

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

When calling please ask for:
Amy McNulty, Democratic Services Officer
Policy and Governance
E-mail: amy.mcnulty@waverley.gov.uk
Direct line: 01483 523492
Date: 12 July 2019

Membership of the Audit Committee

Cllr Richard Cole
Cllr Jerome Davidson
Cllr Simon Dear
Cllr Jan Floyd-Douglass

Cllr Michaela Gray
Cllr Peter Marriott
Cllr Richard Seaborne
Cllr George Wilson

Dear Councillors

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

DATE: MONDAY, 22 JULY 2019

TIME: 7.00 PM

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

The Agenda for the meeting is set out below.

Yours sincerely

ROBIN TAYLOR
Head of Policy and Governance

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Please be advised that there is limited seating capacity in the Public Gallery; an overflow room will be available where possible. This meeting will be webcast and can be viewed by visiting www.waverley.gov.uk/webcast.

NOTE FOR MEMBERS

Members are reminded that Contact Officers are shown in each report and members are welcome to raise questions, etc. in advance of the meeting with the appropriate officer.

AGENDA

1. **APPOINTMENT OF CHAIRMAN**

To confirm the appointment of Cllr Peter Marriott as Chairman of the Audit Committee for the 2019/20 Council year.

2. **APPOINTMENT OF VICE CHAIRMAN**

To confirm the appointment of Cllr Jerome Davidson as Vice Chairman of the Audit Committee for the 2019/20 Council year.

3. **MINUTES**

To confirm the Minutes of the Meeting held on 4 March 2019 (to be laid on the table half an hour before the meeting).

4. **APOLOGIES FOR ABSENCE**

To receive apologies for absence.

5. **DISCLOSURE OF INTERESTS**

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

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

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

The deadline for receipt of questions is 5pm on Monday 15 July 2019.

7. **QUESTIONS FROM MEMBERS**

The Chairman to respond to any questions received from Members in accordance with Procedure Rule 11.

The deadline for receipt of questions is 5pm on Monday 15 July 2019.

8. EXTERNAL AUDIT FINDINGS REPORT

To receive the External Audit Findings Report from Grant Thornton (to follow).

Recommendation

It is recommended that the Audit Committee notes the External Audit Findings Report.

9. ANNUAL INTERNAL AUDIT REPORT (Pages 5 - 22)

The Accounts and Audit Regulations 2015 (Part 2 s3) require local authorities to have a sound system of internal control and Internal Audit is part of this system of internal control. Part 2 (s5) of the Regulations state that an authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes. This report is a summary of the work carried out by Internal Audit during the financial year 2018-19 and also provides an audit opinion to support the Annual Governance Statement on the organisation's control environment.

Recommendation

It is recommended that the Audit Committee considers and notes the annual internal audit report and audit opinion for 2018/2019.

10. ANNUAL GOVERNANCE STATEMENT 2018/2019 (Pages 23 - 34)

The purpose of the this report is for the Audit Committee to consider and approve the Annual Governance Statement (AGS) for the year ended 31 March 2019.

Recommendation

It is recommended that the Audit Committee approves the Annual Governance Statement for 2018/2019.

11. STATEMENT OF ACCOUNTS 2018/2019 (Pages 35 - 38)

The purpose of this report is for the Audit Committee to consider and approve the Statement of Accounts for the year ended 31 March 2019.

Recommendation

It is recommended that the Audit Committee

- 1. approves the Statement of Accounts for the financial year ended 31 March 2019;**
- 2. approves the Letter of Representation for 2018/2019; and**

3. confirms that the accounts have been prepared on a going concern basis.

12. RISK MANAGEMENT

To receive a verbal presentation from the Head of Finance, introducing the Committee to the Council's risk management framework.

13. AUDIT COMMITTEE RECURRENT WORK PROGRAMME (Pages 39 - 40)

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

14. EXCLUSION OF PRESS AND PUBLIC

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

Recommendation

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

15. ANY ISSUES TO BE CONSIDERED IN EXEMPT SESSION

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

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

WAVERLEY BOROUGH COUNCIL

AUDIT COMMITTEE

22 JULY 2019

Title:

ANNUAL INTERNAL AUDIT REPORT

[Wards Affected: ALL]

Summary and purpose:

The Accounts and Audit Regulations 2015 (Part 2 s3) require local authorities to have a sound system of internal control and Internal Audit is part of this system of internal control. Part 2 (s5) of the Regulations state that an authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes. This report is a summary of the work carried out by Internal Audit during the financial year 2018-19 and also provides an audit opinion to support the Annual Governance Statement on the organisation's control environment.

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

The maintenance of an effective internal control environment supports all corporate priorities.

Financial Implications:

Maintenance of an effective internal audit service to Waverley Borough Council that embraces the requirements of the CIPFA Code of Practice, the Public Sector Internal Auditing Standards and other professional internal audit institutes such as the IIA.

Legal Implications:

This report fulfils a legal requirement "to report the annual activity of the Audit Service" as contained in the Accounts and Audit Regulations.

1. Introduction

The Committee is requested to consider this report in conjunction with the Annual Governance Statement for consideration at this meeting on the 22nd July 2019.

As set out in Public Sector Internal Audit Standard (PSIAS) 2450, the Chief Audit Executive (Internal Audit Manager) must provide an annual report to the board (Audit Committee) timed to support the Annual Governance Statement. This report and audit opinion should be considered as part of the evidence supporting the Annual Governance Statement.

Attached in Annexe 1 is the Internal Audit Annual Report covering the activity for 2018/19, complete with the annual performance measures.

Recommendation

It is recommended that the Audit Committee considers and notes the annual internal audit report and audit opinion for 2018/2019.

Background Papers

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

CONTACT OFFICER:

Name: Gail Beaton
Internal Audit Manager

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ANNUAL INTERNAL AUDIT REPORT AND OPINION 2018-19

Contents

| Section | Page |
|---------------------------------------|-------------|
| 1. Role of Internal Audit | 3 |
| 2. Internal Audit Approach | 4 |
| 3. Internal Audit Opinion | 5 |
| 4. Internal Audit Coverage and Output | 6-7 |
| 5. Key Observations | 8-9 |
| 6. Anti Fraud and Corruption | 9-10 |
| 7. Quality Assurance and Improvement | 10 |
| 8. Disclosure of Non-Conformance | 11 |
| 9. Quality control | 11 |
| 10. Internal Audit Performance | 12 |
| 11. Acknowledgement | 12 |

1. Role of Internal Audit

The requirement for an internal audit function in local government is detailed within the Accounts and Audit (England) Regulations 2015, which states that a relevant body must:

‘Undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.’

