

To: All Members of the Council

Fiona Cameron, Democratic Services Manager

**Policy and Governance**

E-mail: [fiona.cameron@waverley.gov.uk](mailto:fiona.cameron@waverley.gov.uk)

Direct line: 01483 523226

Calls may be recorded for training or monitoring

Date: 5 October 2018

Dear Councillor

COUNCIL MEETING - TUESDAY, 16 OCTOBER 2018

A MEETING of the WAVERLEY BOROUGH COUNCIL will be held in the COUNCIL CHAMBER, COUNCIL OFFICES, THE BURYS, GODALMING on **TUESDAY, 16 OCTOBER 2018** at **7.00 pm** and you are hereby summoned to attend this meeting.

The Agenda for the Meeting is set out below.

Yours sincerely

ROBIN TAYLOR

Head of Policy and Governance

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## AGENDA

1. MINUTES (Pages 5 - 14)

To confirm the Minutes of the Council meeting held on 17 July 2018 (herewith).

2. APOLOGIES FOR ABSENCE

The Mayor to report apologies for absence.

3. DECLARATIONS OF INTEREST

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

4. MAYOR'S ANNOUNCEMENTS

5. QUESTIONS FROM MEMBERS OF THE PUBLIC

To answer any questions from members of the public, received in accordance with Procedure Rule 10.

6. QUESTION TIME

To answer any questions from Members received in accordance with Procedure Rule 11.2.

7. MOTIONS

To receive any motions submitted in accordance with Procedure Rule 12.1.

8. MINUTES OF THE EXECUTIVE

To receive the Minutes of the Executive held on 8 October 2018 (attached, coloured grey) and to approved the recommendations within. **[TO FOLLOW]**

9. MINUTES OF THE AUDIT COMMITTEE (Pages 15 - 106)

To receive the Minutes of the Audit Committee meetings held on 24 July 2018 and 25 September 2018 (attached, coloured lilac), and to approve the following recommendations contained within:

**Recommendations:**

*AUD 24/18                      Tax Strategy (page 50)*

The Council is required to have a Tax Strategy in place in order to fulfil its responsibilities under the Criminal Finances Act 2017. In September 2017, MH Revenue and Customs (HMRC) also issued guidance on the legislation for the corporate offence of failure to prevent the criminal facilitation of tax evasion.

The guidance contains six principles to help relevant bodies understand the processes and procedures that can be put in place to prevent criminal activity with regard to tax. These principles are addressed in the Tax Strategy and are to be applied proportionately to the perceived risk of the offence.

**The Committee RECOMMENDS that the Council approves the Tax Strategy, attached as Annexe 1 to these Minutes.**

*AUD 25/18                      Financial Regulations Update (pages 50-51)*

The Financial Regulations have been reviewed, and updates are recommended covering large contracts (stage and final payments), and debt write-off.

**The Committee RECOMMENDS that the Council approves the update to the Financial Regulations, attached as Annexe 2 to these Minutes.**

*AUD 26/18                      Contract Procedure Rules (pages 51 – 52)*

The Contract Procedure Rules have been reviewed, and a number of relatively minor updates are recommended in relation to turnover sign-off, large contracts (stage and final payments), contract sign-off levels and sealing, contract extensions, and waivers.

**The Committee RECOMMENDS that the Council approves the proposed amendments to the Contract Procedure Rules, attached as Annexe 3 to these Minutes.**

10. EXCLUSION OF PRESS AND PUBLIC

To consider the following motion, to be moved by the Mayor, where appropriate:-

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 any matter on this agenda 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 100I of the Act) of the description specified in the appropriate paragraph(s) of the revised Part I of Schedule 12A of the Local Government Act 1972 (to be identified at the meeting).

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# Agenda Item 1.

1

MINUTES of the WAVERLEY  
BOROUGH COUNCIL held in  
the Council Chamber, Council  
Offices, The Burys, Godalming  
on 17 July 2018 at 7.00 pm

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Cllr Denise Le Gal (Mayor)

\* Cllr Mary Foryszewski (Deputy Mayor)

- |                          |                          |
|--------------------------|--------------------------|
| * Cllr Brian Adams       | * Cllr Anna James        |
| * Cllr Mike Band         | * Cllr Carole King       |
| * Cllr David Beaman      | * Cllr Robert Knowles    |
| * Cllr Andrew Bolton     | * Cllr Martin Lear       |
| * Cllr Maurice Byham     | * Cllr Denis Leigh       |
| * Cllr Carole Cockburn   | * Cllr Andy MacLeod      |
| * Cllr Kevin Deanus      | Cllr Peter Martin        |
| * Cllr Jim Edwards       | * Cllr Tom Martin        |
| * Cllr Patricia Ellis    | * Cllr Kika Mirylees     |
| * Cllr David Else        | * Cllr Stephen Mulliner  |
| * Cllr Jenny Else        | * Cllr Nabeel Nasir      |
| * Cllr Paul Follows      | Cllr Libby Piper         |
| Cllr John Fraser         | * Cllr Julia Potts       |
| Cllr Pat Frost           | * Cllr Sam Pritchard     |
| * Cllr Michael Goodridge | * Cllr Wyatt Ramsdale    |
| * Cllr Tony Gordon-Smith | Cllr Stefan Reynolds     |
| * Cllr John Gray         | * Cllr David Round       |
| * Cllr Ged Hall          | * Cllr Richard Seaborne  |
| * Cllr Jill Hargreaves   | * Cllr Jeanette Stennett |
| * Cllr Val Henry         | * Cllr Stewart Stennett  |
| Cllr Christiaan Hesse    | * Cllr Chris Storey      |
| * Cllr Stephen Hill      | * Cllr Liz Townsend      |
| Cllr Mike Hodge          | * Cllr Bob Upton         |
| * Cllr Nicholas Holder   | * Cllr John Ward         |
| * Cllr David Hunter      | Cllr Ross Welland        |
| * Cllr Jerry Hyman       | * Cllr Liz Wheatley      |
| * Cllr Simon Inchbald    | Cllr Nick Williams       |
| * Cllr Peter Isherwood   |                          |

\*Present

## Apologies

Cllr John Fraser, Cllr Pat Frost, Cllr Mike Hodge, Cllr Peter Martin, Cllr Libby Piper, Cllr Stefan Reynolds, Cllr Ross Welland and Cllr Nick Williams

Prior to the commencement of the meeting, prayers were led by the Reverend David Uffindell

CNL14/18 MINUTES (Agenda item 1.)

The Minutes of the Meeting of the Council held on 15 May 2018 were confirmed and signed.

CNL15/18 APOLOGIES FOR ABSENCE (Agenda item 2.)

Apologies for absence had been received from the Mayor, Cllr Denise Le Gal, who was in Yorkshire to attend her daughter's graduation ceremony.

Apologies for absence were also received from Cllrs John Fraser, Pat Frost, Mike Hodge, Peter Martin, Nabeel Nasir, Libby Piper, Stefan Reynolds, Ross Welland, and Nick Williams.

CNL16/18 DECLARATIONS OF INTEREST (Agenda item 3.)

Cllr Wyatt Ramsdale declared a pecuniary interest in relation to Minute EXE 5/18 in Part 2 of the Executive Minutes of 5 June 2018, relating to BOOM Credit Union, as he is a Director of BOOM Credit Union.

CNL17/18 DEPUTY MAYOR'S ANNOUNCEMENTS (Agenda item 4.)

The Deputy Mayor welcomed Cllr David Beaman to the Council, and congratulated him on his success at the recent by-election.

Both the Mayor and the Deputy Mayor had been very busy since taking up their roles in May. The Deputy Mayor had been to 16 events already, including performances of The Lion King at Parkmead School, and Les Miserables at Broadwater School that showcased incredibly talented students.

The highlight so far had been Armed Forces Day at Guildford Cathedral, and it had been a delight and privilege to attend this event.

CNL18/18 QUESTIONS FROM MEMBERS OF THE PUBLIC (Agenda item 5.)

There had been no questions from members of the public.

CNL19/18 QUESTION TIME (Agenda item 6.)

The following question had been received from Cllr John Ward:

***“Question to the Leader and Portfolio Holders for Planning & Finance:***  
*Further to the helpful information imparted to the Town's representatives at the recent (9th July) Parish and Town Council Planning Forum please provide me with the following information for the last 5 years:-*

*The total amount of money, in respect of s106 Contributions, SPA mitigation and other Fees from developers collected by Waverley Borough Council and also the amounts of these which remain unspent;*

*Please split these up into money held for 1 year, 3 years and 5 years.*

*Also please inform me of the amount returned to developers as unspent during the last 5 years.*

*I would appreciate your assistance,*

*John A. Ward”*

In response to Cllr Ward’s question, the following information had been provided:

	Collected (received) in year £					Returned to developers in year due to time expiry £
	S106	Farnham SPA	Hindhead SPA	PIC - WBC element	Other	
2013/2014	149,521	114,172	45,388	159,791	-	0
2014/2015	210,802	181,974	-	469,492	-	0
2015/2016	84,564	128,171	-	142,926	-	0
2016/2017	529,497	289,086	5,835	141,149	-	0
2017/2018	539,893	463,042	8,031	128,773	-	0
Total	1,514,277	1,176,445	59,254	1,042,131	-	0
Of which unspent at 31/3/18	698,493	962,598	58,687	369,619	-	0
Note		1	2	3		

Note 1 Farnham SPA funds will be spent on management and improvement of Farnham Park in perpetuity

Note 2 All Hindhead SPA money will be paid to the National Trust in 2018/2019

Note 3 £157k is allocated to schemes to be delivered in 2018/2019

#### CNL20/18 MOTIONS (Agenda item 7.)

No motions had been received.

#### CNL21/18 MINUTES OF THE EXECUTIVE MEETING HELD ON 5 JUNE 2018 (Agenda item 8.1)

It was moved by the Leader of the Council, duly seconded, and

**RESOLVED** that the Minutes of the Executive held on 5 June 2018 be received and noted.

The Leader reported that there was one item under Part I for consideration by Council:

### **Minute EXE 5/18, Financial Out-turn for 2017/18**

The Leader drew attention to the positive financial out-turn for 2017/18 and the impact of property investment income on the surplus achieved.

It was moved by the Leader, duly seconded, and

**RESOLVED** that £200,000 of additional investment property income be transferred to a Commercial Property Income Risk Fund to protect against future income risk.  
**(Minute reference CNL 21/18)**

The following Members had given notice to speak on matters of report set out in Part II of the Executive Minutes of 5 June 2018:

(Cllr Ramsdale withdrew from the Council Chamber)

EXE 6/18, Boom Credit Union - Cllr Mike Band said how pleased he was that the Council was continuing its support of Boom Credit Union, which provided such a valuable service to Waverley residents.

(Cllr Ramsdale returned to the Council Chamber)

EXE 7/18, Alfold FC Ground Improvement – Cllrs Wyatt Ramsdale and Ged Hall said how pleased they were that the Council was supporting the improvement of Alfold Football Club’s ground, which would enable the club to gain promotion to the next division.

EXE 8/18, Capital Expenditure Process – Cllr Mike Band thanked the Executive for their endorsement of the Value for Money & Customer Service Overview & Scrutiny Committee’s report on the Capital Expenditure process and management. He also thanked officers for their openness in discussions with the O&S Task & Finish Group Members, which had enabled robust recommendations to be developed.

Cllr Ged Hall commended the Overview & Scrutiny Committee for their work on this topic, which would make a positive contribution to improving service delivery going forward.

There were no further statements from Members and the Leader concluded her presentation of the Minutes of the Executive of 5 June 2018.

### **CNL22/18 MINUTES OF THE EXECUTIVE MEETING HELD ON 10 JULY 2018 (Agenda item 8.2)**

It was moved by the Leader of the Council, duly seconded, and

**RESOLVED** that the Minutes of the Executive held on 10 July 2018 be received and noted.

The Leader reported that there were four items under Part I for consideration by Council:



### **Minute EXE 18/18, Corporate Strategy 2018-23**

The Leader introduced the draft Corporate Strategy for 2018-23. The new Strategy for the Council had been developed through consultation with key stakeholders, and it emphasised the importance of collaborative working with partners to achieve outcomes for Waverley communities and residents. Service Plans, budgets and staff performance agreements would all align with the high-level objectives set out in the Corporate Strategy, and it would be monitored by the Executive, Overview & Scrutiny and Management Board.

Cllr Follows noted the goals for increasing the amount of affordable housing in the borough, but noted that there needed to be a range of housing options that were genuinely 'affordable' for key workers.

Cllr Hyman welcomed the new Strategy, but questioned how traffic improvements from the Brightwells regeneration scheme would deliver improvements to air quality in Farnham. Cllr Hyman also welcomed the commitments set out under 'how we work', and asked that the Council demonstrate this in relation to information he had requested with regard to Brightwells planning applications.

Cllr Goodridge commended the new Strategy, which he felt was clear, readable and easily understood. Cllr Gray similarly commended the Strategy which was clear, incisive, and would enable the Council to be held to account.

In summing up, the Leader welcomed the support of Members for the new Corporate Strategy. She acknowledged Cllr Follows' concerns about delivering truly affordable housing and the challenge this would be for the Council, and this was not something that the Council would be able to tackle alone.

It was moved by the Leader of the Council, duly seconded, and

**RESOLVED** that the draft Corporate Strategy 2018-23 including the amendments (below) proposed by the Executive, be adopted.

- 1) bullet point 4, page 2, to read, "Extreme and hidden disparities in economic, social and health experiences",
- 2) 'Place' goal 3: "Encourage our residents to improve the quality of recycling and the DEFRA recycling rate to 56% by 2023.

**(Minute reference CNL 22.1/18)**

### **Minute EXE 19/18, Statement of Licensing Policy 2018-23**

The Leader introduced the revised Statement of Licensing Policy for 2018-23. The Council was required to have a Statement of Licensing Policy and to review this at least every 5 years. The current Policy had been adopted in 2013, and the revised version reflected changes in legislation and latest guidance.

Cllr Bolton commented as Portfolio Holder for Licensing, that there were only minor changes to the Licensing Policy, and there had been no substantive feedback to the consultation. The emphasis continued to be on promoting the four Licensing objectives.

It was moved by the Leader of the Council, duly seconded, and

RESOLVED that the revised Statement of Licensing Policy for Waverley, 2018-2023, be adopted and implemented with effect from 1 August 2018.  
**(Minute reference CNL 22.2/18)**

### **Minute EXE 20/18, Leisure Centre Investment: Farnham, Godalming and Cranleigh**

The Leader outlined the proposals and business case for a new round of investment in Waverley's leisure centres. The outcomes of the feasibility study carried out by SLC consultancy had clearly showed a need for further investment to meet the demands and expectations of Waverley's increasing population. The leisure centres were also vital to delivering Waverley's health and wellbeing objectives, and it was important to offer an attractive and affordable alternative to private gyms and leisure centres.

The Council had promised that the Brightwells capital receipt would be used to benefit residents, and the Leader was delighted to see that the Council would be building on the success of the previous investment in the leisure centres. There was still a lot of work to be done to determine the best approach for investment in Cranleigh but the Executive was absolutely committed to delivering outstanding facilities for the residents.

Cllr Follows questioned whether there was any risk to the Brightwells capital receipt, given the changes in the housing market and the leisure and retail markets, and the potential impact on Surrey County Council's investment. He also asked if the Feasibility Study was a public document, and whether users of the current facilities were consulted on the proposed improvements.

Cllr Beaman said that as a regular user of Farnham Leisure Centre he was excited to learn of the proposed investment, but he had a number of questions about the proposed funding arrangements and use of the Brightwells capital receipt that he would like to have answered before giving his support to the proposals. Cllr Beaman noted that there had not been sufficient time between the publication of the Executive minutes for the Council agenda and the deadline for Council questions for him to submit his questions earlier.

Cllr Beaman proposed a motion that the Council defer its decision on the investment in Waverley's Leisure Centres until his questions had been answered and there was more clarity about the financial implications of the proposals.

Cllr Follows seconded the motion to defer the decision in order to obtain additional information, and echoed Cllr Beaman's point about the deadline for questions to Council.

The Leader advised Cllr Beaman that he had received a response to his questions by email earlier in the afternoon. The capital receipt from Crest Nicholson had already been received and it was important that it started to earn a return. It had been a long-held intention that the receipt would be used to benefit Waverley residents, and using it to fund the leisure centre improvements would achieve both goals.

Cllrs Ramsdale, Mulliner and Band all opposed delaying the decision on investing in the leisure centres, on the basis that it would provide a good return on investment and benefit Waverley residents directly.

In response, Cllr Beaman stated that he not want to frustrate the investment in the leisure centres, and he would therefore withdraw his motion to defer the decision; but he reiterated his concerns about the timing of the publication of the Council 'to follow' papers and the deadline for Members' questions.

Returning to the substantive recommendations as set out in the Council agenda, Cllr Hyman expressed concern about the expansion of Godalming leisure centre without provision of additional parking, the inference that investment was being funded from the Brightwells receipt, and the vagueness of the commitment to Cranleigh when the identification of an acceptable site for a new leisure centre would be highly contentious. He asked that the recommendations be put to Council separately.

Cllrs Else, Wheatley, Leigh and Byham all spoke in support of the investment proposals. Cllrs Gray and Townsend also spoke in support, and specifically welcomed the commitment to investing in facilities in Cranleigh, and the proposed engagement with local stakeholders to understand community concerns. And, Cllr MacLeod added his support to the proposals, highlighting the health and well-being benefits to users of having access to high quality and affordable facilities.

There being no further comments, it was moved by the Leader of the Council, duly seconded, and

RESOLVED that: 1. A capital budget of £3.22m be agreed and officers progress with more detailed specification and procurement of the Farnham and Godalming leisure centre schemes, subject to negotiations with Places for People on future management fee payments (PfP).

[Cllr Hyman abstained from voting]

2. The Farnham and Godalming schemes be funded as per the table included in the financial implications section and the final funding arrangement be delegated to the Strategic Director (S151 Officer) and the Deputy Leader.

3. Officers be given the delegated authority to negotiate the management fee terms for the remainder of the contract with PfP, on the basis that the extended facilities are delivered.

4. Authority be delegated to the Strategic Director in consultation with the Deputy Leader to enter into appropriate lease and/or contractual arrangements to enable the car park lease extension at Godalming Leisure Centre.

5. The Council commits to a multi-million pound investment in leisure facilities in Cranleigh and agree that officers begin a detailed consultation, with the support of external consultants,

to identify a potential location for the Cranleigh Leisure Centre and report back to Executive.

[Cllr Hyman abstained from voting]

**(Minute reference CNL 22.3/18)**

**Minute EXE 22/18, Property Matter – Right to Buy Property Buy-backs**

The Leader advised Council that the opportunity had arisen to purchase two properties that had previously been sold under Right to Buy. The purchases would increase the Council's stock of housing for affordable rent and improve the efficiency of estate management.

It was moved by the Leader of the Council, duly seconded, and

RESOLVED: that the recommendations set out in the Exempt Annexe to the Executive Minutes be approved.

**(Minute reference CNL 22.4/18)**

The following Members had given notice to speak on matters of report set out in Part II of the Executive Minutes of 10 July 2018:

EXE 23/18, Community Wellbeing Overview & Scrutiny Committee Review into factors affecting health inequalities in Waverley - Cllr Knowles expressed his concern about inequalities in access to health services in Waverley, which were outside Waverley's power to affect. Residents in the south of the borough were greatly disadvantaged when it came to access to primary health care and acute services, and it was time for the Council to put pressure on health care providers to address these inequalities.

Cllr Jenny Else thanked the Overview & Scrutiny Committee for their work in producing such a wide-ranging and thought-provoking report, which would provide the starting point for discussions with partners in health and social care.

EXE 24/18, Housing Overview & Scrutiny Committee Review of Housing Design Standards – Cllr Seaborne said what a pleasure it had been to lead the O&S Task & Finish Group, and to work with such enthusiastic colleagues, officers and tenants in developing improved design standards for Waverley.

Cllr King thanked the Overview & Scrutiny Committee for their work, which had developed from a site visit to Ockford Ridge to see the progress on the regeneration of the estate.

