



Waverley Borough Council
Council Offices, The Burys,
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www.waverley.gov.uk

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

When calling please ask for:
Maureen Brown, Democratic Services
Officer

Policy and Governance

E-mail: maureen.brown@waverley.gov.uk

Direct line: 01483 523225

Calls may be recorded for training or monitoring

Date: 4 September 2015

Membership of the Audit Committee

Cllr Jim Edwards (Chairman)
Cllr John Gray (Vice Chairman)
Cllr Andrew Bolton
Cllr Jenny Else

Cllr Ged Hall
Cllr Stephen Hill
Cllr Richard Seaborne

Dear Councillors

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

DATE: TUESDAY, 15 SEPTEMBER 2015

TIME: 7.00 PM

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

The Agenda for the meeting is set out below.

Yours sincerely

ROBIN TAYLOR

Head of Policy and Governance

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NOTE FOR MEMBERS

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

AGENDA

1. **MINUTES**

To confirm the Minutes of the Meeting held on 23 June 2015 (to be laid on the table half an hour before the meeting).

2. **APOLOGIES FOR ABSENCE**

To receive apologies for absence.

3. **DISCLOSURE OF INTERESTS**

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

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

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

5. **UPDATED COMMITTEE TERMS OF REFERENCE** (Pages 7 - 10)

At the meeting on 23rd June the Committee asked for some updates to the Committee's terms of reference. A suggested updated version is attached. The introductory section at Paragraph 8.02 sets out the general role of the committee, and the bullet points in bold already cover the points made by Members about the broader remit of the committee. The suggested additions are shown in sections 8.03, paragraphs 1, 2 and 3 in italics.

The committee is asked to consider these, and agree any changes which they can recommend to the Council to adopt.

Recommendation

It is recommended that the Audit Committee consider the updated Terms of Reference and agree and any changes to recommend to Council to adopt.

6. EXTERNAL AUDIT FINDINGS REPORT (Pages 11 - 42)

To receive the attached External Audit Findings Report from Grant Thornton and for Members to raise any relevant questions and observations they may have.

(PLEASE NOTE: With reference to the outstanding items listed on page 5 of the External Audit Findings Report from Grant Thornton, Members will receive a written update on any further progress made prior to the meeting).

Recommendation

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

7. STATEMENT OF ACCOUNTS 2014/15 (Pages 43 - 50)

The purpose of this report is for the Audit Committee to consider and approve the Statement of Accounts for the year ended 31 March 2015 (provided as an individual booklet)

Recommendation

It is recommended that the Audit Committee

- 1. approves the Statement of Accounts for the financial year ended 31 March 2015 (Covering Report on pages 43-46 and Statement of Accounts provided as an individual booklet as ANNEXE 1); and**
- 2. approves the Letter of Representation for 2014/2015 (ANNEXE 2) (pages 47-50); and**
- 3. confirms that the accounts have been prepared on a going concern basis.**

8. PROGRESS ON THE INTERNAL AUDIT PLAN FOR 2015/16 (Pages 51 - 54)

The Committee's Terms of Reference include provision for the Committee to comment on the progress made in the achievement of the Internal Audit Plan. An update on the current position of the review for 2015/16 is presented.

Recommendation

It is recommended that the Committee notes the Internal Audit Plan 2015/16 as attached at Annexe 1.

9. PROGRESS ON THE IMPLEMENTATION OF INTERNAL AUDIT RECOMMENDATIONS (Pages 55 - 62)

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

Recommendation

It is recommended that the Committee:

- 1. considers the information contained in Annexe 1 and identifies any action it wishes to be taken; and**
- 2. receives and considers a written update from Heads of Service regarding the position to achieve the agreed target date for the implementation of internal audit recommendations and identifies any action it wishes to be taken;**

(PLEASE NOTE: This will be provided in the Update Sheet prior to the meeting).

- 3. approves the proposed changes in implementation dates in Annexe 2.**

10. ANNUAL GOVERNANCE STATEMENT (Pages 63 - 76)

To approve the Annual Governance Statement 2014/15 following the decision at the last meeting to delay approval to allow Members further time to read the AGS and send any comments to the Head of Finance.

Recommendation

It is recommended that the Committee approves the attached Annual Governance Statement 2014/15.

11. RISK MANAGEMENT UPDATE (Pages 77 - 98)

This report presents the latest corporate risk register as refreshed by Heads of Service.

Recommendation

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

12. 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).

13. ANY OTHER ISSUES TO BE CONSIDERED IN EXEMPT SESSION

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

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

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Article 8 – Regulatory and other Committees

8.01 Regulatory Committees

The Council will appoint the Committees set out in the left hand column of the table Responsibility for Council Functions in Part 3 of this Constitution to discharge the functions described in column 3 of that table.

Currently the Regulatory Committees are:

- Joint Planning Committee
- Area Planning Committees (Central, Eastern, Southern and Western)
- Licensing and Regulatory Committee.

8.02 Audit Committee

The Audit Committee is the means of bringing independent, effective assurance into the Council's corporate governance arrangements. This covers:-

- **Risk management framework**
- Control environment and arrangements
- Financial performance
- **Non-financial performance (processes and controls)**
- Financial reporting.

An Audit Committee Charter was adopted in September 2013.

8.03 Terms of Reference

The Terms of Reference are as follows:

1. Corporate Governance

- 1.1 To consider the Council's arrangements for corporate governance and recommend necessary actions to ensure compliance with best practice as set out in the current CIPFA/SOLACE Framework "Delivering Good Governance in Local Government" and any revision thereof.
- 1.2 To maintain an overview of the Council's Constitution in respect of contract procedure rules, financial regulations and codes of conduct and behaviour.
- 1.3 To consider the Council's compliance with its own and other published regulations, standards and controls, *covering both financial and general issues*
- 1.4 To monitor Council policies in "Raising Concerns at Work" and the anti-fraud and anti-corruption strategy .
- 1.5 To monitor the effective development and operation of internal control in the Council with particular reference to all aspects of risk management.
- 1.6 To consider the Council's Annual Governance Statement and, if thought fit, recommend its adoption by the Council.

- 1.7 To consider any reports published by bodies, other than the external auditor, charged with inspecting the Council's performance or arrangements for corporate governance.
- 1.8 To review any issue referred to it by the Head of Paid Service or a director or any Council body.
- 1.9 To request a report from any Head of Service relating to an outstanding internal audit recommendation issue.

2. External scrutiny

- 2.1 To consider whether appropriate accounting policies have been followed in the preparation of the annual statement of accounts.
- 2.2 To consider all communications from the external auditor to the Audit Committee, including:
 - 2.2.1 the audit letter;
 - 2.2.2 the report on issues arising from the audit of the accounts; and
 - 2.2.3 any other reports requested by the Audit Committee from the external auditor.
- 2.3 To consider whether there are concerns that need to be brought to the attention of the Council that arise from:
 - 2.3.1 the audit; or
 - 2.3.2 the accounts.
- 2.4 To consider and, if thought fit, approve the annual statement of accounts.
- 2.5 To comment on the scope and depth of external audit work and to ensure that it gives value for money, especially with regard to reports dealing with risk management and performance matters.
- 2.6 *To oversee all aspects of risk management, including Waverley's Corporate Risk Registers*

3. Internal audit

- 3.1 To consider the Annual Review of the system of Internal Audit.
- 3.2 To consider the Internal Audit Client Manager's Annual Report.
- 3.3 To consider the annual Internal Audit Service Plan.
- 3.4 To consider the current Internal Audit Plan and summaries of internal audit activity by department and consider the level of assurance this can give concerning the effectiveness of the Council's corporate governance arrangements.
- 3.5 To consider internal audit reports detailing recommendations not implemented within the specified timescale.
- 3.6 To consider proposed internal audit activity and the range of departments to be covered and the level of assurance this can give concerning the effectiveness of the Council's corporate governance arrangements.
- 3.7 To commission work *or reports* from the Internal Audit Service.
- 3.8 To consider any specific internal audit reports requested by the Audit Committee.
- 3.9 To monitor the progress of any specific internal audit projects.
- 3.10 To consider reports dealing with the management and performance of the providers of internal audit services.

- 3.11 To comment on the scope and depth of internal audit work and to ensure that it gives value for money, especially with regard to reports dealing with [risk] management and performance matters.

8.04 Composition of Audit Committee

(a) Membership and Meetings

The Audit Committee will

- be composed of seven councillors, with no members from the Executive;
- meet four times per year, as set out in the Calendar of Meetings, and on an ad hoc basis when necessary.

(b) Quorum

The quorum for meetings will be three Councillors.

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The Audit Findings Report for Waverley Borough Council

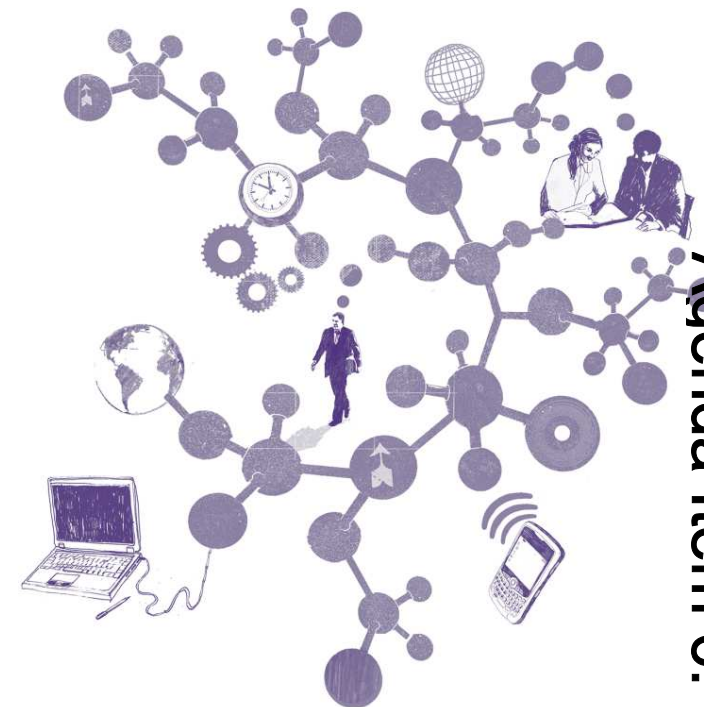
Year ended 31 March 2015

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15 September 2015

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Agenda Item 6.



Waverley Borough Council
The Burys
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GU7 1HR

15 September 2015

Dear Councillor Edwards

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Audit Findings Report for Waverley Borough Council for the year ending 31 March 2015

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This Audit Findings Report highlights the significant findings arising from the audit for the benefit of those charged with governance (in the case of Waverley Borough Council, the Audit Committee), as required by International Standard on Auditing (UK & Ireland) 260. Its contents have been discussed with management.

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

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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

Yours sincerely

Iain Murray – Engagement Lead

for and on behalf of Grant Thornton UK LLP

Chartered Accountants

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Appendix

A Audit opinion

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Section 1: Executive summary

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non-audit services and independence

05. Communication of audit matters

Executive summary

Purpose of this report

This report highlights the key matters arising from our audit of Waverley Borough Council's (the Council) Group and Council financial statements for the year ended 31 March 2015. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing 260 (ISA UK&I).

