

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: 13 September 2019

Membership of the Audit Committee

Cllr Peter Marriott (Chairman)
Cllr Jerome Davidson (Vice Chairman)
Cllr Richard Cole
Cllr Simon Dear

Cllr Jan Floyd-Douglass
Cllr Michaela Gray
Cllr Richard Seaborne
Cllr George Wilson

Dear Councillors

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

DATE: TUESDAY, 24 SEPTEMBER 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

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

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

Most of our publications can be provided in alternative formats. For an audio version, large print, text only or a translated copy of this publication, please contact committees@waverley.gov.uk or call 01483 523226.

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. **MINUTES**

To confirm the Minutes of the Meeting held on 22 July 2019 (to be laid on the table half an hour before the meeting).

2. **APOLOGIES FOR ABSENCE**

To receive apologies for absence.

3. **DISCLOSURE OF INTERESTS**

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

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

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

The deadline for receipt of questions is 5pm on Tuesday 17 September 2019.

5. **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 Tuesday 17 September 2019.

6. **ANNUAL AUDIT LETTER** (Pages 7 - 20)

The attached Annual Audit Letter, produced by Grant Thornton, summarises the key findings arising from the work they have carried out at Waverley Borough Council for the year ended 31 March 2019.

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

draw to the attention of the public.

Recommendation

It is recommended that the Audit Committee receives and notes the Annual Audit Letter.

7. AUDIT COMMITTEE ANNUAL ACTIVITY REPORT (Pages 21 - 30)

This report details the work undertaken by the Audit Committee over the municipal year 2018/19. 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.

Recommendation

It is recommended that the work carried out by the Audit Committee in 2018/19 be noted.

8. INTERNAL AUDIT CHARTER (Pages 31 - 42)

The report provides an update to the Committee on the updated Internal Audit Charter that has been developed in accordance with the Public Sector Internal Auditing Standards. The standards apply to all internal audit service providers, whether in-house, shared services or outsourced. The Public Sector Internal Audit Standards (PSIAS) (Attribute Standard 1000) requires organisations to have an Internal Audit Charter that formally defines the purpose, authority and responsibility of the internal audit activity, consistent with the Definition of Internal Auditing, the Code of Ethics and the Standards.

Recommendation

It is recommended that the Audit Committee approves the Internal Audit Charter.

9. PROGRESS ON THE INTERNAL AUDIT PLAN FOR 2019/20 (Pages 43 - 58)

The Committee's Terms of Reference include provision for the Committee to approve, monitor and comment on the progress made in the achievement of the Internal Audit Plan. An update on the current position of the reviews in 2019-20 is presented.

Recommendation

It is recommended that the Committee notes the contents of the Internal Audit progress report for September 2019 as attached in Annexe 1.

10. PROGRESS ON IMPLEMENTATION OF INTERNAL AUDIT RECOMMENDATIONS (Pages 59 - 66)

To inform the Audit Committee of Senior Management's progress in implementing the recommendations raised by Internal Audit following a review

in their service areas. This report will enable the Committee to consider what action is required in respect of those that are overdue or appear likely to be implemented later than the target date.

Recommendation

It is recommended that the Committee:

- 1. considers the information contained in Annexe 1 and, following discussion at the Audit Committee meeting, identifies any action it wishes to be taken; and**
- 2. considers the Head of Service(s) justification for a change in the due date for the recommendations listed in Annexe 2 and agree an appropriate implementation date(s).**

11. FRAUD INVESTIGATION SUMMARY (Pages 67 - 72)

The report provides an update to the Committee on the progress made by Waverley Borough Council officers on the work being completed in investigating fraud, primarily focusing on Housing Tenancy fraud.

Recommendation

It is recommended that the Audit Committee notes the success of the fraud investigation activity.

12. RISK MANAGEMENT

To receive a verbal update.

13. ANNUAL GOVERNANCE STATEMENT - CONSIDERATION OF POTENTIAL GOVERNANCE ISSUES (Pages 73 - 74)

To enable the Committee to raise any potential emerging governance issues that may need to be addressed in the Annual Governance Statement 2019/20.

A document setting out the classification for significant issues is attached for reference.

Recommendation

The Committee is invited to raise any potential emerging governance issues for consideration.

14. AUDIT COMMITTEE RECURRENT ANNUAL WORK PROGRAMME (Pages 75 - 76)

The Committee's annual recurrent work programme is attached. 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.

Recommendation

The Audit Committee is invited to note its recurrent annual work programme.

15. EXCLUSION OF PRESS AND PUBLIC

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

Recommendation

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

16. ANY ISSUES TO BE CONSIDERED IN EXEMPT SESSION

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

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

This page is intentionally left blank

The Annual Audit Letter for Waverley Borough Council

Page 7
Year ended 31 March 2019
30 August 2019



Contents



Your key Grant Thornton
team members are:

Jon Roberts

Key Audit Partner

T: 0117 305 7699

E: jon.roberts@uk.gt.com

Laurelin Griffiths

Manager

T: 0121 232 5363

E: laurelin.h.griffiths@uk.gt.com

Section

1. Executive Summary
2. Audit of the Financial Statements
3. Value for Money conclusion

Page

3
5
9

Appendices

- A Reports issued and fees

Executive Summary

Purpose

Our Annual Audit Letter (Letter) summarises the key findings arising from the work that we have carried out at Waverley Borough Council (the Council) and its subsidiaries (the group) for the year ended 31 March 2019.

This Letter is intended to provide a commentary on the results of our work to the Council's and external stakeholders, and to highlight issues that we wish to draw to the attention of the public. In preparing this Letter, we have followed the National Audit Office (NAO)'s Code of Audit Practice and Auditor Guidance Note (AGN) 07 – 'Auditor Reporting'. We reported the detailed findings from our audit work to the Council's Audit Committee as those charged with governance in our Audit Findings Report on 22 July 2019.

Respective responsibilities

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

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

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

Page 9

Our work

Materiality	We determined materiality for the audit to be £1,795k for the Council's financial statements, and £1,800k for the group financial statements. This is 2% of the Council's and group's gross revenue expenditure.
Financial Statements opinion	We gave an unqualified opinion on the group's financial statements on 31 July 2019.
Whole of Government Accounts (WGA)	We completed work on the Council's consolidation return following guidance issued by the NAO.
Use of statutory powers	We did not identify any matters which required us to exercise our additional statutory powers.

Executive Summary

Value for Money arrangements	We were satisfied that the Council put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources. We reflected this in our audit report to the Council on 31 July 2019.
Certification of Grants	We also carry out work to certify the Council's Housing Benefit subsidy claim on behalf of the Department for Work and Pensions. Our work on this claim is not yet complete and will be finalised by November 2019. We will report the results of this work to the Audit Committee separately.
Certificate	We certified that we have completed the audit of the financial statements of Waverley Borough Council in accordance with the requirements of the Code of Audit Practice on 31 July 2019.

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

Grant Thornton UK LLP
August 2019

Audit of the Financial Statements

Our audit approach

Materiality

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

We determined materiality for the audit of the group financial statements to be £1,800,000, which is 2% of the group's gross revenue expenditure. We determined materiality for the audit of the Council's financial statements to be £1,795,000, which is 2% of the Council's gross revenue expenditure. We used this benchmark as, in our view, users of the group and Council's financial statements are most interested in where the group and Council has spent its revenue in the year.

We set a lower threshold of £90,000, above which we reported errors to the Audit Committee in our Audit Findings Report.

The scope of our audit

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

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

We also read the remainder of the financial statements, narrative report and annual governance statement published alongside the financial statements to check it is consistent with our understanding of the Council and with the financial statements included in the Annual Report on which we gave our opinion.

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

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

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

Audit of the Financial Statements

Significant Audit Risks

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

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Management override of controls</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 therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>As part of our audit work we:</p> <ul style="list-style-type: none"> evaluated the design effectiveness of management controls over journals; analysed the journals listing and determine the criteria for selecting high risk unusual journals; tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration; gained an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence; and evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. 	<p>We did not identify any issues in respect of management override of controls.</p>
<p>Valuation of property, plant and equipment</p> <p>The Council revalue land and buildings on a rolling five-yearly 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 valuation of land and buildings, particularly revaluations and impairments, as a significant risk.</p>	<p>As part of our audit work we:</p> <ul style="list-style-type: none"> evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work; evaluated the competence, capabilities and objectivity of the valuation expert; communicated with the valuer to confirm the basis on which the valuation was carried out; challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding; tested revaluations made during the year to see if they had been input correctly into the Council's asset register; and 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 at year end. 	<p>Our audit work to review valuations that were performed in 2018/19 identified issues relating to the valuation of the Council's Leisure Centres.</p> <p>We also proposed a material adjustment to the Council's HRA dwellings valuation as a result of an issue noted in the approach that the Council takes to its desktop valuations.</p> <p>We did not identify any other issues in respect of valuations of the Council's property.</p>

Audit of the Financial Statements

Significant Audit Risks - continued

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

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Valuation of pension fund net liability</p> <p>The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£66 million in the Council's balance sheet) and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Council's pension fund net liability as a significant risk.</p>	<p>As part of our audit work we have;</p> <ul style="list-style-type: none"> • updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluate the design of the associated controls; • evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation; • assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability; • tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; • undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and • considered the Council's response to the national pensions accounting issue caused by the 'McCloud judgement'. 	<p>As a result of our work, the Council requested that the actuary give consideration to the liability arising as a result of changes relating to guaranteed minimum pensions (GMP) and a legal ruling around age discrimination (McCloud), which due to the prevailing legal uncertainty at the time of preparing the draft financial statements, and the need to produce these by 31 May 2019, were not taken into account in the first actuarial valuation. This resulted in increases in gross pension liabilities of £334k and £280k respectively.</p> <p>The revised valuation also used the actual rate of return on the pension fund's assets for the year, which differed from the estimated rate provided by the Pension Fund to the actuary. This resulted in a reduction in gross pension assets of £1,375k.</p> <p>We did not identify any other issues in respect of valuation of the Council's net pension liability.</p>

Page 13

Audit of the Financial Statements

Audit opinion

We gave an unqualified opinion on the Council's financial statements on 31 July 2019.