EXE 27/18, Procurement of a new Waste, Recycling and Street Cleaning contract – Cllr Bolton advised that the procurement was at a very sensitive stage and work was continuing to develop the approach agreed by the Executive in February 2018.

There were no further statements from Members and the Leader concluded her presentation of the Minutes of the Executive of 10 July 2018.

CNL23/18 MINUTES OF THE LICENSING AND REGULATORY COMMITTEE (Agenda item 9.)

The Chairman of the Committee advised Council that there were no matters to be considered in Part I, and there had been no requests from Members to speak on matters of report in Part II.

It was moved by the Chairman of the Committee, duly seconded and

RESOLVED that the Minutes of the Licensing and Regulatory Committee held on 18 June 2018 be received and noted.

CNL24/18 MINUTES OF THE STANDARDS PANEL (Agenda item 10.) (Pages 13 - 14)

It was moved by the Chairman of the Standards Panel, duly seconded and

RESOLVED that the Minutes of the Standards Panel held on 11 June 2018 be received and noted.

The Chairman of the Committee advised Council that there were two matters to be considered in Part I:

**Minute STD 7/18, Standards Panel Terms of Reference and Membership**

The Standards Panel had reviewed the terms of reference of the Panel, and the membership. The Panel had noted that in establishing the Panel in 2012, the intention had been for it to operate as a standing panel of Members to be called upon if there was a need for a Panel to hear a complaint against a Member. More recently, the Panel had taken on the additional responsibility of keeping under review the Council's Constitution and Scheme of Delegation and was meeting on a regular basis. It was therefore operating as a more traditional Standards Committee and as such the membership would fall within the scope of the Regulations on political proportionality of council committees.

The Standards Panel therefore recommended to Council that Article 9 of Waverley's Constitution be amended to designate the Standards Panel as the Standards Committee, and the membership of 9 Waverley members be allocated on a politically proportional basis.

Cllr Paul Follows thanked the Standards Panel members for considering his comments, and welcomed the proposed changes to the terms of reference and membership.

It was moved by the Chairman of the Standards Panel, duly seconded and

RESOLVED that Article 9 of Waverley's Constitution be amended to designate the Standards Panel as the Standards Committee, and the membership of 9 Waverley members be allocated on a politically proportional basis.

**(Minute reference CNL 24.1/18)**

### **Minute STD 8/18, Responsibility of Function - Joint Planning Committee**

The Standards Panel had reviewed the responsibilities of the Joint Planning Committee in order to address Members' concerns, expressed at a recent Joint Planning Committee meeting, regarding the approval route for amended applications.

The Standards Panel recommended to Council that the Responsibility for Functions in Part 3 of Waverley's Constitution be revised to include the wording shown in bold in the attached Annexe.

It was moved by the Chairman of the Standards Panel, duly seconded and

RESOLVED that the Joint Planning Committee's Responsibility for Functions in Part 3 of the Waverley Constitution be amended to reflect the wording shown in the Annexe to these Minutes.

#### **(Minute reference CNL 24.2/18)**

There had been no requests from Members to speak on matters of report in Part II of the Minutes, and the Chairman concluded his presentation of the minutes of the meeting held on 11 June 2018.

#### **CNL25/18 PROPORTIONALITY ON COMMITTEES AND ALLOCATION OF SEATS (Agenda item 11.)**

The Leader advised Council that following the by-election for the Farnham Castle Ward held on 24 May 2018, the allocation of seats on the principal committees had been reviewed, to ensure that seats are allocated in the same political proportions as the political composition of the council as a whole.

The review of the proportional allocation of seats also reflected the previously agreed change to the Standards Panel, which as a Standards Committee would fall within the calculation of proportionality.

The Leader moved, and it was duly seconded, and

RESOLVED to

1. Note the proportional allocation of seats on the principal Committees and the Western Area Planning Committee following the by-election for the Farnham Castle Ward and the re-designation of the Standards Panel as a politically proportional Standards Committee.
2. Agree the nominations to the Principal Committees and Western Area Planning Committee for the 2018/19 year received from the political groups, as set out in the Council agenda.

The meeting concluded at 8.40 pm

Mayor

WAVERLEY BOROUGH COUNCIL

MINUTES OF THE AUDIT COMMITTEE - 24 JULY 2018

SUBMITTED TO THE COUNCIL MEETING – 16 OCTOBER 2018

(To be read in conjunction with the Agenda for the Meeting)

**Present**

Cllr Mike Band  
Cllr John Gray  
Cllr Jerry Hyman  
Cllr Stephen Mulliner

Cllr Sam Pritchard  
Cllr Richard Seaborne  
Cllr Liz Townsend

**Apologies**

Cllr Pat Frost

**Also Present**

Graeme Clark – Strategic Director (S151 Officer)  
Peter Vickers – Head of Finance  
Walter Stockdale – Financial Services Manager  
Vicki Basley – Senior Accountant  
Gail Beaton – Internal Audit Client Manager  
Iain Murray – Grant Thornton Engagement Lead  
Amy McNulty – Democratic Services Officer

AUD 1/18 APPOINTMENT OF CHAIRMAN (Agenda item 1.)

RESOLVED that Cllr John Gray be appointed as Chairman of the Committee for the 2018/19 Council Year.

AUD 2/18 APPOINTMENT OF VICE CHAIRMAN (Agenda item 2.)

RESOLVED that Cllr Richard Seaborne be appointed as Vice Chairman of the Committee for the 2018/19 Council Year.

AUD 3/18 MINUTES (Agenda item 3.)

RESOLVED that the Minutes of the Meeting held on 27 March 2018 be confirmed as a correct record and signed.

AUD 4/18 APOLOGIES FOR ABSENCE (Agenda item 4.)

Apologies for absence were received from Cllr Pat Frost.

AUD 5/18 DISCLOSURE OF INTERESTS (Agenda item 5.)

There were no declarations of interest in connection with items on the agenda.

AUD 6/18 QUESTIONS BY MEMBERS OF THE PUBLIC (Agenda item 6.)

There were no questions received from members of the public.

AUD 7/18 QUESTIONS FROM MEMBERS (Agenda item 7.)

There were no questions received from Members.

**PART I - RECOMMENDATIONS TO THE COUNCIL**

There were no matters falling within this category.

**PART II - MATTERS OF REPORT**

The background papers relating to the following items are as set out in the reports included in the original agenda papers.

AUD 8/18 EXTERNAL AUDIT FINDINGS REPORT (Agenda item 8.)

Iain Murray from Grant Thornton presented the External Audit Findings Report to the Committee. He advised that due to the new deadlines, at the time of drafting the report, some work was still ongoing however this had now been completed and Grant Thornton was proposing to issue an unqualified opinion on the financial statements.

A change had been suggested relating to the fair value of loans; this related to borrowing from the PWLB. Iain advised that this was a presentational change and did not impact on the reported figures; the amendment would be reflected in the final published version of the accounts. The Committee recognised the added pressures of the new timescales, but felt that any further updates should have been provided in advance of the meeting. Cllr Gray requested that should this occur in future years, an updated report be circulated the day before the meeting.

In relation to judgements and estimates, the audit had identified some old debt where it was not clear if it had a specific impairment against it, although the amounts identified were not material. The Committee was advised that some work was already under way to review and rationalise corporate debt.

In regard to the follow up of last year's audit recommendations, it was highlighted that although all related party transactions declarations had now been received, they had not been returned in a timely manner, and therefore it could not be marked as completed. Graeme Clark acknowledged that this had taken longer than had been hoped due to a few outstanding declarations from councillors. The process for this was being worked on by officers as it would be especially important to complete these in a timely manner next year due to the upcoming elections.

Iain advised that in relation to audit adjustments, some minor disclosure improvements had been identified and these changes had now been incorporated into final set of financial statements. One unadjusted item was reported. This related to a capital invoice for which there was no accrual. Iain explained that the



auditor was obliged to report this, but that it was not indicative of any underlying weaknesses in the Council's processes and so should not give rise to undue concern.

Grant Thornton would also be issuing an unqualified Value for Money conclusion. This was in the context of an increasingly challenging financial environment and uncertainty around the fair funding review. Cllr Townsend noted that this section referred to property investment, but felt that this could be made more explicit. Iain responded that property investment was becoming the norm across local government and there were no concerns about Waverley's current approach. Graeme added that he discussed property acquisition issues as part of an ongoing dialogue with the auditors, which would enable any concerns to be raised promptly if required.

Members noted that the management response section was incomplete and some sections of the report would require updating. The Committee was disappointed to have been presented with such an incomplete external audit report and asked for a completed version to circulate without delay.

*[Secretary's note: The updated report was issued to Members on 30 July 2018 and is attached to these minutes.]*

The Committee RESOLVED to endorse the External Audit Findings Report.

#### AUD 9/18 STATEMENT OF ACCOUNTS 2017/2018 (Agenda item 9.)

The Committee had been provided with a copy of the unaudited financial statements that had been published on 31 May. A Member seminar had also been held on 14 June to highlight any changes from the previous year. Officers thanked Members for their input at this earlier session.

The Committee heard that there had been no changes to the accounting assumptions, and that the main change was in regard to the narrative, which was now structured in the form of a performance review.

In relation to confirming that the accounts were prepared on a going concern basis, Members queried how far ahead this was looking. Officers clarified that this was just the next financial year.

Cllr Mulliner requested that in future, it would be useful to have the useable reserves section presented in a way that separated the General Fund and HRA reserves.

The Committee RESOLVED to:

1. Approve the Statement of Accounts for the financial year ended 31 March 2018;
2. Approve the Letter of Representation for 2017/2018; and
3. Confirm that the accounts have been prepared on a going concern basis.

AUD 10/18 ANNUAL GOVERNANCE STATEMENT 2017/18 (Agenda item 10.)

Walter Stockdale presented the Annual Governance Statement (AGS) to the Committee. The AGS had been reviewed by the Chief Executive and Leader following input from the Audit Committee and described how the Council's corporate governance arrangements had been working over the last year.

The document included one significant operational event, which was the Air Quality issue. It also highlighted the appointment of the new Chief Executive and the impact of GDPR.

The Committee considered the wording of section 10, relating to managing resources. Members felt that this was confusing and could potentially imply that all budget issues would be resolved by 2021, which was not the case.

The Committee RESOLVED that the Annual Governance Statement 2017/18 be approved, subject to the removal of "by 2020/2021" from the third line of paragraph 10.1.

AUD 11/18 INFORMATION GOVERNANCE STRATEGY (Agenda item 11.)

Graeme Clark advised that the Information Governance Strategy was being presented to the Committee as it had previously been concerned about outstanding audit recommendations on this matter. The Committee had received regular updates on the progress made by officers to implement the recommendations and to ensure that the Council was fully prepared for the introduction of GDPR.

The Committee felt that the structure of the Strategy should be reviewed, and that more clarification should be provided about the overall purpose of the document, as well as how its principles would be embedded into the culture of the organisation. Members also highlighted that phrasing of the strategy was very forward-looking and felt that it should be more focused on what was being done in the present. Cllr Mulliner noted that various training sessions were being proposed and felt that there should be a mention of how this would be monitored and who would ensure that this was completed. Cllr Townsend also highlighted that it was also unclear as to whether the strategy applied to both staff councillors, or whether some parts only applied to staff. Members suggested that this be made clearer.

Additionally, Members felt that the Strategy should provide a clear description of the hierarchy of data, particularly the distinction between information and data. The Committee also requested that the document reference and version number be included on every page and a glossary be added to the end.

The Committee agreed that the Strategy was a good starting point but felt that further amendments were required, particularly in relation to structure, before it was ready to be published. Members would be happy to provide additional comments on further drafts if required, and asked to see a final version of Strategy when it was ready.

The Committee RESOLVED to pass the comments noted above to officers, and endorsed the Council's approach to Information Governance as set out in the Strategy.

AUD 12/18 ANNUAL INTERNAL AUDIT REPORT (Agenda item 12.)

Gail Beaton presented the Annual Internal Audit Report to the Committee. She explained that this report linked to the Internal Audit opinion set out in the Annual Governance Statement.

The report detailed the audit recommendations made throughout the year, and highlighted those still to be actioned. Summaries were also provided of audits where little or no assurance had been given.

The report also provided performance indicators in relation to the contractor for Internal Audit. Cllr Gray noted that performance appeared to have slipped this year and asked if there was any particular reason for this. Gail explained that one review could significantly affect the average, and some reviews, e.g. in relation to IT, didn't always provide working papers as a matter of course and this could cause delays.

The Committee thanked officers for their hard work in delivering such a comprehensive service and congratulated the service for achieving 100% completion of the Audit Plan by 31 March 2018.

The Committee RESOLVED to endorse the Annual Internal Audit Report for 2017/18.

AUD 13/18 PROGRESS ON THE INTERNAL AUDIT PLANS FOR 2017/18 AND 2018/19 (Agenda item 13.)

The committee reviewed the latest position on the reviews contained within the Audit Plans for 2017/18 and 2018/19. Annexe 1 to the report confirmed that all 2017/18 reviews had been completed. Annexe 2 showed that some reviews for 2018/19 were well under way and would be signed off shortly.

The Committee RESOLVED to note the completion of the 2017/18 Audit Plan and the progress on the 2018/19 Audit Plan.

AUD 14/18 PROGRESS ON THE IMPLEMENTATION OF INTERNAL AUDIT RECOMMENDATIONS (Agenda item 14.)

The Committee received a report setting out the latest position regarding the implementation of internal audit recommendations. Gail Beaton informed the Committee that the recommendation regarding Outstanding Reconciliation Items had now been completed and the recommendation regarding Audit Trails would be completed by its due date of 30 July.

The Committee also heard that the recommendation relating to Final Payment Process was dependant on revisions to the Financial Regulations that would be presented to the Committee at its September meeting. Members felt that although amendments to the Financial Regulations would be required to ratify these changes, the working process itself should be updated straight away. Peter Vickers

responded that there had already been internal discussion about how best to implement this change; a plan was in place, and the revisions to the Financial Regulations would just cement this. Noting that work was under way behind the scenes, the Committee felt that the progress status for this action should not be 0% as this painted an unduly alarming picture. The Committee requested that the progress be updated, the notes section be completed, and the target date be amended to reflect the change in timescales.

The Committee RESOLVED to note the progress in implementation of internal audit recommendations.

AUD 15/18 FRAUD INVESTIGATION SUMMARY (Agenda item 15.)

Gail Beaton presented a summary of the of the work that had been undertaken by officers to investigate fraud, in particular Housing Tenancy Fraud. The report also provided a comparison with the previous year's work. While there were slightly fewer cases in 2017/18, the financial value to of the work had increased. Gail added that the work that was being done would hopefully make people be more cautious of applying for properties they are not entitled to.

The Committee was particularly pleased to note the good results in relation to fraudulent property succession claims and felt that this acted as a good deterrent.

The Committee RESOLVED to note the success of the investigation activity and the results achieved.

AUD 16/18 COMMITTEE RECURRENT WORK PROGRAMME (Agenda item 16.)

The Committee considered its recurrent annual work programme. Peter Vickers advised that work was still ongoing in relation to risk, and so the Risk Management report would now come to the Committee's November meeting. Members asked if they could still receive a brief update in September.

The Committee RESOLVED to note its recurrent annual work programme.

AUD 17/18 EXCLUSION OF PRESS AND PUBLIC (Agenda item 17.)

At 8.38pm it was:

RESOLVED 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 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, there would be disclosure to them of exempt information (as defined by Section 1001 of the Act) of the description specified in the 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).

AUD 18/18 FUTURE DELIVERY OF INTERNAL AUDIT FROM APRIL 2019 - UPDATE  
(Agenda item 18.)

The Committee RESOLVED that the recommendation within the report be approved.

**The meeting commenced at 7.00 pm and concluded at 8.47 pm**

**Chairman**

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# **Audit Findings**

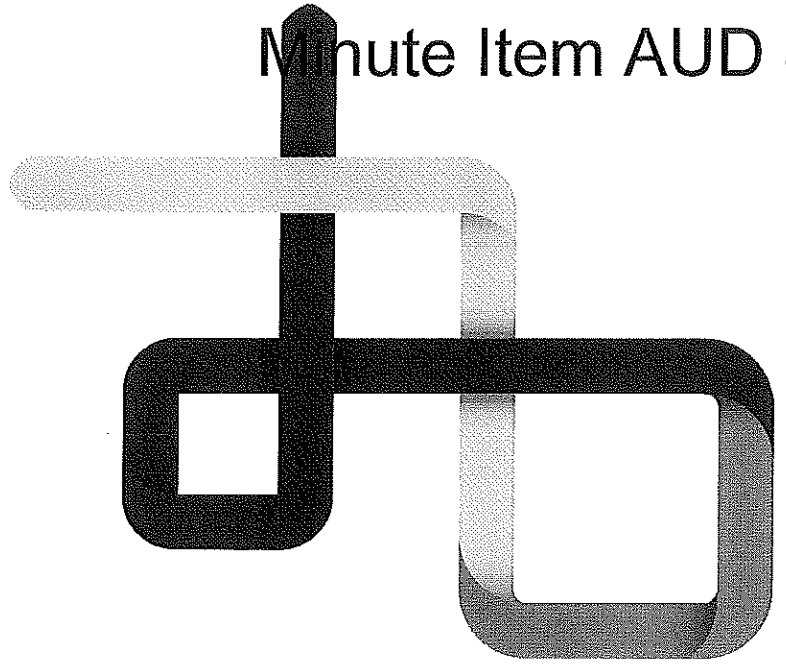
*Year ending 31 March 2018*

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**Waverley Borough Council**

July 2018

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Your key Grant Thornton team members are:

Iain Murray

Engagement Lead

T: 020 7728 3328

E: [Iain.G.Murray@uk.gt.com](mailto:Iain.G.Murray@uk.gt.com)

Sophia Brown

Engagement Manager

T: 020 7728 3179

E: [Sophia.Y.Brown@uk.gt.com](mailto:Sophia.Y.Brown@uk.gt.com)

Tom Beake

Audit In-charge

T: 020 7728 3425

E: [Tom.Beake@uk.gt.com](mailto:Tom.Beake@uk.gt.com)

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## Appendices

- A. Action plan
- B. Follow up of prior year recommendations
- C. Audit adjustments
- D. Fees
- E. Audit Opinion

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. 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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# Headlines

This table summarises the key issues arising from the statutory audit of Waverley Borough Council ('the Council') and the preparation of the group and Council's financial statements for the year ended 31 March 2018 for those charged with governance.

## Financial Statements

Under the International Standards of Auditing (UK) (ISAs), we are required to report whether, in our opinion:

- the group and Council's financial statements give a true and fair view of the group's and Council's financial position and of the group and Council's expenditure and income for the year, and
- have been properly prepared in accordance with the CIPFA/LASAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Statement of Accounts, Annual Governance Statement (AGS) and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Our audit work was completed on site during June and July. Our findings are summarised on pages 5 to 13. We have identified one issue with the allowance for doubtful debt which could have a potential impact on the position reported in the financial statements but we are satisfied that this impact could not be material. Audit adjustments are detailed in Appendix C. We have also raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B.

We have issued an unqualified audit opinion following the Audit Committee meeting on 24 July 2018, as detailed in Appendix E.

We have concluded that the other information published with the financial statements, which includes the Statement of Accounts, Annual Governance Statement and Narrative Report, are consistent with our knowledge of your organisation and with the financial statements we have audited.

# Headlines continued

<b>Value for Money arrangements</b>	<p>Under the National Audit Office (NAO) Code of Audit Practice (the Code), we are required to report whether, in our opinion:</p> <ul style="list-style-type: none"><li>the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources (the value for money (VFM) conclusion)</li></ul> <p>We have completed our risk based review of the Council's value for money arrangements. We have concluded that Waverley Borough Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We have issued an unqualified value for money conclusion, as detailed in Appendix E. Our findings are summarised on pages 14 to 16.</p>
<b>Statutory duties</b>	<p>The Local Audit and Accountability Act 2014 (the Act) also requires us to:</p> <ul style="list-style-type: none"><li>report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and</li><li>certify the closure of the audit</li></ul> <p>We have not exercised any of our additional statutory powers or duties. We have completed our work under the Code and expect to be able to certify the completion of the audit.</p>

## Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

# Summary

## Overview of the scope of our audit

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

## Audit approach

Our audit approach was based on a thorough understanding of the group's business and is risk based, and in particular included:

- Full scope audit of Waverley Borough Council's financial statements;
- Targeted testing of both Shottermill Recreation Ground Trust and Ewart Bequest financial statements;
- An evaluation of the group's internal controls environment including its IT systems and controls; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.