Under the Audit Commission's Code of Audit Practice we are required to report whether, in our opinion, the Group and Council's financial statements present a true and fair view of the financial position and expenditure and income for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting (the CIPFA Code). We are also required to reach a formal conclusion on whether you have put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (the Value for Money conclusion).

Introduction

In the conduct of our audit we have not had to alter or change our planned audit approach, which we communicated to you in our Audit Plan dated March 2015.

Our audit is substantially complete although, at the time of drafting this report, we are finalising our work in the following areas:

- completion of our work on Property, Plant and Equipment, in particular focusing on the asset valuations included within the financial statements
- completion of our Council Tax and National Non-Domestic Rates analytical procedures
- completion of our work on your reserves
- review of the final version of the financial statements
- obtaining and reviewing the final management letter of representation

- review of final version of the Annual Governance Statement
- final quality assurance and review processes and
- updating our post balance sheet events review, to the date of signing our opinion

We received draft financial statements and accompanying working papers at the start of our audit, in accordance with the agreed timetable.

Key issues arising from our audit

Financial statements opinion

We anticipate providing an unqualified opinion in respect of the financial statements.

The key messages arising from our audit of the Group and Council's financial statements are:

- As in previous years your draft financial statements are of a very high standard and this is reflected by the minimal level of issues arising from our work
- Your financial statements were supported by an excellent set of working papers and our audit has again been greatly helped by early discussions on any potential financial reporting issues with you.

We have identified no adjustments affecting the Group and Council's reported financial position (details are recorded in section 2 of this report). We did however identify a small number of suggested adjustments to improve the presentation of the financial statements. Further details are set out in section two of this report.

Your strong financial reporting processes mean you are well placed to bring the accounts and audit process forward ahead of the earlier deadlines planned for 2018. We aim to work with you to deliver earlier close in a manner that minimises the impact on your wider operations and service delivery.

Value for Money conclusion

We are pleased to report that, based on our review of your arrangements to secure economy, efficiency and effectiveness in its use of resources, we propose to give an unqualified VfM conclusion.

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Further detail of our work on Value for Money is set out in section three of this report.

Whole of Government Accounts (WGA)

We have completed our work on the Whole of Government Accounts and have no issues which we wish to highlight for your attention.

Controls

Roles and responsibilities

The Council's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to you.

Findings

Our work has not identified any control weaknesses which we wish to highlight for your attention.

Further details are provided within section two of this report.

The way forward

Matters arising from the financial statements audit and review of your arrangements for securing economy, efficiency and effectiveness in its use of resources have been discussed with the Executive Director and Director of Finance and Resources

Acknowledgment

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

Grant Thornton UK LLP
September 2015

Section 2: Audit findings

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non-audit services and independence

05. Communication of audit matters

Audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of our work. We set out on the following pages the work we have performed and the findings arising from our work in respect of the audit risks we identified in our audit plan, presented to the Audit Committee on 23 March 2015. We also set out the adjustments to the financial statements arising from our audit work and our findings in respect of internal controls.

Changes to Audit Plan

We have not made changes to our Audit Plan as previously communicated to you on 23 March 2015.

Audit opinion

We propose an unqualified audit opinion as set out in Appendix B.

Audit findings against significant risks

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

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
1.	<p>Improper revenue recognition</p> <p>Under ISA (UK&I) 240 there is a presumed risk that revenue may be misstated due to improper recognition</p>	<p>As mentioned in our Audit Plan, we have rebutted this presumption because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Waverley Borough Council, mean that all forms of fraud are seen as unacceptable. <p>However, due to the material nature of revenue, we have still completed the following as part of our audit work:</p> <ul style="list-style-type: none"> • review of revenue recognition policies • testing of material revenue streams • review of unusual significant transactions 	<p>Our audit work has not identified any issues in respect of revenue recognition.</p>
2.	<p>Management override of controls</p> <p>Under ISA (UK&I) 240 there is a presumed risk of management override of controls</p>	<ul style="list-style-type: none"> • review of accounting estimates, judgements and decisions made by management • testing of journal entries • review of unusual significant transactions 	<p>Our audit work has not identified any evidence of management override of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgments.</p>

Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Operating expenses	Creditors understated or not recorded in the correct period	We have undertaken the following work in relation to this risk: <ul style="list-style-type: none"> • documented our understanding of processes and key controls over the transaction cycle • undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding • performed substantive testing of the expenditure incurred during the year • testing of creditor payments, including accruals, for completeness, classification and occurrence • review of control account reconciliations • cut-off testing • review of allocating/appropriating expenses to meet the requirements of the Service Reporting Code of Practice 	Our audit work has not identified any significant issues in relation to the risk identified
Employee remuneration	Employee remuneration accrual understated	We have undertaken the following work in relation to this risk: <ul style="list-style-type: none"> • documented our understanding of processes and key controls over the transaction cycle • undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding • reviewed the reconciliation between the payroll system and the general ledger • undertaken trend analysis on the employee remuneration expenses incurred during the year • performed substantive testing of the payroll expenditure incurred during the year 	Our audit work has not identified any significant issues in relation to the risk identified



Group audit scope and risk assessment

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

Component	Significant?	Level of response required under ISA 600	Risks identified	Work completed	Assurance gained & issues raised
Shottermill Recreation Ground and Swimming Pool	No	Targeted	<ul style="list-style-type: none"> Property, plant and equipment (PPE) revaluation measures not correct Recorded cash at bank not valid 	<ul style="list-style-type: none"> We have reviewed the relevant PPE Balances to ensure they are recorded correctly We have agreed the relevant cash balance to external confirmations 	Our audit work has not identified any issues in respect of the procedures performed on the applicable group elements.
Ewart Bequest	No	Targeted	<ul style="list-style-type: none"> Recorded cash at bank not valid 	<ul style="list-style-type: none"> We have agreed the relevant cash balance to external confirmations 	Our audit work has not identified any issues in respect of the procedures performed on the applicable group elements.

Accounting policies, estimates & judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included within your financial statements.

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	<ul style="list-style-type: none"> Income from the sale of goods is recognised when you transfer the significant risks and rewards of ownership to the purchaser, and it is probable that economic benefits or service potential associated with the transaction will flow to you. Income from the provision of services is recognised when you can measure reliably the percentage completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to you. Income from non-exchange transactions is recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to you, and the amount of revenue can be measured reliably. 	<p>The accounting policy is adequately disclosed in line with the requirements of the CIPFA Code.</p> <p>Our testing of your various revenue sources did not identify any instances of inappropriate revenue recognition.</p>	 Green
Estimates and judgements	<ul style="list-style-type: none"> Key estimates and judgements include: <ul style="list-style-type: none"> Useful life of capital equipment Pension fund valuations and settlements Impairments PPE revaluations (covered on Page 14) Depreciation Bad debt provisions Business rate appeals 	<p>Your critical judgements and estimation uncertainties are disclosed within Notes 3 and 4 of the financial statements, and are in line with the requirements of the CIPFA Code.</p> <p>We have reviewed your Business rate appeals provision, along with the calculation of depreciation in respect of Council Dwellings, and are satisfied with the approaches taken in each of these areas.</p>	 Green

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Assessment

● **Red** - Marginal accounting policy which could potentially attract attention from regulators disclosure

● **Green** - Accounting policy appropriate and disclosures sufficient

● **Amber** - Accounting policy appropriate but scope for improved

Accounting policies, estimates & judgements continued

Accounting area	Summary of policy	Comments	Assessment
Going concern	Management have a reasonable expectation that the services provided by the Council will continue for the foreseeable future. Linked to this, you have set a balanced budget for 2015-16 and have an updated Medium Term Financial Plan in place for the next four years. For these reasons, you continue to adopt the going concern basis in preparing the financial statements.	We have reviewed management's assessment and are satisfied with managements' assessment that the going concern basis is appropriate for the 2014/15 financial statements.	 Green
Other accounting policies	We have reviewed your accounting policies against the requirements of the CIPFA Code and accounting standards.	Our review of accounting policies has not highlighted any issues which we wish to bring to your attention.	 Green

Assessment

● - Red Marginal accounting policy which could potentially attract attention from regulators

● - Amber Accounting policy appropriate but scope for improved disclosure

● - Green Accounting policy appropriate and disclosures sufficient

Accounting policies, Estimates & Judgements– review of issues raised in prior year

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	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1.	✓	<p>Estimates and judgements - Property, Plant & Equipment (PPE)</p> <p>In previous years you have carried out a rolling programme of revaluations, with the date of the valuations varying between 2009/10 and 2013/14. This approach was similar to many other authorities and we were satisfied that you had satisfied yourselves that the carrying amount of Property, Plant and Equipment (based on these valuations) did not differ materially from the fair value at 31 March 2014.</p> <p>However, in our view this rolling programme did not meet the CIPFA Code's requirement to value items within a class of property, plant and equipment simultaneously, as this CIPFA Code requirement, which is based on IAS 16 Property, Plant and Equipment, only permits a class of assets to be revalued on a rolling basis provided that:</p> <ul style="list-style-type: none"> the revaluation of the class of assets is completed within a 'short period' the revaluations are kept up to date. <p>In our view, we would normally expect this 'short period' to be within a single financial year. This is because the purpose of simultaneous valuations is to 'avoid reporting a mixture of costs and values as at different dates'. This purpose is not met where a revaluation programme for a class of assets straddles more than one financial year.</p>	<p>You have maintained your five year rolling programme of revaluations. All items of PPE which are included within the financial statements at fair value have been revalued at least once in the last five years i.e. between 2010/11 and 2014/15.</p> <p>Your entire dwelling stock has been revalued during 2014/15, via the beacon approach prescribed by central government.</p> <p>This approach remains consistent to that taken by many other local authorities and you have adequately demonstrated that the carrying value of any items of PPE which were not revalued during the year were not materially different to the fair value of these items as at the 31 March 2015. It is however important that you continue to revisit this at the end of each year where a full revaluation of assets does not take place.</p>

Assessment
 ✓ Action completed
 X Not yet addressed

Other communication requirements

We set out below details of other matters which we are required by auditing standards to communicate to those charged with governance.

	Issue	Commentary
1.	Matters in relation to fraud	<ul style="list-style-type: none"> We have previously discussed the risk of fraud with the Audit Committee. We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit procedures.
2.	Matters in relation to laws and regulations	<ul style="list-style-type: none"> We are not aware of any significant incidences of non-compliance with relevant laws and regulations.
3.	Written representations	<ul style="list-style-type: none"> A standard letter of representation has been requested from the Council.
4.	Disclosures	<ul style="list-style-type: none"> Our review found a number of disclosures that needed amending or expanding. Management agreed to amend all items identified.
5.	Matters in relation to related parties	<ul style="list-style-type: none"> We are not aware of any related party transactions which have not been disclosed
6.	Confirmation requests from third parties	<ul style="list-style-type: none"> We obtained direct confirmations from the PWLB and the Local Enterprise Partnership for loans and requested from management permission to send confirmation requests to several counterparties for bank and investment balances. This permission was granted and the requests were sent, and all of these requests were returned with positive confirmation.

Internal controls

The purpose of an audit is to express an opinion on the financial statements.

Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. We considered and walked through the internal controls for Employee Remuneration and Operating Expenses as set out on page 10.

The controls were found to be operating effectively and we have no matters to report to the Audit Committee.

Internal controls – review of issues raised in prior year

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	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1.	✓	<ul style="list-style-type: none"> Our work identified a high number of domain administrators with administrative privileges to the network, including generic naming conventions of guest administrator. This meant there was a risk that the internal controls in this area could be by-passed to allow inappropriate changes to be made or allow inappropriate levels of functionality. 	<ul style="list-style-type: none"> You have undertaken a review of all active directory accounts with administrator privileges and removed all those that were not required for the effective delivery of IT services. You continue to ensure that accounts are only elevated to administrator privileges if necessary and have also confirmed that the guest administrator accounts are only used if emergency support is needed from a trusted individual. We are satisfied that sufficient action has been taken in this area and it is no longer an area of significant concern.
2.	✓	<ul style="list-style-type: none"> Our IT review also identified that the System Administrator had end-user responsibilities within Agresso (general ledger) and iTrent (payroll). The combination of end-user duties and security administration is considered a segregation of duties conflict. This also generated a risk of the internal controls being by-passed, as mentioned under Item 1 above. 	<ul style="list-style-type: none"> You have confirmed that are mitigating controls in place, such as ensuring that all key accounts i.e. bank, payroll and suppliers are fully reconciled and reviewed by management. Any changes to individual access rights on Agresso are emailed as confirmation to the user. The Head of Finance also undertakes a quarterly review of audit trails, supplier detail changes, journals and user access information to ensure they are all valid. We are satisfied that sufficient controls are in place to mitigate significant risks in this area.
3.	✓	<ul style="list-style-type: none"> It was noted from review of the aged debtor listing as at the 31 March 2014 that there were a significant number of sundry debts and housing benefits debts which were very old and uncollectable, but had yet to be written off . For example, we identified that 275 debts totaling £0.235m were from 2010 or earlier. 	<ul style="list-style-type: none"> From our review of your bad debt provision, we can see that £450k of debtors have been written off during the year, and you are providing in full for debts which are sufficiently old enough to warrant this. You should continue to monitor and review debtors balances to ensure that where amounts are no longer receivable, they are written off against the provision made.
4.	✓	<ul style="list-style-type: none"> We identified that the Council's 2013-14 Annual Governance Statement was only prepared in August 2014, which meant that potentially it may not have covered all of the relevant risks, and didn't allow for input and review from all of the relevant stakeholders. 	<ul style="list-style-type: none"> We noted that the draft Annual Governance Statement was presented to the June Audit Committee in order to allow all stakeholders to have sight and comment ahead of it being formally approved by the Audit Committee in September.

Assessment

- ✓ Action completed
- X Not yet addressed

Adjusted misstatements

A number of adjustments to the draft accounts have been identified during the audit process. There were no adjustments which affected your Statement of Comprehensive Net Expenditure or the Statement of Financial Position.

Misclassifications & disclosure changes

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

Adjustment type	Value £'000	Account balance	Impact on the financial statements
1 Disclosure	Various	Note 25 – Financial Instrument Risks	The draft financial statements did not include prior year comparatives for the impact of credit and liquidity risks. These have been included in the final version of the financial statements.
2 Disclosure	£1,565	Note 25 – Financial Instrument Risks	Borrowing from the Local Enterprise Partnership was originally classified as long term borrowing, despite this being due for repayment within the next 12 months. The disclosure has been updated to ensure this amount is correctly reflected in short term borrowing.
3 Disclosure	N/A	Note 36 – Amounts reported for Resource Allocation Decisions	Management have agreed to provide some further narrative to clarify the level of payroll costs incurred during the year.
4 Disclosure	Various	Note 38 – Pension Costs	The draft financial statements did not include all disclosures required by the CIPFA Code in respect of the Local Government Pension Scheme. These have been included in the final version of the financial statements.

Section 3: Value for Money

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non-audit services and independence

05. Communication of audit matters

Value for Money

Value for money conclusion

The Code of Audit Practice 2010 (the Code) describes the Council's responsibilities to put in place proper arrangements to:

- secure economy, efficiency and effectiveness in its use of resources;
- ensure proper stewardship and governance; and
- review regularly the adequacy and effectiveness of these arrangements.

We are required to give our VfM conclusion based on two criteria specified by the Audit Commission which support our reporting responsibilities under the Code.

These criteria are:

The Council has proper arrangements in place for securing financial

resilience - the Council has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.

The Council has proper arrangements for challenging how it secures

economy, efficiency and effectiveness - the Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

Key findings

Securing financial resilience

We have undertaken a review which considered your arrangements against the three expected characteristics of proper arrangements as defined by the Audit Commission:

- Financial governance;
- Financial planning; and
- Financial control.

Overall our work highlighted that you have robust financial management arrangements in place, and your Medium Term Financial Plan is updated on an annual basis. We have however identified that you need to identify an additional £900k of savings in both 2016-17 and 2017-18. Whilst you have a proven track record of delivering savings, £10m since 2007-08, the identification of these savings remains a risk to your medium term financial health.

Challenging economy, efficiency and effectiveness

We have considered your arrangements to challenge economy, efficiency and effectiveness against the following themes:

- Prioritising resources
- Improving efficiency & productivity

Our work highlighted that again you have sound arrangements in place but there are a number of areas of residual risk which you will need to continue to manage closely to ensure they do not have any adverse impact on your business:

- the development of your Local Plan; and
- progress of the Brightwells Development in Farnham;

Further details are included in the following pages, which discuss each of the specific themes considered under the Audit Commission guidance.

Overall VfM conclusion

On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects you have put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2015. We are therefore proposing an unqualified VfM conclusion.

We set out below our detailed findings against six risk areas which have been used to assess your performance against the Audit Commission's criteria. We summarise our assessment of each risk area using a red, amber or green (RAG) rating, based on the following definitions:

Green	Adequate arrangements
Amber	Adequate arrangements, with areas for development
Red	Inadequate arrangements

The table below and overleaf summarises our overall rating for each of the themes reviewed:

Theme	Summary findings	RAG rating
Key indicators of performance	<ul style="list-style-type: none"> You achieved a £485k underspend against your General Fund Revenue Budget for 2014-15, some of which has been carried forward to your budget for 2015-16. You have maintained your General Fund Balance in excess of your approved level of £3.2m, this level of reserves has been consistent for several years now. 	Green
Strategic financial planning	<ul style="list-style-type: none"> Our review of the 2015-16 budget confirms that you have applied all of the relevant considerations, such as the changes in government grants. You have also updated your Medium Term Financial Plan (MTFP) to cover the period from 2015 to 2019, taking account of further changes to items such as inflation and interest rates. You were able to set a balanced budget for 2015-16, but you are currently forecasting the need to identify an additional £900k of savings in each of the next two financial years. This is in addition to the £10m which you have saved since 2007-08. You have a good track record of achieving savings and have established arrangements in place to support the identification of savings such as your Star Chamber process. However savings of this nature in the next two years of your MTFP pose a challenge and a residual risk to your strategic financial planning. 	Amber
Financial governance	<ul style="list-style-type: none"> We have identified strong arrangements in place to ensure robust financial governance, in particular there is an appropriate level of involvement from senior management and members in the financial management and annual budgeting processes. Regular reports are issued to the relevant Committees on performance against general fund budgets, capital spend and treasury management. This is important to enable effective oversight. It is also clear that the level of information included within these reports is complete, accurate and reliable, which is driven by the strong financial systems that you have in place. 	Green
Financial control	<ul style="list-style-type: none"> Our review of Internal Audit's reports identified that no significant issues were identified in respect of your key financial systems. This was also supported by the work we performed during our audit. It is also clear that your budget setting process is detailed and robust, going through the Star Chamber process, Corporate Overview and Scrutiny Committee and the Executive before being put before Full Council for final approval. This is supported by robust budget monitoring and challenge during the year, in particular by management and the Executive. 	Green

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Theme	Summary findings	RAG rating
Prioritising resources	<ul style="list-style-type: none"> As mentioned above, we have identified strong arrangements in place to ensure robust Financial Governance, including a sufficient level of involvement from senior management and members in the financial management and annual budgeting processes. This is supported by having reliable information easily available from its financial systems. You have a number of key strategic risks which are currently being managed, which include the Brightwells development in Farnham, and the development of your Local Plan. Given the potential impact of these areas, it is important that you continue to manage these areas carefully to ensure they obtain the maximum benefit for the residents of Waverley. In particular ensuring the Brightwells development achieves best consideration will be critical given the time and resources which have been invested in the project to date. 	Amber
Improving efficiency & productivity	<ul style="list-style-type: none"> As detailed above, we are satisfied that you have strong financial management arrangements in place, and are able to identify areas where further efficiencies can be generated, in particular via the use of the Star Chamber process. The MTFP is updated based on recurring savings, rather than one-off areas and this is important in ensuring your savings plans are delivering on a sustainable basis. 	Green

To support our VfM conclusion against the specified criteria we performed a risk assessment against VfM risk indicators specified by the Audit Commission and additional indicators identified by ourselves. Following completion of our work we noted the following residual risks to our VfM conclusion:

Theme	Residual risk identified	Management comments
Strategic Financial Planning	You have identified the need to locate an additional £900k of savings in each of the next two financial years. Whilst you have a good track record of achieving savings, savings of this level to pose a challenge and residual risk to your strategic financial planning. It is important that you continue to monitor progress to identify any potential shortfalls as soon as possible so mitigating actions can be taken.	In the light of the projected savings target, officers are already working with key Members to ensure that the 16/17 budget process is effective and robust. This is likely to involve a more intense scrutiny of budgets and future service plans from Heads of Service. Officers will continue to monitor progress in this year to ensure that shortfalls and surpluses are identified and reported as appropriate.
Strategic Financial Planning/Prioritising Resources	The Brightwells development continues to remain a key priority, the development successfully broke ground during April 2015 meaning the existing planning application remains valid. Discussions with the developers remain in progress and you are aware of the need to obtain best consideration for the site, which will be critical given the time and resource invested in the project to date.	The Brightwells planning application has now been implemented and work has started on site. Officers continue to work with Crest and the funder to refine the financial and legal proposals of this complex project to enable them to be reported to Members for the appropriate decisions. External legal and property advice is being sought as required to ensure that due process is followed.
Strategic Financial Planning/Prioritising Resources	Linked to the above, your processes to develop and update the Local Plan appear to be robust, and involve the right level of stakeholder involvement. You have been clear in communicating progress to date. However the plan provides a key plank in how you will manage development in the Borough, in particular the development of more affordable housing. The Plan will be an important factor in enabling you to deliver many of your priorities over the coming years.	The Council recognises that the Local Plan is an important priority and is putting significant resources into its production. Following a major consultation exercise in 2014, officers are working through the required stages in accordance with the detailed project plan. Members are being informed of progress throughout the process.

Section 4: Fees, non-audit services and independence

- 01. Executive summary
- 02. Audit findings
- 03. Value for Money
- 04. Fees, non-audit services and independence**
- 05. Communication of audit matters

Fees, non-audit services and independence

We confirm below our final fees charged for the audit and confirm there were no fees for the provision of non audit services.