Preparation of the financial statements

The Council presented us with draft financial statements in accordance with the national deadline, and provided a good set of working papers to support them. The finance team responded promptly and efficiently to our queries during the course of the audit.

Issues arising from the audit of the financial statements

We reported the key issues from our audit to the Council's Audit Committee on 22 July 2019, including the required pensions adjustment. We agreed a further material amendment to the accounts with management after the date of the Committee, that was agreed by the Committee chair, acting under delegation from the Committee, on 31 July 2019.

Annual Governance Statement and Narrative Report

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

Both documents were prepared in line with the CIPFA Code and relevant supporting guidance. We confirmed that both documents were consistent with the financial statements prepared by the Council and with our knowledge of the Council.

Whole of Government Accounts (WGA)

We carried out work on the Council's Data Collection Tool in line with instructions provided by the NAO. We issued an assurance statement which confirmed the Council was below the audit threshold on 31 July 2019.

Other statutory powers

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

We did not identify any matters which required us to exercise our additional statutory powers.

Certificate of closure of the audit

We certified that we have completed the audit of the financial statements of Waverley Borough Council in accordance with the requirements of the Code of Audit Practice.

Value for Money conclusion

Background

We carried out our review in accordance with the NAO Code of Audit Practice, following the guidance issued by the NAO in November 2017 which specified the criterion for auditors to evaluate:

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

Key findings

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

The risks we identified and the work we performed are set out overleaf.

Overall Value for Money conclusion

We are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2019.

Value for Money conclusion

Value for Money Risks

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Financial Position</p> <p>The Council set a challenging General Fund budget for 2018/19, and at the time of our risk assessment were on track for breakeven against planned levels of income and expenditure. A balanced budget for 2019/20 was proposed and approved in February 2019. This budget includes an anticipated 2.99% increase in Council tax and has been set in the context of the Council's Medium Term Financial Plan (MTFP).</p> <p>The 2019/20-2021/22 MTFP sets out an estimated medium-term budget shortfall over the next three years. This shortfall has an estimated total value of £3.8m by 2022/23, equal to 36% of total net service cost.</p>	<p>The Council plans to meet the shortfall in the MTFP through increasing Council Tax, pursuing savings plans, and growing alternative revenue streams to replace historical sources of income.</p> <p>We updated our understanding of the Council's medium term financial strategy, and reviewed supporting information, including the Council's Property Investment Strategy, Commercial Strategy and Business Transformation Plan Overview. We are satisfied that work is in train to develop savings and find additional incomes.</p>	<p>Our work to assess the Council's arrangements for securing value for money did not note any weaknesses.</p>

A. Reports issued and fees

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

Reports issued

Report	Date issued
Audit Plan	March 2018
Audit Findings Report	July 2019
Annual Audit Letter	August 2019

Fees for non-audit services

Service	Fees £
Audit related services	Nil
Non-Audit related services	
- Certification of Pooling of Housing Capital Receipts	2,800
- Independent Examinations of Shottermill Recreation Ground Trust & the Bequest of Joseph Ewart	4,000

Fees

	Planned £	Actual £	2017/18 £
Statutory audit	41,494	48,694*	53,888
Housing Benefit Grant Certification	10,500	TBC	15,557
Total fees	51,994	TBC	69,445

*Details of proposed variations to our audit fee are set out over the page.

Our fees for the certification of the Council's Housing Benefit grant will be confirmed following the completion of our work.

Non-audit services

- For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the group. The table above summarises all non-audit services which were identified.
- We have considered whether non-audit services might be perceived as a threat to our independence as the group's auditor and have ensured that appropriate safeguards are put in place.

The above non-audit services are consistent with the group's policy on the allotment of non-audit work to your auditor.

A. Reports issued and fees

Audit fee variation

As outlined in our audit plan, the 2018-19 scale fee published by PSAA of £41,494 assumes that the scope of the audit does not significantly change. There are a number of areas where the scope of the audit has changed, which has led to additional work. These are set out in the following table.

Page 18

Area	Reason	Fee proposed
Assessing the impact of the McCloud ruling	The Government's transitional arrangements for pensions were ruled discriminatory by the Court of Appeal last December. The Supreme Court refused the Government's application for permission to appeal this ruling. As part of our audit we have reviewed the revised actuarial assessment of the impact on the financial statements along with any audit reporting requirements.	1,600
Pensions – IAS 19	The Financial Reporting Council has highlighted that the quality of work by audit firms in respect of IAS 19 needs to improve across local government audits. Accordingly, we have increased the level of scope and coverage of our work undertaken in respect of IAS 19 this year to reflect this.	1,600
PPE Valuation – work of experts	As above, the Financial Reporting Council has highlighted that auditors need to improve the quality of work on PPE valuations across the sector. We have increased the volume and scope of our audit work to reflect this. As part of our audit, we also identified an historic material error relating to the valuation of the Council's HRA Dwellings, which required further work to audit and to check and agree with management.	4,000
Total proposed fee variation		7,200

Fee variations are subject to PSAA approval.



© 2019 Grant Thornton UK LLP. All rights reserved.

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

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

This page is intentionally left blank

AUDIT COMMITTEE ANNUAL ACTIVITY REPORT 2018/19

This report details the work undertaken by the Audit Committee over the municipal year 2018/19. 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 2018 and March 2019. Additional informal briefing sessions were held throughout the year and are summarised at section 7 of this report. The membership of the Committee was as follows:

Cllr John Gray (Chairman)	Cllr Stephen Mulliner
Cllr Richard Seaborne (Vice-Chairman)	Cllr Sam Pritchard [until Oct 2018]
Cllr Mike Band	Cllr Liz Townsend
Cllr Pat Frost	Cllr Robert Knowles [from Oct 2018]
Cllr Jerry Hyman	

A brief summary of the work undertaken by the Committee in 2018/19 outlined in the table below and further details are set out at sections 1 – 6 of this report.

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	Recommend amendments to		Approve proposed Internal Audit Plan for 2019/20

approach to Information Governance	Contract Procurement Rules		
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

1. Standing Items

The Audit Committee has a recurrent work programme, with a number of items received at each meeting.

1.1 Progress in the implementation of Internal Audit Recommendations

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.

Notable items considered during 2018/19 included:

- Final Payment Sign-Off Process – the Committee discussed this overdue recommendation at its July meeting. While amendments to the Financial Regulations would be required to ratify the changes to the process, the Committee agreed that working procedures should be updated straight away to ensure that the necessary controls were in place. Officers reassured the Committee that work was under way behind the scenes to implement these changes.
- Anti Money Laundering Training – at its November meeting, the Committee agreed an extension to March for the due date for this training. This would coincide with the Committee receiving an updated Anti Money Laundering Policy at its March meeting.
- Housing Allocation Scheme – at its March meeting, the Committee considered a request from the Head of Service for extensions to the implementation dates. This had arisen following a recent Housing O&S review which had recommended that a review be undertaken of the Council's Housing Allocation Policy. The Committee queried how long this policy review would take but, taking into account the Committee approval process, concluded that 31 December 2019 was, on balance, an acceptable time extension.

While considering this item, the Committee emphasised the importance of the Internal Auditors working with Heads of Service to agree realistic timescales for implementation dates. This would avoid the need to request for extensions to due dates later in the process.

1.2 Progress in achieving the Internal Audit Plan

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.

Notable items considered during 2018/19 included:

- Right to Buy Processes – at its November meeting, the Committee expressed concern that only partial assurance had been given in relation to the Right to Buy processes. Officers advised the Committee that the majority of recommendations were due to the fact that this function was mostly the responsibility of one person, and so the purpose of the recommendations was to ensure that the correct sign-off procedures were in place.
- Community Infrastructure Levy – this review had initially been scheduled for the 2018/19 Audit Plan, however at its March meeting the Committee agreed that this be deferred until 2019/20 as CIL had only come into effect on 1 March and so there was not yet sufficient data to carry out a meaningful review.

1.3 Annual Governance Statement – Consideration of Emerging Governance Issues

Every year, the Audit Committee is required to formally review the Council's governance arrangements and approve the Annual Governance Statement. It was agreed, however, that this should be a live conversation throughout the year, not just at the July Audit Committee meeting. At its November meeting the Committee therefore agreed that there should be a standing item at each meeting where Members would be invited to discuss any governance issues that they felt were of significant merit.

At its March meeting, the Committee received a draft Annual Governance Statement for consideration. With reference to the governance issues arising in 2018/19, the Committee queried whether the Judicial Reviews themselves constituted a governance issue, or whether it was the resulting supplementary estimate request that was the governance issue. Officers acknowledged that there were two separate issues and agreed to review this section to make it clearer in the final version.

1.4 Updates on Counter Fraud Work

At each meeting, the Committee is updated on the progress made by officers on the work being completed in investigating all types of fraud, primarily focusing on Housing Tenancy fraud.

The Committee was particularly pleased to see fraudulent Right to Buy claims being refused. The reported value of financial savings is based on Audit Commission notional figures. However, these do not reflect the much higher, real value, to Waverley Borough Council, as it could cost around £200,000 to build a new home. Outcomes from this work not only highlight the fundamental financial value of

continuing to support the work being carried out but the ethical and social responsibility importance to ensure that only those that qualify for social housing are successful. By securing the return of properties back into housing stock helps Waverley to meet the needs of legitimate housing applicants. The Committee agreed that this work was extremely valuable, and acted as a good deterrent to residents who may be considering making fraudulent claims.

At its November meeting, the Committee heard that the current Fraud Investigation Officer was on a fixed term contract which would end in April, and that the Head of Housing would be putting in a growth bid to make this post permanent. The Committee endorsed this proposal which would ensure that the good fraud prevention work continued.