## Conclusion

We have completed our audit of your financial statements and we have issued an unqualified audit opinion following the Audit Committee meeting on 24 July 2018, as detailed in Appendix E. These outstanding items are detailed on page 3.

## Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Our assessment of the value of materiality has been adjusted to reflect the draft 2017/18 financial statements for the group. The table below details our assessment of materiality for group financial statements.

	Group amount (£k)
Materiality for the financial statements	£1,796k
Performance materiality	£1,347k
Trivial matters	£90k

# Significant audit risks

Risks identified in our Audit Plan	Commentary
<p><b>1</b></p> <p><b>The revenue cycle includes fraudulent transactions</b></p> <p>Under ISA 240 (UK) there is a presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p><b>Auditor commentary</b></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 Waverley Borough Council, mean that all forms of fraud are seen as unacceptable</li> </ul> <p><b>Therefore we do not consider this to be a significant risk for Waverley Borough Council.</b></p> <p>Our work has not identified any material issues in respect of revenue recognition.</p>
<p><b>2</b></p> <p><b>Management override of controls</b></p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities.</p> <p>We identified management override of controls as a risk requiring special audit consideration.</p>	<p><b>Auditor commentary</b></p> <p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>Gained and understanding of the accounting estimates, judgements applied and decisions made by management and considered their reasonableness;</li> <li>Obtained a full listing of journal entries, then identified and tested unusual journal entries for appropriateness;</li> <li>Evaluated the rationale for any changes in accounting policies or significant unusual transactions; and</li> <li>Reviewed accounting estimates, judgements and decisions made by management.</li> </ul> <p>Our work has not identified any material evidence of management override.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgements.</p>

# Significant audit risks

Risks identified in our Audit Plan	Commentary
<p><b>3</b></p> <p><b>Valuation of property, plant and equipment</b>                      The Council revalues its land and buildings on a rolling 5 year basis to ensure that carrying value is not materially different from fair value. Certain assets are also revalued more regularly (e.g. Investment Properties). All assets not formally revalued will be revalued using an uplift percentage.</p> <p>This represents a significant estimate by management in the financial statements.</p> <p>We identified the valuation of land and buildings revaluations and impairments as a risk requiring special audit consideration.</p>	<p><b>Auditor commentary</b></p> <p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>Reviewed management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work;</li> <li>Considered the competence, expertise and objectivity of valuations experts used;</li> <li>Discussed with the valuer the basis on which the valuation is carried out and challenged the key assumptions;</li> <li>Reviewed and challenged the information used by the valuer to ensure it is robust and consistent with our understanding;</li> <li>Tested revaluations made during the year to ensure they were input correctly into the Council's asset register; and</li> <li>Evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value.</li> </ul> <p>Our work has not identified any material issues in respect of the risk identified.</p>
<p><b>4</b></p> <p><b>Valuation of pension fund net liability</b>                      The Council's pension fund asset and liability as reflected in its balance sheet represent a significant estimate in the financial statements.</p> <p>We identified the valuation of the pension fund net liability as a risk requiring special audit consideration.</p>	<p><b>Auditor commentary</b></p> <p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>Identified the controls put in place by management to ensure that the pension fund liability is not materially misstated. We also assessed whether the controls were implemented as expected and whether they were sufficient to mitigate the risk of material misstatement;</li> <li>Evaluated the competence, expertise and objectivity of the actuary who carried out your pension fund valuation. We gained an understanding of the basis on which the valuation is carried out;</li> <li>Carried out procedures to confirm the reasonableness of the actuarial assumptions made; and</li> <li>Checked the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary.</li> </ul> <p>Our work has not identified any material issues in respect of the risk identified.</p>

# Reasonably possible audit risks

## Risks identified in our Audit Plan

## Commentary

### 5 Employee remuneration

Payroll expenditure represents a significant percentage (21%) of the Council's operating expenses.

As the payroll expenditure comes from a number of individual transactions and an interface with a sub-system (Trent) there is a risk that payroll expenditure in the accounts could be understated. We therefore identified completeness of payroll expenses as a risk requiring particular audit attention.

### Auditor commentary

We have undertaken the following work in relation to this risk

- Evaluated the Council's accounting policy for recognition of payroll expenditure for appropriateness;
- Gained an understanding of the Council's system for accounting for payroll expenditure and evaluated the design of the associated controls;
- Re-performed the year end payroll reconciliation and tested whether year-end payroll accruals, e.g. tax and pension creditors, unpaid leave accrual) have been recognised and not understated; and
- Performed a detailed substantive analytical review of payroll expenditure in order to gain assurance over movements in these expenses against the prior year.

Our work has not identified any material issues in respect of the risk identified.

### 6 Operating expenses

Non-pay expenses on other goods and services also represents a significant percentage (60%) of the Council's operating expenses. Management uses judgement to estimate accruals of un-invoiced costs.

We identified completeness of non-pay expenses as a risk requiring particular audit attention.

### Auditor commentary

We have undertaken the following work in relation to this risk:

- Evaluated the Council's accounting policy for recognition of non-pay expenditure for appropriateness;
- Gained an understanding of the Council's system for accounting for non-pay expenditure and evaluated the design of the associated controls;
- Performed sample-based testing of operating expenses in the period to gain assurance that expenses are valid; and
- Tested whether year-end operating expenditure accruals have been recognised and not understated (unrecorded liabilities testing procedures).

Our work on unrecorded liabilities identified one capital invoice received after year end relating to 2017/18 for which there is no accrual. The amount of this invoice is £112k and the Council has opted to not adjust this error, please refer to Appendix C for further detail.



Our work has not identified any material issues in respect of the risk identified.

# Significant matters discussed with management

This section provides commentary on the significant matters we discussed with management during the course of the audit.

Significant matter	Commentary	Auditor view
<p>During the year an unconditional agreement between the Council and developer Crest Nicholson saw the start of the Brightwells Farnham Regeneration Scheme and a total payment was made to the Council of £3.284m.</p> <p>As part of the development agreement the Council leased a land asset to Surrey County Council, with a lease term of 150 years.</p>	<p>The Council has accounted for the land asset as a finance lease, with Surrey County Council as lessee.</p> <p>The developer contribution received by the Council has been included in the Capital Receipts Reserve at year end.</p>	<p>We are satisfied that the lease has been correctly accounted for as a finance lease and the capital contributions have been correctly accounted for given there are no restrictions or conditions placed upon them.</p>

# Accounting policies



Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	<p>Revenue from the sale of goods is recognised when you transfer the significant risks and rewards of ownership to the purchaser, and it is probable that economic benefits or service potential associated with the transaction will flow to you.</p> <p>Income from the provision of services is recognised when you can measure reliably the percentage completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to you.</p> <p>Income from non-exchange transactions is recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to you, and the amount of revenue can be measured reliably.</p>	<p>The accounting policy is adequately disclosed in line with the requirements of the CIPFA Code.</p> <p>Our testing of your various revenue sources did not identify any instances of inappropriate revenue recognition.</p>	 Green
Judgements and estimates	<p>Key estimates and judgements include:</p> <ul style="list-style-type: none"> <li>• Useful life of capital equipment;</li> <li>• Pension fund valuations and settlements;</li> <li>• Impairments;</li> <li>• PPE revaluations ;</li> <li>• Depreciation;</li> <li>• Bad debt provisions;</li> <li>• Business rate appeals;</li> <li>• Funding levels; and</li> <li>• Group accounts.</li> </ul>	<p>Your critical judgements and estimation uncertainties are disclosed within Notes 3 and 4 of the financial statements, and are in line with the requirements of the CIPFA Code.</p> <p>We have reviewed all of your key estimates and judgements, and are satisfied with the approaches taken in each of these areas with the exception of the allowance for doubtful debt.</p> <p>Our work on your sundry debtor balances identified £512k of debtors which were over 12 months old and in some cases has been outstanding for several years. Our review of the allowance for doubtful debts identified £10k which related to these balances. However, the £512k includes historical benefit and HRA debts for which a separate impairment allowance exists. Given the age of this debt we have queried whether it is reasonable to assume that all of these monies will be recovered or whether some of these amounts should be written off or provided for. Management have carried out an initial review of these debts and have identified £232k which either remains outstanding or where no clear payment plan exists, suggesting some uncertainty remains about its recovery. Were this amount to be written off or provided for the impact would be to reduce your reported financial performance by £232k. As this is not material we are satisfied that it does not prevent us from issuing an unqualified opinion on the financial statements.</p>	 Auditor

**Assessment**

- Marginal accounting policy which could potentially be open to challenge by regulators
- Accounting policy appropriate but scope for improved disclosure
- Accounting policy appropriate and disclosures sufficient



# Accounting policies continued

Accounting area	Summary of policy	Comments	Assessment
Going concern	The Strategic Director, s151 officer, has a reasonable expectation that the services provided by the Council will continue for the foreseeable future. Members concur with this view. For this reason, the Council continues to adopt the going concern basis in preparing its financial statements.	We have reviewed the Council's assessment and are satisfied with management's assessment that the going concern basis is appropriate for the 2017/18 financial statements.	 Green
Other accounting policies	We have reviewed your accounting policies against the requirements of the CIPFA Code and accounting standards.	We have reviewed the Council's policies against the requirements of the CIPFA Code of Practice. The Council's accounting policies are appropriate and consistent with previous years.	 Green

**Assessment**

- ⊕ Marginal accounting policy which could potentially be open to challenge by regulators
- ⊕ Accounting policy appropriate but scope for improved disclosure
- ⊕ Accounting policy appropriate and disclosures sufficient

# Other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Commentary
① Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
② Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed. We raised a recommendation in this area in the 2016/17 Audit Findings Report and set out our follow up in Appendix B.
③ Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
④ Written representations	A standard letter of representation has been requested from the Council.
⑤ Confirmation requests from third parties	We requested from management permission to send confirmation requests to its banking and investment institutions. This permission was granted and the requests were sent. Requests were returned with positive confirmation, apart from requests which were not received so we undertook alternative procedures, whereby we reviewed internal documents including investment authorisation forms, email correspondence and investment statements, along with external documents including broker certificates and deposit confirmations.
⑥ Disclosures	Our review found a small number of disclosures that required amendment or expanding, refer to Appendix C for further detail.

# Other responsibilities under the Code

We set out below details of other matters which we, as auditors, are required by the Code to communicate to those charged with governance.

Issue	Commentary
① <b>Other information</b>	<p>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Statement of Accounts, Annual Governance Statement (AGS) and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>No inconsistencies have been identified. We have issued an unqualified opinion in this respect—refer to Appendix E.</p>
② <b>Matters on which we report by exception</b>	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"> <li>• if the Annual Governance Statement does not meet the disclosure requirements set out in the ClPFA/SOLACE guidance or is misleading or inconsistent with the other information of which we are aware from our audit</li> <li>• if we have applied any of our statutory powers or duties</li> </ul> <p>We have nothing to report on these matters.</p>
③ <b>Specified procedures for Whole of Government Accounts</b>	<p>We are not required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions as the Council does not exceed the required threshold.</p>
④ <b>Certification of the closure of the audit</b>	<p>We have certified the closure of the 2017/18 audit of Waverley Borough Council in the audit opinion, as detailed in Appendix E.</p>

# Value for Money

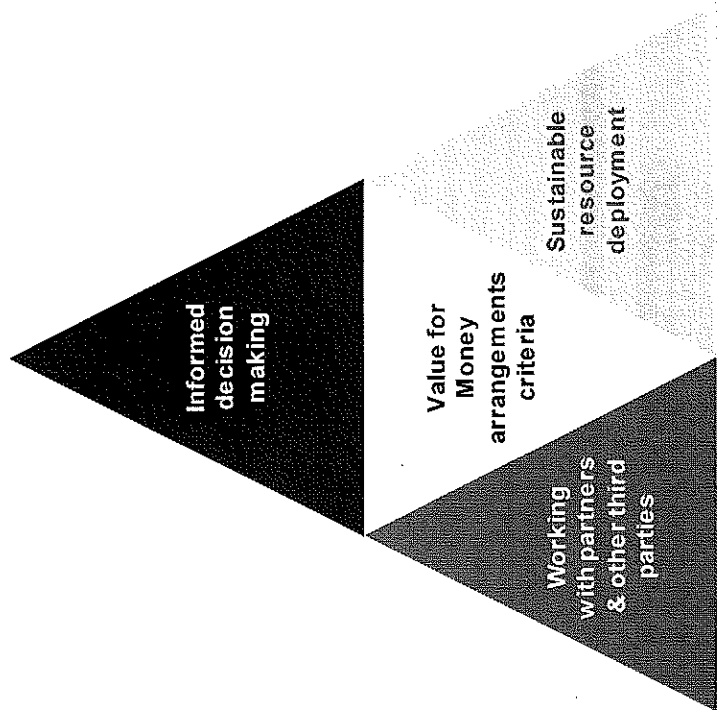
## Background to our VFM approach

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

The guidance identifies one single criterion for auditors to evaluate:

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

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



## Risk assessment

We carried out an initial risk assessment in March 2018 and identified a significant risk in respect of specific areas of proper arrangements using the guidance contained in AGND3. We communicated these risks to you in our Audit Plan dated March 2018.

We have continued our review of relevant documents up to the date of giving our report, and have not identified any further significant risks where we need to perform further work.



### Financial Position

The Council set a balanced General Fund budget for 2017/18 which is robust but challenging to deliver. The Council's budget challenge process identified proposals for cost savings, additional income and expenditure growth. The Council has identified income and savings proposals which total £1.036m, growth proposals of £0.055m, and council tax increase of £5 at band D of £0.268m. The financial strategy identifies budget pressures in each of the three years to 2019/20. Beyond this period there is significant uncertainty around business rate and new homes bonus funding.

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

# Value for Money

## Our work

AGN 03 requires us to disclose our views on significant qualitative aspects of the Council's arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the significant risks that we identified in the Council's arrangements. In arriving at our conclusion, our main considerations were:

### Informed decision making

The Council has strong arrangements in place to ensure robust financial governance, in particular there is an appropriate level of involvement from senior management and members in the financial management and annual budgeting processes. Our review of the 2017/18 budget confirms that you have applied all of the relevant considerations, and your medium term financial strategy (MTFS), covering the period 2016/17-2019/20, was updated in February 2017. In June 2017, following the Strategic Review, carried out in December 2016, the Council has conducted an initial stage review of the 2017/18 budget and the MTFS, updating them to take into account the observations made by the Review. Sustainable resource deployment

The Council's financial strategy identifies budget pressures in each of the three years to 2019/20. Beyond this period there is significant uncertainty around business rate and new homes bonus funding. The 2017/18 General Fund budget identified a £1.15m shortfall. This shortfall has been met by an increase in the 2017/18 council tax rates, growth schemes identified by the Council, and savings identified of over £1m in 2017/18. Whilst you have a proven track record of delivering savings over the past nine years, the identification of budget gaps remain a risk to the Council's medium term financial health.

### Working with partners and third parties

The Council has a number of partners that it works with to deliver its services and to provide back office functions. As the Council looks to further improve efficiencies and identify savings it is actively working to identify contracts that will be due for renewal in 2019 to ensure that appropriate procurement methods and forward plans are in place for renewal of major contracts.

We have set out more detail on the risks we identified, the results of the work we performed and the conclusions we drew from this work on page 16.

## Overall conclusion

Based on the work we performed to address the significant risks, we concluded that:

The Council had proper arrangements in all significant respects to ensure it delivered value for money in its use of resources.

The text of our report, which confirms this can be found at Appendix E

## Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk	Work to address	Findings and conclusions
<p><b>Financial position</b></p> <p>The Council set a balanced General Fund budget for 2017/18 which is robust but challenging to deliver. The Council's budget challenge process identified proposals for cost savings, additional income and expenditure growth. The Council has identified income and savings proposals which total £1.036m, growth proposals of £0.055m, and council tax increase of £5 at band D of £0.268m. The financial strategy identifies budget pressures in each of the three years to 2019/20. Beyond this period there is significant uncertainty around business rate and new homes bonus funding.</p>	<p>We met with key officers to discuss key strategic challenges and the Council's response, and considered reports to members to:</p> <ul style="list-style-type: none"> <li>Review the outturn position for 2017/18 and the budget plans for 2018/19 and 2019/20;</li> <li>Review the Council's progress in updating its medium term financial strategy to inform our understanding and review the supporting information trails and assumptions;</li> <li>Review how the Council works collaboratively with partners to deliver functions and services; and</li> <li>Review how the Council is making the best use of its asset base.</li> </ul>	<p>Your financial performance in 2017/18 remains sound and your outturn position was a £246k surplus on the general fund. This surplus is largely related to the Council's income from its investment property portfolio. Your outturn position on the HRA was a £1.5m surplus which mainly relates to efficiencies and savings made within the maintenance budget.</p> <p>Your general fund position of £3.3m at the end of 2017/18 is in line with your overall medium term financial strategy to maintain the balance at £3.2m. To support the general fund position you continue to maintain a number of reserves which allow you to take a longer term view on the investments needed to deliver your strategic objectives and to provide some resilience against current and future financial challenges. The investment property income received during the year has allowed the Council to transfer £200k of the income to a Commercial Property Risk Fund to protect against future income risk.</p> <p>The Council is clear that no funding will be received in 2019/20 and 2020/21 in respect of the four year settlement. The potential impact of the Government's fair funding review and the forthcoming comprehensive spending review add uncertainty to funding assumptions in the later years of your medium term financial strategy.</p> <p>Budget shortfalls are being addressed by numerous strategies and workstreams in place to make savings or generate income. One clear area the Council is focussed on is the need to make savings from better procurement, and with a number of major contracts due for renewal in 2019 the Council has been looking at how it can procure better services in a more cost effective way, including working with partners.</p> <p>Whilst the Council has a proven track record of delivering savings over the past 10 years, the identification of general fund and HRA budget gaps remain a risk to the Council's medium term financial health. On that basis it is important that you continue to monitor progress to identify potential shortfalls as soon as possible so that mitigating actions may be taken.</p>

# Independence and ethics

## Independence and ethics

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons (including its partners, senior managers, managers).

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

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

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

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 which sets out supplementary guidance on ethical requirements for auditors of local public bodies. Details of fees charged are detailed in Appendix D.

## Audit and Non-audit services


For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit services were identified.

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

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

# Action plan



We have identified one recommendation for the Council as a result of issues identified during the course of our audit. We have agreed our recommendation with management and we will report on progress on these recommendations during the course of the 2018/19 audit. The matter reported here is limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
 Amber	<p><b>Overstatement of sundry debtor balance</b></p> <p>Our work on your sundry debtor balances identified £512k of debtors which were over 12 months old and in some cases has been outstanding for several years. Management have carried out an initial review of these debts and have identified £232k which either remains outstanding or where no clear payment plan exists, suggesting some uncertainty remains about its recovery.</p>	<p>We understand at a review of corporate debt is already planned as part of the Finance Service Plan. As part of this process we recommend:</p> <ul style="list-style-type: none"> <li>a review sundry debtors over 12 months to assess if balances should be written off or referred to bailiffs.</li> <li>that the allowance for doubtful debt should be reviewed and increased to the appropriate levels if necessary to support debt write off.</li> <li>any debt written off should be accounted for against the appropriate impairment allowance.</li> </ul> <p><b>Management response</b></p> <p>'Agreed – review will be undertaken and reported to Audit Committee.'</p>



# Follow up of prior year recommendations

We identified the following issue in the audit of Waverley Borough Council's 2016/17 financial statements, which resulted in the recommendation below being reported in our 2016/17 Audit Findings report. We have followed up on the implementation of our recommendation and note it is still to be completed.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
<p> </p> <p><b>Related party transactions</b></p> <p>All Members and Senior Officers must ensure that signed related party transactions declarations are returned to the Finance team in line with the annual related party transactions declaration exercise. This is an important governance control which all involved must adhere to.</p> <p><b>Assessment</b>                      ✓ Action completed                      X Not yet addressed</p>	<p>Progress has been made in this area with fewer related party declarations outstanding at the time of audit.</p> <p>It is part of the councillors' Code of Conduct that they adhere to this governance control and make the required annual declaration in line with the accounts timetable.</p> <p>With shorter timetables for production and audit of the financial statements we would recommend that you set a hard deadline for receipt of these declarations prior to the production of the draft financial statements. Once this date has passed we would expect management to undertake other procedures to ensure that any missing declarations do not result in the omission of significant related party transactions in the draft financial statements.</p> <p><b>Management comment</b></p> <p>'Noted -- process to be improved for next year with learning from other councils. Particularly important given all out Waverley elections in May 2019.'</p>	

# Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

## Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year. As at 13 July there are no audit adjustments to report.

## Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure issues	Detail	Auditor recommendations	Adjusted?
Minor disclosure improvements	We agreed a small number of minor amendments with management to improve presentation and disclosure.	Include all agreed minor disclosure improvements in the final set of financial statements. <b>Management response</b> 'Agreed and incorporated in final version of accounts.'	Yes

## Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2017/18 audit which have not been made within the final set of financial statements. The Audit Committee is required to approve management's proposed treatment of all items recorded within the table below:

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on total net expenditure £'000	Management Reason for not adjusting
<b>Capital invoice not accrued</b> Our work on unrecorded liabilities identified one capital invoice relating to 2017/18 for which there is no accrual. The amount of this invoice is £112k. This amount should have been accounted for as a year end creditor and included within the Council's assets under construction balance.	Nil	Creditors (112)  Assets under construction 112	Nil	'This adjustment is not material and relates to a capital scheme that spans a number of financial years. To adjust the accounts at this stage could damage the integrity of the financial statements.'
<b>Overall impact</b>	<b>Nil</b>	<b>112</b>	<b>Nil</b>	

## Fees

We confirm below our final fees charged for the audit and provision of non-audit services.

### Audit Fees

	Proposed fee	Final fee
Council Audit	£53,888	£53,888
Grant Certification	£15,557	TBC
<b>Total audit fees (excluding VAT)</b>	<b>£69,445</b>	<b>£TBC</b>

The proposed fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA). Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited. Fees in respect of other grant work, such as reasonable assurance reports, are shown under 'Fees for other services'.

### Non Audit Fees

	Fees
<b>Non-audit related services:</b>	
• Shottersmill Recreation Grant Trust independent examination	£2,000
• Ewart Bequest independent examination	£2,000
• Pooling of housing capital receipts return	£2,800
	<b>£6,800</b>

# Audit opinion

**We anticipate we will provide the Group with an unmodified audit report**

## Independent auditor's report to the members of Waverley Borough Council

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Waverley Borough Council (the 'Authority') and its subsidiaries (the 'group') for the year ended 31 March 2018 which comprise the Group Comprehensive Income and Expenditure Statement, the Group Movement in Reserves Statement, the Group Balance Sheet, the Group Cash-Flow Statement, the HRA Income and Expenditure Statement, the Movement on the HRA Statement, the Collection Fund, and all notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18.

In our opinion the financial statements give a true and fair view of the financial position of the group and of the Authority as at 31 March 2018 and of the group's expenditure and income and the Authority's expenditure and income for the year then ended; have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18; and have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Who we are reporting to

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where: the Strategic Director's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or the Strategic Director has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

#### Other information

The Strategic Director is responsible for the other information. The other information comprises the information included in the Annual Financial Report, other than the group and Authority financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the group and Authority obtained in the course of our work including that gained through work in relation to the Authority's arrangements for securing value for money through economy, efficiency and effectiveness in the use of its resources or otherwise

appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

**Other information we are required to report on by exception under the Code of Audit Practice**

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice), we are required to consider whether the Annual Governance Statement does not comply with the 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

**Opinion on other matters required by the Code of Audit Practice**

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Annual Financial Report, for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Matters on which we are required to report by exception**

Under the Code of Audit Practice we are required to report to you if: we have reported a matter in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or we have made a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or

we have exercised any other special powers of the auditor under the Local Audit and Accountability Act 2014.

We have nothing to report in respect of the above matters.

**Responsibilities of the Authority, the Strategic Director and Those Charged with Governance for the financial statements**

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 9, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Strategic Director. The Strategic Director is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18, which give a true and fair view, and for such internal control as the Strategic Director determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Strategic Director is responsible for assessing the group's and the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the group or the Authority lacks funding for its continued existence or when policy decisions have been made that affect the services provided by the group or the Authority.

The Audit Committee is Those Charged with Governance.

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

**Report on other legal and regulatory requirements - Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources**

**Conclusion**

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

**Responsibilities of the Authority**

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

**Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources**

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

**Certificate**

We certify that we have completed the audit of the financial statements of the Authority in accordance with the requirements of the Act and the Code of Audit Practice.

*[[To be signed]]*

Iain Murray

for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Grant Thornton UK LLP  
30 Finsbury Square  
London  
EC2A 1AG

*[[To be dated]]*



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WAVERLEY BOROUGH COUNCIL

MINUTES OF THE AUDIT COMMITTEE - 25 SEPTEMBER 2018

SUBMITTED TO THE COUNCIL MEETING – 16 OCTOBER 2018

(To be read in conjunction with the Agenda for the Meeting)

**Present**

Cllr John Gray (Chairman)                      Cllr Jerry Hyman  
Cllr Richard Seaborne (Vice Chairman)      Cllr Liz Townsend

**Apologies**

Cllr Mike Band, Cllr Pat Frost, Cllr Stephen Mulliner and Cllr Sam Pritchard

AUD 19/18 MINUTES (Agenda item 1.)

RESOLVED that the Minutes of the Meeting held on 24 July 2018 be confirmed as a correct record and signed.

AUD 20/18 APOLOGIES FOR ABSENCE (Agenda item 2.)

Apologies for absence were received from Cllrs Mike Band, Pat Frost, Stephen Mulliner and Sam Pritchard.

AUD 21/18 DISCLOSURE OF INTERESTS (Agenda item 3.)

Cllr John Gray declared a non-pecuniary interest in a suggestion made by him under Item 15, Committee Work Programme, as he was a resident of Dunsfold, a member of the Parish Council, a member of CPRE and was acquainted with members of POW.

AUD 22/18 QUESTIONS BY MEMBERS OF THE PUBLIC (Agenda item 4.)

There were no questions received from members of the public.

AUD 23/18 QUESTIONS FROM MEMBERS (Agenda item 5.)

There were no questions received from Members.

**PART I - RECOMMENDATIONS TO THE COUNCIL**

Background Papers

Unless specified under an individual item, there are no background papers (as defined by Section 100D(5) of the Local Government Act 1972) relating to the reports in Part I of these minutes.

AUD 24/18 TAX STRATEGY (Agenda item 9.)

Peter Vickers informed the Committee that the Council was required to have in place a Tax Strategy in order to fulfil its responsibilities under the Criminal Finances Act 2017. In September 2017, HM Revenue and Customs (HMRC) also issued guidance on the legislation for the corporate offence of failure to prevent the criminal facilitation of tax evasion.

The Government set out that relevant bodies should be criminally liable where they fail to prevent those who act on their behalf from criminally facilitating tax evasion. In order to demonstrate that the Council acknowledges its responsibilities with regard to tax it is required to prepare an annual Tax Strategy (attached at Annexe 1).

The guidance issued by HMRC focuses on the failure to prevent the crimes in regard to tax of those who act for or on behalf of the Council and states that it should be easier to hold to account and attribute criminal liability to the relevant body (The Council) for the criminal acts of employees, agents or those that provide services for on its behalf.

The guidance contains six principles to help relevant bodies understand the processes and procedures that can be put in place to prevent criminal activity with regard to tax. These principles are addressed in the Tax Strategy and are to be applied proportionately to the perceived risk of the offence.

Members suggested that the wording of paragraph 2.1 should be reviewed as it was open to misinterpretation in regard to evasion of tax. Peter agreed to re-phrase this sentence, and confirmed that while the Council would always seek to minimise its tax costs, for the benefits of residents, it would never enter into illegal transactions designed to evade tax. Members made some further typographical suggestions which officers agreed to review.

The Committee thanked officers for producing a good, easy to read document and now

**RECOMMENDS that:**

- 1. The Tax Strategy be approved.**

AUD 25/18 FINANCIAL REGULATIONS UPDATE (Agenda item 10.)

Peter Vickers presented a report outlining proposed updates to the Financial Regulations. He advised that the Financial Regulations were last updated in November 2017. In line with the commitment of continual review within the Annual Governance Statement the Financial Regulations had been reviewed and two changes were proposed.

The objective of the update to the Financial Regulations was to enhance the Council's governance arrangements, taking into account recent internal audit

recommendations; to ensure statutory compliance; and to incorporate changes which provide improvements in process and efficiency.

The update covers the following areas which are detailed as Annexe 2 to these minutes.

- Large contracts
  - Contracts involving stage payments
  - Final Payments
- Debts Write-off

A query was raised regarding how the delegations set out in the Financial Regulations related to the Scheme of Delegation. Officers clarified that the Scheme of Delegation included a reference to the Financial Regulations to avoid overlap and duplication.

Members also made comments relating to the presentation and wording of paragraphs 5.9 and 5.10 and officers agreed to review these in the context of the whole of section 5 order to make it clearer.

**The Committee RECOMMENDS that:**

**2. The update to the Financial Regulations be approved.**

AUD 26/18 CONTRACT PROCUREMENT RULES UPDATE SEPTEMBER 2018 (Agenda item 11.)

Patrick Tuite presented a report outlining proposed updates to the Contract Procurement Rules (CPRs) which had last been updated in July 2017 and approved by full Council in October 2017. While the CPRs were still fit for purpose there were a small number of recommendations which had come about either from the Council's internal auditors, the Council's senior leadership team or the Council's Legal Services team.

Patrick explained that after a year's use, this was an ideal time to review how the CPRs had worked in practice and whether any improvements could be made. Updates were proposed to the following five areas which are detailed as Annexe 3 to these minutes.

- Turnover sign off
- Large contracts – stage / final payments
- Contract sign off levels / sealing
- Contract extensions
- Waivers

It was queried whether the Council monitored when it was expecting final payments on large invoices etc. and officers responded that the daily cash flow was closely monitored through treasury management processes.

The Committee was pleased to note that only relatively minor amendments were proposed, which demonstrated that the previous year's substantial re-write had been very effective. The Committee now

**RECOMMENDS that:**

- 3. The proposed amendments to the Contract Procurement Rules be approved.**

**PART II - MATTERS OF REPORT**

The background papers relating to the following items are as set out in the reports included in the original agenda papers.

**AUD 27/18 ANNUAL AUDIT LETTER 2017/18 (Agenda item 6.)**

Iain Murray from Grant Thornton presented the Annual Audit Letter to the Committee. This document was a more public-facing version of the External Audit Findings Report that had been received by the Committee in July. It had been updated to take into account the comments made by Members at the last meeting and Cllr Gray again reiterated the importance of having a complete Audit Findings Report at the Committee's July meeting.

The Committee was very pleased with the content of the Annual Audit Letter, and felt that this was a compliment to the hard work of Waverley's officers. There was only one recommendation identified in the course of the audit, and this related to outstanding debts. Officers reported that a review of corporate debt was under way as part of the Finance Service Plan, and confirmed that any unrecoverable debt was covered by reserves.

The Committee RESOLVED that the Annual Audit Letter 2017/18 be received and noted.

**AUD 28/18 AUDIT COMMITTEE TERMS OF REFERENCE 2018/19 (Agenda item 7.)**

The Committee considered its Terms of Reference. Cllr Townsend queried whether the IT systems were covered under the Terms of Reference. Officers responded that this was included under 'non-financial performance (processes and controls)' and while individual areas were not listed separately, nothing was excluded.

Cllr Gray raised concern over a potential overlap between the roles of the Audit Committee and the Value for Money O&S Committee. He planned to raise this matter with the Strategic Director and Head of Policy and Governance and therefore moved that the Committee defer further consideration of the Terms of Reference until this matter had been clarified.

The Committee RESOLVED to defer the item to its November meeting to enable clarification to be sought on the roles of the Audit Committee and Value for Money O&S Committee.

**AUD 29/18 AUDIT COMMITTEE ANNUAL ACTIVITY REPORT 2017/18 (Agenda item 8.)**

The Committee considered the Audit Committee Annual Activity Report which provided a summary of the work undertaken by the Committee in 2017/18.

Members felt that this was a useful review of the items considered by the Committee over the last year, and requested that this be forwarded to Council for information as Annexe 4 to these minutes. Having reviewed the recent O&S Annual Report, Cllr Gray felt that it would be appropriate to revise the format of the report for future years to include features such as a Chairman's Foreword.

Cllr Townsend noted that the Committee had previously discussed the implementation of a bespoke IT system in Planning and asked for further details. Graeme Clark responded that the Council had procured from a company the build of the system and that this was being monitored as part of the Planning Improvement Plan. He agreed to circulate further information after the meeting.

The Committee RESOLVED that the Annual Activity Report 2017/18 be noted.

AUD 30/18 INTERNAL AUDIT CHARTER (Agenda item 12.)

Gail Beaton presented the updated Internal Audit Charter to the Committee. She explained that the majority of changes reflected operational changes such as job titles. She had also refreshed the introduction.

Members asked whether a reference should be made to the way in which the service was delivered, for example, in-house or by a contractor team. Officers, however, explained that the purpose of the Charter was to set out the function of the service and how its work was carried out rather than who actually did it. The same standards would apply whether it was an in-house team, shared services or outsourced.

Some further typographical suggestions were made by Members, and officers agreed to review the formatting and wording once the tracked changes had been included.

The Committee RESOLVED that the internal Audit Charter be approved.

AUD 31/18 PROGRESS ON THE INTERNAL AUDIT PLAN FOR 2018/19 (Agenda item 13.)

Gail Beaton presented the report outlining the current position of the reviews in the 2018-19 Audit Plan. She advised that the Creditors and Building Control Processes reviews were now under way. Additionally, the Management of Flexible Tenancy review had now been completed. Gail also advised that two reviews had been moved from Quarter 1 to Quarter 3. These related to Local Land Charges, which was deferred at the request of the Head of Service. The Investment Board and Commercial Investment Venture which had been deferred due to the lack of activity to audit but the governance arrangements would be reviewed in quarter 3.

The Committee was keen that these deferred reviews did not slip any further and was also concerned that the high volume of reviews in Quarter 3 might put too much pressure on the contractor. Officers responded that the benefit of using a contractor was that they would have greater capacity and were able to respond to increasing demands.

Members asked officers if they had any concerns that the Audit Plan wouldn't be completed by the end of the year. Gail responded that she was hopeful that all the work would be done, but reminded the Committee that 2017/18 had been the first time when all reviews had been completed by the end of the year.

The Committee RESOLVED that the progress on the 2018-19 Audit Plan be noted.

AUD 32/18 PROGRESS ON THE IMPLEMENTATION OF INTERNAL AUDIT RECOMMENDATIONS (Agenda item 14.)

The Committee was pleased to note that there were no outstanding audit recommendations due for completion at the end of the month after the date of the Audit Committee. Members thanked Heads of Service for their hard work in ensuring that audit recommendations were completed in a timely manner.

The Committee RESOLVED that the current position be noted.

AUD 33/18 COMMITTEE RECURRENT WORK PROGRAMME (Agenda item 15.)

The Committee reviewed its work programme. Cllr Gray explained that he had received requests from Waverley residents that the Audit Committee look in to how the decisions to approve funding to defend recent legal challenges from POW and CPRE had been presented to Council. He stated that he had spoken with the Chief Executive about this matter, who had agreed that he could raise it as a potential item for the Committee's work programme. Cllr Gray added that he considered that the matter fell within the Committee's Terms of Reference, and highlighted his role as Chairman in reinforcing public confidence in the work of the Committee and the Council's commitment to Value For Money.

Members felt that while there wasn't necessarily anything wrong with how the decision had been taken, it would be a good opportunity to review the processes that had been followed and how the information had been presented, to ensure that the Council was delivering value for money for its residents. A vote was taken on this and there were 3 in favour and 1 abstention.

The Strategic Director advised that the review scope needed to identify which area of the Committee's Terms of Reference the review fell under, what would be looked at, and the reason for examining this matter.

The Committee agreed to receive an update on this matter at its next meeting in November, and Cllrs Seaborne and Townsend would undertake some review work in the interim in order to determine whether there were any lessons to be learned.

In regard to risk management, it was noted that a workshop for Members would be held on 8 October to work on establishing the Council's Risk Appetite. Following this, officers would produce a risk log based on the objectives within the Corporate Strategy. Peter Vickers advised that new Corporate Risk Registers would then be presented to the Committee in November or March.

Members also highlighted that with the new, earlier deadline for approving the Statement of Accounts, it would be important to arrange training for the new Committee members as soon as possible following the election in May.

The Committee RESOLVED to note its work programme.

**The meeting commenced at 7.00 pm and concluded at 8.47 pm**

**Chairman**

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**Annexe 1**

**Waverley Borough Council**

**Tax Strategy 2018/19**

**1. Introduction**

1.1. Waverley Borough Council is a Local Authority regulated by statute – largely the Local Government Act 1972 as amended. As a Local Authority, Waverley's ability to generate income in competition with the Private Sector is very limited. As a consequence, its taxable activities are relatively few.

1.2. Nevertheless, as a designated 'relevant body' under the Legislation in Criminal Finances Act 2017, Waverley acknowledges its responsibilities under this legislation and undertakes to respond appropriately to the Corporate Criminal Offence guidance from HMRC in September 2017. The Legislation in Criminal Finances Act 2017 requires the annual preparation of a Tax Strategy demonstrating:

- Waverley's tax motives
- its compliance with all legal requirements in respect of its tax activities
- its general approach to its tax activities
- its commitment to minimising opportunities for tax evasion within its activities

through six guiding principles:

- Risk assessment
- Proportionality of risk-based prevention procedures
- Top level commitment
- Due diligence
- Communication (including training)
- Monitoring and review

**2. Waverley's Tax Motives**

2.1. As a Local Authority, Waverley is not a profit making organisation. Its tax motives are therefore to account properly, and in timely fashion, for all its taxable activities consistent with its primary responsibilities for the wellbeing of its community. Waverley is accountable through its elected Councillors and is committed to the transparency of its financial affairs including Freedom of Information (FOI), transparency disclosure and public inspection of its accounts. Waverley seeks to minimise the tax cost of conducting its business, for the benefit of its community, while ensuring that any such

action is not contradictory to the intent of the legislation. Waverley will not enter into artificial transactions designed to evade tax consequences.

- 2.2. Waverley applies professional care and diligence in the management of its own tax risk and applies appropriate levels of diligence to the activities of its staff, partners and contractors. Waverley operates in an accurate, timely and transparent manner, in respect of its tax activities, and manages its contact with HMRC in an open and collaborative manner.
- 2.3. In respect of its responsibilities under the Legislation in Criminal Finances Act 2017 Waverley is committed to minimising the opportunity for tax fraud by itself, its staff, partners and contractors whether that fraud be:
  - by way of evasion, false accounting, fraudulent charging or recovery of tax - whether corporate or personal, and
  - in a manner proportional to its level of tax risk and impact.
- 2.4. Waverley, therefore, has in place reasonable prevention measures to avoid tax evasion, and will prepare and publish its Tax Strategy annually to demonstrate its commitment.

### **3. Risk Assessment**

- 3.1. As a Local Authority operating under statute, Waverley believes there is a low level of incentive or opportunity to perpetrate or facilitate tax fraud on a corporate basis. Similarly it believes there is little opportunity for its staff to perpetrate or facilitate tax fraud on a personal basis to a significant level due to its control framework including segregation of duties and robust internal and external audit arrangements. Generally there is a low level of complexity involved in Waverley's transactions, a high level of regulation and, consequently, a low level of opportunity for deliberate tax fraud.
- 3.2. Waverley is not affected by Corporation Tax, is a net receiver of VAT and its VATable activities typically represent as little as 0.5% (by value) of income. Waverley is involved in few Stamp Duty Land Tax (SDLT) transactions and operates no cash transactions. As an employer Waverley is involved in PAYE transactions, contractor payments and Construction Industry Scheme (CIS) transactions but does not regard itself as responsible for actively assessing the tax compliance of other bodies/individuals.
- 3.3. The likelihood of changes in legislation in respect of tax affecting Local Government on a scale to have any significant impact on Waverley's finances is seen as low, for example changes to tax rates would have virtually no financial impact on Waverley. Waverley maintains tax awareness through a retained external tax consultancy.
- 3.4. Waverley, therefore, regards itself as a 'low risk' organisation and, additionally, regards the potential impact of tax risks also as 'low'.