Fees

	Per Audit plan £	Actual fees £
Council audit	71,851	71,851
Shottermill Recreation Ground Trust (*)	TBC	TBC
Ewart Bequest Trust (*)	TBC	TBC
Grant certification on behalf of Audit Commission (**)	13,240	13,240
Total audit fees	85,091	85,091

Independence and ethics

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

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

* We have not yet started our Independent Examinations in respect of the Council's two Trusts, and thus the final fees will only be confirmed once this work is complete.

** The work on the Council's Housing Benefit Return is still in progress at the report date, in line with the national timetable. Any fee variation in respect of this work will be discussed and agreed with the Council should the need arise, and will be reported to the Committee at a later date if applicable.

Section 5: Communication of audit matters

- 01. Executive summary
- 02. Audit findings
- 03. Value for Money
- 04. Fees, non-audit services and independence
- 05. Communication of audit matters**

Communication of audit matters to those charged with governance

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

The Audit Plan outlined our audit strategy and plan to deliver the audit, while this Audit Findings report presents the key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

Respective responsibilities

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission (www.audit-commission.gov.uk).

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

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

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

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

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Appendix

Appendix A: Audit opinion

We anticipate we will provide the Council with an unmodified audit report

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WAVERLEY BOROUGH COUNCIL

We have audited the financial statements of Waverley Borough Council for the year ended 31 March 2015 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Group Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Group Comprehensive Income and Expenditure Statement, the Balance Sheet, the Group Balance Sheet, the Cash Flow Statement, the Group Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

This report is made solely to the members of Waverley Borough Council, as a body, in accordance with Part II of the Audit Commission Act 1998 and as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Financial Officer and auditor

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards also require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Financial Officer; and the overall

presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:
 give a true and fair view of the financial position of Waverley Borough Council as at 31 March 2015 and of its expenditure and income for the year then ended;
 give a true and fair view of the financial position of the Group as at 31 March 2015 and of its expenditure and income for the year then ended; and
 have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and applicable law.

Opinion on other matters

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We are required to report to you if:
 in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
 we issue a report in the public interest under section 8 of the Audit Commission Act 1998; or
 we designate under section 11 of the Audit Commission Act 1998 a recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
 we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Authority and the auditor

Appendix A: Audit opinion (continued)

We anticipate we will provide the Council with an unmodified audit report

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

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission in October 2014.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2014, as to whether the Authority has proper arrangements for:
securing financial resilience; and
challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2014, we are satisfied that, in all significant respects, *Waverley Borough Council* put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

Certificate

We certify that we have completed the audit of the financial statements of Waverley Borough Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

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

Grant Thornton UK LLP
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xx September 2015



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WAVERLEY BOROUGH COUNCIL

AUDIT COMMITTEE – 15 SEPTEMBER 2015

Title:

STATEMENT OF ACCOUNTS 2014/2015

[Wards Affected: N/A]

Summary and purpose:

The purpose of this report is for the Audit Committee to consider and approve the Statement of Accounts for the year ended 31 March 2015.

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

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

Equality and Diversity Implications:

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

Resource and legal implications:

There are no direct resource implications resulting from the 2014/2015 Statement of Accounts. The Accounts set out Waverley's financial position at the year-end in a format which is prescribed by Regulations and the Local Government Accounting Code of Practice.

Introduction

1. The Accounts and Audit Regulations set out the requirements for the production and publication of the annual Statement of Accounts. These Regulations, as revised in 2011, incorporate a statutory requirement for the Statement of Accounts to be approved by a resolution of a Committee of the relevant body by 30 September 2015.
2. The Section 151 Officer (Director of Finance and Resources) retains responsibility for the preparation of the Statement of Accounts and is required to certify their fair presentation by the 30 June 2015. The Members' role in approval is to demonstrate their ownership of the Statement of Accounts and their confidence in both the responsible financial officer and the process by which the accounting records are maintained and the Statement of Accounts prepared. In February 2007, the Council formally delegated the authority for approving Waverley's annual accounts to the Audit Committee. In July 2015

Members of the Audit Committee received the unaudited 2014/2015 Accounts and met with officers to receive detailed training and/or to respond to any questions.

Statement of Accounts 2014/2015

3. The Statement of Accounts for 2014/2015 is included with the Agenda as a separate document at Annexe 1. The Foreword to the Accounts highlights the key issues and shows the headline figures.
4. The audit of the Council's accounts for 2014/2015 by Grant Thornton is complete and the Audit Findings Report is included on this agenda. The Audit Findings Report did not identify any adjustments affecting the Council's reported financial position and the report gives the following key messages:
 - The Council's draft financial statements were of a high standard.
 - The Council's excellent working papers and early highlighting of potential financial reporting issues again contributed to a smooth audit process.
5. The format and content of the accounts is largely prescribed by regulation and the code of practice. It is a requirement that the accounts are arranged with all core financial statements grouped together followed by all notes to these statements in a separate section. The supplementary statements, Housing Revenue Account and Collection Fund, are grouped separately with their corresponding notes section.
6. The full unaudited Statement of Accounts and a Summary Statement is available on the Council's website. This will be replaced with the final version following this Audit Committee meeting.
7. It is a requirement that the Council issues a Letter of Representation to its external auditors at the conclusion of the Accounts and audit and this is referred to in Grant Thornton's Audit Findings Report also on this agenda. The draft Letter of Representation is attached at Annexe 2.

Going Concern Report

8. International Audit Standards require the Audit Committee to provide confirmation that the 2014/2015 Accounts have been prepared on a 'going concern' basis. The going concern concept is one of the core principles underpinning local authority accounting practice and refers to the assumption made when the Accounts are prepared that the organisation will continue to operate for at least 12 months following the accounting period in question, taking into consideration best estimates of future activity and cash flows.
9. The main issues around the application of the 'going concern' concept are to consider the medium term financial plans and cash flow forecasts in existence at the time of the accounting year-end. Waverley's Medium-Term Financial Strategy (2015/2016 to 2018/2019) was reviewed by Members in February

2015 when setting the Budget and again in June 2015 when considering the outturn position. The latest Strategy projections will be presented to Members at the annual finance seminar on the 5 October 2015. The latest strategy statement shows a strong position going forward with general Fund and HRA balances at a level which exceeds the minimum amount projected for at least the next four years. Also, the projections show that reserves and revenue contributions should be sufficient to deliver the Council's capital programme requirements in the medium term. Material cash flow movements are monitored and outflows are expected to be covered by revenues and treasury management activity in the year ahead.

10. Waverley has prepared a detailed Medium Term Financial Strategy that forecasts the Council's financial performance during the four year period from 2015/2016 to 2017/2018, therefore, it is clear that the Council has sound plans to continue operating and there is no uncertainty concerning the continuing operations of the Council.

Recommendation

It is recommended that the Audit Committee

1. approves the Statement of Accounts for the financial year ended 31 March 2015; and
2. approves the Letter of Representation for 2014/2015; and
3. confirms that the accounts have been prepared on a going concern basis.

Background Papers

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

CONTACT OFFICER:

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Graeme Clark
Director of Finance and Resources
E-mail: Graeme.clark@waverley.gov.uk
Direct line: 01483 523099
Calls may be recorded for training or monitoring
Date: 15 September 2015

Dear Ian

Waverley Borough Council Group Financial Statements for the year ended 31 March 2015

This representation letter is provided in connection with the audit of the group financial statements of Waverley Borough Council and its subsidiary undertaking, for the year ended 31 March 2015 for the purpose of expressing an opinion as to whether the group and parent Council financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and applicable law. We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Group financial Statements

- i. We have fulfilled our responsibilities for the preparation of the group and parent Council financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 ("the Code") which give a true and fair view in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the group and parent Council and these matters have been appropriately reflected and disclosed in the group financial statements.
- iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the group and parent Council financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the group and parent Council financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- vi. We are satisfied that the material judgements used in the preparation of the group and parent Council financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. There are no other material judgements that need to be disclosed.
- vii. Except as disclosed in the financial statements:
 - a. there are no unrecorded liabilities, actual or contingent
 - b. none of the assets of the group or parent Council has been assigned, pledged or mortgaged
 - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- ix. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of the Code.
- x. All events subsequent to the date of the group financial statements and for which the Code require adjustment or disclosure have been adjusted or disclosed.
- xi. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of the Code.
- xii. We have considered misclassification and disclosures changes schedules included in your Audit Findings Report. The group and parent Council financial statements have been amended for these, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the group and parent Council financial statements.
- xiv. We believe that the Group and Council financial statements should be prepared on a going concern basis on the grounds that current and future

sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the Group or Council's ability to continue as a going concern need to be made in the financial statements.

Information Provided

- xv. We have provided you with:
 - a. access to all information of which we are aware that is relevant to the preparation of the group and parent Council financial statements such as records, documentation and other matters;
 - b. additional information that you have requested from us for the purpose of your audit; and
 - c. unrestricted access to persons within the group and parent Council from whom you determined it necessary to obtain audit evidence.
- xvi. We have communicated to you all deficiencies in internal control of which management is aware.
- xvii. All transactions have been recorded in the accounting records and are reflected in the group and parent Council financial statements.
- xviii. We have disclosed to you the results of our assessment of the risk that the group and parent Council financial statements may be materially misstated as a result of fraud.
- xix. We have disclosed to you all our knowledge of fraud or suspected fraud affecting the group and parent Council involving:
 - a. management;
 - b. employees who have significant roles in internal control; or
 - c. others where the fraud could have a material effect on the financial statements.
- xx. We have disclosed to you all our knowledge of any allegations of fraud, or suspected fraud, affecting the group and parent Council's financial statements communicated by employees, former employees, regulators or others.
- xxi. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing group and parent Council financial statements.
- xxii. We have disclosed to you the identity of all the group's and the parent Council's related parties and all the related party relationships and transactions of which we are aware.

- xxiii. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the group and parent Council financial statements.

Annual Governance Statement

- Xxiv We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Approval

The approval of this letter of representation was minuted by the Audit Committee at its meeting on 15 September 2015.

Signed.....

Graeme Clark
Director of finance and Resources
and Section 151 Officer

Date.....

Signed.....

Councillor James Edwards
Chairman of the Audit Committee

Date.....

Appendix 1

List of subsidiary undertakings

Waverley Borough Council:

- The Shottermill recreation Trust
- The Ewart Bequest

Yours sincerely

Graeme Clark
Director of Finance and Resources

WAVERLEY BOROUGH COUNCIL

AUDIT COMMITTEE – 15 SEPTEMBER 2015

Title:

PROGRESS ON THE INTERNAL AUDIT PLANS FOR 2015/16

[Wards Affected: All]

Summary and purpose:

The Committee's Terms of Reference include provision for the Committee to comment on the progress made in the achievement of the Audit Plan. An update on the current position of the reviews for 2015/16 is presented.

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

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

Financial Implications:

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

Legal Implications:

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

Introduction

1. The progress on the completion of the Internal Audit Plan for 2015/16 is shown as attached at Annexe 1.

Conclusion

2. The Committee is asked to note the progress being made on the 2015/16 Audit Plan.

Recommendation

It is recommended that the Committee notes the progress for the Internal Audit Plan 2015/16 as attached at Annexe 1.