2. Accounts and Annual Governance Statement

It is within the Committee's Terms of Reference to approve the Statement of Accounts and Annual Governance Statement (AGS) each year.

The Committee considered the Statement of Accounts and Annual Governance Statement for 2017/18 at its meeting on 24 July 2018. A briefing session on the accounts had been held in June to enable Officers to highlight any notable changes from the previous year and allow Member to ask any questions. 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. The Committee approved the Statement of Accounts.

Having had the opportunity to raise any potential governance issues throughout the year, the Committee was generally pleased with the content of the AGS presented at Committee. The Committee considered the wording of one particular section, relating to managing resources. Members felt that the phrasing was confusing and could potentially imply that all budget issues would be resolved by 2021, which was not the case. Subject to clarification of this section, the Committee approved the AGS.

3. Internal Audit Reports

In addition to the standing items presented by the Internal Audit Service, the Committee received a number of additional reports during 2018/19.

3.1 Annual Internal Audit Report

The Annual Internal Audit Report is linked to the Internal Audit opinion set out in the Annual Governance Statement and details the audit recommendations made throughout the year, as well as highlighting those still to be actioned.

At its July meeting, the Committee thanked officers for their hard work in delivering such a comprehensive service and congratulated the internal audit service for achieving 100% completion of the Audit Plan by 31 March 2018.

3.2 Internal Audit Charter

The Internal Audit Charter is reviewed by the Committee on an annual basis. The majority of changes for 2018 reflected operational changes such as job titles.

3.3 Internal Audit Plan

At its March meeting, the Committee considered the proposed Internal Audit Plan for 2018/19. The Internal Audit Manager had consulted with the Directors and Heads of Service and carried out risk assessments in order to determine which items should be included.

4. **External Audit**

During 2018/19, the Committee received a number of reports from Grant Thornton, the council's external auditors.

4.1 External Audit Findings Report

The Committee received External Audit Findings Report at its July meeting. Members heard 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.

The auditors had suggested a change relating to the fair value of loans; this related to borrowing from the PWLB. This was a presentational change and did not impact on the reported figures.

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 the previous 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. Officers 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.

The Committee also heard that Grant Thornton would be issuing an unqualified Value for Money conclusion. This was very positive in the context of an increasingly challenging financial environment and uncertainty around the fair funding review.

4.2 Annual Audit Letter

This document was a more public-facing version of the External Audit Findings Report and had been updated to take into account the comments made by Members at the last 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.

4.3 External Audit Progress and Sector Briefing Report

At its November meeting, the Committee received an update on Grant Thornton's progress in delivering their responsibilities as the Council's external auditors.

The Committee heard that Grant Thornton was in the process of finalising its certification work on the Council's annual Housing Benefit Subsidy claim. This work would be concluded by the end of November 2018 with the report to come to the next Audit Committee meeting. The report also set out the milestones for the 2018/19 External Audit, with interim visits to take place in February and March.

The remainder of the report provided a summary of emerging national issues and developments relevant to the sector including a CIPFA consultation on developing a financial resilience index for Local Authorities and a government consultation on the Social Housing Green Paper.

4.4 Certification Letter

At its March meeting, the Committee heard that Grant Thornton had certified the Housing Benefit subsidy claim for the financial year 2017/18 which related to a claim of £28.5m. A small number of errors had been identified, two of which had recurred from the previous year. The errors had been extrapolated and reported this to DWP, however the figure was considered insignificant in comparison with the total subsidy receivable. Grant Thornton recommended that the Council, as part of its internal quality assurance process, should increase its focus or level of testing in respect of the areas where errors were identified.

The Committee asked whether the recurrence of the errors should be seen as a cause for concern however Grant Thornton clarified that the issues were as a result of minor human error and were not indicative of deficiencies in the processes.

4.5 2018/19 External Audit Plan

At its March meeting, the Committee heard what Grant Thornton intended to cover over the course of its audit for 2018/19. The External Audit Plan set out the key risks that would require special consideration, for example, the valuations of plant, property and equipment, and net pension fund liability were both included as they were large values with significant estimates, and therefore merited special consideration.

The Committee noted that the materiality thresholds had increased notably since last year and queried what had caused this. Officers explained that the materiality threshold was based on the previous year's gross expenditure and may have increased due to greater capital expenditure.

5. Corporate Governance Policies

The Audit Committee has a key role in reviewing Council policies relating to governance, and may make recommendations to officers or the Council as appropriate.

5.1 Information Governance Strategy

The Information Governance Strategy was presented to the Committee at its July meeting 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 made a number of suggestions to improve the structure and clarity of the document. It was 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. The Committee also requested that the document reference and version number be included on every page and a glossary be added to the end.

Having passed a number of comments to officers, the Committee endorsed the Council's approach to Information Governance as set out in the Strategy.

5.2 Tax Strategy

The Council is required to have in place a Tax Strategy in order to fulfil its responsibilities under the Criminal Finances Act 2017.

Guidance issued by HMRC 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 were addressed in the Tax Strategy and would be applied proportionately to the perceived risk of the offence.

Following questions from the Committee, the Head of Finance 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.

The Committee thanked officers for producing a good, easy to read document and recommended its adoption by Council. The Tax Strategy was subsequently adopted by Council on 16 October 2018.

5.3 Financial Regulations

In line with the commitment of continual review within the Annual Governance Statement proposed updates to the Financial Regulations were presented to the Committee at its September meeting.

The aim 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 covered the following areas:

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

The Committee queried how the delegations set out in the Financial Regulations related to the Scheme of Delegation and officers clarified that the Scheme of

Delegation included a reference to the Financial Regulations to avoid overlap and duplication.

The Committee recommended that the update to the financial regulations be approved, and this was subsequently agreed by Council on 16 October 2018.

5.4 Contract Procurement Rules

At its September meeting, the Committee received a report outlining proposed updates to the Contract Procurement Rules (CPRs) which had last been updated in July 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.

Updates were proposed to the following five areas:

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

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 recommended that the proposed amendments to the CPRs be approved, and this was subsequently agreed by Council on 16 October 2018.

5.6 Supplementary Estimates Approval Process

At the Committee's September meeting, under the work programme item, the Chairman stated 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.

The Committee 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.

The Committee considered this matter further at its November meeting, where it was agreed that the role of the Committee was not to review one single decision, but that it could look at the way in which all requests for supplementary estimates were put forward to ensure that Members were properly informed. The Committee therefore requested that the s.151 Officer and Head of Policy and Governance produce a paper for the next meeting of the Committee setting out the process and documentation required to support all future requests for supplementary estimates.

At its March meeting, the Committee received a proposal from the s.151 Officer to expand on the published Financial Regulations to ensure consistency across all requests for unexpected expenditure. The report highlighted that when the Executive or Full Council is asked to consider agreeing a Supplementary Estimate, they would need to:

- (i) Consider why the need for funds, that were not identified or provided for within the Annual Budget and which cannot be found within existing budgets, has arisen;
- (ii) Understand how much money is being requested and how it is proposed to be spent;
- (iii) Assess whether or not the proposed supplementary estimate represents value for money, which will include noting and considering:
 - a. Any other options available to the Council that have been considered, including the control option of not taking any action;
 - b. The expected benefits agreeing the supplementary estimate; and
 - c. The expected risks, if any, of agreeing or refusing supplementary estimate;

Any manager wishing to propose a Supplementary Estimate, in the first instance would need to consider the issues set out above and submit their view to the Council's Section 151 Officer, or designate.

The Committee resolved to endorse the process required to support all future requests for supplementary estimates and recommended to Council that the Financial Regulations be updated and a new pro forma be adopted to ensure a consistent approach is always taken and recorded. This was subsequently approved by Council on 19 March 2019.

5.7 Income and Debt Collection Policy

At its March meeting, the Committee received the Income and Debt Collection Policy which had been developed following an in-depth review of all the income streams in the Council. The Committee heard that the policy would be particularly useful in situations where customers may have debts owing to different service areas, and would provide a priority system for pursuing debts.

In endorsing this policy the Audit Committee was also giving assurance to the council's External Auditors that the Council was addressing the issue of debt on the Balance Sheet as identified in the External Audit Findings Report for 2017/18. On the recommendation of the Audit Committee, the policy was adopted by Council on 19 March 2019.

5.8 Anti-Fraud and Corruption Policy

The Committee considered the revised Anti-Fraud and Corruption Policy at its March meeting. The policy had been revised as part of the scheduled cyclical review, to reflect changes in legislation, organisational restructure affecting job titles and positions and new developments in the methodology in tackling fraud.

A full revision of the Anti Money Laundering Policy and Guidance had been carried out to meet legislative and professional institutions best practice guides. The Committee queried whether there had been any experiences in the past of attempts to carry out money laundering, however officers advised that there was very little opportunity to do so due to the Council's extensive due diligence processes.

The Committee endorsed the revised policy and it was subsequently approved by Council on 19 March 2019.

6. Risk Management

At its March meeting the Committee received the revised Risk Management Policy which had been updated in light of the new Corporate Strategy and incorporating the risk appetite statement which had recently been adopted. The new Risk Management Policy included a toolkit to help officers across the organisation when analysing risk. Graeme Clark added that the risk appetite statement had been developed through sessions involving the Executive, Audit Committee Members and senior officers, facilitated by an external specialist.

There were some queries in relation to the definitions, particularly with reference to finance, as it wasn't felt that £100k was necessarily 'devastating'. It was further suggested that it might be helpful to test some examples against the matrices in order to determine if the levels and terminology were correct.

The Committee felt that the policy was a clear, accessible document which would help to inform decision-making going forward and therefore approved the Risk Management Policy.

7. Briefing Sessions

The Committee received a number of briefing sessions during 2018/19 and these are summarised below.

7.1 Accounts and AGS

In June, the Committee received a briefing session, and had an opportunity to ask questions on the draft accounts prior to them being considered and formally approved at the July meeting. A further briefing session was held directly before the Committee meeting on 24 July to address any final questions.