#### **4. Proportionality or risk-based prevention procedures**

- 4.1. Waverley considers the total elimination of tax risk is impossible. It believes its current level of risk management is reasonable and proportionate to the level of risk and scale. Waverley operates internal procedures and systems designed to mitigate risk – these most notably take the form of published Contract Procedure Rules (CPRs) and Financial Regulations (FRs). Its standard forms of contract include the requirement for contractor tax compliance.

#### **5. Top Level (Senior Management) Commitment**

- 5.1. Section 151 of the Local Government Act 1972 requires that “the Council makes arrangements for the proper administration of its financial affairs. Financial regulations are the means by which the Council meets this requirement by setting out a clear regulatory and accountability framework for the use of its resources.
- 5.2. Section 114 of the Local Government Act 1988 requires “the Section 151 Officer to report to Full Council and external audit if the Council or one of its officers:
- has made or is about to make a decision which involves the Council incurring expenditure which is unlawful
  - has taken or is about to take an unlawful decision which has resulted or would result in a loss or deficiency to the Council; or
  - is about to make an unlawful entry in the Council’s accounts.
- 5.3. Waverley’s Tax Strategy is received annually by the Audit Committee.

#### **6. Due Diligence**

- 6.1. Waverley applies due diligence procedures, taking an appropriate risk based approach, to the mass of transactions it undertakes through its internal procedures and systems and in respect to persons who perform or will perform services on behalf of the Council with regard to tax.
- 6.2. Where transactions are planned which are significant in terms of financial and tax value, additional levels of diligence and scrutiny occur. This additional diligence may take the form of external professional advice, reports to Elected Members, external and/or internal audits etc.

#### **7. Communication (including training)**

- 7.1. Prevention policies and procedures are communicated, embedded and understood throughout the Council.

- 7.2. Financial transactions are conducted in accordance with the Financial Regulations and Contract Procurement Rules.
- 7.3. Waverley operates a Whistle blowing and Money Laundering policy and has a Money Laundering Officer.
- 7.4. Appropriate tax training and awareness is provided for staff and members.

**8. Monitoring and Review**

- 8.1. The Annual Strategy is subject periodic review by Officers and Audit Committee. Regular Internal and External Audits of all systems and policies takes place. Improvements to policies and procedures are made where necessary.

**Annexe 2**

**Financial Regulations – proposed updates**

It is proposed to update the Financial Regulations 2017 in the following two areas:

- Large contracts
- Debt write off

The following regulations on large contracts are proposed to be inserted into section 5 of the Financial Regulations 2017.

**5. Purchase orders, goods receipting and payment of invoices**

**5.9 Large contracts**

For contracts that fall into threshold 4 in the CPR's (>£100,000) and where stage payments are made due to the length or type of the contract (ie construction), officers shall ensure that:

Contracts involving stage payments:

- The contract documentation is prepared with the agreement of the Borough Solicitor.
- The contract is recorded in the Contract Register.
- A final account is prepared.

Final Payments:

- Supporting documentation is checked to ensure that all the items invoiced have been used on the project and that the figures are correctly calculated throughout each stage of the project payment process.
- Where a retention is held, the retention value and retention period is recorded so that it can be released when the defect liability period has ended.
- The project manager is responsible for collating and checking the final account before the final payment is made.
- The final payment is signed off by the relevant Head of Service to confirm the accuracy and integrity of the final payment.
- The Head of Service approval is emailed to [AccountancyTeam@Waverley.gov.uk](mailto:AccountancyTeam@Waverley.gov.uk) to be put with the invoice in the Finance system.

**Debt Write off**

It is proposed that the Section 151 Officer approve all debt write off without the need to take individual debt write off over £7,500 to Executive for approval.

Whilst the debt will not go to Executive for approval it will follow the same write off procedures and scrutiny but will allow for a more streamlined and efficient process. However, there will be no financial impact as the impairment allowances provide for the debt write off.

This supports the work to be undertaken in the Finance Service Plan for the corporate review of debt. It also addresses some of the concerns made by external audit about the level and age of debt.

To ensure transparency of debt write off it is proposed to bring summary reports of debts written off to the Executive as part of the financial monitoring.

**Current regulation:**

**Debts Write-off**

7.12 The write off levels for individual debt that is uneconomic to collect, where there is no prospect of collection or legally restricted are:

- Up to £7,500 – Section 151 Officer; and
- Over £7,500 Executive.

7.13 Write-off schedules of uncollectable debt shall be taken to the Executive for noting or approval as appropriate.

**Proposed regulation:**

**Debts Write-off**

7.12 Where debt is uneconomic to collect or there is no prospect of collection or is legally restricted the debt will be written off by the Section 151 Officer.

# **CONTRACT PROCUREMENT RULES (CPRS – OCTOBER 2018)**

<b>Owned by:</b>	Procurement Advisory Board
<b>Created date:</b>	30/05/2017
<b>MB approval date:</b>	05/07/2017
<b>Audit Committee approval date:</b>	24/07/2017
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<b>Version</b>	2.4

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These Contract Procurement Rules (CPRs) should be read in conjunction with the council's Financial Regulations, Scheme of Delegation and Authorised Signatory List.

## **GENERAL**

### **1. INTRODUCTION**

- 1.1 These CPRs set out the minimum requirements the council must follow when procuring and/or entering into Contracts for the supply of goods, works and services including consultants.
- 1.2 The CPRs are put in place to ensure that the council gets value for money for residents, complies with all legal requirements, minimises the risk of challenge / undue criticism, supports social value and sustainability and provides transparency as to how it spends public money.
- 1.3 All purchasing and resulting Contracts made by or on behalf of the council must also comply with:
  - 1.3.1 all applicable statutory provisions;
  - 1.3.2 the Public Contracts Regulations 2015 and separate EU Directives which govern the award of higher value Contracts; and
  - 1.3.3 the council's constitution, including the Financial Regulations and the Scheme of Delegation to Officers.

If there is any conflict between the above, the EU law takes precedence, followed by UK legislation, the council's constitution and these CPR's, in that order.

- 1.4 Further information and guidelines on best practice are set out in the council's internal Purchasing Guide.
- 1.5 The Thresholds referred to in these CPRs and the appropriate process to follow is set out in the table on page 11.
- 1.6 The Procurement Officer is responsible for ensuring the CPRs are up to date and reflect current legislation.
- 1.7 The Section 151 Officer (referred to as the S151 Officer) is ultimately responsible for the content of the CPRs.

## 2. SCOPE

2.1 These CPRs do not apply to the following types of Contract:

Type of Contract	Policy/ Law which covers Contracts out of scope
Contracts of employment for permanent / fixed term employees / agency staff	HR / Recruitment policies
Land transactions;	In accordance with the Local Government act 1972/ Housing act 1985 or any related acts or authorities
Where the Contract relates to a financing transaction;	Not subject to competition due to their nature
Works orders placed with statutory undertakers;	Not subject to competition due to their nature
Grants being given by the council;	Governed by Grant Funding -Service Level Agreements 2017-18
Contracts for goods and services estimated to be below Threshold 4 which have been dealt with or jointly procured by another local authority, public sector consortium or collaboration of which the council is a party but where the council is not the lead authority and the Contract is to be procured in accordance with the applicable Contract standing orders of that public authority; and	The procurement of Contracts of this nature will be governed by the Constitution of the Contracting authority
Orders for goods and services estimated to be below Threshold 4 placed against a call-off Contract or Framework Agreement where the call-off Contract or Framework Agreement has been awarded in accordance with these CPRs.	The establishment of the call-off Contract or Framework Agreement will be governed by the CPRs in the first instance, as such any call offs / mini competitions ran under such agreement will have already complied with these CPRs.
Where good, services or works are awarded as a result of a declared emergency as authorised by the Emergency Planning and Resilience Officer, where any Contracts awarded are not to exceed the estimated period of recovery	Business continuity management policy March 2016 Version 2
Where the Chief Executive has activated the council's 'Emergency Plan' or a business recovery plan (as outlined in the business continuity management strategy) in response to a Major Incident being declared by resilience partners	Business continuity management policy March 2016 Version 2

2.2 All other Contracts made by or on behalf of the council must comply with these CPRs unless there is an Exception, Waiver or Joint Commissioning (CPR 9).

### **3. COMPLIANCE**

- 3.1 Any members of staff purchasing on behalf of the council is expected to comply with these CPRs.
- 3.2 Where there is evidence of deliberate non compliance with the CPRs disciplinary action may be taken.
- 3.3 Staff must not deliberately break down a Contract with the intention of disaggregating spend for the purpose of avoiding the appropriate governance.

### **4. GENERAL PRINCIPLES APPLYING TO CONTRACTS**

- 4.1 There are four financial value thresholds:
  - Threshold 1: £0 - £4,999
  - Threshold 2: £5,000 - £24,999
  - Threshold 3: £25,000 - £99,000
  - Threshold 4: £100,000 +
- 4.2 All Contracts must be in writing (which can include emails for Contracts valued within Threshold 1).
- 4.3 The value of any Contract must be determined by its aggregate or total spend forecast.
- 4.4 For every Contract estimated to be within Threshold 1, quotations and tenders may be sought using the council's electronic tendering portal, the South East Shared Services e-sourcing Portal provided by "In-Tend", otherwise quotes can be solicited via email.
- 4.5 For every Contract estimated to be within Threshold 2 or above, all quotations and tenders must be sought using the council's electronic tendering portal, the South East Shared Services e-sourcing Portal provided by "In-Tend".
- 4.6 In the case of recurring procurements for the same goods and services, prior written approval from the S151 Officer must be obtained in order to request quotations from the same suppliers on more than three consecutive occasions.
- 4.7 Details of all Contracts awarded valued at £5,000 and above more must be added to the council's Contract Register on the E-tendering portal together with all supporting documentation.
- 4.8 With regards to non-OJEU Tenders, no supplier may be awarded a Contract if this would result in 50% or more of that supplier's turnover being generated from the Council's Contracts, unless the prior written approval of the S151 Officer has been obtained.
- 4.9 Prior to any invoices being received a purchase/ official order must be raised on the councils official order system or Orchard.
- 4.10 Prior to any procurement a contract manager should be identified who will be responsible for ensuring the delivery of the contract.

### **5. SOCIAL VALUE**

- 5.1 The Public Services (Social Value) Act came into force on 31 January 2013. It places a requirement on people who commission, or buy, public services to consider securing added economic, social or environmental benefits for their local area.
- 5.2 The Act currently applies only to service Contracts over the EU threshold but should be considered in all procurements where applicable.

## **6. TRANSPARENCY**

- 6.1 **Publication of spend, Contract opportunities and awards** – in accordance with government requirements we publish all council expenditure with suppliers that exceeds £500 and post all Contracts valued at £5,000 and above on our publicly accessible Contracts register, this can be found on the councils public website. Any advertised opportunity valued over £25,000 must be advertised on Contracts finder, for Contracts over £25,000 a Contract award notice must also be published.
- 6.2 **Freedom of Information** – in accordance with the Freedom of Information Act (FOIA) 2000 and Environmental Information Regulations (EIR) 2004, we have an obligation to publish specific information and to provide information to members of the public upon request. By exception confidential or commercially sensitive information may be withheld. Suppliers should be given the opportunity to identify areas of their tender submission they do not wish to be disclosed.

## **PREPARING FOR THE PROCUREMENT**

### **7. PRE-CONTRACT CONSIDERATIONS / SIGN OFF**

- 7.1 Before commencing a procurement process, officers must ensure:
- 7.1.1 They have conducted an options appraisal and that a procurement is required
  - 7.1.2 that there is adequate budgetary provision for the goods, services or works that they are procuring
  - 7.1.3 that they have the appropriate level of (delegated) authority to procure the goods or services on behalf of the council
  - 7.1.4 that there is no existing Contract or framework that is appropriate and that
  - 7.1.5 where appropriate they have engaged with the procurement officer
  - 7.1.6 that each tender package / request for quotation be accompanied by a comprehensive specification
  - 7.1.7 an assessment, appropriate to the scale and scope of the Contract, of associated risks shall be undertaken by competent officers or consultants to include, but not limited to, technical, commercial, health and safety and reputational risks posed to the council.
  - 7.1.8 that the chosen route to market has been signed off by the appropriate authority (see table page 11)

### **8. DECLARATION OF INTERESTS**

During the procurement process, if an officer becomes aware that he has a direct or indirect pecuniary interest in a Contract which the council has entered into, or proposes to enter into, their interest must be recorded on the register maintained by the council's Committees team for this purpose.

## 9. EXCEPTIONS, WAIVERS AND JOINT COMMISSIONING

9.1 The CPRs will not apply in the circumstances set out in CPRs 9.2 (Exceptions) 9.3 (Waivers), or 9.4 (Joint Commissioning) provided that the S151 Officer has given his prior approval to the exception, waiver or joint commissioning before the Contract is entered into.

9.2 **Exceptions** - there may be an exception to the CPRs where:

9.2.1 there is an extension to the duration and/or value of an existing Contract that does not contain a provision for extension provided that the extension is (i) on the same terms as the original Contract and (ii) adequate budgetary provision has been made. Where an extension concerns an OJEU contract or where an extension would lead to a contract falling within the relevant OJEU threshold the prior written approval of the Executive is required to award the proposed extension;

9.2.2 there is insufficient credible competition and the S151 Officer has agreed the competition assessment;

9.2.3 there is a variation (additional work) to an existing Contract where the variation is outside the scope of the Contract but it would be inappropriate to offer the additional work to competition; or

9.2.4 the S151 Officer is satisfied that it is appropriate for a single tender or quotation and that

9.2.4.1 it does not breach the council's statutory obligations,

9.2.4.2 the request considers the requirements of CPR 4, GENERAL PRINCIPLES APPLYING TO CONTRACTS

9.2.4.3 there is adequate and appropriate reason for awarding a Contract without competition,

9.2.4.4 the award of a Contract would provide good value for money and shall specify the evidence to be supplied to evidence this,

9.2.4.5 the necessary checks regarding the proposed Contractor have been undertaken in accordance with CPR 10 ASSESSMENT OF SUPPLIERS (as appropriate) and that the results do not indicate that a Contract award presents an undue risk to the council, and

9.2.4.6 an assessment of any associated risks has been undertaken.

9.3 **Waivers** –the CPRs may be waived only in exceptional circumstances where:

9.3.1 there is a demonstrable and justifiable need to waive or vary one or more of the CPRs on the grounds of urgency; and

9.3.2 if the estimated value of the Contract falls below the EU threshold the prior written approval of the S151 Officer has been obtained; or

9.3.3 if the estimated value of the Contract falls within the relevant EU threshold the S151 Officer has obtained the prior written approval of the Executive.

9.4 **Joint Commissioning** –the CPRs may be waived for Contracts where the council:

9.4.1 wishes to become party to a Contract with a consortium, which has undertaken the task of obtaining competitive prices;

9.4.2 seeks to jointly commission a Contract with other local authorities or organisations; or

9.4.3 seeks to jointly deliver services in partnership with other local authorities or organisations.

## **10. ASSESSMENT OF SUPPLIERS**

- 10.1 No assessment of a suppliers financial standing is needed for Contracts estimated to be within Thresholds 1 or 2 unless the goods being purchased are a proprietary item, in which case a financial assessment must be conducted.
- 10.2 A financial assessment of potential suppliers must be undertaken for all Contracts estimated to be within or above Threshold 3
- 10.3 If a Contractor has expressed an interest in being included in a Standing List of Suppliers an assessment will be made of a Contractor's:
- 10.3.1 financial stability and resources;
  - 10.3.2 insurances;
  - 10.3.3 technical and other relevant references;
  - 10.3.4 business continuity plans;
  - 10.3.5 qualifications and experience;
  - 10.3.6 environmental, ethical and employment policies;
  - 10.3.7 previous experiences of dealing with the Contractor;
  - 10.3.8 responsible purchasing policies;
  - 10.3.9 details of other Contracts already, or proposed to be, awarded to the Contractor; and
  - 10.3.10 any other issues that may be considered by the relevant Head of Service as being relevant to the Contract.
- 10.4 A Contractor that does not meet the council's minimum requirements shall not be admitted to a Standing List of Suppliers.
- 10.5 Suppliers that are sole traders can be awarded an individual Contract with a value within Threshold 1 or 2 but the approval of the relevant Head of Service must be obtained to approve such an award with a value within Threshold 3 or above.  
Contract

## **11. STANDING LIST OF SUPPLIERS**

- 11.1 The relevant Head of Service may maintain a standing list of suppliers for Contracts up to and including Threshold 3 in value.
- 11.2 The council's e-tendering portal must be used to obtain expressions of interest from suppliers to join the standing list.
- 11.3 Potential candidates for inclusion on the standing list of suppliers will be assessed in accordance with CPR 10.
- 11.4 The standing list must be reviewed at least every 1 year and the assessments set out in CPR 10 repeated.

## **12. FRAMEWORK AGREEMENT**

- 12.1 Prior to entering into a Framework Agreement, approval from the S151 officer must be sought.
- 12.2 A Framework Agreement may be procured using either the Open or Restricted Procedure.
- 12.3 The term of a Framework Agreement must not exceed 4 years.
- 12.4 Contracts based on existing Framework Agreements may be awarded by either:

- 12.4.1 Applying the terms laid down in the Framework Agreement (where such terms are sufficiently precise to cover the particular call off) without reopening competition; or
- 12.4.2 Where the terms laid down in the Framework Agreement are not precise enough or complete for the particular call-off, by holding a mini competition.

### **13. DYNAMIC PURCHASING AGREEMENT (DPS AGREEMENT)**

- 13.1 Prior to entering into a DPS Agreement, approval from the S151 officer must be sought.
- 13.2 A DPS Agreement may be procured using either the Open or Restricted Procedure.
- 13.3 The term of a DPS Agreement must not exceed 7 years.
- 13.4 Contracts based on existing DPS Agreements may be awarded by either:
  - 13.4.1 Applying the terms laid down in the DPS Agreement (where such terms are sufficiently precise to cover the particular call off) without reopening competition; or
  - 13.4.2 Where the terms laid down in the DPS Agreement are not precise enough or complete for the particular call-off, by holding a mini competition.

### **14. TUPE IMPLICATIONS**

- 14.1 When an employee of the authority or of a supplier providing a service that may be affected by any staff transfer arrangement, Officers must ensure that the Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE) issues are considered and obtain legal advice from the Borough Solicitor before proceeding with the Tender / Request for Quotation.

### **15. FINANCIAL VALUES**

- 15.1 Prior to commencing a procurement exercise officers must estimate the aggregate value; this will determine which threshold the procurement falls under.
- 15.2 The financial values will be reviewed bi-annually.
- 15.3 If the cheapest tender received is above the upper limit of the estimated CPR financial value as set out in the Threshold Table and/or any approved budget for the procurement of the goods, works or services, the prior written approval of the S151 Officer must be obtained to accept the tender or quotation. Where the OJEU thresholds are crossed a tender must be re-run e.g. if the budget for a services tender is £170k but the received bids all exceed the OJEU limit of £181k then the exercise but be repeated with a more appropriate procedure.
- 15.4 The Threshold Table (page 11) sets out the general rules applying to the choice of purchasing procedure for Contracts at the stated threshold financial values, it states,

**15.5 For purchases valued below £5,000**

- a) A minimum of one quote must be sought, this is only a required minimum and best practices dictates you seek multiple quotes to prove you are obtaining true value for money.
- b) The quotes can be sourced via In-tend or email.
- c) Local suppliers should be asked to quote where appropriate.
- d) An official order will constitute the Contract
- e) The purchase and written approval / signing of the Contract can be conducted by any authorised officer

**15.6 For purchases valued from £5,000 - £24,999**

- a) A minimum of three quotes must be sought; fewer than three is required if written approval is given by the relevant head of service.
- b) All quotes must be obtained via In-tend.
- c) All quotes must be sealed
- d) The relevant Head of Service must approve the route to market
- e) The approval / signing of the Contract can be conducted by the relevant Head of Service or above
- f) An official order will constitute the Contract and must be recorded on In-tend

**15.7 For purchases valued from £25,000 - £99,999**

- a) A minimum of three quotes must be sought.
- b) All quotes must be obtained via In-tend.
- c) All quotes must be sealed
- d) The S151 Officer or Deputy S151 Officer must sign off on the chosen route to market
- e) Where the opportunity is advertised it must also be advertised via Contracts Finder, as must be the Contract award.
- f) The Contract must be Signed by the relevant Head of Service or above

**15.8 For purchases valued over £100,000**

- a) All tenders must be run via In-tend.
- b) A minimum of 4 bidders must be invited to submit a response
- c) All tenders must be sealed
- d) Management Board must sign off on the chosen route to market
- e) Legal Services to advise if a Seal is required. If Seal is required it must be witnessed in accordance with Schedule of Authorisations to the Scheme of Delegation.
- f) Signed by S151 Officer or Deputy S151 Officer where Seal is not required.