Background Papers

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

CONTACT OFFICER:

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Sep-15 AUDIT PLAN AGREED BY AUDIT COMMITTEE ON 23 MARCH 2015

Report No.	AUDIT PLAN AS AT 03/09/2015	2015/16 PRIORITY	Proposed No. of Plan Days	Variations	Revised Plan (a) + (b)	B/F from Previous Month	Actual Total to date	Days Planned to end March '15	Total expected time ((d)+(e) to match (c))	Balance	Progress	Details	Last Audited	Planned quarter to be started	Head of Service & Manager Responsible for Area	Contact Details	Auditor
		RISK BAND	2015/16	(b)	(c)		(d)	(e)									
	Systems and Services Audit																
	IT SERVICES																
AS	Mobile Devices and Remote/Home Working security	H	10.00	0.00	10.00	0.00	0.00	10.00	10.00	0.00	Start Date Early October 2015 re staff availability	Roll out and increased use of devices	N/A	Q2	Head of Customer, and Corporate Service - David Allum, Linda Frame - IT Development Manager	01483 523221 - 01483 523157	BT
HOS	IT Helpdesk functionality	M	5.00	0.00	5.00	0.00	0.00	5.00	5.00	0.00		Reliance on service.	N/A	Q3/4	Head of Customer and Corporate Service - David Allum, Head of Customer, Martin Wilson - Operations Manager	01483 523221 - 01483 523155	BT
CMT	Sharepoint	H	10.00	0.00	10.00	0.00	0.00	10.00	10.00	0.00		Technical Audit - Knowledge of Sharepoint - Resilience re volume of files, structure, hierarchy and permissions documented as to who can see what etc	N/A	Q3 Oct/ Nov	Head of Customer, and Corporate Service - David Allum, Linda Frame - IT Development Manager	01483 523221 - 01483 523157	BT
	Contingency		10.00	0.00	10.00	0.00	0.00	10.00	10.00	0.00							
	IT Total		35.00	0.00	35.00	0.00	0.00	35.00	35.00	0.00							
	GENERAL SYSTEM REVIEWS																
	Key Financial Systems																
AS	Treasury Management	H	7.00	0.00	7.00	0.00	0.00	7.00	7.00	0.00	Start Date Sept 15	Change in personnel and high value/risk.	2013-14	Q2	Head of Finance - Peter Vickers	01483-523539	BT
IA16-01	Sundry Debtors	H	10.00	0.00	10.00	10.00	10.00	0.00	10.00	0.00	Final Report Stage	Review on the effectiveness of debts recovery.	2013-14	Q1	Head of Finance - Peter Vickers	01483-523539	BT
IA16-04	Itrent (Leave recording and calculations methodolgy)	H	10.00	0.00	10.00	10.00	10.00	0.00	10.00	0.00	Final Report on Covalent	Assurance on the accuracy of output.	Pre 2012	Q1 June	Head of Finance - Peter Vickers	01483 523539	BT
IA16-09	Council Tax Support	H	10.00	0.00	10.00	0.00	10.00	0.00	10.00	0.00	Final Report Stage	Assurance on the system in place	2012-13	Q2	Head of Finance - Peter Vickers	01483-523539.	BT
IA16-08	Rents (Age Debt Analysis and write off of former tenants arrears)	H	10.00	0.00	10.00	0.00	10.00	0.00	10.00	0.00	Final Report Stage	Assessment and assurance on new arrangements	2013-14	Q2	Head of Housing Operations - Hugh Wagstaff	01483-523363	BT
IA16-02	Car Parking (Phone Payments)	H	10.00	0.00	10.00	10.00	10.00	0.00	10.00	0.00	Final Report on Covalent	New Project re 'Cade' Pay by phone system re Web Office/ Online Challenge	New	Q1	Head of Environment - Rob Anderton	01483 523411	BT
IA16-06	Sundry Creditors	H	7.00	0.00	7.00	7.00	7.00	0.00	7.00	0.00	Final Report Stage	Review of the effectiveness of the systems in operation	2014-15	Q1	Head of Finance - Peter Vickers	01483-523539.	BT
	Sub total for Key Financial Systems		64.00	0.00	64.00	37.00	57.00	7.00	64.00	0.00							
Deferred from 2014-15	Housing Asbestos Review	H	10.00	0.00	10.00	0.00	0.00	10.00	10.00	0.00		Assurance on process in place to identify, react and resolve issues in a timely manner.	C/F 2013-14	Q3	Head of Housing Operations Hugh Wagstaff	01483 523363	BT
HOST	Gas Servicing Contract re Central Heating contractors service performance in accordance with contract terms.	H	10.00	0.00	10.00	0.00	0.00	10.00	10.00	0.00		Assurance on the contract performance measures in place.	2014-15	Q4	Head of Housing Operations Hugh Wagstaff	01483 523363	BT
IA16-05	Kitchen & Bathroom (Basket Rates) Review	H	10.00	0.00	10.00	0.00	10.00	0.00	10.00	0.00	Final Report Stage	Assessment and assurance on new arrangements	2013-14	Q1	Head of Housing Operations Hugh Wagstaff	01483 523363	BT
HOST	Fire & Legionnaires Risk Assessments at Sheltered Housing Units	H	5.00	0.00	5.00	0.00	0.00	5.00	5.00	0.00		Follow up from 2014/15 review	2011/12	Q4	Head of Housing Operations Hugh Wagstaff	01483 523363	BT

Sep-15 AUDIT PLAN AGREED BY AUDIT COMMITTEE ON 23 MARCH 2015

Report No.	AUDIT PLAN AS AT 03/09/2015	2015/16 PRIORITY	Proposed No. of Plan Days	Variations	Revised Plan (a) + (b)	B/F from Previous Month	Actual Total to date	Days Planned to end March '15	Total expected time ((d)+(e) to match (c))	Balance	Progress	Details	Last Audited	Planned quarter to be started	Head of Service & Manager Responsible for Area	Contact Details	Auditor
		RISK BAND	2015/16	(b)	(c)		(d)	(e)									
AS	New Homes Build	H	10.00	0.00	10.00	0.00	0.00	10.00	10.00	0.00		Increased activity and value high	2011-12	Q3	Head of Strategic Housing Jane Abraham	01483 323096	BT
IA16-07	Disability facilities Grants (Private Sector House)	M	5.00	0.00	5.00	0.00	5.00	0.00	5.00	0.00	Final Report Stage	Assurance over controls re awarding of grants	2012-13	Q2	Head of Strategic Housing Jane Abraham	01483 323096	BT
IA16-03	Waste Collection Management Contract	H	10.00	0.00	10.00	10.00	10.00	0.00	10.00	0.00	Final Report On Covalent	Major contract - assurance on contract management function and Performance Management	2012-13	Q1	Head of Environment - Rob Anderton	01483 523411	BT
HOS	Pest Control - SDK	H	7.00	0.00	7.00	0.00	0.00	7.00	7.00	0.00		Assurance on the process re handling of income and invoicing.	New	Q4	Head of Environment - Rob Anderton	01483 523411	BT
AS	Grounds Maintenance contract	H	10.00	0.00	10.00	0.00	0.00	10.00	10.00	0.00		Contract management and performance management of contactor.	2012-13	Q3	Kelvin Mills Head of Community Service and Major Projects	01483 523432	BT
AS	Grants to other organisations	H	5.00	0.00	5.00	0.00	0.00	5.00	5.00	0.00		Assurance on the controls in place and justification re verification on the use of grants.		Q3	Kelvin Mills Head of Community Service and Major Projects	01483 523432	BT
AS	Official Orders - Sharepoint system	M	10.00	0.00	10.00	0.00	0.00	10.00	10.00	0.00		Assurance on the accuracy of generation of official orders.	New	Q3	Head of Finance - Peter Vickers & IT Services	01483-523539	BT
	Governance and Risk Reviews																
AS	Information Governance security	H	15.00	0.00	15.00	0.00	0.00	15.00	15.00	0.00		Information Governance Security group Action Plan		Q4	Corporate - Dan Bainbridge Borough Solicitor	01483 523235	BT
CMT	Intend - Procurement Portal	H	10.00	0.00	10.00	0.00	0.00	10.00	10.00	0.00		Assurance on the implementation to meet transparency code		Q3	Head of Finance - Peter Vickers	01483-523539.	BT
	Management Contract Liaison Meetings		5.00	0.00	5.00	0.00	0.00	5.00	5.00	0.00							
	Contingency		19.00	0.00	19.00	0.00	0.00	19.00	19.00	0.00		Plus IT contingency of 10 days					
	Sub Total for Operational Reviews (Inc Cont)		141.00	0.00	141.00	10.00	25.00	116.00	141.00	0.00							
	Subtotal Financial Systems Reviews		64.00	0.00	64.00	37.00	57.00	7.00	64.00	0.00							
	Subtotal of IT Reviews		35.00	0.00	35.00	0.00	0.00	35.00	35.00	0.00							
	Total Contractor Plan Review Days		240.00	0.00	240.00	47.00	82.00	158.00	240.00	0.00							
	Total Part 1 of Plan		240.00	0.00	240.00	47.00	82.00	158.00	240.00	0.00							

WAVERLEY BOROUGH COUNCIL

AUDIT COMMITTEE – 15 SEPTEMBER 2015

Title:

PROGRESS ON THE IMPLEMENTATION OF INTERNAL AUDIT RECOMMENDATIONS

[Wards Affected: All]

Summary and purpose:

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

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

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

Financial Implications:

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

Legal Implications:

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

Introduction

1. This report provides the Audit Committee with the latest position regarding the implementation of Internal Audit recommendations.
 2. Annexe 1 provides the current position on recommendations due for completion a month after the Audit Committee date.
 3. Annexe 2 details the request for change of implementation due date.
-

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 identifies any action it wishes to be taken; and
 2. approve the proposed changes in implementation dates in Annexe 2.
-

Background Papers

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

CONTACT OFFICER:

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Internal Audit Client Manager






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ANNEXE 1





Audit Recommendations overdue or due within next month

Generated on: 02 September 2015


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

Head of Service Vickers, Peter

Action Code & Description	IA15/14.001 Report from Revenues	Investigate if a report can be run from Revenues, Benefits and Rents which would identify where customer's bank details have been amended. A review should then be carried on a monthly basis (or an alternative cycle relevant for the department) for the list of customers where bank details have been amended; ensuring that requesting documentation has been retained as evidence, that the amendment was processed correctly and that the documentation has been verified.	Exit Meeting Date	14-Jan-2015
			Due Date	30-Sep-2015
Audit Report Code and Description		IA15/14 Payments		
Agreed Action				
Status		In Progress	Progress	51%
			Head of Service	Peter Vickers
All Notes	Benefits Manager is contacting the Civica Supplier and peer authorities to establish feasibility or alternative mitigation of the risk.			13-Aug-2015