The standards for ‘proper practices’ are laid down in the Public Sector Internal Audit Standards [the Standards – updated 2017].

The role of internal audit is best summarised through its definition within the Standards, as an:

‘Independent, objective assurance and consulting activity designed to add value and improve an organisations operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes’.

The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the Council that these arrangements are in place and operating effectively.

The Council’s response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisations objectives.



2. Internal Audit Approach

To enable effective outcomes, internal audit provide a combination of assurance and consulting activities. Assurance work involves assessing how well the systems and processes are designed and working, with consulting activities available to help to improve those systems and processes where necessary. A full range of internal audit services is provided in forming the annual opinion.

The approach to each review is determined by the Internal Audit Manager and will depend on the:

- level of assurance required;
- significance of the objectives under review to the organisations success;
- risks inherent in the achievement of objectives; and
- level of confidence required that controls are well designed and operating as intended.

All formal internal audit assignments will result in a published report. The primary purpose of the audit report is to provide an independent and objective opinion to the Council on the framework of internal control, risk management and governance in operation and to stimulate improvement.



3. Internal Audit Opinion

The Internal Audit Manager is responsible for the delivery of an annual audit opinion and report that can be utilised by the Council to inform its Annual Governance Statement. The annual opinion concludes on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

In giving this opinion, assurance can never be absolute and therefore, only reasonable assurance can be provided that there are no major weaknesses in the processes reviewed. In assessing the level of assurance to be given, I have based my opinion on:

- written reports on all internal audit work completed during the course of the year;
- results of any follow up exercises undertaken in respect of previous years' internal audit work;
- the results of work of other review bodies where appropriate;
- the extent of resources available to deliver the internal audit work;
- the quality and performance of the internal audit service and the extent of compliance with the Standards; and
- the proportion of Waverley's audit need that has been covered within the period

Annual Internal Audit Opinion 2018-19

"I am satisfied that sufficient assurance work has been carried out to allow me to form a reasonable conclusion on the adequacy and effectiveness of Waverley Borough Council's internal control environment.

In my opinion, Waverley Borough Council has an adequate and effective framework for risk management, governance and internal control. However, the internal audit work has identified further enhancements to the framework of risk management, governance and internal control to ensure that it remains adequate and effective.

Where weaknesses have been identified through internal audit review, we have worked with management to agree appropriate corrective actions and a timescale for improvement."

4. Internal Audit Coverage and Output

The annual internal audit plan was prepared to take account of the characteristics and relative risks of the Council’s activities and to support the preparation of the Annual Governance Statement.

% of Types of Reviews



Work has been planned and performed so as to obtain sufficient information and explanation considered necessary in order to provide evidence to give reasonable assurance that the internal control system is operating effectively.

The 2018-19 Internal audit plan, approved by the Audit Committee in March 2018, was informed by internal audit’s own assessment of risk and materiality in addition to consultation with management to ensure it aligned to key risks facing the organisation.

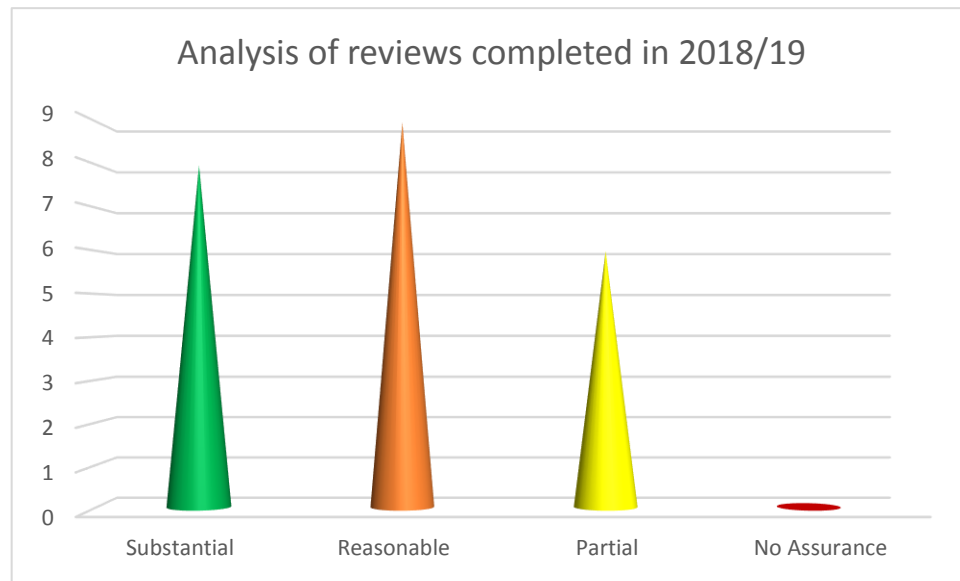
The plan has remained fluid throughout the year to maintain an effective focus.

In delivering the internal audit opinion the Internal Audit Service have undertaken 25 reviews during the year ending 31 March 2019.

The 2018-19 internal audit plan has been delivered with the following exceptions:

- Work is substantially complete and an opinion has been formed for 23 reviews. This includes 2 reports that have not yet been issued as Final reports; but does not include 2 reviews which did not culminate in an audit opinion as they relate to work conducted in respect of advisory reviews on the systems in operation.