15.8.1 Where the Contract is estimated to be above the relevant OJEU threshold, an OJEU compliant procedure must be used (see CPR section 14, TENDERING PROCEDURES. Current OJEU Limits as of 1<sup>st</sup> January 2018 are £181,302 for services and £4,551,413 for works.



Procedure for Procurement (minimum requirements)

	Aggregate value	Advertising required	Contract Award Notice required	Minimum No of quotes	Receipt of quotes/tenders	Financial assessment required?	Required Contract type	Who signs Contract/ approves order?
Threshold 1	£0-£4,999	None required	No	Minimum of one quote sought (local suppliers should be used where appropriate)	Via email	No	Official Order	Authorised Officer
Threshold 2	£5,000 - £24,999	In-Tend	No	Minimum of three quotes sought (HoS can agree to fewer)	In-tend	No	Official Order & record on In-tend	HoS or above
Threshold 3	£25,000 - £99,999	In-tend & Contracts Finder	Yes	Minimum of three quotes sought	In-tend	Yes	Written, copy to be stored on the councils electronic procurement portal	HoS or above
Threshold 4	Over £100,000	In-tend, Contracts Finder & OJEU if applicable	Yes	Minimum of four tenderers sought, OJEU Procedure where limit exceeded: <b>Goods/Services:</b> £181,302* <b>Works:</b> £4,551,413*	In-tend	Yes	Written - agreed by Legal Services & under seal if required, copy to be stored on the councils electronic procurement portal	Legal Services to advise if a Seal is required. If Seal is required it must be witnessed in accordance with Schedule of Authorisations to the Scheme of Delegation. Signed by S151 Officer or Deputy S151 Officer where Seal is not required.

\*OJEU thresholds are subject to change, any change in threshold levels will be reflected in an update to these CPRs.

## PROCEDURAL STEPS OF THE PROCUREMENT

### 16. TENDERING PROCEDURES

#### 16.1 General:

- 16.1.1 The council may apply any procedure that conforms to the Public Contracts Regulations 2015 in its procurement process.
- 16.1.2 Subject to CPR 9 the appropriate process set out in the Threshold Table must be followed for each procurement determined by the estimated value of that procurement.
- 16.1.3 Invitations to tender or requests for quotations must be issued electronically (via email for Threshold 1 and via the council's e-tendering portal for and procurement within or exceeding Threshold 2).
- 16.1.4 All tenders or quotations must be returned to the council electronically (via email for Threshold 1 and via the council's e-tendering portal for and procurement within or exceeding Threshold 2).
- 16.1.5 A Contract Procurement Report must be completed and stored on E-tendering portal for each tender or quotation within or exceeding Threshold 2
- 16.1.6 For all quotes/ tenders the award criteria must be stipulated before request/tender is published, this includes;
  - The assessment criteria
  - The scoring system and weighting to be applied
  - The minimum scores to be achieved (where appropriate)

#### 16.2 Existing arrangements

- 16.2.1 In the first instance anyone purchasing on behalf of the council must check to see if there is an existing arrangement already in place which covers the purchase.
- 16.2.2 Where a framework / dynamic purchasing system / select list has been established to deliver the need, these will be considered alongside other routes in an options analysis.

#### 16.3 Request for Quotation (RFQ)

- 16.3.1 This approach only applies for purchases below £100k where suppliers are requested to submit a quote for the requirements. Like a tender you can apply a price / quality split when evaluating the responses but the award criteria must be stated upfront in the RFQ documentation.

#### 16.4 Open Procedure (One Stage)

The open procedure is where a bidder progresses straight to invitation to tender (ITT), there is no pre-qualification stage involved. This procedure shall apply where:

- a) the value of the Contract award will be below the EU threshold;

- b) the value of the Contract award will be above the EU threshold and the council has decided that a single stage tender is appropriate.

#### **16.5 Restricted Procedure (Two Stage)**

- 16.5.1 This procedure can only apply where the value of the Contract award will be above the EU threshold
- 16.5.2 The required advertising and tendering periods must be observed.
- 16.5.3 The advertisement must state that a restricted tendering procedure will be used.
- 16.5.4 Once the closing date for receipt of expressions of interest has been reached a Standard Selection Questionnaire ("SSQ") must be sent to all suppliers that have expressed an interest in tendering.
- 16.5.5 Upon receipt of the completed SSQ the information will be analysed.
- 16.5.6 Invitation to Tender documents shall be dispatched to a sufficient number of suppliers that have been assessed as meeting the minimum technical and financial requirements.
- 16.5.7 If fewer than the required minimum number of suppliers either meet the minimum qualification requirements or express an interest, the relevant director must be consulted to agree whether to seek additional tenderers or to obtain prior written approval from the Management Board to seek fewer than the minimum number of tenders.

#### **16.6 Competitive with negotiation procedure**

- 16.6.1 Prior to undertaking a negotiated procedure approval from the S151 officer and Borough Solicitor must be sought.
- 16.6.2 This procedure can only apply where the value of the Contract award will be above the EU Threshold
- 16.6.3 The competitive with negotiation procedure allows award following the initial ITT stage before negotiations have commenced providing this is stipulated in the tender documentation.

### **17. OPENING OF QUOTATIONS AND TENDERS**

- 17.1 Any quotation or tender received after the specified date and time or at a location other than the one specified will be rejected unless the S151 Officer considers that there are exceptional circumstances that warrant it and this will only be done up to the time when the other tenders are opened.

### **18. EVALUATION OF QUOTATIONS AND TENDERS**

- 18.1 Offers will be evaluated against the award criteria stipulated at the point of publishing a RFQ / Tender. The available options are
  - 18.1.1 **Price only** - accept the offer from the Contractor who, having satisfied the council's minimum requirements, has offered the lowest price.

18.1.2 **Price / Quality** – where a price quality split is stipulated, the supplier who ranks highest over all shall be awarded the Contract, this is otherwise known as the Most Economically Advantageous Tender (M.E.A.T).

18.1.3 Where the most economically advantageous tender is to be sought, an assessment criteria and associated weightings will be specified in the invitation to tender.

## **19. CONTRACT SIGN OFF / SCHEME OF DELEGATION**

19.1 A Contract can only be signed / authorised by an officer for which they have authority / delegated authority under the scheme of delegation. The authority levels are:

- £0-£4,999 – Authorised Officer
- £5,000 - £24,999 – Relevant Head of Service or above
- £25,000 - £99,999 – Relevant Head of Service or above
- Over £100,000 – Legal Services to advise if a Seal is required. If Seal is required it must be witnessed in accordance with Schedule of Authorisations to the Scheme of Delegation. Signed by S151 Officer or Deputy S151 Officer where Seal is not required.

## **CONTENT OF CONTRACTS**

### **20. FORM OF CONTRACT**

20.1 No indication of acceptance shall be made to any Contractor except by an officer authorised so to do.

20.2 Contracts valued up to and including Threshold 2 in value shall be the subject of a purchase order unless otherwise stated, in which case a formal Contract shall be prepared in accordance with the requirements of the Borough Solicitor.

20.3 All Contracts within Threshold 4 and above in value shall be the subject of a formal Written Contract - agreed by Legal Services & under seal if required, copy to be stored on the council's electronic procurement portal.

20.4 All Contracts shall:

20.4.1 specify the goods, materials or services to be supplied and/or works to be undertaken, price to be paid, payment terms and conditions, details of any discounts or penalties, the period of the Contract and any other terms and conditions that may be agreed;

20.4.2 provide for the payment of liquidated damages where they are appropriate;

20.4.3 contain details of any security that is required by the council; and

20.4.4 prohibit the Contractor from sub-Contracting or assigning all or any part of the Contract without the express consent of the council.

20.5 Except in exceptional circumstances with the prior written approval of the Chief Executive, all Contracts must be signed or sealed before their commencement.

20.6 Every Contract in excess of £100,000 must contain a comprehensive Business Continuity plan.

20.7 Every Contract shall require compliance with current legislation with respect to health and safety at work and sexual and racial equality.

20.8 Every officer who conducts a procurement in excess of £5,000 is responsible for ensuring the details are updated on the councils Contract register.

## **21. SUB CONTRACTORS**

21.1 In Contracts where the council wishes to nominate a sub-contractor, the Contract shall specify whether or not the council will be undertaking the tendering process to select the nominated sub-contractor.

21.2 The council will apply these CPRs to the tender process to select and assess the nominated sub-contractor.

## **22. CONTRACTS INVOLVING STAGE PAYMENTS**

Where any contract that falls into Threshold 4 (£100,000+) will involve stage payments a final account shall be prepared and presented for examination by the relevant Head of Service before final payment is made. The Financial Regulations should be consulted for more details on Final Payments and Retention monies.

## **23. FINANCIAL SECURITY**

23.1 Adequate financial security and/or a performance bond must be required for all Contracts within Threshold 4 and above in value.

23.2 Adequate financial security and/or a performance bond may be required if considered necessary by the S151 Officer Procuring Officer.

23.3 A retention to the Contract sum must be made in respect of all Contracts within Threshold 4 and above unless otherwise agreed by the S151 Officer (HoS can agree if the Contract is for works).

23.4 A retention to the Contract sum may be made if the relevant Head of Service determines this to be necessary.

## **CONTRACT MANAGEMENT**

### **24. MANAGEMENT OF CONTRACTS**

24.1 Any extensions or variations to a Contract may only be made in accordance with CPR 9.2.1 Exceptions.

24.2 Any proposed amendments to a partnership Contract shall only be agreed with the prior written approval of the Management Board.

24.3 If a Contract is proposed to be terminated for whatever reason, the advice of the Borough Solicitor must be sought in the first instance.

24.4 It shall be a condition of engagement by the council of any person (not being an officer or member of the council) to supervise a Contract that he shall act in full accordance with these CPRs when supervising the Contract as if he were an officer of the council.

24.5 It is the procuring officers responsibility to ensure that there is a robust Contract management plan in place that is proportionate to the scale and scope of the Contract, this should include, but is not limited to:

- a) Regular Contract reviews – to be documented
- b) Clear procedures on the reporting and escalation of Contract failings
- c) Identification of contacts responsible for the Contract within each organisation
- d) The capturing of performance data

## **25. NOVATION & ASSIGNMENT**

The council may agree to the novation or assignment of a Contract if an assessment of the Contractor has been carried out under CPR 10, ASSESSMENT OF CONTRACTORS, and the prior written approval of the Head of Service and S151 Officer has been obtained.

## **26. DISPOSAL OF COUNCIL ASSETS**

### **Land and buildings**

- 26.1 This section refers to disposals that are subject to market conditions.
- 26.2 Disposal (including sales, leases, easements and wayleaves) of land and buildings owned and funded by the General Fund shall first be valued by a qualified valuer. The Director of Finance and Resources shall report to the Corporate Management Team to determine whether, in the light of the valuation and location, there are strategic issues, risks or conditions of disposal relative to the Asset Management Plan (or equivalent) and Corporate Plan. If such considerations exist, the disposal shall be referred to the Asset Advisory Group, which will report its views and recommendations to the Corporate Management Team.
- 26.3 Disposal (including sales, leases, easements and wayleaves) of land and buildings owned and funded by the Housing Revenue Account, with the exception of sales under the Right to Buy Scheme, shall first be referred to the Head of Strategic Housing who shall consult the relevant director (or otherwise as may be specified in the Scheme of Delegation) to consider any risks associated with the disposal and the strategic and long-term issues in the light of the Asset Management Plan (or equivalent). The Head of Strategic Housing shall obtain a current valuation of the land and/or buildings and report his views and recommendations to the council's Corporate Management Team.
- 26.4 Any resultant proposal to dispose of the land and/or buildings shall then be discussed by the chairman of the Asset Management Team (or equivalent) or the Head of Strategic Housing (as appropriate) with the S151 Officer and the relevant portfolio holders responsible for the services in question and the management of the council's assets. A report outlining the reasons why disposal is recommended, and showing how it would be in accordance with the Asset Management Plan (or equivalent) and the proposed method of disposal of the land and/or buildings shall be presented to the Executive for approval.

### **Other council assets**

- 26.5 Proposed disposals of other council-owned assets, including surplus or obsolete furniture or equipment, shall be discussed with the relevant Head of Service to obtain agreement that there is no further need for the items. Items shall first be offered for transfer to other sections or departments of the council.
- 26.6 The Asset Advisory Group will be consulted on the disposal of assets where deemed appropriate by the relevant head of service.
- 26.7 Any items that remain for disposal shall be sold at the highest price possible. An estimated sale value shall be agreed by the relevant Head of Service and the S151 Officer or Deputy S151 Officer, taking note of any value included in the council's

accounts and any professional valuations as may be deemed appropriate by the S151 Officer. A note shall be made and retained on file as evidence to support the adopted approach and the valuation. The method of disposal shall be agreed with the S151 Officer.

- 26.8 If deemed appropriate by the relevant Head of Service and the S151 Officer, items may either be
- 26.8.1.1 sold to a member of staff at an agreed price (where the item is of little or no intrinsic value); or
  - 26.8.1.2 offered for sale to all members of staff at the price agreed; or
  - 26.8.1.3 advertised for sale in local papers or relevant trade magazines, as appropriate, at the price agreed; or
  - 26.8.1.4 sold via an open electronic auction, run on the council's E-tendering portal where appropriate providing its use is approved by Legal and the S151 officer. The relevant Head of Service and the S151 Officer may set a reserve price below which an item may not be sold without the approval of the relevant portfolio holder responsible for the management of the council's assets.
- 26.9 If it is considered that there is a ready market for the item(s) in question, then sealed bids shall be invited from Contractors or organisations that are identified as having a potential interest. The minimum number of bids sought shall be determined in accordance with the thresholds contained in CPR 15.5, 15.6, 15.7 and 15.8.
- 26.10 All sealed bids shall be treated as being tenders and their opening evaluation and acceptance shall be in accordance with CPRs 17, 18 and 19.
- 26.11 Where there is the option of trading an old piece of equipment in part-exchange for a new piece, this option shall be expressly mentioned in any invitation to tender or request for quotation.
- 26.12 Disposal of any stocks and stores that are recorded in the council's accounts shall be disposed of after obtaining the agreement in writing of the relevant director and the S151 Officer and shall be undertaken in accordance with the provisions of the council's Financial Regulations.

## GLOSSARY OF TERMS

Authorised Signatory List	This is the list of officers authorised to make financial transactions. Head of Service approval is required before an officer may be included in the List.
Call-off Contracts	This term is used to describe a Contract that is entered into for a specified period but where the total value and quantity of items ordered cannot be quantified at the outset. An example might be a Contract for the supply of office stationery. Prices are specified for the duration of the Contract, subject as necessary to fluctuation according to agreed formulae.
Contract	This term is used to refer to any procurement transaction or planned procurement transaction.
Contract	All references to Contract values refer to the estimated value unless otherwise specified. The estimated value is calculated over the entire period of the Contract, including the period of any possible extensions to the term of the Contract. Where the term of the Contract is not known, a term of 4 years must be assumed and applied when calculating the Contract value. The calculation of the value must be assessed exclusive of Value Added Tax.
Corporate Management Team	The Corporate Management Team is the meeting of the Chief Executive and Directors, which is advised by Heads of Service and other Officers as appropriate.
EU Directives on procurement	These are rules that override these CPRs for large value Contracts. EU Directives must be applied once the value of the Contract reaches or exceeds the relevant financial threshold. Their application and link to CPRs is outlined above in the introduction. The Directives are implemented into UK law as the Public Contracts Regulations 2015 ("the Regulations"), and reference to those Regulations in these CPRs includes any subsequent amendments to those Regulations and any replacement Regulations (and amendments thereto). The value of Contracts that are subject to these Directives is revised annually and it will be necessary to seek confirmation of current values from the Borough Solicitor.
Financial Regulations	This refers to the set of rules that govern the way the council's finances are administered and controlled. They are maintained by the Section 151 Officer.
Framework Agreement	A Framework Agreement is an arrangement of one or more Contracting authorities with one or more suppliers in order to establish the terms governing the Contracts awarded and includes both Public Sector Framework Agreements and council Procured Framework Agreements.
Goods/Works/Services	A Contract will be in connection with the acquisition of one or more of these categories of purchases. The use of one of these terms should be taken to mean all the terms unless expressly stated to the contrary.
Highest/lowest price	The term "lowest price" (where payment is to be made by the council) shall also be taken to mean the highest price (where payment is to be made to the council).
Land and buildings	Disposal of land and buildings refers to outright sale and long-term leases. It does not include short-term leases of three years or less. The disposal of small parcels of land, such as to private residents for extension of gardens, may be the subject of standard procedures that



	may be agreed between the relevant director and the Section 151 Officer in accordance with CPR 24.
Lists prepared by third parties	This refers to such lists as "Constructionline" and similar lists of Contractors that have been assessed by other organisations.
Official order	This term is interchangeable with the term purchase order. An official order must be raised prior to receiving an invoice either via the councils official order system or the Orchard system.
Open tendering	Open tendering refers to a situation where all Contractors that have expressed an interest in a Contract are sent an invitation to tender. It is distinct from selective/restrictive tendering in that assessment of the Contractors will take place once the tenders/quotations are received using a questionnaire and an assessment of their financial stability, references and insurances.
Partnership Contracts	Partnership Contracts are designed to enhance cooperation between the council and a Contractor/other parties to the Contract. The purpose is to enable services to be reviewed and delivery arrangements amended at various times within the life of the Contract. Whilst terms and conditions may require amendment as a consequence, it is not intended that this should impede smooth working and transition to new arrangements should be facilitated. Therefore different arrangements will apply to allow amendment to terms and conditions in a planned and controlled manner.
Professional services ("consultants")	<p>Consultants are used for a wide variety of purposes. Generally the term is therefore used to relate to the providers of professional skills and expertise which, for whatever reason, cannot be provided by the council's own staff. Regardless of the role to be played, for the purposes of these CPRs Contracts for the provision of professional expertise will be regarded in the same manner as other Contracts for the supply of goods, works and services.</p> <p>Appointment of a person through an employment agency or an appropriate professional body to fulfil duties that otherwise would be performed by a member of staff will not be subject to CPRs. A separate procedure is available from Employee Services concerning this. Engaging a person to undertake a specific piece of work with specific terms of reference is deemed to be consultancy and must be procured in accordance with the CPRs.</p>
Quotation	A price given by a supplier for a specified piece of work, goods or service based largely on the supplier's terms and conditions but with relevant conditions as determined by the council.
Quotations and tenders	The terms "quotation" and "tender" are used throughout these CPRs. For the purposes of the application of these CPRs the following definitions should be used:
Relevant Director	This term is used to denote the Chief Executive, Director of Finance and Resources (Section 151 Officer) or the Director of Operations in person. Where an officer from one service is working in circumstances where they are responsible to another service for the purposes of a procurement exercise, then it is that other director who is the responsible director. In some CPRs the Chief Executive and the Section 151 Officer are mentioned by title; where this is done, they are not acting as the relevant director.
Relevant Head of Service	This term is used to denote the head of the service responsible for procuring a Contract.
Relevant Portfolio	This refers to the elected Member of the council who at the time the

holder	procurement exercise is being undertaken is the relevant member of the council's Executive responsible for the service in question.
Responsible Purchasing	The council's overarching approach to the acquisition of goods and services, ensuring that purchasing decisions are made with the best long-term interest of the environment in mind, particularly having regard to sustainability issues.
Section 151 Officer	This refers to the council's Chief Finance Officer, being the officer responsible for the council's financial administration as defined by the Local Government Act 1972.
Scheme of Delegation	This term refers to the council's Scheme of Delegation, which specifies the extent to which the conduct of the council's affairs is delegated to council officers. If at any time there appears to be a conflict between the Scheme of Delegation and Contract Procurement Rules, the former shall take precedence.
Selective/restricted tendering	Selective or restricted tendering refers to a situation where Contractors expressing an interest in tendering/supplying a quotation are asked to complete a pre-qualification questionnaire. The completed questionnaire is assessed, and an assessment of the Contractors' financial stability, references and insurances is undertaken in order to produce a short-list of Contractors that will be invited to tender/provide a quotation.
Specification	The use of the word 'specification' refers to a statement of the council's minimum purchase requirements. For illustrative purposes, it includes as appropriate such matters as: a) Technical drawings b) Recognised international standards c) Method of delivery d) Terms and conditions of supply and delivery e) Responsible purchasing requirements.
Standard Selection Questionnaire	This is the questionnaire which has been developed to simplify the supplier selection process for businesses using the Restricted Procedure to procure goods or services. It has replaced the Pre Qualification Questionnaire.
Supplier/Contractor	Both these terms are used to refer to a provider or potential provider of goods, works or services. Once a Contract has been placed with a supplier, that supplier may be more precisely referred to as a Contractor.
Tender	A price given by a supplier in response to a full specification of the goods, works or services required and based upon terms and conditions specified by the council. These terms and conditions may be as laid out in a commonly used standard form of Contract. The processes for seeking and receiving quotations and tenders are set out within these CPRs. The precise requirements in respect to any specific Contract will have to be assessed according to the nature and complexity of the Contract as well as its value.

