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## **Background Papers**

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

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## **CONTACT OFFICER:**

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**Internal Audit Client Manager**

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Mar-15 AUDIT PLAN TO BE PRESENTED TO  
23 MARCH 2015 AUDIT COMMITTEE

Report No.	AUDIT PLAN AS AT 23/03/2015	2015/16 PRIORITY	Proposed No. of Plan Days	Details	Last Audited	Quarter to be started	Head of Service & Manager Responsible for Area	Contact Details	Auditor
		RISK BAND	2015/16						
<b>Systems and Services Audit</b>									
<b>IT SERVICES</b>									
AS	Mobile Devices and Remote/Home Working security	H	10.00	Roll out and increased use of devices	N/A		Head of Customer, IT and Office Services - Roger Standing, Linda Frame - IT Development Manager	01483 523221 - 01483 523157	BT
HOS	IT Helpdesk functionality	M	5.00	Reliance on service.	N/A		Head of Customer, IT and Office Services - Roger Standing, Martin Wilson - Operations Manager	01483 523221 - 01483 523155	BT
CMT	Sharepoint	H	10.00	Resilience re volume of files, structure, hierarchy and permissions documented as to who can see what etc	2013-14		Head of Customer, IT and Office Services - Roger Standing, Martin Wilson - Operations Manager	01483 523221 - 01483 523155	BT
	Contingency		10.00						
	<b>IT Total</b>		<b>35.00</b>						
<b>GENERAL SYSTEM REVIEWS</b>									
<b>Key Financial Systems</b>									
AS	Treasury Management	H	7.00	Change in personnel and high value/risk.	2013-14		Head of Finance - Peter Vickers	01483-523539	BT
AS	Sundry Debtors	H	10.00	Review on the effectiveness of debts recovery.	2013-14		Head of Finance - Peter Vickers	01483-523539	BT
AS	Itrent-Payroll (Leave recording and calculations methodology)	H	10.00	Assurance on the accuracy of output.	Pre 2012		Head of Finance - Peter Vickers	01483 523539	BT
AS	Council Tax Support	H	10.00		2012-13		Head of Finance - Peter Vickers	01483- 523539	BT
AS	Rents (new payment methods and self service)	H	10.00	Assessment and assurance on new arrangements	2013-14		Head of Housing Operations - Hugh Wagstaff	01483- 523363	BT
HOS	Car Parking	H	10.00	New Project re 'Cade' Pay by phone system re Web Office/ Online Challenge	2014-15		Head of Environment - Rob Anderton	01483 523411	BT
CMT	Sundry Creditors	H	7.00	Review of the effectiveness of the systems in operation	2014-15		Head of Finance - Peter Vickers	01483- 523539	BT
	<b>Sub total for Key Financial Systems</b>		<b>64.00</b>						
Deferred from 2014-15	Housing Asbestos Review	H	0.00	Assurance on process in place to identify, react and resolve issues in a timely manner.			Head of Housing Operations Hugh Wagstaff	01483 523363	BT
HOST	Gas Servicing Contract re Central Heating contractors service performance in accordance with contract terms.	H	10.00	Assurance on the contract performance measures in place.	2014-15		Head of Housing Operations Hugh Wagstaff	01483 523363	BT
HOST	Kitchen & Bathroom (Basket Rates) Review	H	10.00	Assessment and assurance on new arrangements	2013-14		Head of Housing Operations Hugh Wagstaff	01483 523363	BT
HOST	Fire & Legionnaires Disease Risk Assessments at Sheltered Housing Units Follow up re progress	H	5.00	Follow up from 2014/15 review	2011/12		Head of Housing Operations Hugh Wagstaff	01483 523363	BT
AS	New Homes Build	H	10.00	Increased activity and value high	2011-12		Head of Strategic Housing Jane Abraham	01483 323096	BT
AS	Disability facilities Grants	M	5.00	Assurance over controls re awarding of grants	2010-11		Head of Strategic Housing Jane Abraham	01483 323096	BT
AS	Waste Collection Management Contract	H	10.00	Major contract - assurance on contract management function and Performance Management	2012-13		Head of Environment - Rob Anderton	01483 523411	BT
HOS	Pest Control - SDK	H	7.00	Assurance on the process re handling of income and invoicing.	2010-11		Head of Environment - Rob Anderton	01483 523411	BT
AS	Grounds Maintenance contract	H	10.00	Contract management and performance management of contractor.	2012-13		Kelvin Mills Head of Community Service and Major Projects	01483 523432	BT
AS	Grants to other organisations	H	10.00	Assurance on the controls in place and justification re verification on the use of grants.	2010-11		Kelvin Mills Head of Community Service and Major Projects	01483 523432	BT
AS	Official Orders - Sharepoint system	M	10.00	Assurance on the accuracy of generation of official orders.	New		Corporate		BT
<b>Governance and Risk Reviews</b>									
AS	Information Governance security	H	15.00	Information Governance Security group Action Plan	New		Corporate		BT
CMT	Intend - Procurement Portal	H	10.00	Assurance on the implementation to meet code	New		Corporate		BT
	Management Contract Liaison Meetings		5.00						
	Contingency		14.00	Plus IT contingency of 10 days					

Mar-15 AUDIT PLAN TO BE PRESENTED TO  
23 MARCH 2015 AUDIT COMMITTEE

Report No.	AUDIT PLAN AS AT 23/03/2015	2015/16 PRIORITY	Proposed No. of Plan Days	Details	Last Audited	Quarter to be started	Head of Service & Manager Responsible for Area	Contact Details	Auditor
		RISK BAND	2015/16						
	Sub Total for Operational Reviews (Inc Cont)		131.00						
	Subtotal Financial Systems Reviews		64.00						
	Subtotal of IT Reviews		35.00						
	<b>Total Contractor Plan Review Days</b>		<b>230.00</b>						

## WAVERLEY BOROUGH COUNCIL

### AUDIT COMMITTEE – 23 MARCH 2015

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#### **Title:**

#### **Review of Contract Procedure Rules and Financial Regulations**

[Portfolio Holder: Julia Potts]

[Wards Affected: All]

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

Audit Committee are asked to pass observations of the revised Contract Procedure Rules and Financial Regulations onto the Executive, in compliance with Audit Committee terms of reference Under Article 8 of the Constitution. Specifically, the Audit Committee is required to maintain an overview of the Council's Constitution in respect of contract procedure rules and financial regulations.

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

The CPR's and financial regulations directly underpins the financial governance arrangements for the Council and affects the way services delivers on corporate priorities.

#### **Financial Implications:**

No direct financial implications.

#### **Legal Implications:**

These are covered in the documents.

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#### **Introduction**

1. The Financial Regulations and Contract Procedure Rules were last updated in January 2012 and have been reviewed in line with our commitment within the Annual Governance Statement.
2. The objective of the review is to ensure that the Financial Regulations and Contract Procedure Rules reflect the current management reporting structure and to support service delivery whilst ensuring our governance arrangement remain secure in relation to risk and statutory compliance.

#### **Financial Regulations**

3. The Financial Regulations have been reviewed with tracked changes Annexe 1.
4. References to management posts superseded in the management restructure have been updated to the current post titles.

5. The following items have been drawn to the committee’s attention for specific review:

i. A201 scheme of virement: propose to maintain these limits.

<b>Amount</b>	<b>Approval Required</b>
<b>&lt; £500 same service</b>	<b>Budget manager notify Executive Director</b>
<b>£500 to £1,000 same service</b>	<b>Director and Service Head agree with Director of Finance and Resources</b>
<b>£1,001 to £10,000 same service</b>	<b>CMT</b>
<b>£10,000 to £50,000 same service</b>	<b>Executive</b>
<b>&lt; £10,000 between services or between capital/revenue</b>	<b>CMT with agreement of Finance Portfolio Holder</b>
<b>£10,000 to £50,000 between services or between capital/revenue</b>	<b>Executive</b>
<b>&gt; £50,000</b>	<b>Executive &amp; Council</b>

ii. B203: changed budget monitoring reports to CMT from Bi-monthly to monthly.

iii. C515: “maintain inventories for fixtures, equipment above £200” whilst low value, this limit deters fraud.

iv. C705: translated “Head of OD” to Finance for reporting staffing budget likely overspends.

v. D108: translate “Head of Information Technology” to Head of Customer IT and Office Services before changing any existing IT based systems.

vi. D203: write off limits for bad debts: propose to maintain the limits as shown in the table below:

<b>Amount</b>	<b>Approval Required</b>
<b>&lt; £25*</b>	<b>Service manager and Internal Audit Client Manager</b>
<b>£25 to £ 5,000*</b>	<b>Director of Finance and Resources</b>
<b>&gt;£ 5,000 up to £ 7,500</b>	<b>Director of Finance and Resources and Executive Director</b>
<b>&gt;£ 7,500</b>	<b>Executive</b>

- vii. D227 and 227a: propose to maintain the 30 day invoice payment and 1 days for local suppliers and small businesses.
- viii. D238: authorised Signatory list, translated “Head of Exchequer Services” to read Head of Finance.

### Contract Procedure Rules

- 6. The Contract Procedure Rules have been reviewed with tracked changes Annexe 2.
- 7. Public Contract Regulations 2015 were published on 6 February 2015 and come into effect on 26 February 2015. These are being reviewed and any proposed amendments will be tabled along side this report for consideration and inclusion.
- 8. References to management posts superseded in the management restructure have been updated to the current post titles.
- 9. The following items have been adjusted and drawn to committee attention for review:
  - i. EU Directives references have been updated to include Public Contracts Regulations 2015 (“the Regulations”).
  - ii. The CPRs have been updated to reflect the use of Intend as the procurement process. All references to postal and email have been deleted and new procedure implemented for “In-tend” electronic procurement.
  - iii. Reference to “Improvement and Efficiency South East” has been deleted as this has been superseded by the In-tend process.
  - iv. The same financial thresholds are proposed to continue, with only threshold 4 changing as necessary to comply with OJEU limit changes.

The thresholds are:

The financial thresholds for the aggregate value of the contract are currently as follows:

Threshold 1: up to and including £10,000

Threshold 2: from £10,000 up to and including £25,000

Threshold 3: from £25,000 up to and including £172,000

Threshold 4: over £172,000\*

\*Threshold 4 value aligns broadly to the OJEU limit for supplies and services. This will be updated automatically if the OJEU limit changes

EU Procurement thresholds from 1st January 2014 to 31 December 2015 are:

- Supplies £172,514
- Services £172,514
- Works £4,322,012

The EU Procurement thresholds are still current as at February 2015. Section 6 has been inserted as follows:

## 6 ELECTRONIC TENDERING (E-TENDERING)

6.1 All quotations and tenders shall be sought using the Council's electronic tendering portal, the South East Shared Services e-Sourcing Portal, provided by 'In-tend'.

The In-tend system captures and records information through out each tender exercise. Therefore requirement to maintain a paper audit trail as specified in previous CPRs has been removed.

No changes have been made to the number of quotes required within each threshold level; the current rules are workable and provide good governance.

Despatch of invitation to tender rules are updated to comply with the In-tend system, which has templates. These capture information and remove the need for a manual record to be made. Section 12.

Receipt of tendered and quotations has been amended to comply with the In-tend system functionality. Section 13.

Method of opening and recording tenders has been amended to comply with the In-tend system functionality. Section 14.

## **Conclusion**

Financial Regulations and Contract Procedure Rules have been reviewed to ensure that they are fit for purpose.

## **Recommendation**

It is recommended that the Committee passes their observations of the Financial Regulations and Contract Procedure Rules and tabled amendments onto the Executive.

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## **Background Papers**

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

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# Financial Regulations

## **FINANCIAL REGULATION A: FINANCIAL MANAGEMENT**

### INTRODUCTION

#### **Director of Finance and Resources**

The Director of Finance and Resources has statutory duties in relation to the financial administration and stewardship of the authority. This statutory responsibility cannot be overridden. The statutory duties arise from:

- Section 151 of the Local Government Act 1972
- The Local Government Finance Act 1988
- The Local Government and Housing Act 1989
- The Accounts and Audit Regulations 1996 or as amended.

The Director of Finance and Resources is responsible for:

- the proper administration of Waverley's financial affairs
- setting and monitoring compliance with financial management standards advising on the corporate financial position and on the key financial
- controls necessary to secure sound financial management providing financial information
- preparing the revenue budget and capital programme preparing the medium-term financial strategy
- treasury management
- ensuring arrangements for preventing fraud are in place

The Director of Finance and Resources's responsibilities included in these Financial Regulations relate to the Director of Finance and Resources and any nominated officer representatives.

#### **Executive Director, Directors and Heads of Service**

Executive Director, Directors and Heads of Service are responsible for:

- ensuring that members of the Council are advised of the financial implications of all proposals and that the financial implications have been agreed by the Director of Finance and Resources
- signing contracts on behalf of the authority (see Contract Procedure Rules).

It is the responsibility of Executive Director, directors and Heads of Service to consult with the Director of Finance and Resources and seek approval on any matter liable to affect Waverley's finances materially, before any commitments are incurred.



In relation to these Financial Regulations, the term Director and Service Head covers any officer nominated by a Director and Service Head as their representative and it covers the Director of Finance and Resources's role as a service manager.

## FINANCIAL MANAGEMENT STANDARDS

### **Why this is important**

All staff and Members have a duty to abide by the highest standards of probity in dealing with financial issues including complying with the CIPFA/SOLACE guide on Corporate Governance. This duty is facilitated by ensuring that everyone is clear about the standards to which they are working and that the necessary controls are in place to ensure that these standards are met.

### **Responsibilities of the Director of Finance and Resources**

- A101** To ensure the proper administration of Waverley's financial affairs.
- A102** To set the financial management standards and to monitor compliance with them.
- A103** To ensure proper professional practices are adhered to and to act as head of profession in relation to the standards, performance and development of finance staff throughout the authority.
- A104** To advise on the key strategic controls necessary to secure sound financial management.
- A105** To ensure that financial information is available to enable accurate and timely monitoring and reporting of comparisons of national and local financial performance indicators.

### **Responsibilities of Executive Director, Directors and Heads of Service**

- A106** To promote the financial management standards set by the Director of Finance and Resources in their services and to monitor adherence to the standards and practices, liaising as necessary with the Director of Finance and Resources.
- A107** To promote sound financial practices in relation to the standards, performance and development of staff in their services.

### **Joint Responsibility**

- A108** To ensure that robust procedures are in place to provide the necessary assurance to the Council about the adequacy of the finance and governance arrangements in place as presented in the Annual Governance Statement.

## MANAGING EXPENDITURE

### -Scheme of Virement

#### **Why this is important**

The scheme of virement is intended to enable budgets to be managed with a degree of flexibility within the overall policy framework determined by the full Council. Virement is a tool to change the intended purpose of a budget and should only be used to assist in the managing of budgets to deliver services, not to cover overspends that have already occurred.

Virements should be considered in conjunction with the budget monitoring process and, at the discretion of the Director of Finance and Resources, virements should be approved in accordance with the table below. In instances where a major item of expenditure or external income is subject to volatility in the year and/or it is the subject of specific monitoring, the Director of Finance and Resources may decide that a virement is not appropriate, provided that Members are kept informed through the budget monitoring and outturn process. Any budget transfer should be treated as a virement with the specified limits being applied.