I do not consider these exceptions to have an adverse impact on the delivery of my overall opinion for the period. The opinion assigned to each internal audit review on issue (including draft reports) is defined as follows:



Substantial - A sound framework of internal control is in place and operating effectively. No risks to the achievement of system objectives have been identified;

Reasonable - Basically a sound framework of internal control with opportunities to improve controls and / or compliance with the control framework. No significant risks to the achievement of system objectives have been identified;

Partial - Significant weakness (es) identified in the framework of internal control and / or compliance with the control framework which could place the achievement of system objectives at risk; or

No Assurance - Fundamental weaknesses identified in the framework of internal control or the framework is ineffective or absent with significant risk to the achievement of system objectives

5. Key Observations

There were no 'No Assurance' opinions issued during the year. In general internal audit work found there to be a sound control environment in common themes identified that provide challenge to the organisations risk environment and contributed to a number of 'partial assurance' reviews a summary of the issues raised is provided below:

Right to Buy – Improvements were identified relating to the reviewing and updating of policies and procedures, increasing the utilisation of the Housing Orchard system to ensure that all documentation is retained in one place, parameters in the system are reviewed and checked independently of the operational activity with the monitoring and reporting of timeframe activity.

Risk Management – This review highlight areas that would enhance the risk management framework. These outcomes were used to inform the Risk management workshops that members and officers participated in to conclude the authorities risk appetite which was approved at the February 2019 Council.

Safeguarding – The review identified areas of improvement to enhance the operational requirements for safeguarding. This included the following; revision of the current referral process, enhancing the information held on the incident log, roles and responsibilities clearly defined when roles change, all staff and members are provided with safeguarding training, risk assessments are completed for new roles and the adoption of a robust safeguarding reporting framework to inclusive of all agencies involved.

Flexi-Time – The issues raised included the need for a revised policy to be developed and cascaded to existing and new members of staff to provide awareness of the policy and the consistent use of the timesheet to be completed. Improvements were recommended on the reporting functionality from the itrent system and accuracy of allocation for part time employees re pro rata of the hours worked.

Landlord Guarantee Deposit Bonds – Our review of Landlord Guarantee Deposit Bonds resulted in a partial assurance opinion. Administered within the Housing Options Team the review found that documentation retained requires improvement to support the decisions made. Improvements in the recovery of debts, supervision of the activities including the release of payments was raised as issues to be addressed. Non-compliant behaviours provide an increased risk and can adversely impact on the quality and integrity of management information in addition to leaving the Council and its officers vulnerable and exposed to challenge.

The Council's Strategy for Managing Risk was reviewed in 2018/19, the initial step was to develop and agree on the Council's risk appetite to assist those responsible for risk in their service area to make informed decisions using the level of acceptable risk to manage those risks identified in their operational areas. Thus providing the opportunity to build on this foundation through the coming months and years to consider how best to document and manage risk moving forward to ensure it provides a clear focus and acts as an effective management tool in day to day activities.

6. Anti Fraud and Corruption

The Council is committed to the highest possible standards of openness, probity and accountability and recognises that the electorate need to have confidence in those that are responsible for the delivery of services.

A fraudulent or corrupt act can impact on public confidence in the Council and damage both its reputation and image. Policies and strategies are in place setting out the Council's approach and commitment to the prevention and detection of fraud or corruption.

The Council maintains a suite of strategies and policies to support the effective management of the prevention, detection and investigation of fraud and corruption (including Anti-Fraud & Corruption Strategy and Response Plan; Whistleblowing Policy and Anti Bribery Policy).

Counter-fraud activity during the year has delivered a programme of proactive and reactive work to complement the internal audit strategy and annual plan focusing resource against assessed fraud risks in addition to new and emerging threats.

National Fraud Initiative (NFI) - The NFI is a statutory exercise facilitated by the Cabinet Office that matches electronic data within and between public and private sector bodies to prevent and detect fraud. Public sector bodies are required to submit data to the National Fraud Initiative on a regular basis (every two years). The latest NFI data upload was carried out in October 2018. Matches will be reviewed throughout 2019/20 and progress reported to the Audit Committee.

As a member of the Surrey Counter Fraud Partnership we work in collaboration as a partnership to share ideas and to implement strategies to raise awareness including a publicity campaign on tenancy fraud and provide opportunities for member of the public to raise concerns.

7. Quality Assurance and Improvement

The Quality Assurance and Improvement Programme (QAIP) is a requirement within 'the Standards'.

The Standards require the Head of Internal Audit to develop and maintain a QAIP to enable the internal audit service to be assessed against the Standards and the Local Government Application Note (LGAN) for conformance.

The QAIP must include both internal and external assessments: internal assessments are both on-going and periodical and external assessment must be undertaken at least once every five years. For the last 7 years the Council employed the Internal Audit contractors (RSM) including 2018 -19 to complete the operational Internal Audit plan were regularly 'External Quality Assessed' and were required to verify this to the External Auditors (Grant Thornton)

In addition to evaluating compliance with the Standards, the QAIP also assesses the efficiency and effectiveness of the internal audit activity, identifying areas for improvement.

8. Disclosure of Non-Conformance

In accordance with Public Sector Internal Audit Standard 1312 [External Assessments] which requires ‘an external quality assessment to be conducted at least once every five years by a qualified, independent assessor or assessment team from outside of the organisation’ I can confirm endorsement from the Institute of Internal Auditors that:

‘RSM (Waverley’s Internal Audit Contractors for 2018/19) conformed to the, Definition of Internal Auditing; the Code of Ethics; and the Standards’

There are no disclosures of Non-Conformance to report.

9. Quality control

Our aim is to provide a service that remains responsive to the needs of the Council and maintains consistently high standards. This was achieved in 2018-19 through the following internal processes:

- On-going liaison with management to ascertain the risk management, control and governance arrangements, key to corporate success;
- On-going development of a constructive working relationship with the External Auditors to maintain a cooperative assurance approach;
- A tailored audit approach using a defined methodology and assignment control documentation;
- Review and quality control of all internal audit work by professional qualified senior staff members; and
- A self-assessment against the Public Sector Internal Audit Standards.

10. Internal Audit Performance

The following performance indicators are maintained to monitor effective service, these were previously agreed with the Audit Committee and formed part of the contract with the internal audit contractor who completed the work in 2018/19.

| Aspect of service | Target | 2017-18 Actual (%) | 2018-19 Actual (%) |
|---|---------|-----------------------|-----------------------|
| Audit plan delivered (including 2017-18 c/f) | 100% | 100% | 92% |
| Average no. of days between Contractor exit meeting and the issue of Draft Report (C) | 28 days | 26 | 28 |
| Average number of days between the Internal Audit Managers exit meeting & obtaining management comments and the issuing of Final Report (WBC) | 28 days | 19 | 21 |

11. Acknowledgement

I would like to take this opportunity to thank all those staff throughout Waverley Borough Council with whom we have made contact in the year. Our relationship has been positive and management were responsive to the comments we made both informally and through our formal reporting.