## Annexe 4

WAVERLEY BOROUGH COUNCILAUDIT COMMITTEE25 SEPTEMBER 2018Title:**AUDIT COMMITTEE ANNUAL ACTIVITY REPORT 2017/18**Summary and Purpose

This report details the work undertaken by the Audit Committee over the municipal year 2017/18. The purpose of this annual appraisal of the work of the Committee is to help Members review the previous year's work and plan for the coming year.

The Committee met four times in July, September and November 2017 and March 2018. Additional informal briefing sessions were held throughout the year and are detailed at section 9 of this report. The membership of the Committee was as follows:

Cllr John Gray (Chairman)	Cllr Nicholas Holder
Cllr Richard Seaborne (Vice-Chairman)	Cllr Jerry Hyman
Cllr Mike Band	Cllr Anna James
Cllr Christiaan Hesse [until September 2017]	Cllr Pat Frost [from September 2017]

At the Council meeting on 17 October 2017, it was agreed that the size of the Audit Committee be increased from seven to eight members. Subsequently, from its November meeting the membership of the Committee was:

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

**1. INTRODUCTION AND TERMS OF REFERENCE**

- 1.1 At its meeting on 26 September 2017, the Committee reviewed its terms of reference. It agreed that a number of amendments were required in order to clarify some of the wording, and to confirm the Committee's remit in relation to that of the Standards Panel. Officers therefore were asked to review the wording of the Terms of Reference to ensure that it accurately reflected the Committee's responsibilities.
- 1.2 The updated Terms of Reference were received by the Committee at its meeting on 20 November 2017 and approved by Council on 20 February 2018.
- 1.3 The Audit Committee reviews its terms of reference on an Annual basis, and these are included at this meeting as a separate agenda item.

1.4 Details of Members' attendance at Audit Committee meetings during 2017/18 are given at Annexe 1.

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

### **Standing items**

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

- Updates on the progress in the implementation of Internal Audit Recommendations
- Updates on the progress in achieving the Internal Audit Plan
- Updates from Grant Thornton on the progress made with the External Audit
- Updates on work undertaken as part of the Counter Fraud Initiative.

A summary of the work undertaken by the Committee in 2017/18 is set out in the following table:

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

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

**2. REVIEW OF PROGRESS IN IMPLEMENTATION OF INTERNAL AUDIT RECOMMENDATIONS**

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

2.2 24 July 2017

2.2.1 Officers provided an update on the three overdue recommendations relating to Information Security Governance; they explained that the Information Security Group had now met, however it had become apparent that the current resourcing for this role was not sufficient to do it justice. Some catch-up work would be required and there was a need to maintain good policies and procedures. A new Information Governance Board had now been established and would be chaired by the Strategic Director – Finance and Resources.

2.2.2 Officers emphasised that the Council did manage its data well, and had passed all government requirements such as PSN compliance. However, the existing resource didn't have sufficient capacity to satisfy the growing demands and new legislation, and there was a need to invest more in order to move forward. The Committee felt it was important that the Council was seen to be prioritising information governance and therefore agreed to forward their concerns over this matter to Executive, endorsing any requests for additional resource/growth that may be required in order to take this forward.

2.2.3 In relation to the recommendation regarding Financial Regulations and CPRs, it was explained that a lot of work had already been completed by the Procurement Officer, but that the Financial Regulations also required updating. The Audit Committee would be involved in this process, with a briefing to be scheduled in due course. The updated Financial Regulations would be presented to the Audit Committee in November and Council in December 2017. The Committee agreed, that given the fact that the new Financial Regulations would be approved in December 2017 and the implementation of the enhanced Agresso functionality would be in place by the end of January 2018, the deadline for this recommendation (IA16/12.001) be extended to 31 January 2018.

2.3 26 September 2017

2.3.1 At this meeting, the Committee received a request for a time extension for three recommendations relating to data protection and information governance. Members expressed concern over the continuing delay in

relation to these actions, noting that the issues appeared to be resource-driven, and felt that the Committee needed assurance that adequate resources would be deployed in order to meet the proposed date before agreeing to it. The Chairman agreed, stating that more details and a plan for implementation was required before the Committee could agree to the extension.

2.3.2 Graeme Clark explained that this was being treated as a high priority and that a report would be submitted to the Executive in October seeking approval to procure a new resource in the form of an external specialist. The specialist would work alongside an internal project manager to ensure that the council met its GDPR requirements in time.

2.3.3 The Committee reiterated that this was an essential piece of work as the council had a statutory deadline to comply with. It felt that it was unable to agree to an extension to the deadlines without having some evidence that a plan was in place. Members therefore asked that a detailed update be provided at the Committee's November meeting and that if this was unsatisfactory they would escalate the issue to full Council.

#### 2.4 20 November 2017

2.4.1 At its last meeting the Committee had expressed concern in relation to the amount of progress that had been made towards three recommendations regarding data protection. Officers provided an update that since the last meeting the Executive had approved £50,000 of resource to support GDPR implementation and an external consultant been appointed to complete an information audit. Additionally, an action plan was in place, GDPR 'champions' had been appointed across the organisation and briefings had been held for all staff. The Council would also be working in partnership with East Hampshire on technical issues.

2.4.2 The Committee thanked officers for the update and asked whether any further resources were required to progress this. Graeme Clark responded that the internal project manager and external specialist were working well, however in the long term there would be the requirement to appoint an Information Manager and this would be put forward as a growth bid from Robin Taylor, Head of Policy and Governance.

2.4.3 The Committee was generally pleased with the progress that had been made, but felt that the situation needed to be closely monitored going forward and asked that officers bring an update to the next meeting on the progress made relating to the implementation of GDPR requirements.

#### 2.5 27 March 2018

2.5.1 At its last meeting, the Committee had asked for an update on the progress made on several recommendations relating to information governance. An update from the Head of Service was set out in the report; this included a comprehensive project plan being put in place and Information Governance

Board meetings being led by Graeme Clark, Strategic Director. Additionally, there would be briefings for Councillors on GDPR to be held on 30 April.

- 2.5.2 Gail Beaton also drew the Committee's attention to two recommendations relating to Housing, which were due to be implemented by the end March. She assured the Committee that these recommendations would be implemented on time.

### **3. INTERNAL AUDIT PLAN**

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

#### **3.2 24 July 2017**

- 3.2.1 Gail Beaton updated the Committee on progress with the 2016/17 and 2017/18 Audit Plans. There were only two reviews outstanding from the 2016/17 plan; the approval of invoices on Agresso had been carried forward to the 2017/18 plan, and the report on data protection was now available.

- 3.2.2 In regard to the 2017/18 plan, Members noted that the review of petty cash was considered to be a high priority. Gail Beaton explained that it had been given this rating was because it was an area that had not been reviewed for some time, rather than being an area of specific concern. It was also queried why the Agresso review, which had been deferred from the previous year had been scheduled for Quarter 4 rather than earlier in the year. Peter Vickers explained the Finance Service was currently implementing a programme of improvements with the financial systems, and that as the integration with the housing 'Orchard' system was not yet up and running, it would therefore be more appropriate to conduct the review in Quarter 4 when the integration was in place.

- 3.2.3 The Committee noted the proposed inclusion of a review of Fire Safety Assessment Checks. Gail Beaton explained that there was ongoing reporting of Fire Safety Assessments to Management Board, however the Head of Housing Operations had sought further assurance by requesting an audit opinion. The Committee therefore suggested that the auditor's report draw out the fact that several measures were already in place, and the purpose of the review was more for assurance purposes.

#### **3.3 13 September 2016**

- 3.3.1 The Committee received a report outlining the latest position on the reviews included within the 2017/18 Audit Plan. Gail Beaton advised the Committee of some changes that would be made to the agreed schedule, namely; the tree management review that was scheduled for Q1/2 would now be completed in October; similarly the responsive repairs and voids review would also be completed in Q3 rather than Q1/2.

### 3.4 20 November 2017

- 3.4.1 A change to the 2017/18 Audit Plan was proposed that would defer the Agresso review to the 2018/19 Audit Plan, and use the days allocated to review income streams instead. Gail Beaton, Internal Audit Client Manager, also reported that the contractor was making good progress and that some reports which were shown to be at draft stage were now final.
- 3.4.2 Cllr Frost expressed concern about the roll-out of Universal Credit and the effect this could have on rent collection. Members suggested that this could be included as a review in the 2018/19 Audit Plan and Gail agreed to meet with Hugh Wagstaff, Head of Housing Operations, and Nicky Harvey, Benefit Manager to discuss this further. Cllr Gray advised that the Value for Money and Customer Service O&S Committee was also looking into the impact of Universal Credit.

### 3.5 27 March 2018

- 3.5.1 The Committee was pleased to note that the majority of planned reviews had now been completed; some reports were still at draft stage but were progressing well. Gail Beaton, informed the Committee that the review of email server and virus protection had not been required, as this was already covered by the requirements of PSN compliance; this had therefore been removed from the plan.
- 3.5.1 Members were concerned to note that no assurance had been given in relation to the management of keys for garages. Gail confirmed that the review had found that very weak controls were in place, and this had resulted in nine audit recommendations. The majority of these recommendations had now been implemented or were due to be implemented in the near future. When no assurance could be given as a result of a review, the target date for implementing the recommendations would be much shorter. The outcome of the review had been reported to the relevant Head of Service and the Directors also had access to the report. Members were keen to know that adequate action had been taken, and Cllr Band agreed to review the report and actions on behalf of the Committee.

### 3.6 Proposed Audit Plan for 2018/19 – 27 March 2018

- 3.6.1 Gail Beaton presented the proposed Audit Plan for 2018/19 to the Committee. She explained that she carried out a risk assessment and consulted with Directors and Heads of Service in order to identify items to include in the plan. Gail welcomed the Committee's views on any further items to be included in the audit plan.
- 3.6.2 Cllr Holder noted that a new IT system was being introduced in the Planning service, and suggested that this be included as a review. Gail agreed to look into this, and determine whether it would be appropriate to review it now or once it was more bedded in. Members had several concerns about the new



online planning record system; they found it difficult to locate documents and felt that there had not been sufficient testing. It was also felt that guidance and training should have been provided before the system was implemented, not afterwards. Cllr Gray suggested that, in view of the number of queries from members of the public, this might also be a worthwhile Overview and Scrutiny review.

- 3.6.3 The audit plan for 2018/19 included the review of the Agresso interface that had been deferred from the 2017/18 plan. Cllr Hyman queried whether the interface was now fully implemented as it seemed to have been taking a long time. Officers reported that the interface was now in place and working, the audit would be undertaken in Quarter 1 to ensure that it was working as expected. Cllr Hyman had some further concerns regarding the IT systems used to monitor housing stock and ensure that properties met the decent homes standard; he suggested that further audit work be carried out on the accuracy of data in the Orchard system and the way it worked alongside the Keystone system.

#### **4. REPORTS BY EXTERNAL AUDITORS**

##### **4.1 External Audit 2016/17 Audit Findings Report – 24 July 2017**

- 4.1.1 Sophia Brown, Grant Thornton Engagement Manager, presented the 2016/17 Audit Findings Report to the Committee. She explained that since its publication, some of the areas shown as outstanding in the report had now been completed; these included work on plant, property and equipment; and work on financial instruments. The key messages of the report were that the draft financial statements had been prepared to a very high standard and that a minimal level of issues had been identified. Sophia added that Waverley was well placed to meet the earlier statutory accounts deadlines from next year.
- 4.1.2 It was queried whether from next year some areas would be able to remain outstanding as they did in this report. Sophia Brown clarified that this would be acceptable at this stage next year, as there were certain pieces of work that could only be completed at the end of the process. Iain Murray, Grant Thornton Engagement Lead, added that the County Council had been signing off their accounts at the end of July for the last two years, so there were no problems anticipated in respect of linking up with the County.
- 4.1.3 The Committee was informed that the Grant certification work on the Council's Housing Benefit subsidy on behalf of the DWP would be completed by the end of November and that time had been allocated in October to undertake this. Iain Murray added that Grant certification work had not been included within the recent procurement process for the Council's auditors and therefore this would need to be undertaken separately.
- 4.1.4 There had been no significant issues identified in regard to the risks as set out in the report, additionally Sophia Brown updated the Committee that there were no significant issues identified in relation to valuation of plant, property

and equipment; or valuation of pension fund net liability as this work was shown as still outstanding at the time of producing the report.

- 4.1.5 One internal control issue had been identified regarding to related party transactions. At the time of drafting the report, eight declarations from councillors had been outstanding, however they had since all been received. Sophia Brown explained that this was still an issue as they should have been received before the financial statements were drafted, however, now that all declarations been received, there was no longer a need to include a specific reference to this in the letter of representation. Graeme Clark added that there had been a change to the way the information had been collected this year, using an online survey method. The response to this had been very good overall however inevitably there were some members who needed to be reminded. An ideal opportunity would have been to remind councillors at the April Council meeting, and this would be done in future years. It was also agreed that next year Graeme Clark and Cllr Gray would write a joint email to all councillors emphasising the importance of completing the declaration promptly.
- 4.1.6 The report set out the impact of one uncorrected misstatement from the prior year. This had been in relation to assets that had been incorrectly included in the Housing Revenue Account asset register. Cllr Holder queried how the new properties at Ockford Ridge were being recorded on the asset register. Graeme Clark explained that these were considered 'assets under construction' and he confirmed that any demolished properties had been removed from the register. Graeme added that the housing accountant worked very closely with the development team to ensure that everything was correctly recorded at year end.
- 4.1.7 In regard to Value for Money, two key risks had been set out in the audit plan, and the key findings in relation to these were set out in the report. The overall conclusion was that the council had proper consideration for Value for Money.
- 4.1.8 In conclusion, Graeme Clark stated that working to the new timetable had been a challenge, but that the Council had maintained a good relationship with the external auditors and he was pleased with the overall outcome. Iain Murray added that the accounts were of a high quality, and he had no concerns going forward. He complimented the Council on its ability to present the accounts in a clear and reader-friendly manner, which was particularly challenging given the frequently changing requirements for disclosure.
- 4.2 External Audit Annual Audit Letter – 20 November 2017
- 4.2.1 Iain Murray from Grant Thornton presented the Annual Audit Letter 2016/17 to the Committee. The Letter provided a summary of the messages that the Committee had received at its meeting in July and didn't include any new information. The key areas to draw out were that the Council had successfully delivered its final accounts in accordance with the earlier timetable and that Grant Thornton had issued an unqualified Value for Money conclusion.

- 4.2.2 Members noted that the level of materiality was £1,629k, which was 2% of the Council's gross revenue expenditure, and felt that this was quite high. Iain Murray responded that Grant Thornton used a number of thresholds to drive their audit work and this included setting a materiality benchmark. 2% was the highest level of materiality they set and this reflected the Council's good track record. Anything above the lower threshold of £81k would be reported to the Audit Committee in the Audit Findings Report; and anything below this would be considered trivial. Cllr Hyman asked how the lower threshold was calculated and Iain responded that this was 5% of the materiality figure.
- 4.2.3 Cllr Hyman queried whether the ongoing audit into Waverley's Air Quality reporting would affect the Letter. Graeme Clark responded that if any governance issues were identified in the investigation then these would be reported through the Annual Governance Statement process. The audit was being undertaken by an independent auditor and the findings would be shared with Grant Thornton in due course. They would then decide whether this needed to be taken into account when preparing their Annual Audit Letter for 2017/18.
- 4.2.4 The Committee also noted that Homes and Communities Agency Compliance Audit was new for 2017/18 and queried how this had come about. Graeme Clark responded that the Council had received a financial contribution from the HCA for the development at Wey Court and a requirement of this was that the Council commission a third party audit. Iain Murray added that the low fee for this work was indicative of the minimal work involved.
- 4.2.5 Iain Murray also presented a progress report which updated the Audit Committee with the most recent progress on the 2016/17 and 2017/18 audits. The Trust Accounts Audit was complete, as was the HCA Audit. The Audit of Housing Receipts was ongoing, and a delay had been caused due to awaiting the terms of reference from DCLG. The Certification of Housing Benefits was on track to be delivered by the end of November. Grant Thornton was just starting to plan for the 2017/18 Audit and an initial timetable was set out in the report. The rest of the document signposted the Committee to useful publications for information.

#### 4.3 External Audit 2016/17 Certification Letter – 27 March 2018

- 4.3.1 Sophia Brown from Grant Thornton presented the 2016/17 Certification letter to the Committee. Grant Thornton had certified the Housing Benefit subsidy return and issued a qualification letter. The certification work had identified a number of issues, however these were considered relatively insignificant and the claim had not been amended. The Council would carry out some additional testing in three areas as set out in the letter.
- 4.3.2 The Committee noted that an additional 940 cases would be tested in relation to rent allowances and queried how many had been tested in the first instance. It was explained that 20 cases had been tested to begin with and one error had been found. The Council had then looked at the population where the error had been found, and as this was 940, had decided to undertake 100% testing. Members were concerned that testing 940 cases

could be unduly onerous on the Council however it was explained that the process was relatively straightforward and not time-consuming.

#### 4.4 External Audit Progress Report – 27 March 2018

4.4.1 Sophia Brown presented the External Audit Progress Report and Sector Update to the Committee. She explained that Grant Thornton had completed its planning for the 2017/18 financial statements audit. Interim work had been carried out in February and this had not identified any significant weaknesses. Walkthrough testing had helped to cement the auditors' understanding of how the systems were used and early substantive testing had not identified any issues.

4.4.2 Members queried how robust the testing would be when the Council had already stated that a plan was in place. Iain Murray from Grant Thornton explained that the testing would be proportionate to the risk, and would look at the upper end of what could be considered reasonable. Anything unrealistic or overly ambitious would be brought to the attention of the Audit Committee.

4.4.3 Cllr Hyman noted that the Sector Update highlighted that the proportion of principal bodies where the auditor was unable to issue an opinion by 30 September had increased, and asked whether Waverley should be concerned. Iain responded that these related to authorities that were facing significant financial difficulties, and was more common at county level due to the costs of adult and children's services.