#### **Scheme of Virement**

A201 A virement is the transfer of budget provision from any one single budget head to another. All virements must be requested by e-mail to the Chief Accountant and can not be requested after the end of the financial year to which they relate. For the purpose of this scheme, a budget head is a line in the budget book. The following virement limits apply to each individual transfer.

<b>Amount</b>	<b>Approval Required</b>
<b>&lt; £ 500 same service</b>	<b>Budget manager notify Executive Director</b>
<b>£ 500 to £1,000 same service</b>	<b>Director and Service Head agree with Director of Finance and Resources</b>
<b>£1,001 to £ 10,000 same service</b>	<b>CMT</b>
<b>£ 10,000 to £50,000 same service</b>	<b>Executive</b>
<b>&lt; £ 10,000 between services or between capital/revenue</b>	<b>CMT with agreement of Finance Portfolio Holder</b>
<b>£ 10,000 to £50,000 between services or between capital/revenue</b>	<b>Executive</b>
<b>&gt; £50,000</b>	<b>Executive &amp; Council</b>

### **Treatment of year-end balances**

- A202** Overspends of more than £1,000 on any individual revenue budget head will, at the discretion of the Director of Finance and Resources, be carried forward to the following year, and will constitute the first call on that budget in the following year. The Director of Finance and Resources will report the extent of overspendings carried forward to the Executive.
- A203** Planned/Programmed carry forwards on revenue service estimates may occur in exceptional cases where, for reasons outside of the budget manager's control, the budget could not be spent in the year and is still required in the following year for the same purpose. Carry forwards are subject to the approval of the Director of Finance and Resources if less than £5,000 and CMT and Executive if they are over £5,000.
- A204 Carry forward requests for underspending on capital schemes will be subject to consideration by the Capital Monitoring Group and approval by the Director of Finance and Resources who will also set a timetable for the scheme's completion.

## **ACCOUNTING POLICIES**

### **Why this is important**

The Director of Finance and Resources is responsible for the preparation of Waverley's statement of accounts, in accordance with proper practices as set out in the format required by the *Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice* (CIPFA/LASAAC), (the SORP) and the *Best Value Accounting Code of Practice* for each financial year ending 31 March.

### **Responsibilities of the Director of Finance and Resources**

- A301** To select suitable accounting policies and to ensure that they are applied consistently and appropriately. The accounting policies are set out in the statement of accounts, which is prepared at 31 March each year.

### **Responsibilities of Executive Director, Directors and Heads of Service**

- A302** To adhere to the accounting policies and guidelines approved by the Director of Finance and Resources.

## **ACCOUNTING RECORDS AND RETURNS**

### **Why this is important**

Maintaining proper accounting records is one of the ways in which Waverley discharges its responsibility for stewardship of public resources. The authority has a statutory

responsibility to prepare its annual accounts to present its operations during the year fairly. These are subject to external audit. This audit provides assurance that the accounts are free from material mis-statement and that the financial statements present fairly the financial position of the Council and its income and expenditure for the year.

### **Responsibilities of the Director of Finance and Resources**

- A401** To determine the accounting procedure and record requirements for the authority. Where these are maintained outside the finance department, the Executive Director should advise the Director and Service Head concerned.
- A402** To arrange for the compilation of all accounts and accounting records within the Director of Finance and Resources's control.
- A403** To comply with the following principles when allocating accounting duties:
- (a) separating the duties of providing information about sums payable to or by Waverley and about calculating, checking and recording these sums from the duty of collecting or disbursing them
  - (b) —employees with the duty of examining or checking the accounts of cash transactions must not themselves be engaged in these transactions.
- A404** To make proper arrangements for the audit of Waverley's accounts in accordance with the Accounts and Audit Regulations.
- A405** To ensure that all claims for funds including grants are made by the due date.
- A406** To prepare and publish the audited accounts for each financial year, in accordance with the statutory timetable.
- A407** To administer Waverley's arrangements for under and overspends to be carried forward to the following financial year.
- A408** To ensure the proper retention of financial documents.

### **Responsibilities of Executive Director, [eD](#)Directors and Heads of Service**

- A409** —To consult and obtain the approval of the Director of Finance and Resources before-making any changes to accounting records and procedures.
- A410** To maintain adequate records to provide a management trail leading from the source of income/expenditure through to the accounting statements.
- A411** To supply information required to enable the statement of accounts to be completed in accordance with guidelines and timescales issued by the Director of Finance and Resources.



## THE ANNUAL STATEMENT OF ACCOUNTS

### **Why this is important**

Waverley has a statutory responsibility to prepare its own accounts to present fairly –its operations during the year. The full Council is responsible for approving the statutory annual statement of accounts by the prescribed deadline.

### **Responsibilities of the Director of Finance and Resources**

**A501** To select suitable accounting policies and to apply them consistently.

**A502** To make ~~judgements~~[judgments](#) and estimates that are reasonable and prudent.

**A503** To comply with the Statement of Recommended Practice.

**A504** To draw up the timetable for final accounts preparation and to advise staff and external auditors accordingly.

**A505** To report major changes in requirements to the Audit Committee.

## **FINANCIAL REGULATION B: FINANCIAL PLANNING**

### INTRODUCTION

Waverley's constitution requires the full Council to agree the policy framework and budget, which will be proposed by the Executive

### PERFORMANCE PLANS

#### **Responsibilities of the Director of Finance and Resources**

**B101** –To advise on and supply the financial information for the Corporate Plan and service plans in accordance with statutory requirements and timetables.

**B102** To contribute to the development of corporate and service targets and objectives and performance information.

**B103** To ensure that the Financial Strategy is in line with corporate objectives.

#### **Responsibilities of Executive Director, [eD](#)Directors and Heads of Service**

**B104** –To contribute to the development of service and performance plans in line with statutory and corporate requirements.

**B105** To contribute to the development of corporate and service targets and objectives and performance information.

**B106** –To ensure that systems are in place to measure activity and collect accurate information for use as performance indicators.

**B107** —To ensure that performance information is monitored frequently enough to measure success and improvements and to allow corrective action to be taken if targets are not likely to be met.

## BUDGETING

Revenue budget preparation, monitoring and control

### Responsibilities of the Director of Finance and Resources

**B201** To establish an appropriate framework of budgetary management and control that ensures that:

- (a) budget management is exercised within annual cash limits
- (b) each Director and Service Head has available timely information on receipts and payments on each budget which is sufficiently detailed to enable managers to fulfil their budgetary responsibilities
- (c) expenditure is committed only against an approved budget head
- (d) all officers responsible for committing expenditure comply with relevant guidance, and the financial regulations
- (e) each cost centre has a single named manager, determined by the relevant Director and Service Head. As a general principle, budget responsibility should be aligned as closely as possible to the decision-making processes that commits expenditure
- (f) significant variances from approved budgets are investigated and reported by budget managers regularly.

**B202** —To submit reports to the Executive and to the full Council, in consultation with the relevant Director and Service Head, where a Director and Service Head identifies unavoidable expenditure not in the approved budget

**B203** To prepare and submit reports on Waverley's projected income and expenditure compared with the budget on a monthly basis to budget managers and ~~a bi-monthly basis~~ to CMT.

### Responsibilities of Executive Director, eDirectors and Heads of Service

**B204** —To maintain budgetary control within their departments, in adherence to the principles in B201, and to ensure that all income and expenditure is properly recorded and accounted for.

**B205** —To ensure that spending remains within their services' overall budget, and that

individual budget heads are not overspent, by monitoring the budget and taking appropriate corrective action where significant variations from the approved budget are forecast.

- B206** To prepare and submit to the CMT and Executive reports on the service's projected expenditure compared with its budget, in consultation with the Director of Finance and Resources.
- B207** To ensure prior approval —by the full Council or Executive (as appropriate) for new proposals, of whatever amount, that:
  - (a) create financial commitments in future years
  - (b) change existing policies, initiate new policies or cease existing policies
  - (c) materially extend or reduce services.
- B208** To ensure compliance with the scheme of virement.

#### Budgets and medium-term planning

#### **Responsibilities of the Director of Finance and Resources**

- B209** —To prepare and submit reports on medium-term budget prospects for the Executive including resource constraints set by the Government.
- B210** To determine the detailed form of revenue estimates and the methods for their preparation, consistent with the budget approved by the full Council, and after consultation with the Executive and CMT.
- B211** To prepare and submit reports to the Executive on the aggregate spending plans of departments and on the resources available to fund them, identifying, where appropriate, the implications for the level of council tax to be levied.
- B212** To advise on the medium-term implications of spending decisions and the adequacy of reserves.
- B213** To encourage the best use of resources and value for money by working with Executive Director, directors and Heads of Service to identify opportunities to improve economy, efficiency and effectiveness, and by encouraging good practice in conducting financial appraisals of development or savings options, and in developing financial aspects of service planning.
- B214** —To advise the full Council on Executive proposals in accordance with the Director of Finance and Resources's responsibilities under section 151 of the Local Government Act 1972.

### **Responsibilities of Executive Director, eDirectors and Heads of Service**

**B215** To prepare estimates of income and expenditure, in consultation with \_\_\_\_\_ the Director of Finance and Resources, Deirectors to be submitted to the \_\_\_\_\_ Executive.

**B216** To prepare budgets that are consistent with Waverley's Corporate Strategy, Medium Term Financial Strategy, the annual budget cycle and with guidelines issued by the Executive

**B217** To integrate financial and budget plans into service planning, so that budget plans can be supported by financial and non-financial performance measures.

**B218** -In consultation with the Director of Finance and Resources and in accordance with the laid-down guidance and timetable, to prepare detailed draft revenue and capital budgets for consideration by the appropriate committee.

**B219** -When drawing up draft budget requirements, to have regard to:

- (a) spending patterns and pressures revealed through the budget monitoring process and the Medium Term Financial Strategy.
- (b) legal requirements
- (c) policy requirements as defined by the full Council in the approved policy framework
- (d) initiatives already under way.

### Resource allocation

### **Responsibilities of the Director of Finance and Resources**

**B220** To advise on methods available for the funding of resources, such as external grants and borrowing and financing requirements.

**B221** To assist in the allocation of resources to budget managers.

### **Responsibilities of Executive Director, Deirectors and Heads of Service**

**B222** To work within budget limits and to utilise resources allocated in the most efficient, effective and economic way.

**B223** To identify opportunities to minimise or eliminate resource requirements or consumption without having a detrimental effect on service delivery.

### Capital Programmes

### **Responsibilities of the Director of Finance and Resources**

**B224** To prepare capital estimates jointly with CMT and to report them to the \_\_\_\_\_ Executive for approval and recommendation to the full Council.





**B225** To prepare and submit reports to the Executive on the projected income, expenditure and resources compared with the approved estimates.

**B226** –To obtain authorisation from the Executive for individual schemes where the estimated expenditure exceeds the capital budget for the scheme by more than £20,000 or 10%, whichever is the lesser.

### **Responsibilities of Executive Director, eDirectors and Heads of Service**

**B227** To ensure that all capital proposals have undergone a project appraisal in accordance with guidance agreed in Waverley’s Capital Strategy.

**B228** To ensure that adequate records are maintained for all capital contracts\_ and \_\_ensure compliance with Waverley’s Contract Procedure Rules.

**B229** To proceed with projects only when there is adequate provision in the capital programme and with the agreement of the Executive Director where required.

**B230** –To notify the Director of Finance and Resources of any known or potential variation in a capital scheme’s costs greater than £20,000 or 10%, whichever is the lesser

**B230a**To report to the Capital Monitoring Group if it is likely that a capital project will underspend or slip against its agreed timetable, particularly if this will result in the project not being delivered in the approved financial year.

**B231** To ensure that credit arrangements, such as leasing agreements, are not entered into without the prior approval of the Executive Director.

## **MAINTENANCE OF RESERVES**

### **Responsibilities of the Director of Finance and Resources**

**B301** To advise the Executive and/or the full Council on prudent levels of reserves and balances in accordance with the requirements of the Local Government Act 2003, and to take account of the advice of the external auditor in this matter.

**B302** To ensure that reserves are used only for the purpose originally intended.

### **Responsibilities of Executive Director, Directors and Heads of Service**

**B303** To ensure that revenue and capital resources are used only for the purposes for which they were intended.

## **FINANCIAL REGULATION C: RISK MANAGEMENT AND CONTROL OF RESOURCES**

### **INTRODUCTION**

It is essential that robust, integrated systems are developed and maintained for identifying  
Financial Regulations - Page 11



and evaluating all significant operational risks to Waverley. This should include the proactive participation of all those associated with planning and delivering services.

## RISK MANAGEMENT AND INSURANCE

### **Responsibilities of the Director of Finance and Resources**

- C101** To prepare and promote Waverley's risk management policy statement.
- C102** To include all Waverley employees in a suitable fidelity guarantee insurance.
- C103** To effect corporate insurance cover, through external insurance and internal funding as appropriate, and to negotiate all claims in consultation with other officers, where necessary.

### **Responsibilities of Executive Director, Directors and Heads of Service**

- C104** To notify the Director of Finance and Resources immediately of any loss, liability or damage that may lead to a claim against Waverley, together with any information or explanation required by the Director of Finance and Resources or the authority's insurers.
- C105** To take responsibility for risk management, having regard to advice from the Director of Finance and Resources and other specialist officers.
- C106** To ensure that there are regular reviews of risk within their departments.
- C107** To notify the Executive Director promptly of all new risks, properties or vehicles that require insurance and of any alterations affecting existing insurances.
- C108** To consult the Director of Finance and Resources and the Solicitor to the Council on the terms of any indemnity that the authority is requested to give.
- C109** To ensure that employees, or anyone covered by Waverley's insurances, do not admit liability or make any offer to pay compensation that may prejudice the assessment of liability in respect of any insurance claim.
- C110** To ensure that all contractors or consultants employed have in place adequate insurance, as defined by the Executive Director and head of legal services, to cover the risks associated with the contract.
- 111** To identify, evaluate and report on key risks associated with policy decisions and service developments, and in the preparation of service plans, in accordance with Waverley's agreed risk framework agreed in the Risk Management Strategy.
- C112** To identify and evaluate risks before entering any form of partnership with outside organisations or individuals.



## INTERNAL CONTROLS

### Responsibilities of the Director of Finance and Resources

**C201** –To assist the authority to put in place an appropriate control environment and effective internal controls which provide reasonable assurance of effective and efficient operations, financial stewardship, probity, fraud elimination and compliance with laws and regulations.

### Responsibilities of Executive Director, Directors and Heads of Service

**C202** To manage processes to check that established controls are being adhered to and to evaluate their effectiveness, in order to be confident in the proper use of resources, achievement of objectives and management of risks.

**C203** To review existing controls in the light of changes affecting Waverley and to establish and implement new ones in line with guidance from the Director of Finance and Resources

**C204** To ensure that staff have a clear understanding of the benefits of sound controls.

## AUDIT REQUIREMENTS

-Internal audit

### Responsibilities of the Director of Finance and Resources

**C301** To ensure that internal auditors have the authority to:

(a) access all assets, records, documents, correspondence and control       systems

(b)       receive any information and explanation from members and staff       considered necessary concerning any matter under consideration

(c) require any employee of the authority to account for cash, stores or any       other authority asset under their control

(d) access records belonging to third parties, such as contractors, when required

(e) dir the head of paid service, the Executive and the full    Council if required.

(f) access authority premises at reasonable times

**C302** To approve the strategic and annual audit plans prepared by the Internal Audit Client Manager, which take account of the characteristics and relative risks of the activities involved.