Gail Beaton
Internal Audit Manager
July 2019

Appendix A: Annual opinions

The following shows the full range of opinions available to me within my internal audit methodology to provide context regarding my annual internal audit opinion.

Annual opinions

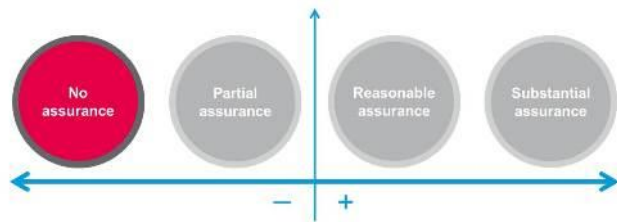
The organisation has an adequate and effective framework for risk management, governance and internal control.

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

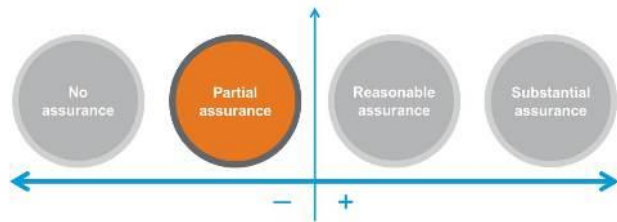
There are weaknesses in the framework of governance, risk management and control such that it could be, or could become, inadequate and ineffective.

The organisation does not have an adequate framework of risk management, governance or internal control.

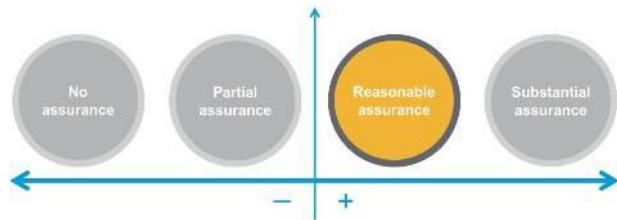
The following levels of opinion classification was used by our contractor for 2018/19 within our internal audit reports. Reflecting the level of assurance the board can take:



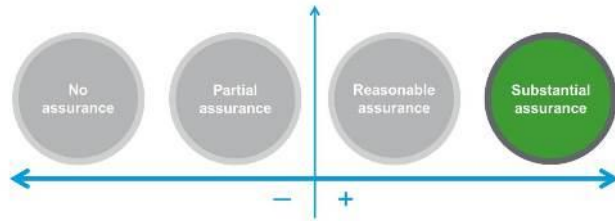
Taking account of the issues identified, the board cannot take assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied or effective. Urgent action is needed to strengthen the control framework to manage the identified risk(s).



Taking account of the issues identified, the board can take partial assurance that the controls to manage this risk are suitably designed and consistently applied. Action is needed to strengthen the control framework to manage the identified risk(s).



Taking account of the issues identified, the board can take reasonable assurance that the controls in place to manage this risk are suitably designed and consistently applied. However, we have identified issues that need to be addressed in order to ensure that the control framework is effective in managing the identified risk(s).



Taking account of the issues identified, the board can take substantial assurance that the controls upon which the organisation relies to manage the identified risk(s) are suitably designed, consistently applied and operating effectively.

FOR FURTHER INFORMATION CONTACT

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WAVERLEY BOROUGH COUNCIL
AUDIT COMMITTEE – 22 JULY 2019

Title:

ANNUAL GOVERNANCE STATEMENT 2018/2019

[Wards Affected: N/A]

Summary and purpose:

The purpose of this report is for the Audit Committee to consider and approve the Annual Governance Statement (AGS) for the year ended 31 March 2019.

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

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

Equality and Diversity Implications:

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

Resource and legal implications:

There are no direct resource implications resulting from the AGS for 2018/2019.

Introduction

1. The Accounts and Audit Regulations 2015 require an authority to conduct a review at least once a year of the effectiveness of its system of internal control and include a statement reporting on the review with the published Statement of Accounts. That statement is the Annual Governance Statement (AGS).
2. The AGS reports publicly on how the Council has complied with the governance code, 'Delivering Good Governance in Local Government: Framework' published by CIPFA/SOLACE.
3. The AGS describes how the corporate governance arrangements have been working over the year, describes any governance issues that have arisen and how they will be addressed. It also describes the arrangements put in place to ensure that the Council achieves its objectives and the means by which it gains assurances that those arrangements are working.
4. The AGS is required to be signed by the Leader of the Council and the Chief Executive on behalf of the Council and then approved by a delegated committee.

5. The AGS will be included with the Statement of Accounts as part of the Annual Financial Report for 2018/2019.
6. The AGS is included with the Agenda as a separate document at Annexe 1.

Recommendation

It is recommended that the Audit Committee approves the Annual Governance Statement for 2018/2019.

Background Papers

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

CONTACT OFFICER:

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Annual Governance Statement 2018/2019

1. Introduction

Waverley Borough Council (the Council) is committed to improving governance on a continuing basis through a process of evaluation and review in accordance with the Council's governance framework.

The Leader of the Council (Councillor John Ward) and the Chief Executive (Tom Horwood) acknowledge responsibility for ensuring that there is a sound system of governance and internal control when managing and delivering the vision set out in the Corporate Strategy.

Each year the Council is required to produce an Annual Governance Statement (AGS) by the Accounts & Audit (England) Regulations 2015, to be published alongside the Statement of Accounts. The AGS is in accordance with Delivering Good Governance in Local Government: Framework (2016) issued by CIPFA/SOLACE. There were no changes to the legal framework or CIPFA guidance for 2018/2019.

The AGS describes how the corporate governance arrangements have been working and the effectiveness of the systems of internal control during the year. It also documents key changes and developments within the Council's governance framework during the financial year up to the date of approval of the Annual Financial Report.

This AGS was considered by the Audit Committee at its meeting on 22 July 2019.