Action Code & Description	IA15/14.005 Approval of purchases	a) It should be formally recorded which staff can raise and approve purchase orders to support the embedded authorisation limits within the purchase order system. b) The Council should consider whether Purchase Order documentation and contract information should be held centrally or a on a department's network which is open to Finance so the Finance staff are able to access the information when needed	Exit Meeting Date	14-Jan-2015
			Due Date	30-Sep-2015
Audit Report Code and Description		IA15/14 Payments		
Agreed Action				
Status		In Progress	Progress	0%
			Head of Service	Peter Vickers
All Notes	This is a project that will be developed by the vacant Financial Services Manager once in			13-Aug-2015

	post, recruitment is underway and expectation is to have an incumbent by end of November. This will be a corporate project to review the requirement and specification of a corporate purchase order system, at the moment there are various customs and practices across the services. Finance do not rely upon the information in these bespoke systems for accurate and commitment information at present. Financial control and authorisation over invoice validation and payment is contained within the Agresso finance system.	
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Action Code & Description	IA15/14.007 Audit Trail	a) The Council should record start and end dates on the authoriser list of when staff had authorisation responsibility so there is an audit trail / history of which staff had authorisation access and when. b) An annual review should be completed ensuring the manual authoriser list correctly reflects the authorisers and their limits on the system. Or it should be investigated if this information could be pulled from the Finance system.	Exit Meeting Date	14-Jan-2015
			Due Date	30-Sep-2015
Audit Report Code and Description		IA15/14 Payments		
Agreed Action		Those on Orchard already have levels set.		
Status		In Progress	Progress	50%
Head of Service				Peter Vickers
All Notes	<p>The current authorisation list is a manual folder. Effective authorisation of invoice payment is done within the Agresso finance ledger workflow system, this locks down specific people to specific service areas. Authority limits are built into the system to ensure escalation to next authorisation level is automatic for expenditure above threshold levels. The accountants will be circulating lists extracted from the authorisation workflow for verification during the next three months budget setting and monitoring to review with Heads of Service and managers.</p> <p>The original version of the authorisation list will have start and end dates on lists. The workflow system is maintained on an ongoing basis through managers interacting with the authorisation process, This always requires a minimum of two people. The originator and their manager or manager nominated substitute.</p>			13-Aug-2015


Head of Service Wagstaff, Hugh


Action Code & Description	IA14/11.001 Contract contents, policies and procedures	<p>Clear understanding of the content of the Structural works contract (Lot10) with Mears should be cascaded to those involved in the process, with a management decision being made whether the contract needs reviewing and performance measures being achieved.</p> <p>Clear policies for undertaking Structural Works and procedures need to be developed, held centrally, and their location cascaded to those involved in the activities. This will assist in ensuring that consistency is applied throughout the service and limit the risk of deviation particularly if the surveyors are to deal with structural works rather than a key individual Project Manager.</p> <p>This should include a procedure note with a flowchart of processes be drawn up and agreed with the contractor Agents to ensure clarity and compliance with Contract Procedural Rules, cascading this to all members of staff involved in the management or administration of Structural Repairs Works.</p>	Exit Meeting Date	11-Feb-2015
			Due Date	01-Sep-2015, may require extension to 30/09/2015 if not completed by Audit Committee date on 15/09/2015.

Audit Report Code and Description		IA14/11 Structural Works				
Agreed Action		Agreed, this will be implemented.				
Status		In Progress	Progress	30%	Head of Service	Hugh Wagstaff
All Notes	The initial part of this recommendation has been addressed with the VFM Group who will complete this task. Senior manager will discuss and complete a flowchart of the activity re policies and procedures on structural works.					20-Aug-2015
	Property Services Manager scoping work required.					05-Aug-2015

Action Code & Description	IA15/03.001 Interface between Orchard and Keystone	Ideally a process of automated integration and interface between Orchard and Keystone would provide better data management that would ensure renewal and replacement of property elements within Orchard are captured more systematically by the Keystone Stock Condition Database. Alternatively a single data platform for the management of housing repairs and stock condition may provide a more effective and efficient solution to the handling of such data although the costs and risks for such a proposal would need to be fully explored.	Exit Meeting Date	29-Aug-2014
			Due Date	03-Aug-2015

Audit Report Code and Description		IA15/03 Housing Keystone Asset Management Database				
Agreed Action		Project Leaders and the Clerk of works will be responsible for updating Keystone when works are completed. To automate the interface between Orchard and Keystone will be to be implemented. A feasibility study will be undertaken a budget will be sought if the project is thought to be viable.				
Status		Overdue	Progress	85%	Head of Service	Hugh Wagstaff
All Notes	Account Manager confirmed on 19/08/2015 that the License will be provided in the next week to enable progress to be made.					20-Aug-2015
	Property attributes identified for interface and process designed. Awaiting license from Orchard to enable transfer of data.					05-Aug-2015
	This project has been delayed due to IT resource availability. The development work is now due to be completed before end-May 2015 and the testing and implementation completed during July 2015.					20-May-2015
	Process to implement an interface between the Orchard database and Keystone to be implemented as part of the Planned works project. The data extracts have been provided from each system to allow the match between a completed job and a Keystone update – i.e. a Kitchen replacement job will update the keystone data relating to the age of the kitchen. The surveyor responsible for each process area has been responsible for defining the match between Orchard and Keystone in each case. This element of the project is in progress and to be implemented by end April 2015 (allowing for team holidays for testing).					23-Mar-2015

Action Code & Description	IA15/23.001 Policy and Procedure	Building upon the engineered process and procedure developed for normal voids a clearly documented procedure in respect of longer term voids is also required.	Exit Meeting Date	01-Apr-2015		
			Due Date	28-Aug-2015		
Audit Report Code and Description		IA15/23 Housing Voids				
Agreed Action		A policy and procedure to be produced.				
Status		In Progress	Progress	30%	Head of Service	Hugh Wagstaff
All Notes	The officers are working to achieve the target date.					20-Aug-2015
	In progress					05-Aug-2015
	Officer undertaking consultation on new process - new void officer in place					22-Jun-2015
	Task allocated to team member					28-May-2015

Action Code & Description	IA15/23.005 Void target dates	A clear target date for each major void must be recorded and archived within client systems. As well as individual target dates for each order raised an overall end target date (for all jobs) for the void should be prescribed at the outset.	Exit Meeting Date	01-Apr-2015
			Due Date	28-Aug-2015
Audit Report Code and Description		IA15/23 Housing Voids		
Agreed Action		The policy and procedure for major work voids will include setting individual target dates for each order raised and an overall end target date.		
Status		In Progress	Progress	30%
			Head of Service	Hugh Wagstaff
All Notes	In progress work linked to IA15/23.001			05-Aug-2015
	Lead Officer undertaking consultation			22-Jun-2015
	Task allocated			28-May-2015

**Internal Audit Recommendations
presented to the Audit Committee
for status change of Due Date on Covalent**

Report ref/ recommen dation ref	Title	Recommendation	Justification/ Reason for change in implementation date	Responsible officer
IA15/14.005	Payments – Approval of purchases	a) It should be formally recorded which staff can raise and approve purchase orders to support the embedded authorisation limits within the purchase order system. b) The Council should consider whether Purchase Order documentation and contract information should be held centrally or a on a department's network which is open to Finance so the Finance staff are able to access the information when needed	This is a project that will be developed by the vacant Financial Services Manager once in post, recruitment is underway and expectation is to have an incumbent by end of November. This will be a corporate project to review the requirement and specification of a corporate purchase order system, at the moment there are various customs and practices across the services. Finance do not rely upon the information in these bespoke systems for accurate and commitment information at present. Financial control and authorisation over invoice validation and payment is contained within the Agresso finance system. Revised Due Date 30 th November 2015.	Peter Vickers Head Of Finance

IA14/11.001	Contract contents, policies and procedures	<p>2nd part of recommendation - Clear policies for undertaking Structural Works and procedures need to be developed, held centrally, and their location cascaded to those involved in the activities. This will assist in ensuring that consistency is applied throughout the service and limit the risk of deviation particularly if the surveyors are to deal with structural works rather than a key individual Project Manager.</p> <p>This should include a procedure note with a flowchart of processes be drawn up and agreed with the contractor Agents to ensure clarity and compliance with Contract Procedural Rules, cascading this to all members of staff involved in the management or administration of Structural Repairs Works.</p>	<p>Due to resource commitments it is not possible for the group to meet until they are all available.</p> <p>Revised Due date 30th September 2015 if not implemented before 15/09/2015.</p>	Hugh Wagstaff Head of Housing
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ANNUAL GOVERNANCE STATEMENT 2014/15

1. SCOPE OF RESPONSIBILITY

Waverley is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and is used economically, efficiently and effectively.

In discharging this overall responsibility, Waverley must put in place proper arrangements for governing its affairs to help it exercise its functions, which include arrangements for managing risk. Waverley's Code of Corporate Governance accords with the CIPFA/SOLACE Framework "Delivering Good Governance in Local Government". This Annual Governance Statement has been prepared in accordance with the proper practices as defined in the Code. A copy of the Code is available on the Council's website.

The purpose of this Annual Governance Statement (AGS) is to explain how Waverley has complied with the principles of the Code. It also meets the requirements of Regulation 4 of the Accounts and Audit Regulations 2011 in relation to the publication of an Annual Governance Statement. Where there is scope to improve current arrangements when compared with the Code, the actions have been identified and are contained in the action plan at the end of this Statement.

The Annual Governance Statement describes the governance framework that has underpinned delivery of Waverley's Corporate Plan and other key corporate strategies, including the Medium Term Financial Strategy, the workforce plan, equalities and diversities action plan and the Council's environmental policies.

The evidence for this Statement is drawn from Council, Executive, Corporate Management Team and Heads of Service Team work. The work of internal and external audit is also taken into account. The system of internal control also covers the Council's group activities.

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The "governance framework" comprises the systems, processes and controls, and the culture and values by which Waverley is directed and controlled and its activities through which it accounts to, engages with, and leads, the community. It enables Waverley to monitor how it achieves its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services. It has a key role in maintaining public confidence that Waverley is following high standards of governance.

The system of internal control is a significant part of that framework and is designed to manage, but not eliminate, risk of failure to achieve policies, aims and objectives and it provides reasonable assurance of its effectiveness. The system of internal control is based on a continuing process designed to identify and prioritise the risks to achieving Waverley's policies, aims and objectives.

The purpose of the governance framework is to allow Waverley to:

- Focus on the outcomes for the area and its community
- Engage with local people and other stakeholders to ensure robust public accountability
- Foster an approach that sees Members and Officers working together to achieve a common purpose with clearly defined roles and responsibilities
- Promote values and behaviours for the Council that will demonstrate how it will uphold good governance and high standards of conduct
- Take informed and transparent decisions which manage risk and opportunity and are subject to effective scrutiny
- Develop the capacity and capability of its Members and Officers to be effective and innovative

The governance framework has been in place at Waverley for the year ended 31 March 2015 and up to the date of approval of the Statement of Accounts.

3. THE GOVERNANCE FRAMEWORK

The key elements of the systems and processes that comprise the Council's governance framework are described below. Further details in relation to each element can be viewed through the Council's website <http://www.waverley.gov.uk>.

a) Corporate Plan 2012 to 2015 – The Council adopted its current Corporate Plan 2012 – 2015 in February 2012. It set the direction of the Council until the Borough Elections in 2015. The plan is available on Waverley's website at www.waverley.gov.uk/corporateplan.