- C303** To ensure that effective procedures are in place to investigate promptly any fraud or irregularity.
- C304** To ensure there is effective liaison between external and internal audit.
- C305** To report on the adequacy of the control arrangements in place.

#### **Responsibilities of Executive Director, eDirectors and Heads of Service**

- C306** –To ensure that internal auditors are given access at all reasonable times to premises, personnel, documents and assets that the auditors consider necessary for the purposes of their work.
- C307** –To ensure that auditors are provided with any information and explanations that they seek in the course of their work.
- C308** To consider and respond promptly to recommendations in audit reports.
- C309** To ensure that any agreed actions arising from audit recommendations are carried out in a timely and efficient fashion.
- C310** To notify the Executive Director immediately of any suspected fraud, theft, irregularity, improper use or misappropriation of the Waverley’s property or resources. Pending investigation and reporting, the Director and Service Head should take all necessary steps to prevent further loss and to secure records and documentation against removal or alteration.
- C311** To ensure that new systems for maintaining financial records, or records of assets, or changes to such systems, are discussed with, and agreed by, the Internal Audit Client Manager prior to implementation.

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### **PREVENTING FRAUD AND CORRUPTION**

#### **Responsibilities of the Director of Finance and Resources**

- C401** To develop and maintain an anti-fraud and anti-corruption policy.
- C402** To maintain adequate and effective internal control arrangements.
- C403** To ensure that all suspected irregularities are reported to the Internal Audit Client            Manager, the Executive Director and the Executive

#### **Responsibilities of Executive Director, eDirectors and Heads of Service**

- C404** To ensure that all suspected irregularities or financial improprieties are reported to the Internal Audit Client Manager.
- C405** To initiate proceedings in accordance with the authority’s disciplinary procedures where the outcome of an audit investigation indicates improper ~~behaviour~~behaviour.

## ASSETS Security

### Responsibilities of the Director of Finance and Resources

- C501** To ensure that an asset register is maintained in accordance with CIPFA's good practice guide for all fixed assets with a value in excess of Waverley's current asset de-minimis levels.
- C502** To ensure that assets are valued in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice* (CIPFA/LASAAC).

### Security

- C503** To maintain a property database in a form approved by the Executive Director for all land, buildings, plant and machinery and moveable assets currently owned or used by the authority
- C504** To ensure that lessees and other prospective occupiers of council land and buildings are not allowed to take possession or gain entry until a lease or agreement, in a form approved by the Director and Service Head in consultation with the Director of Finance and Resources and the Solicitor to the Council, has been established as appropriate.
- C505** –To ensure the proper security of all buildings and other assets under their control.
- C506** –Where land or buildings are surplus to requirements, the disposal must be considered in accordance with the Contract Procedure Rules.
- C507** To ensure that no Waverley asset is subject to personal use by an employee without proper authority.
- C508** To ensure the safe custody of vehicles, equipment, furniture, stock, stores and other property belonging to Waverley.
- C509** To ensure that assets are identified, their location recorded in an inventory and that they are appropriately marked and insured.
- C510** To ensure cash holdings on premises are kept to a minimum and are kept securely in accordance with insurance requirements.
- C511** To ensure that keys to safes and similar receptacles are carried on the person of those responsible at all times; loss of any such keys must be reported to the Director of Finance and Resources as soon as possible.
- C512** All asset disposals should be carried out in accordance with the Contract Procedure Rules.
- C513** –To arrange for the valuation of assets for accounting purposes to meet requirements specified by the Director of Finance and Resources.
- C514** To ensure that all employees are aware that they have a personal responsibility with regard to the protection and confidentiality of information, whether held in manual or computerised records, and that all employees understand that this may be

sensitive or privileged, or may possess some intrinsic value, and its disclosure or loss could result in a cost to Waverley in some way.

### **Inventories**

**C515** To maintain inventories and record an adequate description of furniture, fittings, equipment, plant and machinery above £200 in value. Inventories should be kept securely.

**C516** -To carry out an annual check of all items on the inventory in order to verify location, review, condition and to take action in relation to surpluses or deficiencies, annotating the inventory accordingly

**C517** -To ensure that property is only used for the authority's business, unless the relevant Director and Service Head gives permission for other use.

### **Responsibilities of Executive Director, e<sup>e</sup>Directors and Heads of Service -**

#### **Stocks and stores**

**C518** -To make arrangements for the care and custody of stocks and stores.

**C519** -To ensure stocks are maintained at reasonable levels and are subject to a regular independent physical check. —All discrepancies should be investigated and reported to internal audit.

**C520** -To authorise or write off disposal of redundant stocks and equipment.

#### Asset disposal

### **Responsibilities of the Director of Finance and Resources**

**C521** To issue guidelines representing best practice for disposal of assets based on the advice from the Asset Advisory Group.

### **Responsibilities of Executive Director, e<sup>e</sup>Directors and Heads of Service**

**C522** To seek the best price in the disposal of surplus or obsolete materials, stores or equipment and ensure that the current Contract Procedure Rules are applied in every case.

**C523** To ensure that income received for the disposal of an asset is properly banked and coded.

### TREASURY MANAGEMENT

### **Responsibilities of Director of Finance and Resources – treasury management and banking**

**C601** To execute and administer all treasury management decisions and act in accordance with Waverley's agreed policy statement and treasury management

practices, CIPFA's Standard of Professional Practice on Treasury Management and the Prudential Code. The main requirements are as follows:

- (1) To create and maintain a treasury management policy statement, stating the policies and objectives of Waverley's treasury management activities
- (2) To create and maintain a set of treasury management practices which state how the policies and objectives will be achieved and how Waverley will manage and control those activities.
- (3) To report to the Executive and Corporate O&S Committee on Waverley's treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year and an annual report after its close.

**C602** To operate bank accounts as are considered necessary. Opening or closing any bank account require the Executive Directors approval.

#### **Responsibilities of Executive Director, Directors and Heads of Service – investments and borrowing**

**C603** —To ensure that loans are not made to third parties and that interests are not acquired in companies, joint ventures or other enterprises without approval of the Executive, after consultation with the Director of Finance and Resources.

#### **Responsibilities of Executive Director, eDirectors and Heads of Service – trust funds and funds held for third parties**

**C604** To arrange for all trust funds to be held, wherever possible, in Waverley's name. All officers acting as trustees by virtue of their official position shall deposit securities, etc relating to the trust with the Solicitor to the Council, unless the deed otherwise provides.

**C605** To arrange, where funds are held on behalf of third parties, for their secure administration, approved by the Director of Finance and Resources, and to maintain written records of all transactions.

**C606** To ensure that trust funds are operated within any relevant legislation and the specific requirements for each trust for their intended purpose.

#### **Responsibilities of the Director of Finance and Resources – imprest accounts**

**C607** To provide authorised Waverley employees with cash or bank imprest accounts to meet minor expenditure after an assessment of need.

**C608** To determine the petty cash limit and to maintain a record of all transactions and



petty cash advances made, and periodically to review the arrangements for the safe custody and control of these advances.

### **Responsibilities of Executive Director, eDirectors and Heads of Service – imprest accounts**

**C609** To ensure that approved employees operating an imprest account:

- (a) obtain and retain vouchers to support each payment from the imprest account. Where appropriate, an official receipted VAT invoice must be obtained
- (b) make adequate arrangements for the safe custody of the account
- (c) produce upon demand by the Director of Finance and Resources cash and all vouchers to the total value of the imprest amount
- (d) record transactions promptly
- (e) reconcile and balance the account monthly; reconciliation sheets to be signed and retained by the imprest holder
- (f) provide the Director of Finance and Resources with a certificate of the value of the account held at 31 March each year

### **STAFFING**

#### **Responsibilities of the Director of Finance and Resources**

**C701** To ensure that budget provision exists to fund all employee costs.

#### **Responsibilities of Executive Director, directors and Heads of Service**

**C702** Heads of Service, in conjunction with the Head of OD should produce an annual manpower budget.

**C703** Heads of Service, in conjunction with the Head of Finance should monitor staff activity to ensure adequate control over costs.

**C704** To ensure that the staffing budget is not exceeded without due authority and that the scheme of virement is applied to changes.

**C705** To ensure that the Head of Finance is immediately informed if the staffing budget is likely to be materially over or underspent.

### **PARTNERSHIP RISKS (ALSO SEE SECTION E)**

#### **Responsibilities of Director of Finance and Resources**

**C801** –To ensure that all service, contractual and financial partnerships have been the



subject of a robust risk assessment prior to the Council committing to enter into the partnership, which has considered:

- —The responsibilities and commitment of the Council
- —Any financial obligations entered into
- —The governance arrangements
- —Any liabilities or insurance requirements

### **Responsibilities of Executive Director, eD Directors and Heads of Service**

**C802** Inform the Director of Finance and Resources prior to committing the Council to any form of partnership

**C803** Complete a risk assessment as described in C801

**C804** Ensure that proper review and monitoring arrangements are in place

**C805** Update Waverley's central register of partnerships

## **FINANCIAL REGULATION D: SYSTEMS AND PROCEDURES**

### **INTRODUCTION**

Sound systems and procedures are essential to an effective framework of accountability and control.

The Director of Finance and Resources is responsible for the operation of the authority's accounting systems, the form of accounts and the supporting financial records. Executive Director, directors and Heads of Service are responsible for the proper operation of financial processes in their own departments.

### **GENERAL**

#### **Responsibilities of the Director of Finance and Resources**

**D101** To make arrangements for the proper administration of the authority's financial affairs, including to:

- (a) issue advice, guidance and procedures for officers and others acting on the authority's behalf
- (b) determine the accounting systems, form of accounts and supporting financial records

- (c) establish arrangements for audit of the authority's financial affairs
- (d) approve any new financial systems to be introduced
- (e) approve any changes to be made to existing financial systems.

### **Responsibilities of Executive Director, Directors and Heads of Service**

**D102** To ensure that accounting records are properly maintained and held securely.

**D103** —To ensure that vouchers and documents with financial implications are not destroyed, except in accordance with arrangements approved by the Director of Finance and Resources.

**D104** —To ensure that a complete management trail, allowing financial transactions to be traced from the accounting records to the original document, and vice versa, is maintained.

**D105** —To ensure that the organisational structure provides an appropriate segregation of duties to provide adequate internal controls and to minimise the risk of fraud or other malpractice.

**D106** —To ensure there is a documented and tested disaster recovery plan.

**D107** —To ensure that systems are documented and staff are trained in operations.

**D108** To consult with the Head of Customer IT and Office Services before changing any existing IT-based system or introducing new systems.

**D109** To establish a scheme of delegation identifying officers authorised to act upon the Director and Service Head's behalf in financial matters; including payments, income collection and placing orders.

**D110** To supply lists of authorised officers to the Director of Finance and Resources showing specimen signatures and the limits of the individual's authority, together with any subsequent variations.

**D111** To ensure that effective contingency arrangements, including back-up procedures, exist for all computer systems. Wherever possible, back-up information should be securely retained in a fireproof location, preferably off site or at an alternative location within the building.

**D112** —To ensure that, where appropriate, computer systems are registered in accordance with data protection legislation following consultation with Waverley's data protection and freedom of information officer. Staff should be made aware of their responsibilities under the legislation.

**D113** —To comply with the copyright, designs and patents legislation and, in particular, to ensure that:

- (a) only software legally acquired and installed by the authority is used on its computers

- (b) staff are aware of legislative provisions
- (c) in developing systems, due regard is given to the issue of intellectual property rights.
- (d) All staff comply with Waverley's IT Code of Conduct.

## INCOME AND EXPENDITURE

### Income

#### Responsibilities of the Director of Finance and Resources

- D201** To agree arrangements for the collection of all income due to the authority and to approve the procedures, systems and documentation for its collection.
- D202** To order and supply to departments all receipt forms, books or tickets and similar items and to ensure that satisfactory control arrangements are in place.
- D203** –To agree the write-off of bad debts in all Waverley services according to the following limits:

Amount	Approval Required
< £25*	Service manager and Internal Audit Client Manager
£25 to £ 5,000*	Director of Finance and Resources
>£ 5,000 up to £ 7,500	Director of Finance and Resources and Executive Director
>£ 7,500	Executive

\* Includes the write-back of credit balances

- D204** To report all write-off schedules to the Executive for noting within the budget monitoring reports.
- D205** –To establish and initiate appropriate recovery procedures, including legal action where necessary, for debts that are not paid promptly.
- D206** To issue official receipts or to maintain other documentation for income collection.
- D207** To hold securely receipts, tickets and other records of income for the appropriate period.
- D208** –To lock away all income to safeguard against loss or theft, and to ensure the security of cash handling.
- D209** To ensure that income is paid fully and promptly into the appropriate authority bank account in the form in which it is received. Appropriate details should be recorded on paying-in slips to provide an audit trail. Money collected and deposited must be reconciled to the bank account on a monthly basis.
- D210** To ensure income is not used to cash personal cheques.

**D211** Ensure that once raised, no debt may be cancelled, except by full payment or by its formal writing off. A credit note to replace a debt can only be issued to correct a factual inaccuracy or administrative error in the calculation and/or billing of the original debt.

### **Responsibilities of Executive Director, Directors and Heads of Service**

**D212** To establish a charging policy for the supply of goods or services, including the appropriate charging of VAT, and to review it regularly, in line with corporate policies. Where charges are not included in the approved fees and charges schedule, the proposed charging policy must be determined in conjunction with the Head of Finance.

**D213** -To notify the Director of Finance and Resources of outstanding income relating to the previous financial year as soon as possible after 31 March in line with the timetable determined by the Director of Finance and Resources and not later than 30 April.

**D214** Executive Director, directors and Heads of Service have a responsibility to assist the Director of Finance and Resources in collecting debts that they have originated, by providing any further information requested by the debtor, and in pursuing the matter on Waverley's behalf.

### Ordering and paying for work, goods and services

#### **General**

**D215** Every officer and member of the authority has a responsibility to declare any links or personal interests that they may have with purchasers, suppliers and/or contractors if they are engaged in contractual or purchasing decisions on behalf of the authority, in accordance with appropriate codes of conduct.

**D216** Official orders should only be made by authorised officers and in accordance with the Contract Procedure Rules.

**D217** Official orders must not be raised for any personal or private purchases, nor should the authority's contracts be used for personal or private benefit.

### **Responsibilities of the Director of Finance and Resources**

**D218** To approve the form of official orders and associated terms and conditions having regard to the Contract Procedure Rules.

**D219** To make payments from Waverley's funds provided that the Director and Service Head has authorised the expenditure and certified that the expenditure has been incurred in accordance with financial regulations.

**D220** To make payments to contractors on the certificate of the appropriate Director

and Service Head, which must include details of the value of work, retention money, amounts previously certified and amounts now certified.

**D221** To provide advice on making payments by the most economical means.

### **Responsibilities of Executive Director, Directors and Heads of Service**

**D222** To ensure that the department obtains best value from all purchases by taking appropriate steps to obtain competitive prices for goods and services of the appropriate quality, with regard to the Procurement Strategy and Contract Procedure Rules.

**D223** Official orders must be issued for all work, goods or services to be supplied to the authority, except for supplies of utilities, periodic payments such as rent or rates, petty cash purchases or other exceptions specified by the Director of Finance and Resources in the 'Exceptions to Official Orders Schedule' or otherwise detailed in the Contract Procedure Rules.

**D224** To ensure that official orders are only used for goods and services provided to the service and are raised in accordance with the Contract Procedure Rules.