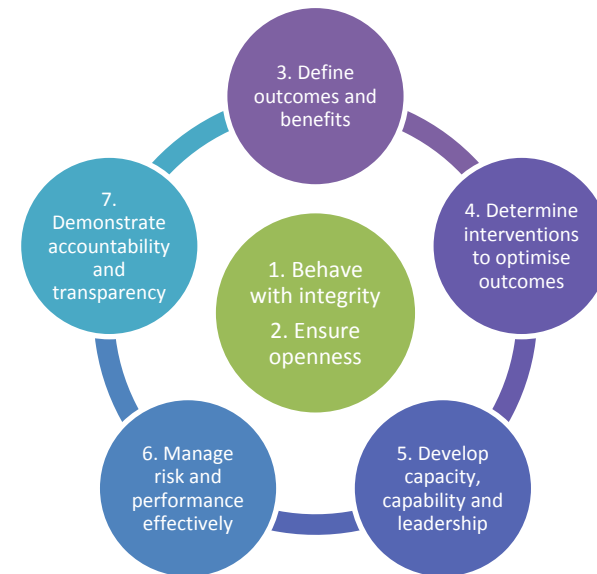
2. What is Corporate Governance?

Corporate governance generally refers to the systems and processes by which organisations are directed, controlled, led and held to account. Waverley's governance framework aims to ensure that in conducting its business it:

- operates in a lawful, open, inclusive and transparent manner;
- makes sure public money is safeguarded, properly accounted for and used economically, efficiently and effectively;
- has effective arrangements for the management of risk; and
- secures continuous improvements in its governance.

The Council's framework brings together legislative requirements, good practice principles and management processes.

The Council's Corporate Governance is consistent with the principles set out in the Delivering Good Governance Framework. The principles are summarised below. Principles 1. and 2. have an overarching effect on the outcome of all other principles.



Annual Governance Statement 2018/2019

3. The Principles – A Summary

| |
|--|
| The Council aims to achieve good standards of governance by: |
| Principle 1 - Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law. |
| <ul style="list-style-type: none">• Having codes of conduct which define standards of behaviour for members and all staff, supported by more detailed policies for ethical values such as whistleblowing and conflicts of interest.• Ensuring compliance with relevant laws and regulations, internal codes, policies and procedures.• Ensuring effective arrangements are in place for the discharge of the Monitoring Officer function. |
| Principle 2 - Ensuring openness and comprehensive stakeholder engagement. |
| <ul style="list-style-type: none">• Demonstrating, documenting and communicating the Council's commitment to openness and accountability in acting in the public interest.• Establishing clear channels of communication with the community and other stakeholders, and encouraging open consultation.• Ensuring an effective scrutiny function is in place. |
| Principle 3 - Defining outcomes in terms of sustainable economic, social and environmental benefits. |
| <ul style="list-style-type: none">• Developing and communicating a vision which specifies intended outcomes for residents and service users and is used as a basis for planning. |
| Principle 4 - Determining the interventions necessary to optimise the achievement of the intended outcomes. |
| <ul style="list-style-type: none">• Translating the vision into courses of action for the Council, its partnerships and collaborations.• Reviewing the effectiveness of the decision-making framework, including delegation arrangements and robustness of information.• Quarterly performance monitoring of services and projects to ensure the Council achieves its agreed vision as planned. |
| Principle 5 - Developing the Council's capacity, including the capability of its leadership and the individuals within it. |
| <ul style="list-style-type: none">• Clearly defining the roles and responsibilities of members and officers, with protocols to ensure shared understanding of roles.• Providing inductions, training and development to give all the appropriate skills, knowledge, and support to fulfil their roles and responsibilities.• Ensuring effective arrangements are in place for the discharge of the Head of Paid Service function. |
| Principle 6 - Managing risks and performance through robust internal control and strong public financial management. |
| <ul style="list-style-type: none">• Risk Management is an integral part of all activity and is considered in decision making in accordance with the Council's Risk Appetite.• Service delivery is monitored through financial management review and quarterly reporting to ensure service plan delivery is on target.• Internal controls are independently reviewed by Internal Audit when carrying out assessments of key activity areas. |
| Principle 7 - Implementing good practices in transparency, reporting and audit to deliver effective accountability. |
| <ul style="list-style-type: none">• Meetings and decisions are available on the Council's website along with other information such as quarterly performance reviews.• Undertaking the core functions of an audit committee to provide good governance.• The Council provides timely support, information and responses to external auditors and properly considers audit findings and recommendations. |

Annual Governance Statement 2018/2019

4. How do we know our arrangements are working?

Corporate Governance requires providing assurances on:

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

The Council gains assurance through having:

- Constitution (including scheme of delegation)
- Democratic arrangements – Council, Executive, Scrutiny Committees, Audit Committee and Standards Panel
- Head of Paid Service, Monitoring Officer and S151 Officer
- Management Board and Heads of Service Team
- Corporate Strategy 2018-2023 and service plans 2018-2019
- Medium Term Financial Strategy
- Financial Regulations (updated October 2018)
- Contract Procedure Rules (updated October 2018)
- Capital Strategy (adopted March 2019)
- Performance management framework (regular reporting)
- Risk management framework (updated February 2019)
- Project management methodology
- Customer Service Strategy
- Complaints system
- HR policies and procedures
- Whistleblowing and other countering fraud arrangements
- Member and Officer training and development
- Internal and External audit scrutiny
- On-going review of governance
- External reviews and inspectorate reports
- Customer feedback
- Staff surveys
- Community consultations

Annual Governance Statement 2018/2019

5. The Council: How it works

All Councillors meet together as the Full Council six times a year. All meetings are open to public but occasionally some items subject to confidentiality rules are held in exempt.

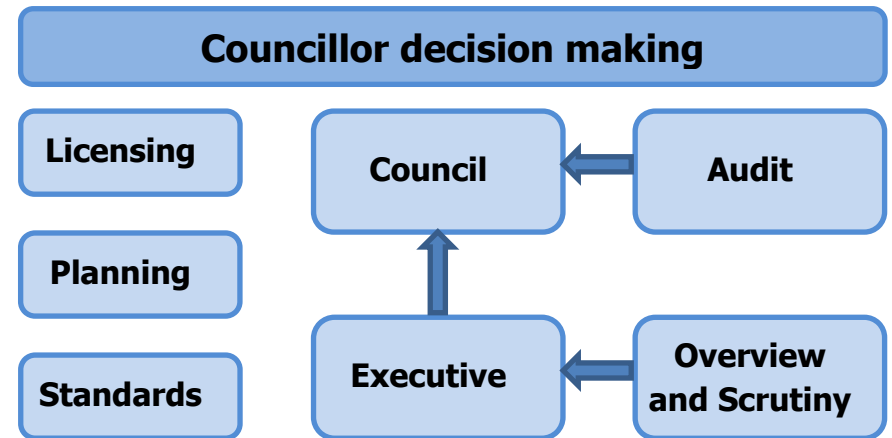
The conduct of the Council's business is defined by formal procedures and rules, which are set out in the Constitution. The Constitution also explains the roles and responsibilities of the Executive, Scrutiny and Officer functions.