7.2 Risk Management

Prior to its November meeting, the Committee received a briefing session on risk management. The risk registers were in the process of being refreshed with input from external consultants and a full report would be presented to the Committee at its March meeting. The Committee received further briefing sessions in February and March prior to approving the updated Risk Policy.

7.3 Housing Benefits

Prior to its November meeting, the Committee received a briefing session on Housing Benefits.

Contact Officer:

Name: Amy McNulty, Democratic
Services Officer

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

WAVERLEY BOROUGH COUNCIL

AUDIT COMMITTEE – 24 SEPTEMBER 2019

Title:

INTERNAL AUDIT CHARTER

[Wards Affected: All]

Summary and purpose:

The report provides an update to the Committee on the updated Internal Audit Charter that has been developed in accordance with the Public Sector Internal Auditing Standards. The standards apply to all internal audit service providers, whether in-house, shared services or outsourced. The Public Sector Internal Audit Standards (PSIAS) (Attribute Standard 1000) requires organisations to have an Internal Audit Charter that formally defines the purpose, authority and responsibility of the internal audit activity, consistent with the Definition of Internal Auditing, the Code of Ethics and the Standards.

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

The work of Internal Audit service has an impact upon all the Council's priorities as its work involves exposure to all service areas to provide assurance on the control environment of the council. Internal Audit work contributes to the safeguarding of assets against loss and waste and identifying other value for money issues.

Resource/Value for Money implications:

There are no Value for Money implications.

Legal Implications:

There are no legal implications.

Introduction

1. All internal audit services across the public sector are governed by the PSIAS.
2. CIPFA has also produced an Application Note as the sector-specific requirements for local government organisations. The PSIAS and the Local Government Application Note together supersede the 2006 CIPFA Code of Practice for Internal Audit in Local Government in the UK.
3. The objectives of PSIAS are to:
 - Define the nature of internal auditing within the UK Public Sector
 - Set basic principles for carrying out internal audit in the UK public sector

- Establish a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations;
 - Establish the basis for the evaluation of internal audit performance and to drive improvement planning.
4. The foundations of PSIAS are not fundamentally different to those adhered to under the CIPFA Code of practice and require an internal audit charter that defines the purpose, authority and responsibility of the internal audit activity, with clear definitions of those fulfilling responsibilities of the 'board' (The Audit Committee) and 'senior management' (Management Board). The proposed Internal Audit Charter, which meets the requirements set out in PSIAS, is attached at Annexe 1 for consideration.
 5. The Internal Audit Charter must be reviewed periodically (as a minimum annually) by the 'Chief Audit Executive' (Internal Audit Manager) and presented to the Audit Committee.
 6. In line with the Standards, external assessment will also be conducted at least once every five years by an external, qualified, independent assessor or assessment team.

Conclusion

1. This report provides the Audit Committee with an overview of the Internal Audit Charter in accordance with the Public Sector Internal Auditing Standards.

Recommendation

It is recommended that the Audit Committee approves the Internal Audit Charter.

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: Gail Beaton

Telephone: 01483 523260

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



INTERNAL AUDIT CHARTER

TABLE OF CONTENTS

Para No.	Narrative	Page No.
1.	Introduction	3
2.	Definitions	3
3.	Purpose of Internal Audit	4
4.	Professionalism	5
5.	Authority of Internal Audit	5
6.	Organisation	5
7.	Responsibility of the Internal Audit	6
8.	Scope of Internal Audit	6
9.	Independence and Objectivity	7
10.	Internal Audit Plan	7
11.	Internal Audit Resource	8
12.	Reporting and Monitoring	8
13.	The Role of Internal Audit in Fraud Related Work	9
14.	Performance of Non-Audit Activity	9
15.	Periodic Assessment	9
16.	Review of the Internal Audit Charter	10

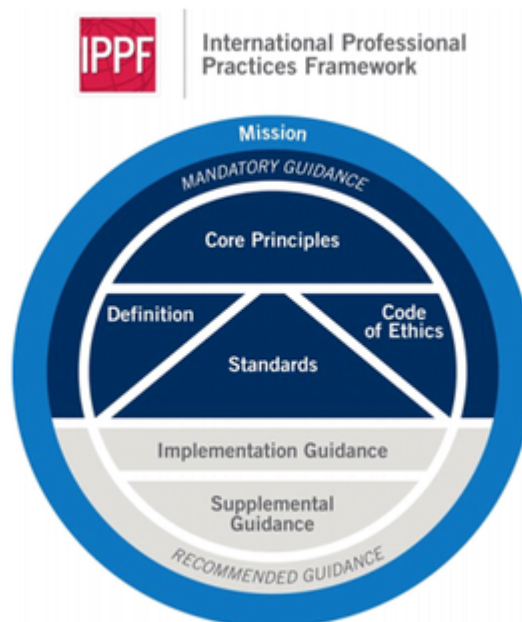
Version	Approved by	Date
V 1	Audit Committee	17/09/2013
V 2	Audit Committee	21/06/2016
V 3	Audit Committee	26/09/2017
V 4	Audit Committee	25/09/2018
V 5	Audit Committee	24/09/2019

1. Introduction

The purpose of the Internal Audit Charter is to define the Internal Audit's purpose, authority and responsibility in accordance with the UK Public Sector Internal Audit Standards (PSIAS). It establishes Internal Audit's position within the council and reporting lines; authorises access to records, personnel and physical property relevant to the performance of audit work; and defines the scope of internal audit activities.

The standards form part of the wider mandatory elements of the International Professional Practices Framework (IPPF) which also includes the mission; core principles; definition of internal audit and Code of Ethics.

The Standards require all internal audit activities to implement and retain an 'Internal Audit Charter'.



2. Definitions

For the purposes of this charter the following definitions shall apply:

2.1 The definition of Internal Audit as set out in the PSIAS:

'Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's 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.'

Mission of Internal Audit is to 'enhance and protect organisational value by providing risk-based and objective assurance, advice and insight'

2.2 The 'Board'

The board is defined as:

'the governance group charged with independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of financial reporting'.

Within this Council the role of the 'Board' will be fulfilled by the Audit Committee.

2.3 Senior Management

Senior Management is defined as:

'those charged with responsibility for the leadership and direction of the Council'.

Within this council the role of 'Senior Management will be fulfilled by the Management Board made up of the Chief Executive and two Strategic Directors.

2.4 Chief Audit Executive

The Chief Audit Executive is described as:

'a person in a senior position responsible for effectively managing the internal audit activity in accordance with the internal audit charter and the Definition of Internal Auditing, the Code of Ethics and the Standards. The Chief Audit Executive or others reporting to the Chief Audit Executive will have appropriate professional certifications and qualifications'.

Within this Council the role of the Chief Audit Executive will be fulfilled by the Internal Audit Manager.

3. Purpose of Internal Audit

The Accounts and Audit Regulations 2015 (Regulation 5 (1)) require that local authorities to which this regulation applies must ensure that it has a sound system of internal control which:-

- a. Facilitates the effective exercise of its functions and the achievement of its aims and objectives
- b. Ensures that the financial and operational management of the authority is effective and
- c. Includes effective arrangements for the management of risk.

As an independent appraisal function, the primary objective of Internal Audit is to review, appraise and report upon the adequacy of internal controls across the entire control environment of the council.

4. Professionalism

The internal audit activity will govern itself by adherence to the Public sector Internal Audit Standards. This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the internal audit activity's performance.

The service, and individual staff, will be governed by the Code of Ethics of the relevant professional bodies of which they are a member, and all codes and policies operated by the Council.

5. Authority of Internal Audit

The powers and duties authority of Internal Audit is set out in the Council's Financial Regulations, paragraph 14.3 details the authority Internal Audit has to perform their duty. The Strategic Director (Section 151 Officer) has nominated these rights to the Internal Audit Manager who has direct access to the Chief Executive (Head of Paid Service), and the Audit Committee.

Internal audit staff have access to all Council property and assets, at any reasonable time, and have the authority to apply any test or checks they deem necessary to the accounts, including cash securities, properties or records which relate in any way to the operations of the Council. The auditor can require and receive such explanations from any Officers or Member as deemed appropriate. All employees are requested to assist the internal audit activity in fulfilling its roles and responsibilities.

6. Organisation

The Internal Audit function sits within the Internal Audit Service that forms part of the Strategic Director's responsibilities, who fulfils the role of the Council's Section 151 Officer. This role is responsible for maintaining an adequate and effective internal audit function and the nomination of an officer to act as the (Chief Audit Executive) Internal Audit Manager. The Internal Audit Manager is the nominated Head of Internal Audit and is responsible for the day to day management of the Internal Audit function. The Internal Audit Manager has free and unfettered access to the Chief Executive, Section 151 Officer, Monitoring Officer and the Chair of the Audit Committee. The Internal Audit Manager will communicate and interact directly with the Audit Committee, including in and between Audit Committee meetings as appropriate.

7. Responsibility of the Internal Audit Service

The key responsibilities of the Internal Audit Service are as laid out in the Council's Financial Regulations:

- The Strategic Director (Section 151 Officer) is responsible for maintaining an adequate and effective internal audit function.
- The internal audit function will operate in accordance with the Public Sector Internal Audit Standards
- The internal audit function is responsible for providing assurance on the Council's system of internal control. It examines, evaluates and reports on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources.
- In fulfilling their responsibilities Internal audit staff will undertake effective reviews of systems and procedures on a regular basis.

8. Scope of Internal Audit

The scope of internal auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the organisation's governance, risk management, and internal control processes in relation to the organisation's defined goals and objectives. Internal control objectives considered by internal audit include:

- Consistency of operations or programs with established objectives and goals and effective performance.
- Effectiveness and efficiency of operations and employment of resources.
- Compliance with significant policies, plans, procedures, laws, and regulations.
- Reliability and integrity of management and financial information processes, including the means to identify, measure, classify, and report such information.
- Safeguarding of assets.

Internal Audit is responsible for evaluating all processes ('audit universe') of the entity including governance processes and risk management processes. It also assists the Audit Committee in evaluating the quality of performance of external auditors and maintains proper degree of coordination with internal audit.