**D225** To ensure that goods and services are checked on receipt to verify that they are in accordance with the order. This check should, where possible, be carried out by a different officer from the person who authorised the order.

**D226** To ~~to~~ maintain an up-to-date list of officers authorised to sign orders. The list should include specimen signatures and identify in each case the limits of the individual's authority. The officer authorising the order should be satisfied that the goods and services ordered are appropriate and needed, that there is adequate budgetary provision and that quotations or tenders have been obtained as necessary. Best value principles of assessing quality against cost should underpin the authority's approach to procurement.

**D227** To ensure that payment is made within 30 days of receipt of invoice, unless in dispute, and that a proper VAT invoice (if supplier registered) has been received, checked, coded and certified for payment.

**D227a** To ensure that every endeavour is made to pay invoices for local suppliers and small businesses within 10 days

**D228** To ensure that two authorised members of staff are involved in the ordering, receiving and payment process. If possible, a different officer from the person who signed the order, and in every case, a different officer from the person checking a written invoice, should authorise the invoice.

**D229** To ensure that the department maintains and reviews periodically a list of staff approved to authorise invoices. Names of authorising officers together with specimen signatures and details of the limits of their authority shall be forwarded to the Director of Finance and Resources.

**D230** To ensure that payments are not requested on a photocopied or faxed invoice,

statement or document other than the formal invoice.

- D231** — To notify the Director of Finance and Resources of outstanding expenditure relating to the previous financial year as soon as possible after 31 March in line with the timetable determined by the Director of Finance and Resources and, in any case, not later than 30 April.
- D232** To notify the Director of Finance and Resources immediately of any expenditure to be incurred as a result of statute/court order where there is no budgetary provision.

## Payments to employees and Members

### Responsibilities of the Director of Finance and Resources

- D233** To arrange and control secure and reliable payment of salaries, wages, or other emoluments to employees.
- D234** To record and make arrangements for the accurate and timely payment of tax, superannuation and other deductions.
- D235** To make arrangements for payment of all travel and subsistence claims and members' allowances.
- D236** To ensure that adequate and effective systems and procedures are operated, so that:

- ~~payments are only authorised to bona fide employees~~
  - ~~payments are only made where there is a valid entitlement~~  
~~conditions and contracts of employment are correctly applied~~
  - ▲ ~~employees' names listed on the payroll are checked at regular~~
  - ~~intervals to verify accuracy and completeness.~~
- payments are only authorised to bona fide employees
  - payments are only made where there is a valid entitlement
  - conditions and contracts of employment are correctly applied
  - employees' names listed on the payroll are checked at regular intervals to verify accuracy and completeness.

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### Responsibilities of Executive Director, Directors and Heads of Service

- D237** To ensure appointments are made in accordance with Waverley's regulations of the authority and approved establishments, grades and scale of pay and that adequate budget provision is available.
- D238** To send an up-to-date list of the names of officers authorised to sign records to personnel, together with specimen signatures. The Head of Finance should have signatures of officers authorised to sign timesheets and claims.
- D239** To ensure that payroll transactions are processed only through the payroll



system.

- D240** –To certify travel and subsistence claims and other allowances to ensure that journeys were authorised and expenses properly and necessarily incurred, and that allowances are properly payable by the authority, ensuring that cost-effective use of travel arrangements is achieved

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## TAXATION

### **Responsibilities of the Director of Finance and Resources**

- D301** –To complete all Inland Revenue returns regarding PAYE, VAT and the construction industry tax deduction scheme and make the appropriate payments or claims.

- D302** –To monitor Waverley’s VAT partial exemption position periodically.

### **Responsibilities of Executive Director, eDirectors and Heads of Service**

- D303** To ensure that the correct VAT liability is attached to all income due and that all VAT shown as recoverable on purchases complies with HM Customs and Excise regulations.

- D304** To ensure that, where construction and maintenance works are undertaken, the contractor fulfils the necessary construction industry tax deduction requirements.

## **FINANCIAL REGULATION E: EXTERNAL ARRANGEMENTS**

### INTRODUCTION

Waverley provides a distinctive leadership role for the community and brings together the contributions of the various stakeholders. It must also act to achieve the promotion or improvement of the economic, social or environmental well-being of its area.

### PARTNERSHIPS

### **Responsibilities of the Director of Finance and Resources**

- E101** To advise on the key elements of funding a project including:

- (a) a scheme appraisal for financial viability in both the current and future years
- (b) risk appraisal and management
- (c) resourcing, including taxation issues
- (d) audit, security and control requirements
- (e) carry-forward arrangements.

- E102** To ensure that the accounting arrangements are satisfactory.

**Responsibilities of Executive Director, Directors and Heads of Service**

- E103** –To maintain a register of all contracts entered into with external bodies in accordance with procedures specified by the Director of Finance and Resources.
- E104** –To ensure that, before entering into agreements with external bodies, a risk management appraisal has been prepared.
- E105** To ensure that such agreements and arrangements support the corporate objectives and do not impact adversely upon the services provided by the authority.
- E106** To ensure that all agreements and arrangements are properly documented.
- E107** To provide appropriate information to the Director of Finance and Resources to enable a note to be entered into the authority's statement of accounts concerning material items.

**EXTERNAL FUNDING**

**Responsibilities of the Director of Finance and Resources**

- E201** To ensure that all funding notified by external bodies is received and \_\_\_\_\_ properly recorded in the authority's accounts.
- E202** –To ensure that the matched funding or sponsored organisation scheme requirements are considered prior to entering into the agreements and that future revenue budgets reflect these requirements.
- E203** To ensure that audit requirements are met.
- E204** To ensure that funds are received from only appropriate sources and that their purpose is clearly documented.

**Responsibilities of Executive Director, Directors and Heads of Service**

- E204** To ensure that all claims for funds are made by the due date.
- E205** –To ensure that the project progresses in accordance with the agreed project and that all expenditure is properly incurred and recorded.



## Contract Procedure Rules

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## INTRODUCTION

[These](#) Contract Procedure Rules (CPRs) set out the Council's rules and requirements in respect of all matters relating to the advertising, tendering, award and extension (in terms of both time and content) of contracts. They set out the way in which business and relationships with suppliers of goods, works and services should be conducted. They represent the minimum standard required, and may be supplemented as deemed necessary by additional checks and controls by the relevant director or his/her staff.

The [Public Contracts Regulations 2015](#) ~~and~~ ~~are~~ separate [EU](#) Directives ~~that govern the award of~~ ~~concern~~ higher value contracts. The requirements regarding tendering, notices and negotiations set out in these [Regulations and Directives](#) take precedence over [the](#) CPRs, but [the](#) CPRs should still be applied in an appropriate manner.

**These CPRs should be read in conjunction with the Council's Financial Regulations and officers may act only within the authority specified in the [Council's Scheme of Delegation and the Authorised Signatory List, available from the Head of Finance](#).**

## DEFINITIONS/GLOSSARY OF TERMS

### **Supplier/contractor**

Both these terms are used to refer to a provider or potential provider of goods, works or services. Once a contract has been placed with a supplier, that supplier may be more precisely referred to as a contractor.

A supplier or contractor may be any form of legal entity, and thus includes sole traders, partnerships, consortia, limited companies (private or public), governmental organisations or other public bodies.

### **Quotations and tenders**

The terms "quotation" and "tender" are used throughout these [Rules-CPRs](#). For the purposes of the application of these [Rules-CPRs](#) the following definitions should be used:

**Quotation:** a price given by a supplier for a specified piece of work, goods or service based largely on the supplier's terms and conditions but with relevant conditions as determined by the Council.

**Tender:** a price given by a supplier in response to a full specification of the goods, works or services required and based upon terms and conditions specified by the Council. These terms and conditions may be as laid out in a commonly used standard form of contract.

The processes for seeking and receiving quotations and tenders are set out within these CPRs. The precise requirements in respect to any specific contract will have to be assessed according to the nature and complexity of the contract as well as its value.

## **Responsible Purchasing**

The Council's overarching approach to the acquisition of goods and services, ensuring that purchasing decisions are made with the best long-term interest of the environment in mind, particularly having regard to sustainability issues.

## **Specification**

The use of the word 'specification' ~~is made to refer~~ to a statement of the Council's minimum purchase requirements. For illustrative purposes, it includes as appropriate such matters as:

- a) Technical drawings
- b) Recognised international standards
- c) Method of delivery
- d) Terms and conditions of supply and delivery
- e) Responsible purchasing requirements.

## **Professional services ("consultants")**

Consultants are used for a wide variety of purposes. Generally the term is therefore used to relate to the providers of professional skills and expertise which, for whatever reason, cannot be provided by the Council's own staff. Regardless of the role to be played, for the purposes of ~~these Contract Procedure Rules~~, contracts for the provision of professional expertise will be regarded in the same manner as other contracts for the supply of goods, works and services.

Appointment of a person through an employment agency or an appropriate professional body to fulfil duties that otherwise would be performed by a member of staff will not be subject to ~~CPRs Contract Procedure Rules~~. A separate procedure is available from ~~HR Employee Services~~ concerning this. Engaging a person to undertake a specific piece of work with specific terms of reference is deemed to be consultancy and must be procured in accordance with the CPRs.

## **Contract**

This term is used to refer to any procurement transaction or planned procurement transaction.

## **Contract value**

All references to contract values refer to the estimated value unless otherwise specified. The estimated value is calculated over the entire period of the contract, including the period of any possible extensions to the term of the contract. Where the term of the contract is not known, a term of 4 years must be assumed and applied when calculating the contract value. The calculation of the value ~~should~~ must be assessed exclusive of Value Added Tax.

## **Matrix**

Under the requirements of Best Value, a local authority is required to adopt the best option for service delivery. This will be identified as a result of balancing a number of factors as appropriate. The matrix sets a template for evaluating these factors and may be supplemented as appropriate with a scoring and weighting formula. It will be used in this way to identify the best value option.

## **EUG Directives on procurement**

These are rules that override these CPRs for large value contracts. EUG Directives must be applied once the value of the contract reaches or exceeds the relevant financial threshold. Their application and link to CPRs is outlined above in the introduction. [The Directives are implemented into UK law as the Public Contracts Regulations 2015 \(“the Regulations”\), and reference to those Regulations in these CPRs includes any subsequent amendments to those Regulations and any replacement Regulations \(and amendments thereto\).](#) The value of contracts that are subject to these Directives is revised annually and it will be necessary to seek confirmation of current values from the [Legal Services Manager/Borough Solicitor](#).

## **Goods/Works/Services**

A contract will be in connection with the acquisition of one or more of these categories of purchases. The use of one of these terms should be taken to mean all the terms unless expressly stated to the contrary.

## **Relevant Director**

This term is used to denote the ~~Chief Executive~~[Executive Director](#), ~~Deputy Chief Executive~~[Director of Finance and Resources](#) (Section 151 Officer) or the ~~Director of Operations~~[strategic director](#) in person. Where an officer from one service is working in circumstances where they are responsible to another service for the purposes of a procurement exercise, then it is that other director who is the responsible director. In some CPRs the ~~Chief Executive~~[Executive Director](#) and the ~~S.151 Officer~~[Section 151 Officer](#) are mentioned by title; where this is done, they are not acting as the relevant director.—

## **Relevant head of service**[Head of Service](#)

This term is used to denote the head of the service responsible for the contract. Where ~~head of service~~[Head of Service](#) is working in circumstances where they are responsible to another ~~head of service~~[Head of Service](#) for the purposes of a procurement exercise, then it is that other ~~head of service~~[Head of Service](#) ~~who~~[that](#) is the responsible ~~head of service~~[Head of Service](#).

## **Relevant Portfolio holder**

This refers to the elected Member of the Council who at the time the procurement exercise is being undertaken is the relevant member of the Council’s Executive responsible for the service in question.

## **Quotations or tenders to be received in writing through the postal system**

~~Reference to the receipt of quotations or tenders in writing through the postal system represents the only secure means open to the Council currently. Where CPRs refer to a quotation or tender being in writing, this means they are to be received in sealed envelopes bearing no marks or markings that would identify the person or organisation submitting it through the postal system. The envelope shall be clearly marked with the title or description of the contract to which it relates.~~

## **Term tender (“call-off contracts”)**

This term is used to describe a contract that is entered into for a specified period but where the total value and quantity of items ordered cannot be quantified at the

outset. An example might be a contract for the supply of office stationery. Such contracts may also be referred to as “call-off contracts”. Prices are specified for the duration of the contract, subject as necessary to fluctuation according to agreed formulae.

### **Partnership contracts**

Partnership contracts are designed to enhance cooperation between the Council and a contractor/other parties to the contract. The purpose is to enable services to be reviewed and delivery arrangements amended at various times within the life of the contract. Whilst terms and conditions may require amendment as a consequence, it is not intended that this should impede smooth working and transition to new arrangements should be facilitated. Therefore different arrangements will apply to allow amendment to terms and conditions in a planned and controlled manner.

### **Highest/lowest price**

The term “lowest price” (where payment is to be made by the Council) shall also be taken to mean the highest price (where payment is to be made to the Council).

### **Land and buildings**

Disposal of land and buildings refers to outright sale and long-term leases. It does not include short-term leases of three years or less. The disposal of small parcels of land, such as to private residents for extension of gardens, may be the subject of standard procedures that may be agreed between the relevant director and the [S.151 Officer](#) in accordance with CPR [E40324](#).

### **Lists prepared by third parties**

This refers to such lists as “Constructionline” and similar lists of contractors that have been assessed by other organisations.

### **Scheme of Delegation**

This term refers to the Council’s Scheme of Delegation, which specifies the extent to which the conduct of the Council’s affairs is delegated to Council officers. If at any time there appears to be a conflict between the Scheme of Delegation and Contract Procedure Rules, the former shall take precedence.

### **Authorised Signatory List**

This is the [List](#) of officers authorised [to](#) make financial transactions. [Service head](#) [Head of Service](#) approval is required before an officer may be included in the List.

### **Financial Regulations**

This refers to the set of rules that govern the way the Council’s finances are administered and controlled. They are maintained by the [S.151 Officer](#) [Section 151 Officer](#).

### **Improvement and Efficiency South East (IESE)**

~~This term refers to the government funded body known as Improvement and Efficiency South East whose purposes include is to promotion and development of good practice in procurement within the south east of England.~~

### ~~S.151 Officer~~Section 151 Officer (or Deputy ~~S151~~Section 151 Officer)

This refers to [the Council's Chief Finance Officer, being](#) the officer responsible for the Council's financial administration as defined by the Local Government Act 1972.

### Monitoring Officer

This refers to the officer appointed in accordance with the Local Government and Housing Act 1989.

### Corporate Management Team

The Corporate Management Team is the meeting of the ~~Chief Executive~~[Executive Director](#) and ~~strategic~~[Directors](#), which is advised by ~~service heads~~[Heads of Service and other Officers](#) as appropriate.

### Open tendering

Open tendering refers to a situation where all contractors that have expressed an interest in a contract are sent an invitation to tender. It is distinct from selective/restrictive tendering in that assessment of the contractors will take place once the tenders/quotations are received using a questionnaire and an assessment of their financial stability, references and insurances.

### Selective/restricted tendering

Selective or restricted tendering refers to a situation where contractors expressing an interest in tendering/supplying a quotation are asked to complete a pre-qualification questionnaire. The completed questionnaire is assessed, and an assessment of the contractors' financial stability, references and insurances is undertaken in order to produce a short-list of contractors that will be invited to tender/provide a quotation.