Waverley's Core priorities were set out in that plan, under the overall heading of '**VALUE**':

Value for money

The Council is committed to providing customer focused services at the best value for money. The Council will ensure that sound financial management is at the core of everything it does.

Affordable housing

Waverley will work hard to provide more affordable housing in the Borough for people in housing need. The Council aims to be an excellent landlord, managing its own housing stock well and improving the fabric and condition of its properties.

Leisure and lives

The Council will continue to support opportunities for all to take part in sport, recreation and other leisure activities to promote health and well-being for all.

Understanding our residents' needs

It is important to the Council that it understands its residents and that it focuses on providing the services they want, by consulting with them and ensuring its services are designed to meet people's needs across the Borough.

The Council will be active in consulting and working with residents, service users and local businesses.

Environment

Waverley will continue to do everything within its powers to protect and enhance the area's unique mix of rural and urban communities throughout its towns, villages and hamlets. It will set an example in protecting the environment through its promotion of recycling and environmental sustainability.

Each of the Corporate Plan priorities has a number of measurable outcomes and targets. Each year, every Head of Service prepares, in conjunction with their Portfolio Holders, a Service Plan to deliver the Corporate Plan objectives and other service priorities. The draft 2015/16 Service Plans were presented to a joint meeting of the Overview and Scrutiny Committees in January 2015 and comments put forward before being agreed by the Executive in February 2015.

The Council has made significant progress in delivering all five corporate objectives of its 2012-2015 plan and many actions have been delivered in their entirety. The current Corporate Plan is now nearing the end of its tenure and is being renewed ready for adoption by Council in December 2015.

b) Council Constitution - The Council Constitution was updated in February 2014, and is available on Waverley's website, sets out how the Council operates, how decisions are made, and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. Each agenda for a Council or business meeting contains an item requiring members at the outset of the meeting to declare any relevant interests. The agendas and minutes of all the public meetings of the Council and its Committees are available on Waverley's website. Waverley webcasts the majority of public meetings live via its website and makes available archive webcast recordings following the meetings.

c) Council Structure - The Council operates under a 'Strong Leader' model, with members of the Executive responsible for individual Portfolios. At the full Council meeting held in May 2014 the following Executive portfolios and responsibilities were agreed for the 2014/15 year:

- Leader of the Council – Corporate Strategy including Democratic Services, Representing Waverley, Wider Issues
- Finance, Property and Capital Resources, Housing Delivery
- Environment, Car Parks and Community Safety
- Planning
- IT and Customer Services,
- Leisure and Culture, Communications and Partnerships
- Major Projects and Economic Development
- Housing – Operational

The Executive can only make decisions which are in line with the Council's overall Policy and Budget Framework. If it wishes to make a decision which is contrary to the Policy and Budget Framework, it must be referred to the full Council to decide. The Executive collectively make recommendations to the Council about the policy framework and take decisions that ensure services are provided within the framework. For most "key" decisions made by the Executive, the Council is required to publish in advance information about:

- (a) The matter to be decided;
- (b) Who will be making the decision, and
- (c) The date or timescale for the decision and the place where the decision will be made.

Most day to day service decisions are taken by Council Officers, and these powers are set out within Waverley's Scheme of Delegation which forms part of the Council's constitution. The Council appoints committees with power to carry out non-executive and other functions (e.g. planning and licensing where there is a statutory requirement for the Council to maintain committees). Non-executive functions are those which the Executive does not have the power to carry out.

d) Policy Development & Scrutiny- Waverley operates two Overview and Scrutiny (O&S) Committees:

- Corporate Overview & Scrutiny Committee – remit includes Finances, Corporate Services and Housing.
- Community Overview & Scrutiny Committee – remit includes Community matters, Environment, Planning and Community Safety.

These Committees, and their respective Sub-Committees, hold the Executive to account for its decisions, provide an opportunity for a methodical review of performance and the effectiveness of policies and have a key role in the policy development process.

e) Standards Panel - The Localism Act 2011 gave Councils an explicit duty to promote and maintain high standards of Member conduct and the statutory model Code of Conduct was abolished. In July 2012 the Council adopted a new Code of Conduct and local arrangements for dealing with complaints about councillors which were substantially simpler and clearer, and both came into effect from July 2012.

The roles and responsibilities of the Panel include:

- (a) Promoting and maintaining high standards of conduct by councillors and co-opted members;
- (b) Assisting councillors and co-opted members to observe the Members' Code of Conduct;
- (c) Monitoring the operation of the Members' Code of Conduct; and

- (d) Where the Monitoring Officer has decided a hearing is necessary, to hear complaints received concerning the conduct of Waverley Borough and Town and Parish councillors, and the determination as appropriate.

The Panel meets on an ad hoc basis and also operates more as a pool from which to draw councillors should a councillor complaint need to be progressed. It met during the year to adopt an Independent Person Protocol and received a report on investigations over the previous 18 months. The Council also appointed two Independent Persons whose views must be sought by the Council before it takes a decision on an allegation which it has decided shall be investigated, or at any other stage. The Member against which an allegation has been made can also consult them.

The Monitoring Officer has arranged briefing sessions for all councillors on the updated code and arrangements. He also arranged a series of briefings for staff on working successfully with councillors that covered the staff code of conduct and the Member-Officer protocol. These were attended by over 100 members of staff and will be repeated every year during induction.

The Council has agreed that the Code of Conduct be reviewed again after the next Borough Elections by the Standards Committee by the end of the financial year 2015/16.

f) Audit Committee - The Audit Committee is made up of seven Councillors. The Council has delegated to this Committee responsibilities including:

- To consider the Council's arrangements for corporate governance and recommend necessary actions to ensure compliance with best practice as set out in the current CIPFA/SOLACE Framework "Delivering Good Governance in local Government" and any revision thereof
- To maintain an overview of the Council's Constitution in respect of contract procedure rules, financial regulations and codes of conduct and behaviour
- To consider the Council's compliance with its own and other published regulations, standards and controls
- To monitor Council policies in "Whistleblowing" and the anti-fraud and anti-corruption, Bribery strategy and the Council's complaints-handling process
- To monitor the effective development and operation of internal control in the Council with particular reference to risk management
- To approve the Council's Annual Governance Statement
- To consider any reports published by bodies, other than the external auditor, charged with inspecting the Council's performance or arrangements for corporate governance
- To review any issue referred to it by Head of Paid Service or a director or any Council body
- To request a report from any Head of Service relating to an outstanding internal audit recommendation issue
- To consider whether appropriate accounting policies have been followed in the preparation of the annual statement of accounts

- To consider all communications from the external auditor to the Audit Committee
- To consider and, if thought fit, approve the annual statement of accounts
- To consider the Annual Review of the system of Internal Audit
- To consider the Internal Audit Client Managers Annual Report
- To approve the Annual Internal Audit Service Plan
- To consider the current Internal Audit Plan and summaries of internal audit activity by service area and consider the level of assurance this can give concerning the effectiveness of the Council's corporate governance arrangements
- To consider internal audit reports detailing recommendations not implemented within the specified timescale
- To consider proposed internal audit activity and the range of service areas to be covered and the level of assurance this can give concerning the effectiveness of the Council's corporate governance arrangements
- To commission work from the Internal Audit Service
- To consider reports dealing with the management and performance of the providers of internal audit services
- To comment on the scope and depth of internal audit work and to ensure that it gives value for money, especially with regard to reports dealing with risk management and performance matters

g) Head of Paid Service - The Executive Director is the designated Head of Paid Service with overall corporate management and operational responsibility (including overall management responsibility for and authority over all officers). Duties include the provision of professional advice to all parties in the decision making process and, together with the Monitoring Officer, responsibility for the system of record keeping for all Council's decisions.

On 10 December 2013, the Council agreed a new senior management structure including, *inter alia*, the deletion of the post of Chief Executive; the re-designation of the post of Deputy Chief Executive as Executive Director; and the establishment of a new post of Director of Finance and Resources. These changes became effective from 1 January 2014.

h) Monitoring and Returning Officer – is designated as Waverley's Monitoring Officer with the responsibility for ensuring that the Council's decision-making processes meet the requirements of the law and comply with principles of good governance and Waverley's Codes of Conduct for Officers and Members.

i) Chief Finance Officer - The Director of Finance and Resources replaced the Deputy Chief Executive and is designated as Chief Finance Officer in accordance with Section 151 of the Local Government Act 1972.

In March 2010 CIPFA issued a Statement on the role of the Chief Finance Officer in Local Government. This required the Chief Finance Officer (S 151 Officer) to:

- 1) be a key member of the Leadership Team, helping it to develop and implement strategy and to resource and deliver the authority's strategic objectives sustainably and in the public interest;
- 2) be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the authority's financial strategy; and
- 3) Lead the promotion and delivery by the whole authority of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.

To deliver these responsibilities the Chief Financial Officer must:

- a) lead and direct a finance function that is resourced to be fit for purpose; and
- b) Be professionally qualified and suitably experienced.

Waverley's financial management arrangements conform to the governance requirements of the CIPFA/SOLACE Statement.

The S151 Officer has responsibility for establishing sound financial management within the Council and ensuring adherence to the Council's own financial standards and rules including the Financial Regulations (January 2012) and Contract Procedure Rules (January 2012). The Council has put in place a Medium Term Financial Strategy to support the aims of the Corporate Plan and a system of regular reporting of its financial position and performance during the year.

j) Code of Corporate Governance – The Council has adopted a Code of Corporate Governance which sets out Waverley's definition of corporate governance, the Values it stands for and the Key Principles of Corporate Governance that it has adopted.

k) Anti-Fraud, Corruption and Bribery Arrangements - The Council has an Anti-Fraud, Corruption and Bribery Policy that demonstrates its commitment to tackling fraud and corruption whether within or external to the Council. The Audit Committee champions Anti-fraud and Corruption and a yearly report on the effectiveness of the counter fraud and anti-corruption framework and activities in the period and plans for future activities is included in the Internal Audit Annual Report.

These have been informed by recommendations and advice from Fighting Fraud Locally publications, from the National Fraud Authority, the Audit Commission's Protecting the Public Purse and our External Auditors.

The National Fraud Authority was closed with effect from 31 March 2014 and its role has been distributed to various bodies, including the new National Crime Agency, City of London Police, Home Office and Cabinet Office.

It details:

- The key principles of the policy

- The roles and responsibilities of Members and Officers
- Investigation procedures to be followed in a suspected case of fraud

The Council's Whistleblowing Policy is a component of the Anti-Fraud, Anti-Corruption and Anti-Bribery Policy. Fraud policies are in place and are reviewed every two years for example, Housing Tenancy Fraud and Prosecutions. The Council uses transparent procurement processes and annual staff and member disclosures as anti bribery measures.