Internal audit may perform consulting and advisory services related to governance, risk management and control as appropriate for the organisation. It may also evaluate specific operations at the request of the Audit Committee or Management Board as appropriate.

Based on its activity, Internal Audit is responsible for reporting significant risk exposures and control issues identified to the Audit Committee or Management Board, including fraud risks, governance issues, and other matters needed or requested by the Audit Committee.

9. Independence and Objectivity

The internal audit activity will remain free from interference by any element in the organisation, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit the maintenance of an independent and objective attitude.

Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair internal auditor's judgment.

Internal auditors must exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors must make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.

The Internal Audit Manager will confirm to the Audit Committee (Board), at least annually, the organisational independence of the internal audit activity.

The Chief Executive reviewing and countersigning the performance reviews of the Internal Audit Manager safeguards the independence of the Internal Audit Manager.

10. Internal Audit Plan

At least annually, the Internal Audit Manager will submit to the Audit Committee an internal audit plan for review and approval, including risk assessment criteria. The internal audit plan will include timing as well as budget and resource requirements for the next fiscal year. The Internal Audit Manager will communicate the impact of resource limitations and significant interim changes to Management Board, Senior Management and the Audit Committee.

The internal audit plan will be developed based on a prioritisation of the audit universe using a risk-based methodology, including input of Service Managers, Management Board and the Audit Committee. Prior to submission to the Audit Committee for approval, the plan will be discussed with Senior Managers and Management Board. Any significant deviation from the approved internal audit plan will be communicated through the periodic activity reporting process to Audit Committee.

11. Internal Audit Resources

The Internal Audit Manager will hold an appropriate professional qualification (CMIIA, CCAB or equivalent) and be suitably experienced.

The Strategic Director (Section 151 Officer) is responsible for providing the Internal Audit Manager with the appropriate resources to maintain an adequate and effective internal audit service.

The Internal Audit Manager will ensure that the Internal Audit service has access to an appropriate range of knowledge, skills, qualifications and experience required to deliver the audit plan.

12. Reporting and Monitoring

A written report will be prepared and issued by the Internal Audit Manager after receipt from the contractor following the conclusion of each internal audit engagement and will be distributed as appropriate. Internal audit results will also be communicated to the Audit Committee.

The final version of the internal audit report will include management's response and corrective action taken to be taken in regard to the specific findings and recommendations. Management's response includes a timetable for anticipated completion of the action to be taken and an explanation for any corrective action that will not be implemented. Where an agreed timeframe has not been met these will be reported to the Audit Committee. This allows a decision to be made on whether a change in the agreed timeframe is necessary or whether the action is still applicable if control enhancements have been implemented elsewhere that negates the need for the action.

The internal audit activity will be responsible for appropriate follow-up on audit findings and recommendations. All significant findings will remain on the outstanding recommendations record until cleared or approved to be removed by the Audit Committee if a justifiable reason is provided to support the request.

The Internal Audit Manager presents the Annual Internal audit opinion as part of the Annual Internal Audit report to the Management Board which is then included in the Annual Governance Statement that supports the Annual Accounts. The Internal Audit Annual Audit Opinion includes an assessment of the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

13. Role of Internal Audit in Fraud Related Work

The role of Internal Audit in fraud related work is set out in the following Council documents:

- Financial Regulations
- Anti – Fraud, Corruption, and Bribery Strategy
- Whistleblowing Policy
- Prosecution Policy
- Fraud Response Plan
- Housing Tenancy Fraud Policy

The primary responsibility for maintaining sound systems of internal control including arrangements to prevent and detect fraud and corruption lies with management. Completion of planned audit work assists this process by highlighting areas where controls are inadequate or are not operating as intended.

The Internal Audit Manager also facilitates the authority’s participation in the National Fraud Initiative (NFI) in which specified data is matched with data supplied from other Local Authorities and external agencies to detect potential fraudulent activity.

14. Performance of Non-Audit Activities

The Internal Audit Manager has line management responsibility for the Council’s Fraud Investigation Officer, which forms part of the Internal Audit Service. To maintain independence and avoid conflict of interest any internal audits of these functions will be undertaken by an externally procured resource.

Where individual internal auditors undertake non–audit activities, for example in participating in corporate projects in a non–audit role, the auditor involved will not participate in future audits of the service/project area until at least one year has elapsed from completion of the activity.

15. Periodic Assessment

The Internal Audit Manager is responsible for periodically providing a self assessment on the internal audit activity as regards its consistency with the Audit Charter (purpose, authority, responsibility) and performance relative to its plan.

In addition, the Internal Audit Manager will communicate to the Management Board and the Audit Committee on the internal audit activity’s quality assurance and improvement program, including results of ongoing internal assessments and external assessments conducted at least every five years. However, as some of Waverley’s work is completed by an external contractor Waverley

requires them to have an external assessment as well as the in house team, completed at least every 5 years and this is confirmed and included in the Annual **Internal** Audit Report each year. The evidence of these assessments is checked by the External Auditors as part of their assessment of the internal control **and governance** framework in place within Waverley Borough Council as part of the work completed for the External Audit findings report.

16. Review of the Internal Audit Charter

This charter will be reviewed annually by the Internal Audit Manager and where changes are required will be presented at least every 2nd year to the Audit Committee for approval.

WAVERLEY BOROUGH COUNCIL

AUDIT COMMITTEE – 24 SEPTEMBER 2019

Title:

PROGRESS ON THE INTERNAL AUDIT PLAN FOR 2019/20

[Wards Affected: All]

Summary and purpose:

The Committee's Terms of Reference include provision for the Committee to approve, monitor and comment on the progress made in the achievement of the Internal Audit Plan. An update on the current position of the internal audit reviews in 2019-20 is presented.

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

The work of Internal Audit service has an impact upon all the Council's priorities as its work involves exposure to all service areas to provide assurance on the control environment of the council. Internal Audit work contributes to the safeguarding of assets against loss and waste and identifying other value for money issues.

Financial Implications:

There are no specific financial implications from this report, however the delivery of the Audit Plan will contribute towards the Council's sound financial and management processes and help ensure sound probity and governance arrangements are in place. Any changes that arise in the plan will be within the current budget.

Legal Implications:

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

Introduction

1. The progress on the completion of the Internal Audit Plan for 2019-20 is shown as attached at Annexe 1.
2. The recent appointment of a new contractor from 01 April 2019 has resulted in a bedding in period to enable reviews to be completed in collaboration with Heads of Service whilst adapting to changes in methodology. Many of the reviews have commenced however only a few have reached the finalisation stage.
3. There is a current short fall with the in house resourcing due to the loss of a member of staff. This has instigated the compilation of an action plan to reassess the position of the audit plan, including revising and rescheduling of the plan according the priorities, which will result in procuring additional resources to meet this shortfall.

Conclusions

4. The Committee to recognise the requirement to focus on the delivery of the plan but to also ensure that those that play a role in its achievement are aware of their role and the expectations that are placed upon them to fulfil the plan.
5. The Audit Manager will keep the Audit Committee apprised of the how the shortfall in resources will be resolved. This will be formally reported at the next Audit Committee meeting in November 2019, in the interim period the Chairman and Vice Chairman of the Audit Committee will be updated on the progress being made.

Recommendation

It is recommended that the Committee notes the contents of the Internal Audit progress report for September 2019 as attached in Annexe 1.

Background Papers

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

CONTACT OFFICER:

Name: Gail Beaton

Telephone: 01483 523260

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



Contents:

1. Role of Internal Audit
2. Purpose of report
3. Performance Dashboard
4. Analysis of 'Completed' audit reviews
5. Executive summaries 'Limited' and 'No' assurance opinions
6. Planning and resourcing
7. Rolling work programme
8. Adjustments to the Plan

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 County 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. Purpose of report

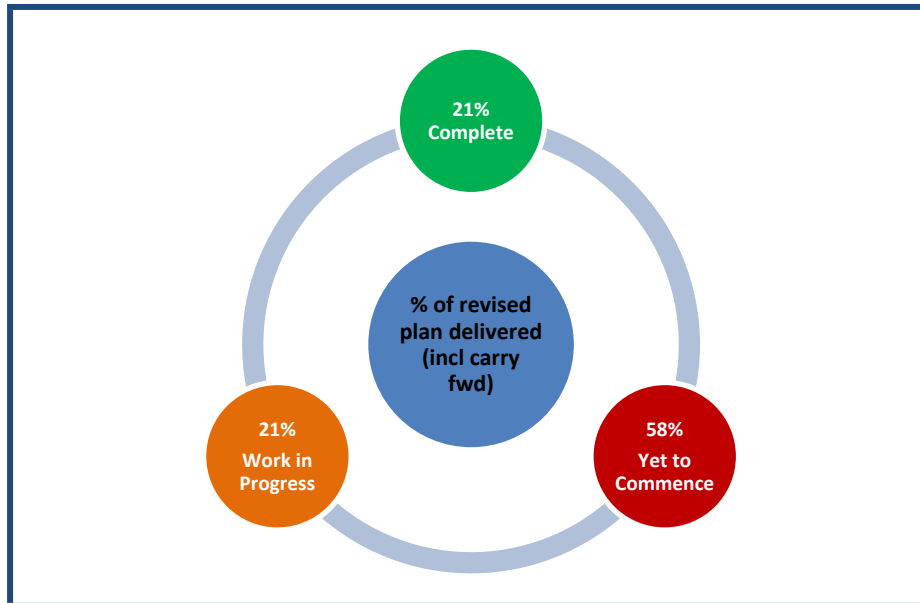
In accordance with proper internal audit practices (Public Sector Internal Audit Standards), and the Internal Audit Charter the Chief Internal Auditor is required to provide a written status report to ‘Senior Management’ and ‘the Board’, summarising:

- The status of ‘live’ internal audit reports;
- an update on progress against the annual audit plan;
- a summary of internal audit performance, planning and resourcing issues; and
- a summary of significant issues that impact on the Internal Audit Manager’s annual opinion.