#### 4.5 External Audit Plan 2017/18 – 27 March 2018

4.5.1 Iain Murray presented the 2017/18 Audit Plan to the Committee. The Plan set out both the local and national context for the audit, including any relevant sector changes. Cllr Mulliner noted that this included a reference to the Council's Investment Strategy, which would support economic development in the borough. He queried what the situation would be in relation to purchases outside the borough. Iain responded that while capital could be used to invest outside the borough, the legal position in relation to borrowing for investment outside the borough had not yet been tested. He added that Grant Thornton had an ongoing, open dialogue with senior officers at the Council and would raise any concerns as they arose. Cllr Gray also asked that the Audit Committee be informed of any emerging concerns.

4.5.2 In terms of risks identified, Iain explained that these would be similar to those the Committee would have seen in previous years. The valuation of property, plant and equipment and valuation of pension fund liability had been moved to the significant risks section, only because of a change in Grant Thornton's working methods, not because the risk in these areas had increased.

### 5. ANNUAL GOVERNANCE STATEMENT

5.1 The Audit Committee has taken the view that the Annual Governance Statement should be a living document, and therefore took an opportunity to review potential governance issues at its meetings throughout the year.

## 5.2 Annual Governance Statement – 24 July 2017

- 5.2.1 Peter Vickers, Head of Finance, presented the updated Annual Governance Statement to the Committee. A briefing on the AGS had been held for the Committee on 20 June, and at this session members of the Committee had raised several issues to test against the principles set out in the AGS. Peter Vickers reported that he had met with the Robin Taylor, Head of Policy and Governance, to review this list and identify any governance issues that should be identified in the AGS according to the statutory guidance.
- 5.2.2 The first issue related to planning inquiries and judicial reviews. Significant public interest had been generated by this and a minor change to the constitution had been required, however this was now resolved. The Committee felt that it was important to acknowledge that there had been a constitutional issue and to show that it had been dealt with. Peter Vickers concluded that ultimately it was for the Committee to decide whether or not this was a significant governance issue.
- 5.2.3 Several other issues raised by members of the Committee at the briefing had been reviewed by officers and found to not meet the requirements to be included in the AGS as set out in the Code of Practice.
- 5.2.4 Cllr Gray reminded the Committee that the Council didn't have to be infallible and that as these issues were in the public domain it was important to show that they had been acknowledged and dealt with. While Peter Vickers agreed that it was important to respond to these issues, they weren't all necessarily governance issues.
- 5.2.5 The Committee felt that it would be useful to review potential governance issues at Audit Committee meetings throughout the year so that they could inform the AGS next year; Cllr Gray also felt that it would be useful for Robin Taylor to attend the meeting to discuss the potential issues. Iain Murray added, from an external audit perspective, that the bar of what needed to be included in the AGS was set very high so there was no specific requirement to include the issues that had been discussed by the Committee, however this didn't prevent the Committee from reviewing such areas. He also reminded the Committee that their remit was risk and assurance, and therefore these were the areas that needed to be focused on when reviewing issues. He also added that it was very positive that the Council was viewing the AGS as a working document, not just a year end task.

## 5.3 Annual Governance Statement 2017/18 – 20 November 2017

- 5.3.1 The Committee received a report inviting members to comment on any emerging internal governance issues that they felt should be taken into account in the preparation of the Annual Governance Statement for 2017/18.
- 5.3.2 One area raised by Members was the Air Quality Audit and any governance issues that may be identified following that. Cllr Gray also suggested that the

number of planning appeals could be included. However officers suggested that this would be considered as more of a risk rather than a governance issue. Members also noted that Environment O&S was monitoring this situation and making appropriate recommendations.

5.3.3 A further area was raised in relation to a potential safeguarding issue at one of the Council's properties. In view of the recently published Safeguarding policy, Cllr Seaborne felt that this could be a good opportunity to show that the governance procedures were working well. He also felt that it was important to know that policies in relation to Health and Safety reporting were working effectively. Members felt that the most effective way to measure this would be by way of a KPI to O&S and asked officers to look into the best way of monitoring and reporting this.

5.3.4 The Committee concluded that the AGS was a useful tool for promoting the good work of the Council and assuring members of the public that governance issues were being taken seriously. Members also agreed that there should be an opportunity at every meeting for the Committee to review emerging governance issues.

#### 5.4 Annual Governance Statement 2017/18 – 27 March 2018

5.4.1 A briefing on the draft Annual Governance Statement had been held on 21 March. This had given members of the Committee an opportunity to discuss the draft Annual Governance Statement in detail. A number of potential governance issues had been raised during this session, and Cllr Gray requested that Peter Vickers and Robin Taylor feed back these back to the Leader and Chief Executive to ensure that they were aware of the Committee's concerns.

5.4.2 The Committee resolved to note the progress of draft Annual Governance Statement, with the final version to be brought to the July meeting of the Committee.

### 6. COUNTER FRAUD

#### 6.1 Fraud Investigation Summary – 26 September 2017

6.1.1 The committee received a report that summarised the work that had been undertaken in relation to housing fraud during Quarter 1 of 2017/18. The Committee noted that the financial value for this quarter was £72,990 and that the total for the previous year had been £688,866. Officers explained that so far this year there had been no right to buy cases determined, and these were where the biggest returns were. Additionally, the notional figures in the report did not represent the real value to the council as the cost to build a new house was approximately £200,000.

6.1.2 The Committee thanked Gail Beaton and her colleagues for the work they had done in investigating cases of housing fraud. Cllr Hyman added that the

council had a social responsibility to undertake this work and that it was positive that the costs in officer time were greatly outweighed by the returns.

## 6.2 Fraud Investigation Summary – 20 November 2017

- 6.2.1 The Committee received a report setting out the progress being made on fraud investigations, mostly relating to housing. The Committee noted that the financial value of the outcomes had increased in Quarter 2, and now included seven properties that had been relinquished and were now available to be re-let to tenants on the waiting list.
- 6.2.2 Cllr Hyman asked how long it took from being alerted to a potential fraud case to actually getting the keys to the property back. Gail Beaton responded that this had been approximately two years, but that new controls and procedures had been put in place to reduce this time. This would be achieved by working more closely with other teams within the organisation and ensuring that reporting mechanisms were easily accessible and straightforward to use.
- 6.2.3 The Committee was very pleased with the ongoing success of the work and felt that it was important that all opportunities for positive publicity were taken.

## 6.3 Fraud Investigation Summary – 27 March 2018

- 6.3.1 The Committee received a report setting out the progress being made on fraud investigations, primarily focusing on housing tenancy fraud. The Committee was pleased to note that the investigations had resulted in eight council properties being handed back. The financial value of the work up to the end of Quarter 3 was £481,420 although the Committee noted that this figure didn't represent the 'real' value of the properties as it would cost around £200,000 to build a new council home. The total figure for the year would be presented to the Committee at its next meeting, however Gail Beaton indicated that this would be around £700,000.
  - 6.3.2 Members remained impressed with the professionalism and hard work of the Fraud Investigation Officer, and noted that he worked very effectively with other officers around the organisation to progress cases.
  - 6.3.3 Cllr Gray commented that there seemed to have been fewer referrals this year when compared with the previous year. Officers responded that while there had been a reduction in referrals, they were generally of better quality, which could indicate that people now had a better understanding of the process.
  - 6.3.4 The Committee also asked how Waverley compared with other councils. Gail responded that Waverley was generally achieving verily highly when compared with other Surrey Councils.
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## **7. REVIEW OF OTHER ITEMS CONSIDERED BY THE AUDIT COMMITTEE IN OPEN SESSION 2017/18**

### **7.1 Revision of the Contract Procurement Rules**

7.1.1 Patrick Tuite, Procurement Officer, presented the updated Contract Procurement Rules to the Committee at its meeting on 24 July 2017. The Committee was informed that the Contract Procurement Rules (previously the Contract Procedure Rules) were last updated in 2015. A re-write was therefore required to incorporate:

1. updated thresholds with regards to our internal value bands and the European Union regulation thresholds;
2. new procedures as permitted in the Public Contract Regulations 2015 that allow us to vary our route to market dependant on what we are purchasing;
3. a new approach to the opening of tenders;
4. the councils responsibility to incorporate the Social Value Act 2012 in our tenders; and
5. a comprehensive glossary to reflect the members requirement for an accessible and useable document.

7.1.2 The Committee queried whether Britain's withdrawal from the EU would affect the CPRs, however officers assured members that at present there were unlikely to be any changes as a result of Brexit as the European regulations were predominantly based on WTO guidelines which would remain unaffected.

7.1.3 On the recommendation of the Audit Committee, the revised Contract Procurement Rules were approved by Council on 17 October 2017.

### **7.2 Statement of Accounts 2016/17**

7.2.1 The Audit Committee received the report on the Statement of Accounts for 2016/17 at its meeting on 24 July 2017; the Committee had received a briefing on the accounts on 20 June which both members and officers agreed had been a very constructive session. Officers had taken on board members comments and had been able to incorporate many of these into the final version. The document had also been independently proof-read by a member of Council staff.

7.2.2 Cllr Hyman asked where the SANG funds were detailed in the accounts. It was explained that this did not have an individual entry, and was incorporated within the 'Section 106 Contributions' line. The Committee agreed that it would be useful to separate this out in future as it was a specific reserve. Graeme Clark added that projections indicated that the SANG reserves were sufficient although this could always be affected by the financial climate.

7.2.3 The Committee resolved to approve the Statement of Accounts for the financial year ended 31 March 2017 and the letter of representation for



2016/2017. The Committee also confirmed that the accounts had been prepared on a going concern basis.

### **7.3 Annual Internal Audit Report**

7.3.1 Gail Beaton, Internal Audit Client Manager, presented the Annual Internal Audit Report to the Committee at its meeting on 24 July 2017. She informed members that she had taken on board their comments from previous years, and had revised the content and format of the report. She had made the report more accessible and provided as much information as possible, with clear links to the Audit Plan.

7.3.2 The Committee welcomed the updated format, and was pleased to note the good performance of the contractor. Cllr Holder queried whether it would be possible to reduce the target for the average number of days between Contractor exit meeting and the issue of the draft report, as this had been consistently over achieved for the past three years. Gail Beaton explained that this was a contractual target but that she could look to review it in the future.

7.3.3 Cllr Seaborne emphasised the importance of ensuring that where identified, remedial actions were embedded within the organisation. Gail Beaton explained that tests would be carried out by ongoing sampling.

7.3.4 The Committee expressed particular concern over IA17-17 – Procurement Arrangements, where five areas for improvement had been identified, including the fact that 75% payments to contractors had not been supported by a purchase order. Officers explained that a new purchase order system had recently been implemented which would force officers to follow correct procedures. Cllr Gray felt that this was a significant issue that should be brought to the attention of the Executive. Officers reported that they were already aware of this issue, and had sought to put mitigation in place, including the appointment of the new Procurement Officer. Cllr Hyman queried what, if any, financial impact there was of not following the correct procedures. Graeme Clark explained that it was difficult to quantify this, but the important thing was getting the proper controls in place going forward.

### **7.4 Internal Audit Charter**

7.4.1 At its meeting on 26 September 2017, the Committee received an updated Internal Audit Charter which had been developed in accordance with the updated Public Sector Internal Auditing Standards (March 2016).

7.4.2 Cllr James queried whether it was usual practice for a council to contract out its audit service. Officers explained that it varied between organisations but that Waverley was part of a consortium that allowed it to make use of a more specialist team of auditors than if the service was run in-house. There were several advantages to this arrangement, and Gail Beaton, Internal Audit Client Manager, was still able to undertake reviews of the most sensitive work where necessary. Cllr Gray asked when the contract with RSM was due for renewal

and officers responded that this would be in 2019 and a report would come to the Committee on it in due course.

- 7.4.3 Cllr Hyman was unsure about wording for the 'mission' of internal audit however acknowledged that it did summarise the role fairly accurately. Other members agreed that it could potentially be re-phrased but noted that as the wording had come from the PSIAS it be left as written for the time being.

## **7.5 Appointment of External Auditor**

- 7.5.1 At its meeting on 26 September 2017, Graeme Clark reminded the Committee that at its meeting in November 2016 and subsequent Council meeting in December 2016, Waverley had agreed to opt-in to the appointing person arrangements made by the Public Sector Audit Appointments for the appointment of external auditors from 2018/19. Following the PSAA's procurement exercise, the council had been informed that Grant Thornton had been appointed as its external auditor for a period of five years. The appointment would be finalised in December and a consultation on fees would be undertaken in due course; this would be followed by a cooling-off period.

- 7.5.2 Cllr Hyman expressed concern over Grant Thornton's handling of the fraud incident in 2014 and was wary of them continuing as the council's external auditor, however Cllr Gray assured members that he had confidence in Grant Thornton's policies and procedures and that he had no significant concerns going forward.

- 7.5.3 The Committee resolved that the PSAA's appointment of Grant Thornton (UK) LLP as the council's external auditor for a period of five years from 2018/19 be noted.

## **7.6 Financial Regulations Update**

- 7.6.1 Peter Vickers, Head of Finance, introduced the revised Financial Regulations to the Committee at its meeting on 20 November 2017. The Financial Regulations had last been updated in April 2015 and had been rewritten in line with the Council's commitment to continual review within the Annual Governance Statement.

- 7.6.2 The objective of the revision was to ensure that the Financial Regulations reflect the full scope of the Council's required governance arrangements; to remain secure in relation to risk and statutory compliance whilst incorporating changes in technology, service delivery and corporate priorities.

- 7.6.3 The revised Financial Regulations were aligned to the Council's Constitution, Contract Procurement Rules and Scheme of Delegation, all of which had been updated within the 2017/18 financial year.

- 7.6.4 The layout and structure of the Financial Regulations had been revised to facilitate ease of reading and clarity of understanding. Use of headings and sub headings had been enhanced to aid navigation of the regulations.

7.6.5 The following changes had been made to content:

- a. New section: Purpose and key principles overarching the regulations;
- b. New section: Statutory requirements, compliance and responsibilities are described and explained;
- c. Content of the previous Financial Regulations has been reordered under a “financial framework” inclusive of updated and enhanced governance criteria. The regulations were previously grouped under five themes.
- d. The Scheme of Virement has been revised to enable services to self manage budgets with a greater degree of autonomy, in line with the changes to the Executive approval threshold of £100,000 and minimising Management Board intervention.

7.6.6 The Scheme of Virement had been redesigned to enable service managers to be more proactive in managing budgets with minimal bureaucracy. A new electronic purchase ordering facility would be going live in the new year that limits managers to only commit expenditure within a pre-existing budget provision. Using electronic workflow approval process, managers would be able to identify and effect a virement within the approval limits on their directly controllable budgets. Full details are set out in Annexe 1 of the Financial Regulations.

7.6.7 The Committee noted that the document was much more reader-friendly. Members felt that the regulations provided a robust framework, ensuring that all checks and balances are in place without imposing any unnecessary delays. The Committee also found the glossary to be a very useful addition.

7.6.8 Cllr Frost was concerned that the Agresso system update hadn't been fully implemented as there was still no link with the housing maintenance system. Peter Vickers responded that work was under way in the background, being led by Walter Stockdale, Financial Services Manager, and that the full roll-out would be complete in January 2018.

7.6.9 The Committee agreed that this was a very important piece of work and asked that it be brought to the attention of all members, in particular the Executive, and that it be suggested that they retain a copy of the document for easy reference. Officers would be arranging training sessions for managers on this in due course and Members suggested also inviting the Portfolio Holder to attend.

7.6.10 On the recommendation of the Audit Committee, the revised Financial Regulations were adopted by Council on 5 December 2017.

## **7.7 Statement of Accounts – Accounting Policies**

7.7.1 Peter Vickers, Head of Finance, advised the Committee that the Council was required to prepare its accounts in compliance with the terms of the Code of Practice on Local Authority Accounting, developed by CIPFA. There had been

two changes to the Code for 2018/19; however these would not have a significant impact on the Council due to the nature of its transactions.

7.7.2 IFRS 9 [Financial Instruments] introduced a new classification and measurement of financial assets with a requirement to make a loss allowance based on a new 'expected credit loss' impairment model. Cllr Gray noted that a Commercial Property void/non-payment fund had been established and queried how the level had been calculated. Peter responded that this would be shown in this year's accounts.

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## **8. RISK MANAGEMENT**

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

### **8.2 Risk Management Update – 26 September 2017**

8.2.1 The Committee received a report presenting the latest corporate risk register as refreshed by Heads of Service. Peter Vickers, Head of Finance, explained that since the Committee had last reviewed the risk register at the beginning of the year, it had been updated by officers along with a representative from Zurich and now included a change log and list of emerging risks. Peter also informed the Committee that the Risk Policy, which sits above the register, was being reviewed in consultation with Zurich and would be coming to the Committee at its November meeting.

8.2.2 Members noted that the mitigation measures relating to some of the risks appeared to be out of date, and did not reflect current mitigation work that had been identified or was under way. Officers agreed to review the mitigation text to ensure that it reflected the most up to date position. Cllr Hyman also requested that the axes on the risk matrix be labelled for clarification purposes.

8.2.3 The Committee welcomed the inclusion of the change log and list of emerging risks and looked forward to receiving the updated policy document at its next meeting.

### **8.3 Risk Management Update – 20 November 2017**

8.3.1 The Committee received the latest version of the corporate risk register as refreshed by Heads of Service. The register set out 16 corporate risks, as well as a change log which highlighted the changes that had been made since the Committee last reviewed the register.

8.3.2 Peter Vickers informed the Committee that early next year officers would be working with representatives from Zurich to look at risk appetite, taking into account all emerging risks coming forward through the budget preparation process.

- 8.3.3 Cllr Frost suggested that the potential for a pandemic should be added as a risk; however officers advised that this was covered by the overarching business continuity risk set out in the report. The Committee also felt that the risk relating to property investment should be given a higher impact rating and officers agreed to review this.

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## **9. BRIEFING SESSIONS**

- 9.1 In addition to formal committee meetings, several briefing sessions were held for the Committee throughout the year, these included:
- 20 June 2017 – Briefing on Statement of Accounts
  - 24 July 2017 – Briefing on Property Investments
  - 26 September 2017 – Briefing on Risk
  - 10 November 2017 – Briefing on Financial Regulations
  - 21 March 2018 – Briefing on Annual Governance Statement and Risk.
- 9.2 Members of the Audit Committee, along with members of the Executive and Value for Money O&S Committee, were also invited to a presentation from consultants on Property Investments which took place on 22 January 2018.

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## **Recommendation**

It is recommended that the work carried out by the Audit Committee in 2017/18 be noted.

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## **Background Papers**

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

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## **Contact Officer:**

Name: Amy McNulty, Democratic  
Services Officer

Tel: 01483 523492  
Email: amy.mcnulty@waverley.gov.uk

**ANNEXE 1****ATTENDANCE AT AUDIT COMMITTEE MEETINGS 2017/18**

The Audit Committee met four times, on 24 July, 26 September and 20 November 2017, and 27 March 2018. The membership and attendance at meetings is detailed below:

	24 July 2017	26 Sept 2017	20 Nov 2017	27 March 2018
Cllr John Gray (Chairman)	✓	✓	✓	✓
Cllr Richard Seaborne (Vice Chairman)	✓	✓	✓	✓
Cllr Mike Band	Apols	✓	Apols	✓
Cllr Pat Frost		Apols	✓	Apols
Cllr Christiaan Hesse	Apols			
Cllr Nicholas Holder	✓	✓	Apols	✓
Cllr Jerry Hyman	✓	✓	✓	✓
Cllr Anna James	Apols	✓	✓	✓
Cllr Stephen Mulliner			Apols	✓

**AUDIT COMMITTEE CHAIRMAN ROLE DESCRIPTION**

**Purpose**

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

**Duties and responsibilities**

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

**AUDIT COMMITTEE CHAIRMAN PERSON SPECIFICATION**

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

**Providing leadership and direction:**

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

**Promoting the role of the Audit Committee:**

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

**Internal governance, ethical standards and relationships:**

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



**AUDIT COMMITTEE MEMBER ROLE DESCRIPTION**

**Purpose**

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

**Duties and responsibilities**

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

**AUDIT COMMITTEE MEMBER PERSON SPECIFICATION**

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

**Understanding the nature of the Audit Committee:**

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

**Governance, ethical standards and relationships:**

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

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