## 1 **EUG PROCUREMENT DIRECTIVES**

- 1.1 The decision as to the tendering route, the assessment criteria and the contract advertising and letting timetable shall conform to any requirements set out within the EUG Directives [and Regulations](#). The estimated value of the contract shall be assessed over the whole life of the contract.
- 1.2 The need to apply the EUG Directives [and Regulations](#) is dependent upon a combination of the value of the contract and the nature of the contract. Different value thresholds apply according to whether the contract is in respect of goods, works or services (or a combination).
- 1.3 ~~Once it has been determined that the Directives will apply, t~~The relevant ~~head of service~~ [Head of Service](#) in conjunction with the ~~Legal Services Manager~~ [Borough Solicitor](#) shall ensure that adequate research into the EUG Directives is undertaken to [determine whether the Directives and Regulations apply and to](#) enable the contract to be tendered and let in full accordance with the requirements of the Directives [and Regulations](#).

## 2 **EXCEPTIONS TO CONTRACT PROCEDURE RULES**

- 2.1 Contract Procedure Rules shall not apply in the following circumstances (N.B. this CPR should be read in conjunction with 2.3):
  - a) ~~Where no extension provision currently exists in a contract,~~ [Extensions to the duration and/or value of an existing contract, where no extension provision currently exists in that contract,](#) provided that the extension is [within the terms and conditions ofon the same terms and conditions as](#) the original contract, to a maximum of 2 years unless otherwise required by EUG Directives or as stated in the notices placed in the Official Journal of the European Union, subject to
    - the provisions of CPR 2.3, [and](#)
    - where the sum of the proposed extension and any previous extension(s) is more than 2 years or 20% in value of the original contract value, the approval of the Executive is required prior to the award of the proposed extension, and
    - there has been a decision of the Council to make adequate budgetary provision that will be sufficient to meet the costs of the extension in any financial year covered by the extension;
  - ~~b)~~ [proprietary goods where it can be demonstrated that they can only be obtained from one contractor;](#)
  - ~~c)~~ [\\_\\_\\_\\_\\_ contracts for the acquisition of property, in which circumstances the Asset Management Team shall advise and seek the approval of the Executive as to the procedure to be followed;](#)
  - ~~d)~~ [\\_\\_\\_\\_\\_ where, subject to an assessment of the associated risks undertaken in consultation with the ~~Legal Services Manager~~ \[Borough Solicitor\]\(#\), the Council is letting a contract on behalf of another public body or partner organisation under the](#)

tendering and contract-letting rules and requirements of that other body or organisation;

~~f)~~e) where there is insufficient credible competition (the Head of Finance must sign off the competition assessment);

~~g)~~f) ~~variation~~Variation (additional work) to an existing contract where the variation is outside the scope of the contract but the circumstances are such that it would be inappropriate to offer the additional work to competition. These circumstances should be documented and this documentation retained on the contract file. The relevant ~~head of service~~Head of Service ~~should shall~~ sign the document(s).

2.2 Contract Procedure Rules shall not apply to contracts of employment and orders placed against a call-off or government framework contract.

2.3 The agreement of the ~~S.151 Officer~~Section 151 shall be sought prior to awarding a contract or extension to a contract as defined in and under the provisions of CPR 2.100.

2.4 In any other circumstances where the relevant ~~head of service~~Head of Service considers that there is good reason not to obtain competitive quotations or tenders, which are not adequately covered by the exceptions set out in CPR 2.1-~~0~~, a request to seek a single tender or quotation may be made to the ~~S.151 Officer~~Section 151 Officer. Such a request must be supported by the relevant strategic director. The ~~S.151 Officer~~Section 151 Officer shall ensure that:

- the request does not contravene the ~~e~~Council's statutory obligations;
- the request considers the requirements of CPR 9.8;
- there is adequate and appropriate reason for awarding a contract without competition;
- the award of a contract would provide good value for money and shall specify the evidence to be supplied to evidence this;
- the necessary checks regarding the proposed contractor have been undertaken in accordance with CPR 11.1 (as appropriate) and that the results do not indicate that a contract award presents undue risk to the Council; and
- ~~an~~An assessment of any associated risks has been undertaken.

The ~~S.151 Officer~~Section 151 Officer may, after consideration of the facts, specify that the request be treated as a request for a waiver in accordance with CPR 3.

2.5 Where a contract is awarded under 2.4, the provisions of 2.1- will not apply. Any extension or variation to the contract shall be submitted to the Executive for approval in accordance with CPR 3.-.



### 3 WAIVERS OF AND VARIATIONS TO CONTRACT PROCEDURE RULES

3.1 In circumstances where there is a demonstrable and justifiable need to waive or vary one or more of these CPRs due to reasons that are not covered by any other CPR, whether this be on the grounds of urgency or the need to utilise an alternative procurement route, the approval of the ~~S.151 Officer~~ [Section 151 Officer](#) shall be sought by the relevant ~~head of service~~ [Head of Service](#). If the estimated value of the contract in question falls within threshold 3, the ~~S.151 Officer~~ [Section 151 Officer](#) will need to consult with the Finance Portfolio Holder and relevant service Portfolio Holder, where appropriate, and the proposal will only continue if their agreement is given. If the estimated value is within threshold 4, the approval of the Executive must be given before it proceeds~~..~~.

3.2 All requests for a waiver shall be made by e-mail, detailing:

- a) the specific CPRs to be waived/varied
- b) the reasons why a waiver is sought
- c) the proposed course of action
- d) any risks associated with the proposed action

~~3.3~~ the e-mail will be printed and signed by the requesting officer once approval has been given. In any instance where the relevant ~~head of service~~ [Head of Service](#) is required to consult the ~~S.151 Officer~~ [Section 151 Officer](#), where the ~~S.151 Officer~~ [Section 151 Officer](#) is also the line manager of the relevant ~~head of service~~ [Head of Service](#), the ~~Chief Executive~~ [Executive Director](#) shall be consulted and their approval or advice sought.

~~3.4~~

~~3.5~~ ~~3.3~~ The approval of a waiver shall be evidenced by the ~~Deputy Chief Executive~~ [Director of Finance and Resources](#) or annotating the request with “approved” and signing the request in person. This approval document shall be retained by the relevant ~~head of service~~ [Head of Service](#) for a minimum of seven years or otherwise as in accordance with the Council’s policy on document retention.

### 4 JOINT COMMISSIONING, CONSORTIA, TERM TENDERS AND FRAMEWORK AGREEMENTS

4.1 For contracts estimated to be within threshold 3 and above, where the Council either

- wishes to become party to a contract with a consortium, which has undertaken the task of obtaining competitive prices, or
- seeks to jointly commission a contract with other local authorities or organisations, or
- seeks to jointly deliver services in partnership with other local authorities or organisations

the approval of the ~~S.151 Officer~~ [Section 151 Officer](#) shall be sought to waive the need to seek additional quotations or tenders or to approve the alternative methodology for obtaining quotations or tenders. The ~~S.151 Officer~~ [Section 151 Officer](#) shall ensure that the requirements of CPRs and/or the ~~ECEU~~ Directives have been satisfied. The approval of the ~~S.151 Officer~~ [Section 151](#)

Officer shall be sought to any alternative CPRs (or equivalent) that shall operate in respect of any joint commissions.

- 4.2 The use of a term-tender should be made wherever one exists for the purchase in question. Such contracts should be sought wherever regular purchases of a similar nature are made and the level and frequency of purchases warrants the resources necessary to tender such a contract.
- 4.3 Where an officer identifies a need for an additional such contract, it shall be discussed with the relevant ~~head of service~~Head of Service. Where the purchases are likely to be made by all departments or more than one Council service a corporate approach must be adopted and Corporate Management Team should give agreement to the terms and conditions of the contract sought.
- 4.4 Regard shall be paid to EGEU Directives when preparing a term tender, and tendering procedures shall conform to those regulations.

## 5 FINANCIAL THRESHOLDS

- 5.1 Prior to commencement of a procurement exercise, an assessment of the
- the responsible purchasing requirements, and
  - estimated value of the contract
- must be made by the relevant director, ~~head of service~~Head of Service or other nominated lead officer. For procurements in thresholds 3 and 4 an explanation of how the estimated value has been calculated must be provided. If external assistance is required to calculate the estimate, this must not be provided by potential contractors for that procurement.
- 5.2 The assessment of the responsible purchasing requirements shall be undertaken using the guidance provided in the 'Short Guide'. The assessment will enable decisions to be taken, and the completed matrices shall be retained together with a full record of decisions made and the reasons. The matrices shall be used to identify the most appropriate product at the outset, or to aid the selection of the short-listed contractors at the invitation to tender and/or tender assessment stages.
- 5.3 ~~The CPRs,~~ including the financial thresholds to which reference is made throughout these CPRs, will be reviewed bi-annually. ~~The financial thresholds for the aggregate value of the contract are currently as follows:~~

Threshold 1: up to and including -£10,000

Threshold 2: from -£10,000 up to and including £25,000

Threshold 3: from -£25,000 up to and including £17200,000

Threshold 4: ~~from~~-over £17200,000\*

\*Threshold 4 value aligns broadly to the OJEU limit for supplies and services. This will be updated automatically if the OJEU limit changes

NEW EU PROCUREMENT THRESHOLDS ARE thresholds from (1st January JAN 2014 to -31 DECEMBER ebruary 20152 are:

);

- Supplies £17,23,514,934
- Services £17,23,514,934
- Works £4,32,248,012,350

5.4 Where the cheapest quotation or tender received is above the upper limit of the estimated -CPR financial threshold and/or any approved budget for the procurement of the goods, works or services, the approval of the ~~S.151 Officer~~[Section 151 Officer](#) shall be sought to accept the tender or quotation or for agreement of action to be taken. If ~~the S.151 Officer~~[Section 151 Officer](#) decides not to accept the tender or quotation, they shall indicate the course of action to be taken which may involve seeking Member approval.

## **6 ELECTRONIC TENDERING (E-TENDERING)**

6.1 All quotations and tenders shall be sought using the Council's electronic tendering portal, the South East Shared Services e-Sourcing Portal, provided by 'In-Tend'.

## **6.7 NUMBERS OF QUOTATIONS OR TENDERS REQUIRED**

### **Contracts within threshold 1 in value**

~~6.17.1~~ Where the estimated contract value is within threshold 1, a minimum of two alternative quotations must be sought. However, subject to the written approval of the relevant ~~head of service~~[Head of Service](#) and to the requirements of CPR 7.2, one quotation may be sought. The ~~Head of Service~~[Head of Service](#) may choose to seek additional quotations if appropriate. In the case of recurring procurements for the same goods or services, if the officer wishes to request a quotation from the same contractor for more than two consecutive times then the approval of the ~~S151~~[Section 151 Officer](#) will be necessary.-

~~6.27.2~~ Where circumstances suggest that competitive tenders may be required, owing to the nature or complexity of the contract, the tendering methodology should be discussed and agreed with the relevant ~~head of service~~[Head of Service](#) and the ~~S.151 Officer~~[Section 151 Officer](#) and the relevant CPRs shall be applied.

### **Contracts within threshold 2 in value**

~~6.37.3~~ Where the contract value is estimated to be within threshold 2 in value, a minimum of two alternative quotations -must be sought. The ~~Head of Service~~[Head of Service](#) may choose to seek additional quotations if appropriate. In the case of recurring procurements for the same goods or services, if the officer wishes to request a quotation from the same 2 contractors for more than two consecutive times then the approval of the ~~S151~~[Section 151 Officer](#) will be necessary.

~~6.4~~ Where a quotation is sought, competitive prices may be received by the relevant ~~head of service~~Head of Service via the Council's e-tendering portal. The e-tendering portal records and maintains a record of these facts. ~~either by fax, e-mail or in writing through the postal system. The officer seeking them shall maintain a log showing:~~

- ~~a) the date the quotation was requested;~~
- ~~b) a brief description of the goods required;~~
- ~~c) the name and address of the supplier;~~
- ~~d) the date the quotation was received;~~
- ~~e) the price quoted;~~
- ~~f) the quotation accepted and the reason;~~
- ~~g) the reference number of the order placed; and~~
- ~~h) his/her name, signature and the date.~~

~~7.4~~ This log shall be retained for a minimum of three years. Under no circumstances shall the provisions in this CPR be applied to tenders. Tenders shall be received and opened in accordance with CPR 13.

~~6.57.5~~ Where circumstances suggest that competitive tenders may be required, owing to the nature or complexity of the contract, the tendering methodology should be discussed and agreed with the relevant ~~head of service~~Head of Service and the ~~S.151 Officer~~Section 151 Officer and the relevant CPRs shall be applied.

#### **Contracts within threshold 3 in value**

~~6.67.6~~ Where the contract value is estimated to be within threshold 3, a minimum of three alternative quotations shall be sought in writing via the Council's e-tendering portal. ~~through the postal system in accordance with CPR 12.1.~~ The ~~Head of Service~~Head of Service may choose to seek additional quotations if appropriate. In the case of recurring procurements for the same goods or services, if the officer wishes to request a quotation from the same 3 contractors for more than two consecutive times then the approval of the ~~S151 Section officer~~151 Officer will be necessary. Where a tender is appropriate, CPR 7.5~~5~~ and CPR 1.1 shall apply.

#### **Contracts within threshold 4 in value**

~~6.77.7~~ Where the contract value is estimated to be within threshold 4, the OJEU procedure must be followed for all procurements of supplies or services. Where the procurement is for works and the value is estimated to be less than the OJEU limit for 'works', a minimum of four tenders shall be sought via the Council's e-tendering portal. ~~in writing through the postal system in accordance with CPR 12.2.~~

~~6.87.8~~ If the nature of a contract suggests that a quotation is more appropriate than tenders, on the grounds of the straightforward nature of the purchase or contract, then the relevant ~~head of service~~Head of Service and the ~~S.151 Officer~~Section 151 Officer shall be consulted and the agreement of both obtained in writing before a quotation may be sought.

6.9 — If a quotation route is agreed, any additional safeguards over and above the anticipated terms and conditions of the contractor identified by the consultation shall be included in the invitation to submit a quotation, and the contractor shall be required to acknowledge these in his quotation.

6.107.9 \_\_\_\_\_ -

### **Emergency provisions**

6.117.10 \_\_\_\_\_ Notwithstanding the waiver provisions contained within CPR 3, where professional services of consultants are required urgently due to unforeseen circumstances, a contract for a value not exceeding threshold 2 may be placed without the need to advertise and obtain alternative quotations or tenders. Where the estimated value is within threshold 3, the relevant ~~head of service~~Head of Service shall obtain the agreement of the ~~S.151 Officer~~Section 151 Officer to waive the requirement to obtain alternative tenders or quotations, and shall advise the relevant portfolio holder(s) of the actions and make a report to the next meeting of CMT. If no or insufficient budget provision exists to make the emergency procurement, subsequent approval must be sought in accordance with the Financial Regulations and the Constitution. Any extension to a contract so awarded shall be subject to the provisions of CPR 2.3. This provision does not apply to procurements with a value within threshold 4.