Waverley was provided an opportunity to accelerate the work being completed in relation to Housing Tenancy Fraud. This has been achieved through external funding from the Department of Communities and Local Government until the end of 2015/16. The funding is initially being utilised to appoint an experienced housing tenancy fraud investigator and training whilst encouraging partnership working to address any non housing benefit fraud. Waverley Borough Council has therefore joined forces with Surrey County Council and 6 other local authorities to form the Surrey Counter Fraud Partnership.

l) Corporate Complaints System - The Council has a Corporate Complaints Procedure which describes how complaints can be made and how the Council will deal with them. Waverley has adopted a three stage approach to ensure that if the complainant is dissatisfied with the initial response they can have the complaint investigation reviewed again:

- Stage 1 – Complaints dealt with by the contact officer
- Stage 2 – Complaints dealt with by the Head of Service
- Stage 3 – Complaints dealt with by the Executive Director

If the complainant is still dissatisfied they can request that their complaint is examined by the Local Government Ombudsman. Since April 2013 Housing complainants who have exhausted Waverley's procedure and remain dissatisfied with the response are able to raise their complaint with the Housing Ombudsman.

m) Customer and Stakeholder Engagement - The Council has an established strategy to engage with citizens and the Community. Examples of this include:

- **Waverley's Citizens Panel** – A representative panel of Waverley residents who have signed up to give their views and feedback on a regular basis. The Council is in the process of reviewing and refreshing the membership of the panel to ensure it is representative of Waverley's communities.
- **Forums** which ensure the on-going consultation and communication with different groups in the Community including the Waverley Disability Forum, Faith Forum, and Tenants Panel.
- **Waverley's Website and social media**, which is updated daily, and provides information about the Council & online access to services;
- **'Making Waves'**, Waverley's newsletter, is produced three times a year and sent to all households within Waverley.

- **'Waverley Homes'**, our tenants newsletter, is produced at least twice a year and sent to all Waverley Borough Council tenants residing in our properties.

The Council also undertakes additional one off consultations on specific subjects, for example on the development of Waverley's Planning Core Strategy or potential creation of a new Parish Council in Rowledge.

n) Performance Management - Quarterly performance results across all services were considered by the Overview and Scrutiny Committees and the Executive. The Overview and Scrutiny Committees had specific Performance Sub Committees which went through the reports in detail with officers and reported their findings, concerns and recommendations back to the main Committees and on to the Executive. Individual staff performance is managed through Waverley's annual appraisal system.

o) Risk & Opportunity Management – Waverley's Risk Management Policy and Process Document was reviewed during the year and was approved in March 2014 with minor amendments. The Risk Management Policy will be reviewed thoroughly when the new Corporate Plan has been developed. The Heads of Service Team maintain Corporate Risk Registers which define and assess risks to the Council's objectives and they record actions to manage these risks. The risks and actions are monitored on a quarterly basis. The Directors review Service risk management processes along with a wider health and safety agenda. The Audit Committee monitors the risk management plan periodically.

p) Internal Audit - Internal Audit operates to the standards set out in the Chartered Institute of Public Finance Accountant's 'Public Sector Auditing Standards for Internal Audit in Local Government' adapted from the application of the Institute of Internal Auditors International Auditing Standards. The Council's appointed External Auditor will then assess Internal Audit against these standards and its most recent assessment is that Internal Audit satisfies these standards. The Internal Audit Client Manager reports annually to the Audit Committee on the performance of the Internal Audit Service in the Annual Internal Audit Report providing details of the activities completed in the financial year. The Internal Audit service audit plan is fulfilled by an external contractor, currently Baker Tilly, who was awarded the contract as part of the East Surrey Audit Consortium which Waverley joined in 2012. The contract period will run until 2017 with an option to extend.

q) External inspectorates - The Council maintains an objective and professional relationship with external auditors and statutory inspectors to seek assurance that the Council is providing efficient, effective and economic services and are proactive in securing continuous improvement in the way its functions are exercised.

r) IT Security, Data Protection and systems resilience - the Council has adopted a Data Protection guide, and IT Acceptable Use Policy and the IT network security complies with the Public Services Network security requirements and Basic Disclosure screening for staff before accessing the network.

4. REVIEW OF EFFECTIVENESS

The Council has the responsibility for conducting an annual review of the effectiveness of its governance framework including the system of internal control which is then summarised in the Annual Governance Statement. The review was undertaken by a group of service heads and assurance was gained as follows:

Management Assurance -

- A review of the implementation of the Risk Management Strategy and review of risk registers by Corporate Management Team
- A review of Internal Audit Report findings and recommendation and the Audit Committee's consideration of these
- A review of audits completed during the year by Internal Audit including specific reviews on the authority's corporate governance arrangements, risk management, effectiveness of the Audit Committee and the corporate counter fraud arrangements, which provided an independent review of Waverley's governance arrangements
- CMT sign-off of committee reports to Members for decision
- Monthly budget management meetings with Heads of Service
- Audit reports, performance and risk information accessible on corporate 'Covalent' system
- An annual Public Sector Network standards review and certification of compliance from the Cabinet Office is obtained.
- IT disaster recovery plans have been reviewed and updated to ensure an acceptable work around and tie into business continuity plans.

Statutory Officer Assurance -

- The Head of Paid Service reviews and signs the Annual Governance Statement
- The Section 151 Officer provides assurance to external auditors
- All internal audit reports are referred to the Head of Paid Service and the S151 Officer

Service Assurance -

- Heads of Service Team meetings review HR Policies and Risk Registers
- Heads of Service team review audit recommendations
- Governance covered on all induction courses which include all new staff

Performance Management -

- A review of performance management reports to CMT and Members including performance sub-committees
- A review of budget management reports to CMT and Members

External Review Assurance -

- An examination of external audit reports
- An annual review of complaints to the Local Government Ombudsman and reported to Corporate Overview and Scrutiny Committee

Other Sources -

- An examination of the work of the Audit Committee in the year
- An examination of Standards Panel and Overview & Scrutiny Committee minutes
- A review of the adequacy of the complaints procedure including monitoring and reporting outcomes
- A review of Corporate Management Team meetings and Heads of Service Team reports and minutes
- An annual staff survey and investors in people benchmarking to monitor staff engagement and receive feedback on culture and corporate performance.

5. PRODUCTION OF THE ANNUAL GOVERNANCE STATEMENT

The publication of the Annual Governance Statement represents the end result of the review of the effectiveness of the governance framework. Corporate involvement in the production of the Statement included:

- **Corporate Management Team** – Throughout the year, Corporate Management Team have scrutinised all key governance reviews prior to being reported to Members – including HR policies, fraud strategy, risk management policy and review of risk registers, review of Standards Committee and internal audit plans.
- **Statutory Officers** -The S151 Officer and Monitoring Officer have been involved in all key governance issues during the year and the S151 officer reports on arrangements to the external auditors to meet international audit requirements. The Monitoring Officer is a key member of the corporate governance officer group that prepares the AGS.
- **Audit Committee** - The Committee has considered key aspects of the Governance Framework during the year including revised policies such as Risk Management, Whistleblowing, Corporate prosecution, Anti-fraud, Anti-corruption and Anti Bribery. Whilst supporting Waverley's participation in the National Fraud Initiative and working collaboratively with other Surrey authorities as part of the Surrey Counter Fraud Partnership co-ordinated by Surrey County Council.
- **Heads of Service** – Have been involved in considering risks, HR policies and fraud reviews.
- **Leader of the Council & Executive Director** - The Annual Governance Statement 2014/15 will be signed by the Leader of the Council and the Executive Director.

6. UPDATE ON SIGNIFICANT GOVERNANCE ISSUES 2014/15

Whilst no significant governance issues were identified in the previous AGS, officers continue to identify scope for further improvement in future and the following key areas were identified for review during 2014/15 including progress to date:

*Waverley Borough Council
Statement of Accounts 2014/2015*

Action	Responsible	Outcome
Corporate risk register	Head of Finance	Completed: Reviewed by Audit Committee.
Performance framework	Executive Director	completed
Transparency agenda	Head of Finance	Compliant: Ongoing agenda
Review Contract Procedure Rules and Finance Regulations	Head of Finance	Completed December 2014
Review fraud resilience and financial controls	Monitoring and Returning Officer	Completed December 2014

7. SIGNIFICANT GOVERNANCE ISSUES APPLICABLE TO 2015/16

Whilst no specific significant governance issues have been identified and key areas for review were completed in the previous year officers continue to identify scope for further improvement in future. The key areas under review are as follows:

Action	Responsible	Review Period
Corporate risk register	Head of Finance	March 2016
Performance framework	Executive Director	March 2016
Transparency agenda	Head of Finance	March 2016
Review Contract Procedure Rules and Finance Regulations	Head of Finance	December 2015
Review fraud resilience and financial controls	Monitoring and Returning Officer	December 2015
Complete a Fraud Risk Assessment	Monitoring and Returning Officer	September 2015

Level of assurance

This Annual Governance Statement demonstrates that the systems and processes that comprised Waverley's governance arrangements during 2014-15, and which remain in force, provided, and continue to provide a comprehensive level of assurance to the Council.

Certification

This Governance Statement has been prepared by officers with knowledge of the key governance issues. They have compiled a list of items of evidence to support an assessment against the Council's Code of Corporate Governance and to support the action plan mentioned above. That assessment has been referred to in the preparation of this Governance Statement, which also draws upon the knowledge and understanding of those officers.

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

Signed

Leader of the Council

Executive Director

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WAVERLEY BOROUGH COUNCIL

AUDIT COMMITTEE - 15 SEPTEMBER 2015

Title:**RISK MANAGEMENT UPDATE**

[Portfolio Holder for Finance: Cllr Wyatt Ramsdale]

[Wards Affected: N/A]

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

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

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

Summary and purpose:

This report presents the latest corporate risk register as refreshed by Heads of Service.

How this report relates to the Council's Corporate Priorities

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

Financial Implications

There are no direct financial implications arising from this report.

Legal Implications

There are no legal implications arising from this report.

Introduction and Background

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

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

The Key Risks

3. In March 2015, the Audit Committee considered the updated corporate risk register which was comprehensively refreshed by the Heads of Service with assistance from the Council's risk advisors, Zurich Municipal in line with the Councils Corporate Governance requirements.
4. The register shows the high-level risks that could prevent the Council from achieving its corporate aims and objectives as set out in the Corporate Plan 2012-15 and has been reviewed to ensure that it aligns to the current key risks facing the Council. The Corporate risk register is included as (Exempt) Annexe 1. Members are asked to consider the risks and pass any comments to officers as appropriate.
5. Fourteen risks have been identified and analysed for likelihood of risk scenario materialising and impact on ability to deliver corporate objectives. The register shows the current mitigations that have been put in place with further actions identified.
6. Two of the risk profiles have been adjusted for likelihood of risk scenario materialising. Risk profile 1: Public Services Network: has reduced from low to very low to reflect the Action Plan having been completed with Cabinet Office approval having been obtained that the security standards applied to the Council's network meet the Government Requirements of Public Service Networks. The risk will remain on the register for the time being as there remains a risk that the required standards will change in November 2015.
7. Risk profile 12: New Council homes: likelihood has been increased from very low to medium to reflect the recent announcements in the Chancellors budget and measures to be included in the next Housing Bill, including a 1% decrease in social rents for each of the next four years and the requirement to seal high value properties to subsidise the extension of Right to buy to housing association tenants. This will impact on the long term funding available for new build programme and regeneration of Ockford Ridge.

Recommendation

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

Background Papers

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

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

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