The 'Scheme of Delegation' sets out the basis officers may take decisions under delegated authority. The Council also follows codes of Financial Management and Procurement and maintains a Code of Conduct for Councillors.

The Chief Executive is the Council's Head of Paid Service and is responsible for how the Council operates. He is assisted by the Management Board. The Council is required to appoint a Monitoring Officer whose role includes ensuring that decision making is lawful and fair.

The Council and its decisions are open and accessible. All reports requiring a decision are considered by appropriately qualified legal and finance staff before being considered by relevant decision making forum.

In meeting the requirements of the Local Government Transparency Code 2015 the Council has also published on its website a wide range of 'open data' and information.



- Licensing – considers issues relating to taxis, entertainment, alcohol, food premises and miscellaneous licensing functions.
- Planning – makes decisions on development control issues, including applications for planning permission.
- Standards – independent committee responsible for member conduct and the constitution.
- Audit – independent committee responsible for issues of audit, risk and governance.
- Overview and Scrutiny – intended to help develop and review policy and holding the Executive to account publicly by calling-in and scrutinising decisions made by the Executive.
- Executive - appointed by the Leader, responsible for proposing new policy, putting the budget to the Council and implementing and delivering the agreed policy framework and budget.
- Council - 57 elected Councillors, covering 29 wards. Appoints the Overview & Scrutiny and other committees. Approves the policy and strategic framework and budget.

Annual Governance Statement 2018/2019

5.1 Changes in governance during the year

At the Annual Full Council meeting on 15 May 2018, The Council elected a new Mayor and Deputy Mayor and agreed the nominations to the principal committees and area planning committees for the 2018/2019 year.

At the 17 July 2018 Full Council meeting, it was agreed to designate the Standards Panel as the Standards Committee, with membership being allocated on a politically proportionate basis (no change in seats or membership was required as a result of this change). At that meeting, Council also agreed to clarifications in the Council's Constitution in respect of the Joint Planning Committee, and also noted changes to the proportional allocation of seats of principal committees and the Western Area Planning Committee in light of the by-election for the Farnham Castle Ward.

Following the resignation of one councillor from the Council's Audit Committee, the Monitoring Officer, under paragraph 52c of the Waverley Scheme of Delegation, appointed a new member to the Audit Committee on 19 October 2018. This was noted by the Full Council at their 31 October 2018 meeting.

Membership of the Executive and allocation of portfolios by the Leader of the Council was revised on 15 May 2018 and 23 October 2018.

At the 11 December 2018 Council meeting, governance arrangements for the allocation and spending of Community Infrastructure Levy (CIL) receipts were approved as was the establishment of a CIL advisory board.

Corporate Strategy

The Council adopted a new Corporate Strategy for 2018-2023 in July 2018. The Corporate Strategy provides the Council with direction, priorities and key objectives. Objectives are being delivered through annual service reviews agreed with Members and monitored and reported regularly.

5.2 Resolution of significant governance issues in 2017/2018

The Council's approach to recording and reporting air quality came under scrutiny in 2017/2018. Action was taken to address this issue and the police investigation is still ongoing. A lessons learned exercise will be undertaken to reflect on the process and inform changes for the future.

5.3 Significant operational events in 2018/2019

Capital Strategy – the Council adopted a Capital Strategy in March 2019 to provide a framework for planning and decision making to ensure capital expenditure and investment decisions are affordable, prudent and sustainable. It brings together detailed policies, procedures and plans relating to cash investments and property assets.

Risk Management – through in-house training and facilitated workshops Members of the Executive, Audit Committee and senior management received practical guidance to develop the Council's Risk Management Strategy. A Risk Appetite Statement was adopted in February 2019 which documents the amount and type of risk that the

Annual Governance Statement 2018/2019

Council is willing to take in order to achieve its strategic objectives whilst ensuring risks are managed and do not expose the Council or its stakeholders to an unacceptable degree of risk exposure.

Budget Strategy Working Group – the Customer Service and VFM Overview & Scrutiny committee established a Budget Strategy Working Group in order to drive forward the Medium Term Financial Plan (MTFP) initiatives. The working group will drill down into areas identified for detailed examination to make recommendations to the Executive on budget and policy issues that will add more strategic value than focusing on ad hoc service budget scrutiny.

Community Infrastructure Levy (CIL) – CIL is a tariff system that enables contributions to be collected from development to contribute towards the funding of infrastructure. This was adopted and implemented with effect from 1 March 2019.

Planning Review – The Council underwent an LGA Planning Peer Review during the year.

Strategic Review – following the Strategic Review undertaken in 2016/2017 the following was adopted as a result of the findings report and recommendations:

- Economic Strategy 2018-2023

HR Strategy 2018-23 – this was developed to align with the Corporate Strategy and outlines the plans within HR, Learning & Development, Recruitment and Payroll to recruit, develop and retain staff, and to support them to work in ways to deliver council services in an effective 21st century council.

Annual Financial Report – the Council successfully moved to the new statutory deadline for accounts closure by the 31 May and audit sign off by the 31 July.

Supplementary Estimates Process – a structured and transparent approach to making and documenting decisions related to supplementary estimates was adopted in March 2019.

5.4 Other governance issues arising during 2018/2019 include:

Statutory Challenges – In October 2018, two linked High Court Challenges against the Council's Local Plan and a further challenge against the Secretary of State's decision to grant planning permission for a settlement of 1,800 homes at Dunsfold Aerodrome were successfully defended by the Council. Deputy High Court Judge Ms Natalie Lieven QC dismissed all claims. That decision, insofar as it relates to the Local Plan, is being appealed by the Claimants in the Court of Appeal. An appeal hearing is expected to take place later in 2019. There is no appeal against the High Court's decision regarding the Dunsfold Aerodrome planning permission and Local Plan allocation.