Internal audit reviews culminate in an opinion on the assurance that can be placed on the effectiveness of the framework of risk management, control and governance designed to support the achievement of management objectives of the service area under review. Assurance opinions are categorised as follows:

- | | |
|--------------------|---|
| Substantial | A sound framework of internal control is in place and is operating effectively. No risks to the achievement of system objectives have been identified. |
| Adequate | 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. |
| Limited | Significant weakness identified in the framework of internal control and / or compliance with the control framework which could place the achievement of system objectives at risk. |
| No | Fundamental weakness identified in the framework of internal control or the framework is ineffective or absent with significant risks to the achievement of system objectives. |

3. Performance dashboard



Page 49

Compliance with Public Sector Internal Audit Standards



An 'External Quality Assessment' of the Southern Internal Audit Partnership was undertaken by the Institute of Internal Auditors (IIA) in September 2015. The report concluded:

'It is our view that the Southern Internal Audit Partnership 'generally conforms' to all of the principles contained within the International Professional Practice Framework (IPPF); Public Sector Internal Audit Standards (PSIAS); and the Local Government Application Note (LAGN).

In accordance with PSIAS, a further self assessment was completed in April 2018 concluding that the Southern Internal Audit Partnership continues to comply with all aspects of the IPPF, PSIAS and LGAN.

4. Analysis of ‘Completed’ audit plan reviews

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Management Actions					Priority		
				Total Rec's Reported	Not Accepted	Not Yet Due	Complete	Overdue	L	M	H
Management of water safety (Legionella)	08/08/2019	HOHO	Adequate	2	0	2	0	1	1		
Gas Safety Checks	08/08/2019	HOHO	Substantiate	0	0	0	0				
Management of Asbestos	08/08/2019	HOHO	Limited	9	0	7	2	1	2	6	
Reconciliations	06/09/2019	HOFP	Adequate	10	0	10	0	4	5	1	

Audit Sponsor	
HOF&P	<i>Head of Finance and Property – Peter Vickers</i>
HOP&G	<i>Head of Policy and Governance – Robin Taylor</i>
HOCS	<i>Head of Commercial - Kelvin Mills</i>
HOES	<i>Head of Environmental Services – Richard Homewood</i>
CEO	<i>Chief Executive – Tom Horwood</i>
HOBT	<i>Head of Business Transformation – David Allum</i>
HOHO	<i>Head of Housing Operations – Hugh Wagstaff</i>
HOHD&C	<i>Head of Housing Delivery & Communities - Andrew Smith</i>
HOP&ED	<i>Head of Planning and Economic Development – Chris Berry (Interim)</i>
SD Director/s	<i>Strategic Director – Graeme Clark/Annie Righton</i>

5. Executive Summaries of reports published concluding a ‘Limited’ or ‘No’ assurance opinion

MANAGEMENT OF ASBESTOS		
<p>Directorate Sponsor:</p> <p>Anne Righton</p> <p>Head Of Service: Hugh Wagstaff head of Housing Operations</p> <p>Final Report Issued:</p> <p>8th August 2019</p>	<p>Assurance opinion:</p>	<p>Management Actions:</p>
<p>Summary of key observations where action is required:</p> <p><i>Not all properties had a management surveys completed and there was not a mechanism sufficient to follow up to ensure they were eventually included on the survey list over time.</i></p> <p><i>There is no formal mechanism in place to flag where properties previously found to have asbestos are re-inspected in line with the current risk ratings.</i></p> <p><i>The record keeping re updating the risk register regardless of actions or status of the survey by the surveying contractor needs improving.</i></p>		
Key Observations		
<p>Areas assessed to be working well/controls are effective</p> <ul style="list-style-type: none"> • Management and operational responsibilities are clearly assigned to appropriate staff who are aware of their areas of responsibility. • An Asbestos Policy and Management Plan are in place which document WBC’s approach to the Management of Asbestos in properties for which it is responsible. Our review of the policy and plan confirmed that they are up to date, have been 		

approved appropriately and are available to all staff on the intranet.

- A current contract is in place with the contractor who carry out asbestos surveys on behalf of WBC. We confirmed that the contract has been signed by both parties.
- Our testing of a sample of 20 different types of acquisitions and disposals of housing stock confirmed that all were recorded promptly on the housing stock database. An annual reconciliation is carried out between Keystone and the Housing Asset Management System (Orchard) to ensure that the database is accurate and up to date.
- A monthly compliance report, which includes statistics around the management of asbestos, is produced by the Compliance Manager and presented to, and discussed with, the Operations Manager and Head of Housing Operations.
- Regular meetings take place between key staff at WBC and the contractor. Review of the minutes of these meetings confirmed that actions are clearly documented with responsibilities assigned and are followed up at subsequent meetings.

Management Response / Update:

Action will be taken to mitigate the risks materialising including:-

Full stock reconciliation of properties that were built prior to 1999 to ensure inclusion on the programme/asbestos register.

Where access to properties are an issue to enable a management survey to be carried out, occupiers will be contacted again and action, including legal action, will be taken to gain access to undertake the survey. Advice to be sought from WBC's Legal team in order to implement a no access process with Court proceedings.

The enhancement of the Asbestos re-inspection programme being added to the Keystone service inspection module will prompt re-inspections allowing for accurate reporting in order to monitor progress.

Improvements in record keeping re updates on surveys and archived actions with the objective to ensure that notes or references are recorded within all relevant system.

Communication methods will be improved to enable concerns to be recorded and actioned promptly in accordance with corporate policies.

Suite of Key Performance Indicators (KPI's) to be monitored monthly and discussed at Contract meetings.

6. Planning & Resourcing

The internal audit plan for 2019-20 was approved by the Audit Committee in March 2019.

The audit plan remains fluid to provide a responsive service that reacts to the changing needs of the Council. Section 8 details the reviews that have been added to the original plan approved in March 2019. Progress against the plan is detailed below in section 7.

7. Rolling Work Programme

IT programme / Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Comment
Recovery of debts (including Write Offs)	HOF&P	✓	✓	✓				
Payroll	HOP&G							
Main Accounting	HOF&P							
Reconciliations	HOF&P	✓	✓	✓	✓	✓	Adequate	
Construction Industry Scheme (CIS)	HOF&P	✓						
IT Fraud Risk Assessment	HOBT	✓						
Firewalls/Cloud Security	HOBT							
Agresso/Orchard Interface	HOF&P	✓						

IT programme / Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Comment
Gas Maintenance in Waverley Properties	HOHO	✓	✓	✓	✓	✓	Substantial	
Legionella checks re Waverley Property Ownership	HOHO	✓	✓	✓	✓	✓	Adequate	
Asbestos Exposure in Waverley Properties (HRA and GF)	HOHO	✓	✓	✓	✓	✓	Limited	
Air Quality	HOES							
Housing Kitchen & Bathrooms Replacement programme	HOHO							
Responsive repairs and voids – new contract	HOHO	✓						
Service Charges - Leasehold Flats	HOHO	✓	✓					
Private Sector Housing (HMO)	HOHD&C	✓	✓					
Disability Facilities Grants Private Sector Housing	HOHD&C							
Events and Filming	HOCS							
Borough Hall	HOCS	✓	✓	✓				
Vending Machines	HOBT	✓	✓					

IT programme / Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Comment
Payroll Accuracy	SD	n/a	n/a	n/a	n/a	n/a	Advisory	
Planning - Benchmarking exercise	SD	n/a	n/a	n/a	n/a	n/a	Advisory	
Planning Enforcement	HOP&ED							
Community Infrastructure Levy	HOP&ED							
Planning Housing Delivery Monitoring Process	HOP&ED							
Ethics including Declaration of Interests	HOP&G							
Property Investment	HOF&P							
Management of major projects - lessons learned - Brightwells and Memorial Hall	SD							
Fraud and Irregularities								
Management								

We use the following levels of assurance and prioritisations in our audit reports:

Assurance Opinion	Framework of governance, risk management and management control
Substantial	A sound framework of internal control is in place and is operating effectively. No risks to the achievement of system objectives have been identified.
Adequate	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.
Limited	Significant weakness identified in the framework of internal control and / or compliance with the control framework which could place the achievement of system objectives at risk.
No	Fundamental weakness identified in the framework of internal control or the framework is ineffective or absent with significant risks to the achievement of system objectives.

Management Actions	Current risk
High Priority	A significant risk of; failure to achieve objectives; fraud or impropriety; system breakdown; loss; or qualification of the accounts by the organisation's external auditors. Such risk could lead to adverse impact on the organisation or expose the organisation to criticism.
Medium Priority	A serious, but not immediate risk of: failure to achieve objectives; system breakdown; or loss.
Low Priority	Areas that individually have no major impact, but where management would benefit from improved risk management and / or have the opportunity to achieve greater efficiency and / or effectiveness.

8. Adjustment to the Internal Audit Plan

Audit reviews removed from the plan	

Additional audit reviews added to the plan after approval by the March 2019 Audit Committee	
Planning Service VFM	SD
Assurance on Payroll Accuracy	SD

WAVERLEY BOROUGH COUNCIL

AUDIT COMMITTEE

24 SEPTEMBER 2019

Title:

PROGRESS ON THE IMPLEMENTATION OF INTERNAL AUDIT RECOMMENDATIONS

[Wards Affected: ALL]

Summary and purpose:

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

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

The work of Internal Audit service has an impact upon all the Council's priorities as its work involves exposure to all service areas to provide assurance on the control environment of the council. Internal Audit work contributes to the safeguarding of assets against loss and waste and identifying other value for money issues.

Financial Implications:

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

Legal Implications:

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

Introduction

1. This report provides the Audit Committee with the latest position regarding the implementation of Internal Audit recommendations.
2. Annexe 1 provides the current position on recommendations due for completion at the end of the month of the Audit Committee date.
3. Annexe 2 details the Head of Service request for change of implementation due dates.