## **78 \_\_\_\_\_ METHOD OF ADVERTISING CONTRACTS OTHER THAN WHERE SELECT LISTS ARE USED**

7.18.1 \_\_\_\_\_ Where appropriate, advertisements for all forthcoming contracts subject to a tender, excluding contracts to be let using a select list but including applications for admission to a select list as defined in CPR 10.1, and all contracts for which quotations/tenders are to be obtained that are within threshold -4, shall be placed on the Council's e-tendering portal~~website~~. Contracts subject to a tender that are over threshold 4 in value can also be advertised using the Council's e-tendering portal~~internet portal of the Improvement and Efficiency South East (IESE) agency~~ and may also be placed in either a local newspaper or a relevant trade newspaper or journal.

7.28.2 \_\_\_\_\_ The advertisement shall provide details of the contract sought, specify a time limit (not being less than 14 days from the latest date of publication of an advertisement) by which time expressions of interest are to be received and the name, address, e-mail address and contact telephone number of the person to whom the expressions should be returned. The advertisement shall also indicate whether or not further details can be obtained and, if so, how they can be obtained.—

## **89 \_\_\_\_\_ METHODS OF TENDERING OTHER THAN SELECT LISTS**

### **Open tendering**

8.19.1 \_\_\_\_\_ Once the closing date for receipt of expressions of interest has been reached, tender documents shall be dispatched electronically via the councilCouncil's e-tendering portal to all suppliers who have expressed an interest in tendering. The contractors shall also be sent a qualification questionnaire seeking information that will enable the suitability of the contractor to be

assessed. As a minimum, the information sought shall be sufficient to enable the financial assessment to be undertaken in accordance with CPR 11. An assessment matrix shall also be provided that explains the process and the criteria to be used in evaluating the suitability of a contractor, and the minimum qualification requirements shall be stated.

### **Selective/restricted tendering**

~~8.29.2~~ Once the closing date for receipt of expressions of interest has been reached, a pre-qualification **questionnaire (PQQ)** shall be sent **electronically via the Council's e-tendering portal** to all **suppliers who**~~contractors that~~ have expressed an interest **in tendering**. The pre-qualification questionnaire will seek information to enable the suitability of the contractor to be assessed. As a minimum, the information sought shall be sufficient to enable the financial assessment to be undertaken in accordance with CPR 11. A date by which completed questionnaires are to be received by the Council shall be specified. An assessment matrix shall also be provided that explains the process and the criteria to be used in evaluating the suitability of a contractor, and the minimum qualification requirements shall be stated.

~~8.39.3~~ Upon receipt of completed pre-qualification questionnaires, the information shall be analysed; an assessment of the contractor's finances shall only be undertaken if the requirements of the technical assessment have been met. Tender documents shall be dispatched to **a** sufficient number of contractors as required by CPR 5 that have been assessed as meeting the minimum technical and financial requirements in respect of a contract of the relevant estimated value.

~~8.49.4~~ If fewer than the required minimum number of contractors either meet the minimum qualification requirements or express an interest, the relevant director should be consulted to agree whether to seek additional tenderers or to obtain approval from the Corporate Management Team to seek fewer than the minimum required number of tenders.

### **Lists prepared by third parties**

~~8.59.5~~ Lists of contractors prepared by third parties (other than consultants acting on ~~Waverley's the Council's~~ behalf) may be used provided that the criteria for admission to the lists are no less stringent than would have been the case had the Council have sought to prepare the list itself.

~~8.69.6~~ The criteria should be set as if the Council were undertaking the assessment in accordance with CPR 11, and sample checks should be undertaken as soon as possible to verify that the correct assessment as to suitability and capability has been made. Invitations to tender shall be sent to the number of contractors, as required by CPR 5 in respect of a contract of the relevant estimated value, whose names are contained in the list.

~~8.79.7~~ Contractors suggested by consultants or other contractors working on ~~Waverley's the Council's~~ behalf shall be subjected to the same checks and assessments as required under CPR 11.1. The relevant ~~head of service~~**Head of Service** shall seek quotations or tenders from at least one contractor who is not suggested by the consultant in addition to any sought from contractors suggested by the consultant. The total number of quotations or tenders sought shall be as required by CPR 5.

## **Limit on the number and value of contracts awarded to contractors**

~~8.89.8~~ Throughout the process of seeking expressions of interest and assessing contractors, the relevant ~~head of service~~Head of Service shall consider the number and value of other contracts already awarded, or proposed to be awarded, to a contractor. In the interests of probity and risk management no contractor may be awarded a contract if this would mean that 35% or more of the contractor's overall business would be generated from the Council's contracts, unless the approval of Corporate Management Team has been obtained. The ~~head of service~~Head of Service will need to produce a risk assessment to support the case to be considered by CMT.

## **910 SELECT LISTS**

~~9.410.1~~ The relevant ~~head of service~~Head of Service may, at his discretion, maintain a standing list of contractors for contracts up to and including threshold 3 in value. Select lists shall not be applied to contracts estimated to be over threshold 3 in value, in which case one of the other tendering routes specified in this CPR shall be used.

~~9.210.2~~ A standing list shall be renewed at least every three years. The relevant ~~head of service~~Head of Service may determine that a list may be maintained and reviewed on a rolling basis whereby over a period of no more than three years all contractors admitted to the list shall have been reviewed in accordance with CPR 11 and readmitted (or not) or replaced.

~~9.310.3~~ Expressions of interest may be sought via the Council's e-tendering portal~~in writing or by electronic means~~. Contractors seeking inclusion on such a list shall be sent a qualification questionnaire seeking information that will enable the suitability of the contractor to be assessed. As a minimum, the information sought shall be sufficient to enable the financial assessment to be undertaken in accordance with CPR 11. An assessment matrix shall also be provided that explains the process and the criteria to be used in evaluating the suitability of a contractor, and the minimum qualification requirements shall be stated.

~~9.410.4~~ The relevant ~~head of service~~Head of Service shall invite the requisite number of contractors included in the list to provide a quotation or tender (as appropriate) for any contract for goods, works or services as are the subject of the list without the need to advertise the contract or undertake further assessment of the contractors. Quotations or tenders shall be received electronically via the Council's e-tendering portal~~, stored~~ and opened in accordance with CPRs 13 and 14. If fewer than the number of contractors as required by CPR 5 are considered to be capable of performing the contract, the approval of the ~~Internal Audit Manager~~Head of Finance shall sought as to whether or not invitations may be sent to fewer than the requisite number, or what tendering option should be followed to increase the number of tenders sought.

## **4011 ASSESSMENT OF CONTRACTORS**

~~40.411.1~~ Assessment of a contractor's financial standing need not be undertaken in respect of contracts estimated to fall within thresholds 1 and 2 as defined in CPR 5.3. Before inviting tenders or quotations for contracts

estimated to be within or above threshold 3 in value, or where a contractor has expressed an interest in being included in a standing list compiled under CPR 8, an assessment ~~should~~ shall be made of a contractor's

- a) financial stability and resources
- b) insurances
- c) technical and other relevant references
- d) business continuity plans
- e) qualifications and experience
- f) environmental, ethical and employment policies
- g) previous experiences of dealings with the contractor
- h) responsible purchasing policies
- i) details of other contracts already, or proposed to be, awarded to the contractor.

and any other issues that may be considered by the relevant ~~head of service~~ Head of Service as being relevant to the contract. Items (a), (b) and (d) shall be undertaken in conjunction with the ~~S.151 Officer~~ Section 151 Officer. For procurements falling in threshold 4, an assessment of responsible purchasing policies shall be undertaken by the relevant ~~H~~ head of S service using the guidance included in the 'Short Guide'.

~~10.2~~ 11.2 If a contractor is an individual person, financial vetting (which may include obtaining their credit rating) cannot take place until the express permission of the contractor has been obtained in writing. Contractors who are ~~sole traders/individual people~~ can be awarded an individual contract with a value within threshold 1 or 2. If the value falls within threshold 3 or 4 the ~~Head of Service~~ Head of Service will need to approve the award to the individual person having regard to any associated risks.

~~10.3~~ 11.3 A contractor that does not meet the Council's minimum requirements shall not be invited to submit a tender, or be admitted to a standing list, as appropriate.

~~10.4~~ 11.4 If it is thought that the nature of the contract renders such an assessment unnecessary, the agreement of both the relevant ~~head~~ Head of ~~s~~ Service and the ~~S.151 Officer~~ Section 151 Officer shall be sought prior to the dispatch of invitations to tender.

## ~~11.12~~ DISPATCH OF INVITATIONS TO TENDER

~~11.12.1~~ 12.1 Invitations to tender or submit a quotation shall be issued electronically via the Council's e-tendering portal. include details of the: The e-tendering portal has templates with mandatory fields for essential information and optional fields for supplementary information.

- ~~a) person to whom the completed tenders should be submitted~~
- ~~b) address to which they should be sent~~
- ~~c) date and time by which they should be received~~
- ~~d) an instruction to return the tender in a plain, securely-sealed envelope that bears the word "Tender"~~
- ~~e) title of the contract in question.~~



~~A suitable self-addressed and appropriately marked envelope should be enclosed with the invitation and quotation/tender documents. In respect of tenders within threshold 2, paragraph (d) may be ignored if the either of the options to receive quotations by fax or e-mail as provided in CPR 6.4 is to be used.~~

~~11.212.2~~ The invitation to tender shall be accompanied by all relevant specifications, terms and conditions, technical drawings and any other relevant supporting documentation. **The advice of the Borough Solicitor Legal Services Manager Head of Finance Borough Solicitor shall be sought in the preparation of tender and contract documentation.**

~~11.312.3~~ Where the best value option is to be identified after a full appraisal using assessment criteria, the invitation shall specify the headline assessment criteria and associated weightings that will be used in evaluating tenders or quotations received (CPR 15 refers).

~~11.412.4~~ If there are to be post-tender negotiations, the invitation to tender shall advise the contractor of the process that will be followed (CPR 15.7 - 15.10 refer).

## ~~1213~~ **RECEIPT AND CUSTODY OF TENDERS AND QUOTATIONS SOUGHT IN WRITING OR E-MAIL**

~~13.1~~ All tenders shall be returned via the Council's e-tendering portal.

~~12.1~~ Quotations sought via the Council's e-tendering portal in writing through the postal system in respect of contracts in threshold 1 and 2 in value shall be returned to the relevant head of service. They shall be kept in a secure manner and shall not be opened until the agreed date and time for their opening and recording. Quotations requested by e-mail must be sent to a generic procurement Waverley e-mail or web-portal address which will be controlled by the performance and procurement officer. At the submission deadline, the team will forward all e-mailed quotations to the relevant service officer for evaluation.

~~12.2~~ All tenders shall be returned via the Council's e-tendering portal. The Head of Policy & Governance shall be nominated as 'Opening Ceremony User' on the portal and shall open.. to the Head of Legal and Democratic Services, who shall arrange for their secure keeping until the agreed date and time for their opening and recording.

## ~~1314~~ **OPENING OF QUOTATIONS AND TENDERS**

~~13.114.1~~ The e-tendering portal provides two main options for opening quotations and tenders: 'informal' and 'formal'. The Head of Policy & Governance or representative shall be nominated as 'Opening Ceremony User' on the portal and shall supervise the opening of tenders. The relevant head of service shall nominate two representatives to open quotations sought in writing for a contract estimated to be below threshold 4 in value. The quotations shall be opened together at one time. The relevant head of service shall arrange for a record to be maintained in accordance with CPR 14.413.4.

~~13.214.2~~ The informal opening procedure allows quotations to be opened at separate times by each of the 'opening ceremony users', but not to be viewed

~~by the 'project users' (evaluation panel members) until all 'opening ceremony users' have opened them. All quotations sought in writing through the postal system and tenders for contracts estimated to be within threshold 4 in value shall be opened together at one time in the presence of the relevant head of service and the Head of Democratic and Legal Services or their nominated representatives. The S.151 Officer shall also be invited to attend (or nominated representative). The Head of Democratic and Legal Services shall arrange for a record to be maintained in accordance with CPR 14.413.4. Any quotation or tender received after the specified date and time or at a location other than the one specified will be rejected unless the S151 Section 151 Officer considers that there are exceptional circumstances that warrant including it and this will only be done up to the time when the other tenders are opened.~~

~~13.3~~14.3 ~~The formal opening procedure requires all 'opening ceremony users' to be present when opening tenders online. All quotations sought in writing through the postal system and tenders for contracts estimated to be within threshold 4 in value shall be opened together at one time in the presence of the relevant Director, the Head of Policy & Governance Head of Democratic Services and the S.151 Officer Section 151 Officer or their nominated representative(s). The Head of Democratic Services shall arrange for a record to be maintained in accordance with CPR 14.413.4.~~

~~13.4~~ A register of all quotations sought in writing and all tenders that have been opened at one time shall be maintained showing the:

- ~~a) title of the contract~~
- ~~b) date and time by which tenders were to be returned~~
- ~~c) date on which they were opened~~
- ~~d) time at which they were opened~~
- ~~e) names and positions held of the persons present~~
- ~~f) names of the tenderers invited to tender/provide a quotation~~
- ~~g) value of the tender (where submitted).~~

~~13.5~~ Where a contractor has not submitted a tender or quotation, the register shall be marked "no [quotation or tender] submitted" as appropriate against the name of the contractor.

~~13.6~~ All persons present shall sign and date the register, including any that attended in order to observe the proceedings.

~~13.7~~ A copy of the relevant register folios shall be forwarded to the relevant portfolio holder in respect of contracts in threshold 4.

~~13.8~~14.4 In all instances, regardless of the estimated value of the contract, the ~~Chief Executive~~Executive Director and ~~S.151 Officer~~Section 151 Officer shall be consulted and their approval obtained before any tenders or quotations that are received late, ~~or have been overlooked or misplaced,~~ are opened. If it is agreed that they shall be opened, they shall be taken into account in the evaluation process as set out in CPR 15.

## **1415 EVALUATION OF QUOTATIONS AND TENDERS**

44.115.1 The normal practice shall be to accept the offer from the contractor who, having satisfied the Council's minimum requirements, has offered the lowest price. This approach will not apply in cases where the relevant director considers in advance of seeking quotations or tenders that there are other issues that should be taken into account and that the best value solution should be sought. Whichever method is adopted, the ~~head of service~~Head of Service must be able to demonstrate that value for money has been properly assessed. An assessment of the most cost-effective product or service may be undertaken in advance of seeking and accepting the lowest price quotation or tender without recourse to using the full best value solution option as contained in CPR 15.2 to 15.6 provided this assessment is approved in advance by:

- a) the relevant ~~head of service~~Head of Service where the contract is estimated to be up to and including threshold 2 in value; or
- b) the ~~S.151 Officer~~Section 151 Officer where the contract is estimated to be within threshold 3 in value; or
- c) the Corporate Management Team where the contract value is estimated to be within threshold 4 in value.

### **Best value solution**

44.215.2 Where there are such other factors apart from price that should be taken into account when evaluating a tender/quotation, the relevant ~~head of service~~Head of Service shall be responsible for ensuring that the assessment criteria and matrix are determined during the preparation of the contract specification and are duly approved. This shall include:

- the assessment criteria
- the scoring system and the weightings to be applied to each criteria
- the minimum scores to be achieved (as appropriate)
- the evaluation matrix as defined in the definitions/glossary of terms above.

### **Approval of evaluation teams and assessment criteria**

44.315.3 The assessment criteria and matrix shall be referred for approval as follows:

- a) where the contract is estimated to be within threshold 4 in value, to the Council's Corporate Management Team; or
- b) where the contract is estimated to be within threshold- 3 in value, to the relevant director, or
- c) where the contract is estimated to be up to and including threshold -2 in value, to the relevant ~~head of service~~Head of Service.