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

Annual Governance Statement 2018/2019

6. Audit Committee seeking assurance

The Audit Committee has responsibility for requesting and receiving reports that deal with issues that are key to good governance. It met four times in 2018/2019, considering a wide range of governance issues.

| Audit Committee Work Programme for 2018/19 | | | |
|---|--|---|---|
| July 2018 | September 2018 | November 2018 | March 2019 |
| Review the progress of the Internal Audit Plans for 2017/18 and 2018/19 | Review the progress of the Internal Audit Plan for 2018/19 | Review the progress of the Internal Audit Plan for 2018/19 | Review the progress of the Internal Audit Plan for 2018/19 |
| 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 the External Audit Findings Report | Recommends to Council that the Tax Strategy be approved | Review of the Corporate Risk Register | Review of the Audit Committee Terms of Reference |
| Consider and approve the Statement of Accounts 2017/18 | Receives and comments on Annual Audit Letter for 2017/18 from Grant Thornton | Review and recommend amendments to the Audit Committee Terms of Reference | Supplementary Estimate Process report |
| Consider and approve the Annual Governance Statement for 2017/18 | Consider and recommend the adoption of the update to Financial Regulations | Interim consideration of Annual Governance Statement issues | Draft Annual Governance Statement for 2018/19 |
| Comment on the new Information Governance Strategy and endorse approach to Information Governance | Recommend amendments to Contract Procurement Rules | | Approve proposed Internal Audit Plan for 2019/20 |
| Consider and approve the Letter of Representation for 2017/18 | Review and revision of the Internal Audit Charter | | Receive the External Audit Grants and Returns Certification Report |
| Review the Annual Internal Audit Report | Review of the Audit Committee Terms of Reference | | Review External Audit proposed External Audit Plan for 2019/20 |
| | Note Audit Committee Activity Report for 2017/18 | | Review of Anti-fraud policies |
| | | | Review of the Corporate Risk Register |

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

7. Managing key risks

All Councillors and officers are responsible for ensuring that risk implications are considered in the decisions they take in accordance with the Council's 'risk appetite' as detailed in the Risk Appetite Statement.

The successful delivery of the Corporate Strategy Objectives depends on the Council's ability to manage and tolerate risk where it cannot be eliminated altogether. Significant risks that may be potentially damaging to the achievement of the objectives are recorded in the Corporate Risk Register.

Senior Managers regularly review and update the Strategic Risk Register and are required to positively state the level of assurance they can place upon the controls that mitigate risks. If the residual risk exceeds the 'risk appetite', managers are required to consider whether cost effective actions that will reduce the likelihood and/or impact of the risk occurring can be introduced. The Risk Register is reviewed by the Audit Committee and used to inform the Internal Audit Plan for annual audit planning.

The Audit Committee will continue to review the governance arrangements to ensure they are fit for purpose in managing key risks.

8. Managing the risk of fraud

The anti-fraud, bribery and corruption policy, prosecution policy, whistleblowing policy and anti-money laundering policy were reviewed, updated and agreed by the Audit Committee in March 2019. Any issues raised relating to these policies are dealt with by the appropriate responsible officers in accordance with the requirements of each policy. The policies are available on the Council's website and intranet.

The Council has in place a resource to investigate and deter fraud, in particular, in relation to housing tenancy fraud where used for personal gain by the tenant. This work results in freeing up properties to be made available for others on the waiting list for social housing.

9. Anti-Fraud and Corruption Statement

Waverley Borough Council is committed to the highest possible standards of honesty, openness and accountability.

It will ensure that internal procedures are in place to identify, deter and prevent the risk of fraud and corruption and maintain clear and well publicised arrangements for receiving and investigating issues raised through its governance policies.

The Council will pursue appropriate action, including the recovery of any losses it has suffered, where fraud and corruption has been identified.

10. Responsible Chief Financial Officer

A Strategic Director is the Responsible Chief Financial Officer (CFO) and the Section 151 Officer. The CFO has responsibility for delivering and overseeing the Council's financial management arrangements and has responsibility for the Finance Team and Internal Audit. The role conforms to the good practice requirements in the CIPFA Statement on the Role of the Chief Financial Officer in Local Government.

The CFO has been involved in reviewing the governance framework and preparing this Statement and is satisfied with the arrangements that are in place for managing finances, considers the system of internal control works effectively and that no matters of significance have been omitted from this Statement.

Annual Governance Statement 2018/2019

11. Internal and External Audit assurance

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

12. Internal Audit

The Council considers its Internal Audit Service to be a key component of its governance framework that:

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

Each year the Audit Committee review the Internal Audit Charter (which sets out the internal audit role and its responsibilities and clarifies its independence) and align it to the Public Sector Internal Audit Standards (PSIAS).

The Internal Audit Manager reports to the Strategic Director (Section 151 Officer) but to maintain independence and objectivity of the Internal Audit service also has direct access to the Chief Executive, the Audit Committee and its Chairman.

The Internal Audit Manager has stated in their Internal Audit Annual report that there were no constraints placed upon them in respect of determining overall audit coverage, audit methodology, the delivery of the audit plan or proposing actions for improvement or forming opinions on individual audit reports issued.

One of the key assurance statements the Council receives is the annual Internal Audit report. This report includes the opinion of the Internal Audit Manager on the Council's control environment based on the work that has been completed throughout the 2018/2019 year.

The opinion for the 12 month period ending March 2019 is shown below:

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

The Internal Audit Manager is not aware of any significant changes having occurred across the Council's internal control environment between April 2018 and the approval of this Statement.

13. External Audit

The Council's external auditors are appointed by Public Sector Audit Appointments Limited (PSAA). Grant Thornton LLP were appointed by PSAA to undertake the Council's external audit.

The external auditor has issued an unqualified opinion on the Council's arrangements for securing economy, efficiency and effectiveness (value for money) and in the use of its resources.

Annual Governance Statement 2018/2019

13. Level of Assurance

This AGS demonstrates that the systems and processes continue to provide a comprehensive level of assurance to the Council in its governance arrangements during 2018/2019.