Conclusion

4. Recommendations relate to the control environment and hence the overall governance and risk management of the Council and it is important that agreed actions are completed within timeframes agreed with the relevant Head of Service.

Recommendation

It is recommended that the Committee:

1. considers the information contained in Annexe 1 and, following discussion at the Audit Committee meeting, identifies any action it wishes to be taken; and
2. considers the Head of Service(s) justification for a change in the due date for the recommendations listed in Annexe 2 and agree an appropriate implementation date(s).

Background Papers

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

CONTACT OFFICER:

Name: Gail Beaton

Telephone: 01483 523260

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

ANNEXE 1

Audit Recommendations overdue or due within the end of the month after the AC

Generated on: 04 September 2019







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

Head of Service Mills, Kelvin



Action Code & Description	IA19/16.004 Contracts				Exit Meeting Date	07-Mar-2019
	<p>From our discussions with management we were informed that following feedback from Ofsted contracts have not yet been agreed for 2018/19, however provision has started.</p> <p>The Council is currently reviewing the template contract from Association of Employment and Learning Providers (AELP) regarding apprenticeship provision to see if this would be suitable to use. We have noted that this appears to relate only to apprenticeships and not to AEB or study programmes.</p> <p>We have confirmed that letters of intent were issued to all subcontractors on 1 July 2018 to inform them of maximum contract values and that the terms of the 2017/18 contracts would continue until new contracts were issued. Where signed contracts are not in place the service may be at risk in the event of a dispute with a subcontractor.</p>				Due Date	01-Aug-2019
Risk Level	High Priority				Risk RAG	
Audit Report Code and Description	IA19/16 Waverley Training Services					
Agreed Action	<p>The provider should agree with the legal team the contract wording as a matter of urgency. This should then be agreed with each subcontractor and signed.</p> <p>The provider should ensure this covers AEB and study programmes as well as apprenticeships.</p> <p>Going forwards the provider should ensure that a standard contract has been agreed and signed with each contractor prior to the start of the year. Agreements should be put in place with the Council's legal team to assign time for a legal review of the contract such that it can be agreed with subcontractors prior to delivery commencing. (Kelvin Mills)</p>					
Status		Overdue	Progress	75%	Head of Service	Kelvin Mills
All Notes	Legal advice now received to inform new contracts. Contracts will be issued September.					23-Aug-2019
	ESFA contractual requirements are currently being finalised for coming academic year 2019/20. Once confirmed new contracts will be produced for sub-contractors reflecting changes. Extension request has been made in Annexe 2.					19-Aug-2019


Head of Service Taylor, Robin




Action Code & Description	IA19/08.001 Reporting					
	The Council's iTrent system allows for flexi-time to be run as part of a bespoke report. This report can include employees alongside the flexi-days currently processed within the iTrent system. However, no such reporting is undertaken. Without HR compiling a report and checking for evidence there is a risk that different departments and service lines operate different policies in regard to flexi-time. This risk is higher considering the issues identified elsewhere in this report.				Exit Meeting Date	20-Dec-2018
					Due Date	31-Mar-2019
Risk Level	Medium Priority				Risk RAG	
Audit Report Code and Description	IA19/08 Flexitime					
Agreed Action	The HR department will undertake a periodic sample check of a set of flexi-time claims to ensure the new policies are being followed.					
Status		Overdue	Progress	0%	Head of Service	Robin Taylor
All Notes	<p>iTrent is a booking mechanism and can show flexi requested and authorised. It does not log hours worked against flexi accrued or help show how flexi is being used. It therefore cannot show that the new policies are being followed. An annual mid-year report can be created for HOS similar to holiday reports, but as a sense check for managers to monitor.</p> <p>This can happen from the 1st October. The process has been under review and dates adjusted due to an internal grievance and review of flexi within a council service, which has now been resolved. Therefore, a request to extend the Due Date to October 2019 is being made to the Audit Committee.</p>					11-Sep-2019

Action Code & Description	IA19/08.002 Policy					
	Discussions with 25 staff across the Council confirmed that they did request flexi-time through the iTrent system. Reviewing a sample of 25 flexi-time claims across 20 service areas, we noted 12 staff stated their managers often either "knew" they worked a lot or just did not ask them about/evidence the time they had accrued before authorising requests. We could not identify if any flexi requests were approved retrospectively due to limitations with the iTrent system related to capturing this information. However discussion with each of the 25 members of staff confirmed that in all instances staff are aware that flexi-leave cannot be taken without manager approval first. Despite being able to input requests retrospectively, each of the 25 staff members interviewed confirmed that they must input claims to redeem flexi time accrued ahead of the date arriving. Without managers taking responsibility for ensuring staff are claiming hours based on work actually completed, there is a risk that staff can claim flexi-time without actually working additional hours, this can lead to a decrease in the level of services delivered by the Council.				Exit Meeting Date	20-Dec-2018
					Due Date	31-Mar-2019
Risk Level	Medium Priority				Risk RAG	
Audit Report Code and Description	IA19/08 Flexitime					
Agreed Action	Once the new policy has been drafted and disseminated, managers will be reminded of their responsibility in checking all claims submit to them for flexi-time to ensure these are supported by evidence.					
Status		Overdue	Progress	0%	Head of Service	Robin Taylor

All Notes	Amended policy page 2 point 5 from 'when asked to do so, you are required to provide evidence of any flexi hours accrued' to 'your manager will ask you to justify and provide evidence of any flexi hours accrued'. The process has been under review and dates adjusted due to an internal grievance and review of flexi within a council service, which has now been resolved. Therefore, a request to extend the Due Date to October 2019 is being made to the Audit Committee.	11-Sep-2019
------------------	--	-------------

IA19/08.003 Operate of the Policy						
Action Code & Description	Through our discussions with 25 staff about their flexi leave, and review of underlying documentation we noted that in 17 instances staff did not know of the limit of carrying forward 2 days per month at maximum.	Exit Meeting Date	20-Dec-2018			
	Of these 17, we noted that five staff did not monitor their time, and for the remaining 12 staff they had cumulative hours in excess of the maximum allowance per month. We noted that these staff used their own variation or old versions of the official suggested spreadsheet mentioned within the policy.	Due Date	31-Mar-2019			
Risk Level	Medium Priority	Risk RAG				
Audit Report Code and Description	IA19/08 Flexitime					
Agreed Action	The flexi-time policy will be reviewed for how the Council wishes it to operate. Either then the policy will be updated to reflect actual practice, or else all staff will be reminded that they are required to follow the approved policy. Following this, the Policy will be highlighted to staff both existing within the Council, and all new staff starting through the induction process.					
Status		Overdue	Progress	0%	Head of Service	Robin Taylor
All Notes	The flexi policy will form part of the induction and onboarding process & a link sent to all new starters asking for it to be read. The process has been under review and dates adjusted due to an internal grievance and review of flexi within a council service, which has now been resolved. Therefore, a request to extend the Due Date to October 2019 is being made to the Audit Committee.					11-Sep-2019

IA19/08.004 Time Tracking Spreadsheet						
Action Code & Description	Review of the suggested template confirmed that the template only allows for the maximum of two days of additional hours worked to be carried forward per month. As part of discussions with staff, we noted two further issues. . One person had booked flexi-leave in December already in iTrent, however this leave has not yet been accumulated, instead it was booked based on anticipated additional work. . One person from the Community Partnerships team noted that their managers are currently been told that flexi-time should not be accumulated by them, and that they must take an hour of lunch despite the Council's lunch break being 30 minutes. There is a risk that without a robust policy, that is used by both staff and managers, giving them information about how they must work if they are to use flexi-time, that different people, teams and departments all operate flexi-time in different manners, requiring different levels of evidence to be retained and this can lead to staff dissatisfaction and a loss of productivity if staff misuse the system.	Exit Meeting Date	20-Dec-2018			
			Due Date	31-Mar-2019		
Risk Level	High Priority	Risk RAG				
Audit Report Code and Description	IA19/08 Flexitime					

Agreed Action	The Council will mandate the need for using the approved time tracking spreadsheet, which itself will need to include sufficient detail for the approving manager to understand and agree the reasons for the overtime worked, to ensure all staff wanting to use their flexi-time benefits do so based on actual hours accumulated. Staff will be reminded that they can only carry forward the approved number of hours.					
Status		Overdue	Progress	0%	Head of Service	Robin Taylor
All Notes	<p>iTrent does not allow you to use more than the entitlement of 13 days. It is the manager's responsibility to monitor hours accrued and ensure it does not exceed 13 days. The policy states (page 3, point 4b) any hours worked more than the flexi accrual will not be classified as flexi time, unless authorised by a director. A time tracking spreadsheet removes the flexi culture & adds unnecessary steps for an employee who does not require a daily record. It should be optional dependant on the employee and hours worked.</p> <p>The process has been under review and dates adjusted due to an internal grievance and review of flexi within a council service, which has now been resolved.</p> <p>Therefore, a request to extend the Due Date to 1 October 2019 is being made to the Audit Committee.</p>					11-Sep-2019
Action Code & Description	IA19/08.005 Flexi Leave Entitlements					
	From our sample of 25 flexi-time claims, two were for part time workers. We noted that they both had access to the full amount of 13 days entitlement in iTrent, although this should have been pro rated in line with their working hours. There is a risk that part time staff are over claiming on their flexi-time if their entitlements are not pro-rated accurately.				Exit Meeting Date	20-Dec-2018
					Due Date	31-Mar-2019
Risk Level	Medium Priority				Risk RAG	
Audit Report Code and Description	IA19/08 Flexitime					
Agreed Action	A full review of part time employee's flexi-leave entitlements will be undertaken to ensure all staff have accurately been allocated the correct amount.					
Status		Overdue	Progress	0%	Head of Service	Robin Taylor
All Notes	<p>Agreement that iTrent must calculate the 13 days pro rata for part time staff. MHR to confirm the consultation cost to amend calculations on iTrent and a review of contracts to be undertaken for possible consultation. This needs extension until December 2019 due to the time taken for MHR to respond and possible consultation.</p> <p>The process has been under review and dates adjusted due to an internal grievance and review of flexi within a council service, which has now been resolved.</p> <p>Therefore, a request to extend the Due Date to 01 December 2019 is being made to the Audit Committee.</p>					11-Sep-2019