44.415.4 The relevant ~~head of service~~Head of Service shall nominate the membership of the evaluation panel and seek the approval of the panel's membership from the relevant director, ~~S.151 Officer~~Section 151 Officer or Corporate Management Team when as appropriate with reference to CPR

15.3. Membership of a panel shall consist of no less than two officers plus any other persons who are not members of the Council's staff.

44.515.5 The documentation on which the criteria and associated definition of minimum financial and non-financial requirements, scoring mechanism and weightings are detailed shall be signed and dated by the officers as determined by CPR 15.3. The documents shall be kept securely by the relevant director until the assessment of the tenders or quotations commences.

44.615.6 The lowest-priced tender or quotation that meets the assessment criteria as defined in accordance with CPR 15.3 shall be accepted subject to approval of the person or persons as determined by CPR 15.4. If other than the lowest-priced tender or quotation is considered to offer the best value solution, approval to accept it shall be sought from the Executive unless the approved assessment methodology as required by CPR 15.3 has set a framework whereby the lowest-priced may be rejected in favour of another that would give a greater benefit to the Council. Minimum and/or maximum quality thresholds may be considered to be appropriate and, when this is included in the evaluation pre-determined methodology, contractors whose quality score falls outside of the agreed levels can be eliminated regardless of price.

#### **Post-tender/quotation (pre contract) negotiations**

44.715.7 In circumstances where the relevant ~~head of service~~ Head of Service is of the view that post-tender/quotation negotiations will be necessary in order to ensure that the Council awards a contract to the contractor offering the best value option, the ~~S.151 Officer~~ Section 151 Officer, Monitoring Officer and the ~~Head of Democratic and Legal Services Manager~~ Borough Solicitor ~~Borough Solicitor~~ must all approve use of post-tender negotiations before the contract is tendered.

44.815.8 In instances where the ~~ECEU~~ EU Directives apply, post-tender negotiations must conform to the requirements of those Directives.

44.915.9 If post-tender/quotation negotiations are to be used, this must be stated in the contract documentation and in any advertisement inviting expressions of interest. Contract documents shall set out the Council's approach to post-tender/quotation negotiations which is as follows:

- a) the ~~S.151 Officer~~ Section 151 Officer, Monitoring Officer and the ~~Legal Services Manager~~ Borough Solicitor shall be involved in the process;
- b) the Council reserves the right to enter into post-tender/quotation negotiations on any aspect of the tender;
- c) all post-tender/quotation negotiations shall be conducted in a manner that provides equal opportunity for all tenderers and that maintains high standards of probity.

44.1015.10 A person to whom the appropriate level of delegated authority has been delegated in writing by the relevant ~~d~~ Director will conduct all post-tender/quotation negotiations. Post-tender/quotation negotiations shall be fully documented and documentation will be kept on file as evidence to support the action taken. Each contractor will be invited to submit a best and

final offer at the end of negotiations under the same procedure that applied to the receipt and opening of the original tenders.

### **Financial examination of quotations and tenders**

~~44.11~~15.11 An examination of at least the two lowest tenders/quotations shall be undertaken to identify any errors and omissions. If an arithmetical error or omission is detected in any, the contractor shall be asked to confirm or amend the price and the award or assessment of the tender/quotation shall be completed accordingly subject to consultation with the ~~S.151 Officer~~[Section 151 Officer](#). Where an arithmetical error or omission relegated a tender to at least the third lowest then the next lowest tender shall be evaluated and so on until the two lowest tenders are identified.

~~44.12~~15.12 In the event that during the assessment of tenders or quotations the relevant director identifies a need to hold post-tender/quotation discussions, the ~~S.151 Officer~~[Section 151 Officer](#) shall be consulted and the approach agreed before any negotiations are held. Negotiations shall conform ~~with~~to the requirements of CPR 15.7 - 15.10.

~~44.13~~15.13 Where a contractor appears to have misunderstood part of the specification or other requirements, the relevant director shall discuss and agree the course of action with the ~~S.151 Officer~~[Section 151 Officer](#).

~~44.14~~15.14 Where a contractor has introduced qualifications to the tender/quotation, the course of action shall be agreed with the ~~S.151 Officer~~[Section 151 Officer](#).

~~44.15~~15.15 A full record of errors and omissions, the contractors' responses and the consequent evaluation shall be maintained.

### **Examination of quotations and tenders where the best value solution is sought**

~~44.16~~15.16 Where there is to be an evaluation of factors other than price, all tenders received must be examined and subjected to the full assessment process, using the assessment matrix and scheme as approved beforehand in accordance with CPR 15.3. The assessment shall include checks to detect errors. The evaluation process must be applied to all tenders received, and the best value solutions identified and ranked according to the assessment criteria and the associated weightings. Financial assessment shall be dealt with in accordance with the process set out in CPR 15.11 to 15.15.

~~44.17~~15.17 No amendment shall be made to the assessment matrix unless approval is obtained in accordance with CPR 15.3 beforehand.

~~44.18~~15.18 A comprehensive record shall be kept of the assessment criteria and the evaluation process and the findings and assessment made. Records shall be retained in accordance with the Council's policy on document retention and other relevant statutory requirements.

~~44.19~~15.19 Once the evaluation process has identified the tender or quotation that offers the best value solution, the contract may be awarded in accordance with CPR 15.6.

## **Other matters to be taken into account in the evaluation of tenders/quotations**

~~44.20~~15.20 The relevant ~~head of service~~Head of Service shall identify relevant Council policies, strategies and statements that are applicable to the contract, and shall ensure that an adequate and appropriate assessment of tenderers' own policies and practices and/or readiness to comply with the Council's is included in the assessment of tenders/quotations. This shall apply regardless of whether the best value solution or the lowest price is to be selected, and the assessment matrix prepared in accordance with CPR 15.3 shall include relevant criteria applicable to the assessment. *[Note: this need only apply if the assessment has not taken place at the short-listing stage – see CPR 11.]*

~~44.24~~15.21 Such assessment shall encompass as a minimum the following:

- a) customer care
- b) sustainability
- c) equality and diversity
- d) anti-fraud and corruption
- e) health and safety
- f) environmental credentials
- g) locality and impact on the local economy

and shall include any other matter that the relevant ~~head of service~~Head of Service considers appropriate. Should the relevant ~~head of service~~Head of Service consider that any of the items (a) to (d) above do not apply, he shall prepare a written statement explaining the reasons and shall sign that statement.

## **1516 ACCEPTANCE OF TENDERS AND QUOTATIONS**

~~45.1~~16.1 The selected contractor shall be notified in writing or by e-mail if appropriate that they are the preferred contractor. Other contractors should not be notified that they have been unsuccessful until the selected contractor has been awarded the contract with the Council on the terms and conditions specified and after any agreed amendment to the original price has been applied.

~~45.2~~16.2 Where there have been post-tender negotiations, the tender or quotation accepted shall be that submitted at the end of the negotiations in accordance with CPR 15.7 to 15.10.

~~45.3~~16.3 The relevant director shall seek the ~~S.151 Officer~~Section 151 Officer's view on the need to undertake further assessments of the selected contractor's financial stability during the period of the contract. The relevant ~~head of service~~Head of Service shall request the Head of ~~Internal Audit~~Finance to undertake the financial reassessments at the agreed times.

## **1617 FORM OF CONTRACT**

~~46.1~~17.1 As any acceptance of a quotation or a tender, whether made orally or in writing, may constitute a contract in law, no indication of acceptance shall be made to any contractor except by an officer authorised so to do. If any doubt exists, the approval of the Head ~~of Democratic and Legal~~

~~Services~~Finance should be sought, or the Council's Authorised Signatory List should be checked to confirm whether an officer has been authorised by their ~~head of service~~Head of Service in person to authorise an order.

16.217.2 Contracts valued at up to threshold -3 in value shall be the subject of an official order unless a tender has been received, in which case a formal contract shall be prepared in accordance with the requirements of the ~~Head of Borough Solicitor~~Democratic and Legal Services and signed by the relevant ~~d~~Director or ~~head of service~~Head of Service, as specified within the Council's Scheme of Delegation. ▸

16.317.3 All contracts within threshold 4 in value shall be the subject of a formal contract under seal prepared by the ~~Borough Solicitor~~Head of Democratic and Legal Services and signed by the ~~Borough Solicitor~~Head of Democratic and Legal Services. Contracts below threshold -4 may be under seal if the ~~Borough Solicitor~~Head of Democratic and Legal Services advises that it is appropriate.

16.417.4 All contracts shall

- a) specify the goods, materials or services to be supplied and/or the works to be undertaken, the price to be paid, payment terms and conditions, details of any discounts or penalties, the period of the contract and any other terms and conditions that may be agreed
- b) provide for the payment of liquidated damages where they are appropriate
- c) contain details of any security that is required by the Council (CPR 19 refers).

16.517.5 No works, goods or services to be the subject of a contract shall commence until such time as all parties have signed the relevant form of contract and it has been sealed as necessary. This requirement may be waived in exceptional circumstances upon the authority of the ~~Chief Executive~~Executive Director (subject to their not being the relevant director and the provisions of CPR 3) who may require adequate other safeguards are provided pending signing and/or sealing of the contract.

## **1718 CONDITIONS RELATING TO SUB-CONTRACTING**

17.118.1 Contract terms and conditions shall specify that the contractor shall not sub-contract all or any part of the contract without the express consent of the Council and that the Council reserves the right to be consulted for approval of the contractor's preferred sub-contractor and to undertake an assessment of their ability to perform the sub-contract. The relevant ~~head of service~~Head of Service shall consult the Head of ~~Finance~~Internal Audit before determining what level of assessment shall be undertaken.

17.218.2 In contracts where the Council wishes to nominate a sub-contractor, the contract shall specify whether or not the Council will be undertaking the tendering process to select the nominated sub-contractor.

17.318.3 The same tendering or quotation requirements shall be applied to selected nominated sub-contractors as contained in CPR 5, subject to any requirements of the ~~ECEU~~Directives, and the tendering methods as set out in CPR 8 shall apply. If the relevant ~~head of service~~Head of Service determines

that it is not feasible or practical to obtain tenders or quotations, the ~~S.151 Officer~~Section 151 Officer shall be asked to approve the waiver of the requirement to invite tenders or quotations and approve the contractor to be appointed.

~~17.4~~18.4 Assessment of nominated sub-contractors shall be undertaken in full accordance with CPR 11.1.

#### **~~18~~19 SECURITY TO BE PROVIDED BY THE CONTRACTOR IN RESPECT OF THE CONTRACT AND EXTENSIONS TO THE PERIOD OF THE CONTRACT**

~~18.4~~19.1 Adequate financial security shall be sought from the successful contractor. Appropriate financial security and/or a performance bond shall be required for all contracts within threshold 4 in value unless, after a comprehensive analysis of the risks and their financial impact is submitted, the ~~S.151 Officer~~Section 151 Officer approves an alternative measure. Where a bond is to be sought, this shall only be in a form and from a bondsman approved by the ~~Legal Services Manager~~Borough Solicitor.

~~18.2~~19.2 For contracts in thresholds 3 and 4 in value, the relevant ~~head of service~~Head of Service shall discuss with the ~~S.151 Officer~~Section 151 Officer to agree what assessment of the risks associated with the contract shall be undertaken. A bond or other form of appropriate security shall be obtained if, after this assessment has been considered by the ~~S.151 Officer~~Section 151 Officer; it is determined that the circumstances and nature of the contract warrant it. For contracts ~~within~~ thresholds 1 and 2 in value, security will not be sought unless the relevant ~~head of service~~Head of Service, in considering the nature and profile of the contract, considers that there are circumstances to warrant an appropriate form of security subject to obtaining the formal agreement of the ~~S.151 Officer~~Section 151 Officer.

~~18.3~~19.3 Where an alternative to a performance bond is requested, a comprehensive analysis of the risks and the financial impact shall be undertaken and submitted by the relevant ~~head of service~~Head of Service to the ~~S.151 Officer~~Section 151 Officer. The value and type of financial security will be determined on a case by case basis but, as a guide, 10% of the contract value would be considered to be an appropriate safeguard.

~~18.4~~ In any case where the form of security proposed is other than a performance bond, the ~~S.151 Officer~~Section 151 Officer shall approve the form prior to acceptance of the proposal.

~~18.5~~19.4

~~18.6~~19.5 Where the contract price is to be varied (outside of those obligations specifically allowed in the contract) and increases subsequent to the determination of the value of the performance bond (or other security) or the period of the contract is extended during the life of the contract the ~~Legal Services Manager~~Borough Solicitor must be consulted in order to determine whether there is a need to seek the agreement of the bondsman of this increase in order to maintain adequate or continued cover under the bond.

~~18.7~~19.6 ~~A retention~~Retention shall be deducted unless the relevant ~~head of service~~Head of Service agrees otherwise with the ~~S.151 Officer~~Section 151



Officer in respect of all contracts falling into the threshold 4. Retentions may be deducted from payments and recorded in contract records in respect of other contracts if the relevant ~~head of service~~Head of Service determines this to be necessary.

## **1920 MANAGEMENT OF CONTRACTS**

~~49.1~~20.1 The relevant ~~head of service~~Head of Service shall nominate, in agreement with other ~~h~~Heads of ~~s~~Service in respect of a corporate contract, an officer to lead a procurement exercise which will result in the letting of a contract.

~~49.2~~20.2 This lead officer shall ensure that the appropriate skills, experience and knowledge are brought to play in the procurement exercise. ~~He~~The lead officer shall involve other officers of the Council as necessary, and if supplementary advice and resources are required he shall arrange for the procurement thereof.

~~49.3~~20.3 The relevant ~~head of service~~Head of Service shall also ensure that the management responsibilities and arrangements are identified and agreed prior to the contract being awarded to manage the resultant contract. These must include details of how variations will be managed, how performance will be measured and monitored, how valuations of work will be determined and when milestones will be reached. For contracts in threshold 3 to 4 this must be signed off by the director. The contract must be signed by both parties prior to the contract start or delivery date.

~~49.4~~20.4 Guidance on the management of procurement projects and contract management shall be obtained by reference to the Council's Procurement Manual.

20.5 Where the contract is a partnership contract, the lead officer shall ensure that the relevant ~~head of service~~Head of Service is advised of any proposed amendments to the terms and conditions. The relevant ~~head of service~~Head of Service shall ensure that a full report is presented to the Corporate Management Team before any changes are agreed. The Corporate Management Team shall provide direction and advice as to any actions it wishes to be taken.

~~49.5~~20.6 In the event that a contract is to be terminated for what ever reason, advice of the Borough Solicitor should be sought in the first instance.

## **2021 STANDARD CONTRACT CLAUSES ADDRESSING RELEVANT LEGISLATION**

~~20.1~~21.1 Every written contract shall contain a clause empowering the Council to cancel the contract, and recover from the contractor any loss resulting from such cancellation, should the contractor have offered or agreed to give any person any gift or consideration of any kind as an inducement or reward for doing or forbearing to do or for having done or forborne to do any action in relation to the obtaining or execution of the contract with the Council, or for showing or forbearing to show favour or disfavour to any person in relation to the contract or any other contract with the Council, or if the like acts shall have been done by any person employed by him or acting on his behalf (whether with or without the contractor's knowledge), or if in relation to any contract

with the Council, the contractor or any person employed by him or acting on his behalf shall have committed any offence under the Prevention of Corruption Acts 1889 to 1916 or the Bribery Act 2010 or shall have given any fee or reward the receipt of which is an offence under Section 117(2) of the Local Government Act 1972.