14. Certification

The Council's framework of governance comprises all the detailed strategies, policies and procedures that are in place to achieve good governance. These are used in delivering the objectives set out in the Corporate Strategy and to which officers work to in carrying out their responsibilities on behalf of the Council. This AGS has been prepared by those with knowledge of the key governance issues who are satisfied that the Council's framework complies with the principles set out in the Delivering Good Governance Framework.

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

Councillor John Ward

Tom Horwood

Signed

Signed

Leader of the Council

Chief Executive

Dated

Dated

WAVERLEY BOROUGH COUNCIL

AUDIT COMMITTEE – 22 JULY 2019

Title:

STATEMENT OF ACCOUNTS 2018/2019

[Wards Affected: N/A]

Summary and purpose:

The purpose of this report is for the Audit Committee to consider and approve the Statement of Accounts for the year ended 31 March 2019.

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

Waverley's published Accounts are a key document that helps to demonstrate the Council's accountability for public funds. The accounts support the Council's key objective of providing good value for money by showing how the Council's resources have been utilised.

Equality and Diversity Implications:

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

Resource and legal implications:

There are no additional resource implications resulting from the 2018/2019 Statement of Accounts. The Accounts set out Waverley's financial position at the year-end in a format which is prescribed by Regulations and the Local Government Accounting Code of Practice.

Introduction

1. The Accounts and Audit Regulations 2015 set out the requirements for the production and publication of the annual Statement of Accounts. These Regulations incorporate a statutory requirement for the Statement of Accounts to be approved by a resolution of a Committee of the relevant body by 31 July 2019.
2. The Chief Finance Officer (Section 151 Officer) retains responsibility for the preparation of the Statement of Accounts and is required to certify that they give a true and fair view of the financial position of the Council for the year ended 31 March 2019. The Members' role in approval is to demonstrate their ownership of the Statement of Accounts and their confidence in both the Chief Finance Officer and the process by which the accounting records are maintained and the Statement of Accounts prepared. In February 2007, the Council formally delegated the authority for approving Waverley's annual

accounts to the Audit Committee. In June 2019 Members of the Audit Committee received the unaudited 2018/2019 Accounts and met with officers to receive detailed training and/or to respond to any questions.

Statement of Accounts 2018/2019

3. The Statement of Accounts for 2018/2019 is included as a separate document at Annexe 1.
4. The Narrative Report to the Accounts highlights the key issues and shows the headline figures.
5. The format and content of the accounts is largely prescribed by regulation and the code of practice. It is a requirement that the accounts are arranged with all core financial statements grouped together followed by all notes to these statements in a separate section. The supplementary statements, Housing Revenue Account and Collection Fund, are grouped separately with their corresponding notes section.
6. The full unaudited Statement of Accounts is available on the Council's website. This will be replaced with the final version following this Audit Committee meeting and a Summary set of Accounts.
7. The audit of the Council's accounts for 2018/2019 by Grant Thornton is complete and the Audit Findings Report is included on this agenda.
8. It is a requirement that the Council issues a Letter of Representation to its external auditors at the conclusion of the audit and this is referred to in Grant Thornton's Audit Findings Report also on this agenda. The draft Letter of Representation is attached at Annexe 2 (to follow).

Going Concern Report

9. International Audit Standards require the Audit Committee to provide confirmation that the 2018/2019 Accounts have been prepared on a 'going concern' basis. The going concern concept is one of the core principles underpinning local authority accounting practice and refers to the assumption made when the Accounts are prepared that the organisation will continue to operate for at least 12 months following the accounting period in question, taking into consideration best estimates of future activity and cash flows.
10. The main issues around the application of the 'going concern' concept are to consider the medium term financial plans and cash flow forecasts in existence to ensure the continuing operation of the Council. Waverley's Medium-Term Financial Strategy (2019/2020 to 2021/2022) was reviewed by Members at Council in February 2019. The Medium Term Financial Strategy forecasts the Council's financial performance and identifies budget pressures for the three years of the strategy and demonstrates that the Council has sound plans to continue operating. In addition the Overview and Scrutiny Committees have

been reviewing the Council's finances with the aim of resolving the budget gap.

Recommendation

It is recommended that the Audit Committee

1. approves the Statement of Accounts for the financial year ended 31 March 2019;
2. approves the Letter of Representation for 2018/2019; and
3. confirms that the accounts have been prepared on a going concern basis.

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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Agenda Item 13.

AUDIT COMMITTEE RECURRENT ANNUAL WORK PROGRAMME

| Meeting | Item | Action | Responsibility |
|-----------------------|--|------------------------------|--|
| September 2019 | Risk Management | Approve | Head of Finance, Peter Vickers |
| | Review Audit Committee's Terms of Reference | Rec to Council, if necessary | Committee Services |
| | Audit Committee Annual Report | Note | Committee Services |
| | Internal Audit Charter | Endorse | Internal Audit Client Manager, Gail Beaton |
| | External Audit Annual Audit Letter | Note | External Audit |
| November 2019 | Risk Management | Approve | Head of Finance, Peter Vickers |
| | Annual Governance Statement – Interim Review | Comment and instruct | Head of Finance, Peter Vickers |
| March 2020 | External Audit Plan | Note | External Audit |
| | Certification Report | Note | External Audit |
| | Internal Audit Plan | Approve | Internal Audit Client Manager, Gail Beaton |
| | Risk Management | Approve | Head of Finance, Peter Vickers |
| July 2020 | External Audit Findings Report | Note | External audit |
| | Annual Governance Report | Endorse | External Audit |
| | Statement of Accounts (Deadline 31/07/2020) | Approve | Head of Finance, Peter Vickers |
| | Annual Governance Statement (Deadline 31/07/2020) | Approve | Head of Finance, Peter Vickers and Head of Policy and Governance, Robin Taylor |
| | Annual Internal Audit Report (Activity of previous financial year) | Comment and Note | Internal Audit Client Manager, Gail Beaton |

Please Note: At every meeting the Committee will receive the following reports:

Review of progress in the implementation of Internal Audit Recommendations [To note and instruct];

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

Fraud Investigation Summary [To note].

The Work Programme details regular items, but other items can be submitted to each meeting on an ad hoc basis or at the request of the Committee.

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