ANNEXE 2

Application/s for extension to implementation date

Recommendation Ref No	IA19/16.004
Justification for an extension	<p>ESFA contractual requirements have yet to be finalised for coming academic year 2019/20. Therefore until this is known the recommendation cannot be fully implemented. Once confirmed new contracts will be produced for sub-contractors reflecting any necessary changes.</p> <p>It is therefore requested that an extension date of 31 October 2019 be provided.</p>
Head of Commercial	Kelvin Mills

Recommendation Ref No	IA19/18.001,2,3,4 & 5
Justification for an extension	<p>The flexi time process has been under review and the request to adjust the due dates is the result of the duration of an internal grievance process, which included the review of flexi within a council service. This could have involved further changes to the process, but as this has now been resolved, outcomes of the review can now be assess in parallel with the recommendations.</p> <p>It is therefore requested that an extension date of 1 October 2019 be provided for recommendations 1-4, and 01 December 2019 for recommendation 5.</p>
Head of Policy and Governance	Robin Taylor

This page is intentionally left blank

WAVERLEY BOROUGH COUNCIL

AUDIT COMMITTEE – 24 SEPTEMBER 2019

Title:

FRAUD INVESTIGATION SUMMARY

[Wards Affected: All]

Summary and purpose:

The report provides an update to the Committee on the progress made by Waverley Borough Council officers on the work being completed in investigating fraud, primarily focusing on Housing Tenancy fraud.

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

Internal Audit and fraud investigation work initiatives contribute to the safeguarding of assets against loss and waste. This work contributes to all our corporate priorities and mission "to deliver excellent and affordable service by using our resources wisely and working creatively". However, it does have a direct contribution to the priority of people, with the number one goal to "deliver housing options for people in need of affordable housing services and continue to be one of the most effective housing services in the country at preventing homelessness".

Resource/Value for Money implications:

Through the detection of instances of housing related fraud, the Council's resources are safeguarded thus improving value for money and reducing the waiting list for homes. This work aims to ensure that members of the public are only provided with housing and other services that they are legally entitled and using them in accordance with tenancy agreement terms and conditions. As a by-product of the fraud investigation officers caseload changes to Council Tax and Business Rates discounts may materialise. The Housing Revenue Account supports this work by resourcing the role of an experienced Fraud Investigator.

Legal Implications:

It is the Council's duty to safeguard public funds; the work being completed may incur legal costs where matters escalate to prosecution. However, these costs far out weighed by the Council's stance that fraud perpetrated against the council and its taxpayers will not be tolerated. There are tangible and intangible benefits of the recovery of HRA properties by stopping fraudsters receiving services that they are not entitled to.

Introduction

1. This report provides the Audit Committee with an update on the progress being made on fraud investigations. As part of this work we continue to share ideas and information with other Surrey councils and other social housing providers. This includes attendance at relevant sub groups in collaboration to fight fraud and share information, ideas and achievements. All parties involved sign up to Information Sharing Protocols (ISP) to facilitate data matching exercises between members to identify anomalies that could be an indicator of fraudulent practices. The success of the work completed has been supported by the introduction of the Prevention of Social Housing Fraud Act 2013 where the maximum penalty is up to 2 years imprisonment or a fine (or both).
2. Also included in the Annexe 1 is the National Fraud Initiative (NFI) outputs which assists in identifying any instances where applicants remain on our records as requiring housing but have been adequately housed by other housing providers. So can be removed from our own waiting list.
3. For comparison purposes, as requested by the Audit Committee, the previous year outcomes have been included. It should however be noted that due the Cabinet Office revising the method of calculation of fraud categories the partnership have now adopted these from 1st April 2019 some variances had materialised.
4. In this period, results include 1 property being relinquished, and this has now been made from available to be re-let to tenants on our waiting list. This was due to the property not being occupied by the tenant in accordance with the Tenancy Agreement terms and conditions.
5. An increase awareness of Housing staff and training has enabled cases to be dealt with more confidently and efficiently. This has lead to a reduction in cases being referred to the fraud investigation officer, which supports the work being completed to continue to embed new ideas and processes to safeguard our assets and to improve the processes and controls in place to minimise the opportunity for fraudulent practices to be successful.

Conclusion

6. The Fraud Investigation Officer, supported by the Internal Audit Manager, will continue to investigate the cases reported and introduce, where applicable, enhancements to policies and procedures to maintain effective working practices meet regularly with the Housing team to develop and improve current policies and procedures. Where the need arises we will work closely with other officers in the council and in the partnership with others to achieve successful outcomes. The housing team support this work by informing tenants that breaches of a tenancy agreement will not be tolerated and this also assists in minimising the risk of fraudulent activity occurring.

7. The notional value of financial savings detailed in Annexe 1 up to 30 June 2019, is £411,736, of which £258,530 relates to National Fraud Initiative, the balance of £153,206 based on Cabinet Office figures related directly to housing fraud. However, these indicative values do not include the real value to Waverley Borough Council, as it costs on average £200,000 to build a new house (£200,000). Outcomes from this work not only highlight the fundamental financial value of continuing to support the work being carried out but the ethical and social responsibility importance to ensure that only those that qualify for social housing are successful. By securing the return of properties back into housing stock helps Waverley to meet the needs of legitimate housing applicants.

Recommendation

It is recommended that the Audit Committee notes the success of the fraud investigation activity.

Background Papers

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

CONTACT OFFICER:

Name: Gail Beaton

Telephone: 01483 523260

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

This page is intentionally left blank

Name of Partner	Waverley
QUARTER	1

Record of cases investigated in the period covering 01 April 2019 to 30 June 2019

	Cases currently being investigated from previous year	Referrals received since 1 April 2019	Cases Started	Cases closed	Still under investigation	Positive outcomes includes previous years cases	Properties retained by the Council	Properties Handed Back /Recovered	Housing / Homeless/RTB / Succession/Mutual Exchange/Shared ownership application withdrawn	Financial Value	Prosecutions	Other Sanctions
Housing												
Social housing Fraud	11	1	12	1	11			1	Tenancy Relinquished	93,000		
Housing Register Fraud	2	2	4	3	1	1			Housing Applications Rejected	3,240		
Homelessness Applications												
Right To Buy/Right To Acquire	4	5	9	6	3				Right to Buy stopped and/or Tenancy Relinquished	0		
Mutual Exchange	0	7	7	7					Mutual Exchange denied/rejected	0		
Successions	1	2	3	2	1				No of Succession/s denied	0		
Recovered properties for others	0									0		
Council Tax Discount												
SPD & LCTRS (As result from Caseload above)						1				974		
Student Exemptions												
Disability												
Council Tax Support (benefit)												
Business rates												
NNDR	0									0		
Other (DFG)	0	1	1			1				55,992		
NFI exercise **										258,530		
2019/20 Total to 30 June 2019	18	18	36	19	16	3	0	1		411,736		
2018/19 Year Total	18	54	72	55	17	8	3	4		189,710	0	0
2017/18 Year Total	21*	113	134	117	17	30	13	10		733,930		
2016/17 Year Total	11	127	138	118	20*	32	13	12		688,866		

Value of financial savings Re Cabinet Office savings figures now adopted by partnership 01 April 2019

Tenancy Recovered - £93,000
Housing/Homeless Application withdrawn - £3,240
Right To Buy/Right To Acquire withdrawn/terminated - £72,000 per application withdrawn
Council Tax Discount - Annual value of discount cancelled multiplied by two years
Council Tax Support - weekly reduction multiplied by 21 weeks.

* difference of 1 related to Housing Association property where assistance was provided to recover a property as part of one of our investigations.

** To provide a total of the fraud investigation work that is completed the SFCP are now including the NFI outputs, the majority of these identified above relate to the removal from the housing register.

This page is intentionally left blank

Annual Governance Statement – Consideration of Potential Governance Issues

The Annual Governance Statement (AGS) is required to include details of any significant governance issues that the Council is aware of.

The Audit committee is asked to review the information and governance reports received across the financial year to identify any issues they consider to be significant and require to be identified within the AGS.

Any issue is considered to be significant if it:

- seriously prejudiced or prevented the achievement of the Corporate Plan themes and aims;
- resulted in the need to seek additional funding or the significant diversion of resources;
- led to a material impact on the financial statements;
- attracted or have the potential to attract significant public interest or have had an impact on the reputation of the Council;
- resulted in formal action being undertaken by the Director of Resources or the Monitoring Officer;
- had been identified by the External Auditor or the Committee as being significant;
- had been reported by the Internal Audit Client Manager as significant in their annual internal audit opinion;
- resulted in disclosures of serious incidents relating to information governance, including data loss or confidentiality breach;
- put a major programme or project at risk.

This page is intentionally left blank

Agenda Item 14.

AUDIT COMMITTEE RECURRENT ANNUAL WORK PROGRAMME

Meeting	Item	Action	Responsibility
November 2019	Risk Management	Approve	Head of Finance and Property, Peter Vickers
	Annual Governance Statement – Interim Review	Comment and instruct	Head of Finance and Property, Peter Vickers
March 2020	External Audit Plan	Note	External Audit
	Certification Report	Note	External Audit
	Internal Audit Plan	Approve	Internal Audit Manager, Gail Beaton
	Risk Management (if required)	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 and Property, Peter Vickers and Head of Policy and Governance, Robin Taylor
	Annual Internal Audit Report (Activity of previous financial year)	Comment and Note	Internal Audit Manager, Gail Beaton
September 2020	Risk Management (if required)	Approve	Head of Finance and Property, 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 Manager, Gail Beaton
	External Audit Annual Audit Letter	Note	External Audit

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

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

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

Fraud Investigation Summary [To note].

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

This page is intentionally left blank