~~20.2~~21.2 Every written contract shall contain a clause that requires the contractor to work in partnership with the Council in combating fraud and corruption as applicable to the contract.

~~20.3~~21.3 Appropriate clauses shall be included in written contracts to ensure the contractor complies with [Waverley's the Council's](#) policies, statements and practices as defined in accordance with CPR 15.21 throughout the period of the contract.

~~20.4~~21.4 Where a contract is of a nature of a partnership, where the Council and contractor will work over the period of the contract to develop and improve the specification of the contract to improve service delivery, there shall be a clause within the contract to grant the Council officers, including the Council's internal auditors, access to the contractor's records appertaining to the contract. This shall include such considerations, but not restricted to, financial, governance, business continuity, transactions and performance data.

## ~~21.22~~ SPECIAL PROVISIONS

### Contracts involving the transfer of staff and/or ~~council~~Council-owned assets

~~21.1~~22.1 If a contract involves the transfer of staff or other Council-owned assets or resources to the contractor, the ~~Head of Organisational Development~~[Borough Solicitor \(and Strategic HR Manager if staff are involved\)](#) -shall be consulted at the earliest opportunity and their advice incorporated into the proposed terms and conditions of the contract. Agreement must be sought from the Executive to the terms and conditions of the contract and the transfer.

~~21.2~~22.2 Once received, tenders shall be evaluated by the officers concerned and notified to the relevant portfolio holder before seeking approval from the Executive to enter into a contract with any contractor.

### Contracts involving stage payments

~~21.3~~22.3 Where any contract will involve stage payments, the relevant ~~head of service~~[Head of Service](#) shall ensure that the contract documentation is prepared with the agreement of the ~~Legal Services Manager~~[Borough Solicitor](#).

~~21.4~~22.4 The relevant ~~head of service~~[Head of Service](#) shall ensure that the requirements of the deputy ~~S.151 Officer~~[Section 151 Officer](#) regarding the maintenance of a contracts register are fulfilled.

~~21.5~~22.5 A final account in respect of all contracts in threshold 4 shall be prepared and presented for examination by the ~~Head of Finance~~[Audit Manager](#) before final payment is made.

### **Register of contracts**

~~21.6~~22.6 The relevant ~~head of service~~Head of Service shall ensure that any contract over threshold 3 in value shall be recorded in the Council's Register of Contracts, maintained by the ~~Head of Democratic and Legal Services~~Borough Solicitor. The ~~Borough Solicitor~~Head of Democratic and Legal Services shall make appropriate arrangements to ensure that contracts are duly notified on a timely basis.

### **Compliance of contractors with contract procedure rules**

~~21.7~~22.7 It shall be a condition of engagement by the Council of any person (not being an officer or member of the Council) to supervise a contract that he shall act in full accordance with these Contract Procedure Rules when supervising the contract as if he were an officer of the Council. It shall be the responsibility of the relevant ~~head of service~~Head of Service to ensure that the person is made aware of the requirement and to provide them with a copy of Contract Procedure Rules and any other relevant documentation.

## **2223 NOVATION OF CONTRACTS**

~~22.1~~23.1 When a request is received from a contractor to novate or otherwise re-assign their contract, the relevant ~~head of service~~Head of Service shall make arrangements to assess the options open to the Council. If it is considered that the best option is to agree to the novation, the relevant ~~head of service~~Head of Service shall make such enquiries as set out in CPR 11.1 to assess the suitability and standing of the proposed new contractor. The agreement of the ~~S.151 Officer~~Section 151 Officer to the novation shall be sought. The ~~Legal Services Manager~~Borough Solicitor shall be requested to undertake the necessary legal processes to effect the novation.

## **2324 DISPOSAL OF COUNCIL PROPERTY**

### **Land and buildings**

~~23.1~~24.1 Disposal (including sales, leases, easements and wayleaves) of land and buildings owned and funded by the General Fund shall first be valued by a qualified valuer. The ~~Head of IT, Customer and Officer Services~~Director of Finance and Resources shall report to the Corporate Management Team to determine whether, in the light of the valuation and location, there are strategic issues, risks or conditions of disposal relative to the Asset Management Plan (or equivalent) and Corporate Plan. If such considerations exist, the disposal shall be referred to the Asset Advisory Group, which will report its views and recommendations to the Corporate Management Team.

~~23.2~~24.2 Disposal (including sales, leases, easements and wayleaves) of land and buildings owned and funded by the Housing Revenue Account, with the exception of sales under the Right to Buy Scheme, shall first be referred to the Head of Strategic Housing who shall consult the relevant director (or otherwise as may be specified in the Scheme of Delegation) to consider any risks associated with the disposal and the strategic and long-term issues in the light of the Asset Management Plan (or equivalent). The Head of Strategic Housing shall obtain a current valuation of the land and/or buildings

and report his views and recommendations to the Council's Corporate Management Team.

~~23.3~~24.3 Any resultant proposal to dispose of the land and/or buildings shall then be discussed by the chairman of the Asset Management Team (or equivalent) or the Head of Strategic Housing (as appropriate) with the ~~S.151 Officer~~Section 151 Officer and the relevant portfolio holders responsible for the services in question and the management of the Council's assets. A report outlining the reasons why disposal is recommended, and showing how it would be in accordance with the Asset Management Plan (or equivalent) and the proposed method of disposal of the land and/or buildings shall be presented to the Executive for approval.

### **Other Council assets**

~~23.4~~24.4 Proposed disposals of other Council-owned assets, including surplus or obsolete furniture or equipment, shall be discussed with the relevant ~~head of service~~Head of Service to obtain agreement that there is no further need for the items. Items shall first be offered for transfer to other sections or departments of the Council.

~~23.5~~24.5 Any items that remain for disposal shall be sold at the highest price possible. An estimated sale value shall be agreed by the relevant ~~head of service~~Head of Service and the ~~S.151 Officer~~Section 151 Officer or Deputy ~~S.151 Officer~~Section 151 Officer, taking note of any value included in the Council's accounts and any professional valuations as may be deemed appropriate by the ~~S.151 Officer~~Section 151 Officer. A note shall be made and retained on file as evidence to support the adopted approach and the valuation. The method of disposal shall be agreed with the ~~S.151 Officer~~Section 151 Officer ~~or~~.

~~23.6~~24.6 If deemed appropriate by the relevant ~~service head~~Head of Service and the ~~S.151 Officer~~Section 151 Officer, items may either be

- a) sold to a member of staff at an agreed price (where the item is of little or no intrinsic value); or
- b) offered for sale to all members of staff at the price agreed; or
- c) advertised for sale in local papers or relevant trade magazines, as appropriate, at the price agreed; or
- d) offered for sale at the best sealed bid received where it is difficult to place a value. This may include the use of suitable, secure internet services. The relevant ~~head of service~~Head of Service and the ~~S.151 Officer~~Section 151 Officer may set a reserve price below which an item may not be sold without the approval of the relevant portfolio holder responsible for the management of the Council's assets.

~~23.7~~24.7 If it is considered that there is a ready market for the item(s) in question, then sealed bids shall be invited from contractors or organisations that are identified as having a potential interest. The minimum number of bids sought shall be determined in accordance with the thresholds contained in CPR 5.3.

~~23.8~~24.8 All sealed bids shall be treated as being tenders and their receipt, opening and acceptance shall be in accordance with CPRs 13, 14, 15 and 16.

~~23.9~~24.9 Where there is the option of trading an old piece of equipment in part-exchange for a new piece, this option shall be expressly mentioned in any invitation to tender or provide a quotation.

~~23.10~~24.10 Disposal of any stocks and stores that are recorded in the Council's accounts shall be disposed of after obtaining the agreement in writing of the relevant director and the ~~S.151 Officer~~[Section 151 Officer](#) and shall be undertaken in accordance with the provisions of the Council's Financial Regulations.

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## WAVERLEY BOROUGH COUNCIL

### AUDIT COMMITTEE

23/03/2015

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#### Title:

**National Fraud Initiative 2014/15 and the Surrey Counter Fraud Partnership**

**[Wards Affected: All]**

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

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

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

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#### Summary and purpose:

The report provides an update to the Committee on the progress made by officers on the latest results of the Audit Commission's data-matching exercise known as the National Fraud Initiative (NFI).

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

The Council is committed to providing value for money, and the combating of fraud and corruption is a central element to achievement and reinforces the authorities zero tolerance to fraud.

#### Financial Implications:

Staff resource to investigate outputs.

#### Legal Implications:

It is the Council's duty to safeguard public funds, and there may be legal costs in taking any matters to prosecution.

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#### Introduction

1. The National Fraud Initiative is run every two years by central government (now the cabinet office). The purpose is to identify **potential** instances of fraud and corruption that might otherwise go undetected. In addition to local authorities, all public agencies and related private partners are increasingly contributing to the exercise. The 2014/15 results relating to Waverley Borough Council were received at the end of January 2015. Designated Officers within the services

areas have been allocated the matches relating to their service area and are currently investigating and pursuing relevant matches which may or may not materialise as fraudulent activities. The Internal Audit Client Manager also monitors progress made and this will be reported ever 6 months to the Audit Committee and included in the Annual Internal Audit Report. Audit Committee should noted that the previous NFI exercise in 2012/2013 identified savings to the total value of £61,432.94, including 4 Housing Benefit prosecution cases.

2. As previously reported in the Internal Audit Annual Audit Report in June 2014, the Council also participated in the Council Tax Single Person Discounts exercise which was co-ordinated by Surrey County Council where the estimated value totalled of £266,000 (based on band D Properties) where 678 Single Person Discounts were withdrawn relating to Waverley Borough Council properties.
3. In the summer of 2014 the Department of Communities and Local Government encouraged councils to bid for funds that they were releasing to assist with the identification and investigation of all types of corporate fraud. Waverley Borough Council joined 6 other Surrey Boroughs and Districts in partnership with Surrey County Council (bid name of Surrey Counter Fraud Partnership (SCFP) to successfully secure funds to assist with resourcing this activity. This will provide an increase in resource of £20,000 for the latter part of 2014/15 and £40,000 for 2015/16. Performance mechanisms will be put in place to monitor the effective use of these funds, with results reported to the Audit Committee, SCFP and the DCLG. This funding has supported the temporary appointment (for 6 months) of an experienced Tenancy Fraud Investigator to focus on the growing risk area of Housing Tenancy Fraud.
4. A summary of the volumes of data matches for the current exercise 2014/15 is detailed in **Annexe 1**.
5. A short explanation of the columns in the report is provided below:-

<b>Column Title</b>	<b>Explanation</b>
<b>No.</b>	Indicates the report number allocated by the NFI
<b>Low/Medium/High</b>	Indicates the level of risk given to that report
<b>Report Name</b>	Details in summary the data match types in the report
<b>Total Recommended</b>	Highlights those cases that have been assessed as good quality matches and should be investigated in the first instance.
<b>Total All</b>	Details all cases that have been identified during the match but are likely to have a justifiable explanation.
<b>Status</b>	Details whether the report has been 'Not opened' i.e. not dealt with, 'Opened' i.e.- investigated and in progress, 'Closed' i.e. investigated and no issues found.
<b>Processed</b>	Details the volume of cases processed i.e. investigated in the report.
<b>In Progress</b>	Indicates where a case is still being



	investigated and further information may be required from others i.e. another data matching partner, before progress can be made.
<b>Frauds</b>	Details the number of cases where fraud has been found.
<b>Errors</b>	Details the number of cases where an adjustment has needed to be made due to an error being made.
<b>Savings</b>	Details the savings made in the report due to fraud or error.

6. The Committee should note that based on previous exercises, the majority of the matches are not generally found to be the result of fraud. Details of individuals can be on data sets due to inaccurate data being provided, to time differences in tenancies, benefit claim periods and payments made through the creditors system for services such as election duties as well through the payroll are just some examples of valid explanations.
7. Potential fraud cases will be highlighted and progressed through the appropriate processes. Cases that need further investigation or co-operation from other bodies are also continuing to be progressed.

### **Conclusion**

8. Key staff will continue to investigate and check all cases shown as "Total Recommended" (these are cases where the increased likelihood of an anomaly has or is occurring) and the results of the output will determine whether further work is required on the remaining cases shown in "Total All" column.

### **Recommendation**

The Audit Committee is asked to note the activity and progress to carry out these checks and recognise the resources applied by the relevant services to investigate each of the data matches.

### **Background Papers**

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

### **CONTACT OFFICER:**

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

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

Document is Restricted

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**WAVERLEY BOROUGH COUNCIL**  
**AUDIT COMMITTEE**  
**23 MARCH 2015**

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**Title:**

**RISK MANAGEMENT UPDATE**

[Portfolio Holder for Finance: Cllr Julia Potts]

[Wards Affected: N/A]

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

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

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

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**Summary and purpose:**

This report presents the latest corporate risk registers as refreshed by heads of service with assistance from Zurich Municipal, the Councils insurance and risk management advisors.

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

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

**Financial Implications**

There are no direct financial implications arising from this report.

**Legal Implications**

There are no legal implications arising from this report.

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**Introduction and Background**

1. All organisations face risks in undertaking their business. Local authorities, with their wide-ranging responsibilities and duties, face a significant number of risks. A risk is the threat that an event or action will adversely affect an organisation's ability to achieve its objectives. Clearly Waverley has been, and always will be, faced with many potential risks in all areas of its business.

Each year Waverley updates its framework that sets out its approach to the management of these risks.

2. The effective management of risks is an essential element in the overall operation of the Council and the delivery of its services and should not be seen as a separate task or function. Local authorities are required to demonstrate to their community that managing risk is at the heart of their governance framework and that they have effective arrangements in place to identify and respond to the risks that they face.

### **The Key Risks**

3. In February 2015, the corporate risk register was refreshed by the Heads of Service with assistance from the Council's risk advisors, Zurich Municipal in line with the Councils Corporate Governance requirements.
4. The register shows the high-level risks that could prevent the Council from achieving its corporate aims and objectives as set out in the Corporate Plan 2012-15 and has been comprehensively reviewed to ensure that it aligns to the current key risks facing the Council. The Corporate risk register and covering report from Zurich Municipal is included as (Exempt) Annexe 1. Members are asked to consider the risks and pass any comments to officers as appropriate.
5. Last year 13 risks were identified and analysed for likelihood of risk scenario materialising and impact on ability to deliver corporate objectives. All 13 risks are still valid and updated with one additional risk included this year. The new risk is Risk Profile 14: Planning performance: Government can remove planning powers from Councils who perform poorly against measure relating to speed of decision making, appeals and (in future) progress on Local Development Orders. This would give applicants the option of submitting planning applications direct to the Planning Inspectorate. This risk was assessed as low likelihood of risk scenario materialising and critical on impact on ability to deliver corporate objective. Current mitigations have been put in place with further actions identified.
6. Two risk profiles have been adjusted for likelihood of risk scenario materialising. Risk profile 7: Staff skill and capacity management: has increased from low to medium to reflect the current difficulties in recruitment and retention across some of the key services. Risk profile 1: Public service network: has increased from low to medium due to the annual increase in standards set by government. A significant amount of risk mitigation actions have already been done with further required actions identified.

### **Recommendation**

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

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### **Background Papers**

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

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