

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

When calling please ask for:

Kimberly Soane, Democratic Services  
Officer

**Policy and Governance**

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Date: 10 July 2020

**Membership of the Audit Committee**

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

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

Dear Councillors

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

DATE: MONDAY, 20 JULY 2020

TIME: 6.00 PM

PLACE: ZOOM MEETING

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 2 March 2020 (published on the website).

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.

Questions should be sent to [committees@waverley.gov.uk](mailto:committees@waverley.gov.uk) by 5pm on Monday 13 July 2020.

5. **QUESTIONS FROM MEMBERS**

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

Questions should be sent to [committees@waverley.gov.uk](mailto:committees@waverley.gov.uk) by 5pm on Monday 13 July 2020.

6. **UPDATED EXTERNAL AUDIT SCOPE 2019/20 (PAGES 6 - 11)**

7. **AUDIT COMMITTEE MEMBERS BRIEFING - RISK REGISTER**

The committee to reflect on the recent member briefing session held on the 15<sup>th</sup> July and to discuss the next steps.

8. REVIEW OF PROGRESS IN THE IMPLEMENTATION OF INTERNAL AUDIT RECOMMENDATIONS (Pages 12 - 17)

To inform the Audit Committee of Senior Management's progress in implementing the agreed actions 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 original agreed implementation date.

**Recommendation**

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

9. PROGRESS ON THE INTERNAL AUDIT PLAN 2019/20 AND 2020/21 (Pages 18 - 50)

The Committee's Terms of Reference include provision for the Committee to approve, monitor and comment on the progress made in the achievement of the Internal Audit Plan. An update on the current position of the Internal Audit Plans for 2019-20 and 2020-21 are presented for the Audit Committee to note progress being made.

**Recommendation**

It is recommended that the Audit Committee notes the contents of the:

Internal Audit Plan 2019-20 progress report as attached in Annexe 1; and  
Internal Audit Plan 2020-21 progress report as attached in Annexe 2.

10. INTERNAL AUDIT CHARTER (Pages 51 - 62)

This report provides the Audit Committee with an overview of Waverley's Internal Audit Charter that has been developed in accordance with the requirements of the Public Sector Internal Auditing Standards.

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

**Recommendation**

It is recommended that the Audit Committee approves the Internal Audit Charter as attached in Annexe 1.

11. ANNUAL INTERNAL AUDIT REPORT 2019/20 (Pages 63 - 78)

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

**Recommendation**

It is recommended that the Audit Committee considers and notes the annual internal audit report and audit opinion for 2019/20.

12. FRAUD INVESTIGATION SUMMARY (Pages 79 - 84)

The report provides an update to the Committee on the work being completed in investigating fraud, primarily focusing on Housing Tenancy fraud. The report also includes the current outputs in relation to the National Fraud Initiative (NFI)

**Recommendation**

It is recommended that the Audit Committee notes the results of the fraud investigation activity, attached in:

Annexe 1, for the full year (01 April 2019 to 31 March 2020).

Annexe 2 for the 1st quarter (01 April 2020 to 30 June 2020.)

13. AUDIT COMMITTEE RECURRENT ANNUAL WORK PROGRAMME (Page 85)

The Committee's annual recurrent work programme is attached. The work programme details regular items, but other items can be submitted to each meeting on an ad hoc basis or at the request of the Committee.

**Recommendation**

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

14. EXCLUSION OF PRESS AND PUBLIC

If necessary, to consider the following recommendation on the motion of the Chairman:

Recommendation

That pursuant to Procedure Rule 20 and in accordance with Section 100A(4) of the Local Government Act 1972, the press and public be excluded from the meeting during consideration of the following item(s) on the grounds that it is

likely, in view of the nature of the business to be transacted or the nature of the proceedings, that if members of the public were present during the item(s), there would be disclosure to them of exempt information (as defined by Section 1001 of the Act) of the description specified in the appropriate paragraph(s) of the revised Part 1 of Schedule 12A to the Local Government Act 1972 (to be identified at the meeting).

15. ANY ISSUES TO BE CONSIDERED IN EXEMPT SESSION

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

**For further information or assistance, please telephone  
Kimberly Soane, Democratic Services Officer, on 01483 523258 or by  
email at [Kimberly.soane@waverley.gov.uk](mailto:Kimberly.soane@waverley.gov.uk)**



Graeme Clark  
Strategic Director  
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30 April 2020

Dear Graeme

**Audit scope and additional work 2019/20**

I hope you and your colleagues are all keeping safe and well in these very unusual and difficult times. In this letter, I want to update you on our plans to work with you over the coming months, and to ensure that we plan our audit effectively, to provide assurance for those charged with governance, and to deliver a high quality audit to all users of the audit, whilst also seeking to maintain our fee within the envelope which we discussed previously.

I wrote to you previously regarding our detailed audit proposals on 14 February 2020, to outline how the increased regulatory focus facing all audit suppliers was impacting on our planned audit programme. I set out in my letter my expectation of what this would mean for our audit coverage for 2019/20, as well as for the audit fee. Items I highlighted in particular included the impact of 'raising the bar' to meet the FRC's expectation that all audits would now achieve a level of 2a (acceptable with limited improvements only) or above. I explained that we would need to increase our managerial oversight to achieve this audit standard. In addition, I outlined how you should expect the audit team to exercise even greater challenge of management in areas that are complex, significant or highly judgmental. I also outlined the specific additional work which we would need to undertake in complex areas of the accounts with high estimation uncertainty, such as Property, Plant and Equipment and Pensions valuations. I set out full details in my audit plan dated February 2020, where I advised that my estimate was that an additional fee of £7,500 would be required to complete the audit.

Subsequent to the above, global events have moved in an unexpected and tragic direction. None of us could have foreseen in January the impact that the Covid19 crisis has had on the world. As a local government body, you are at the forefront of efforts to support local people, and clearly the focus of the Authority will be directed to supporting local communities as best you can in these exceptionally difficult circumstances. As your auditors, we absolutely understand the challenges that you and your teams are facing and we have already been discussing with you and your team how we can work with you as effectively as we can. At these challenging times it is even more important to ensure that we can deliver a high quality audit, focused on good governance and the application of relevant accounting and auditing standards, whilst recognising the day to day pressures you face.

With this in mind we have prepared an update to our Audit Plan for 2019/20 and I attach this for your consideration. The following are the key points which I particularly wish to highlight for your attention.

**Addition of a significant audit risk in respect of Covid 19:**

The crisis has increased audit risk factors in the following areas:

- Remote working arrangements and redeployment of staff to critical front-line duties may impact on the quality and timing of the production of the financial statements, and the evidence we can obtain through physical observation;
- Volatility of financial and property markets will increase the uncertainty of assumptions applied by management to asset valuation and receivable recovery estimates, and the reliability of evidence we can obtain to corroborate management's estimates;
- Financial uncertainty will require management to reconsider financial forecasts supporting their going concern assessment and their overall financial resilience and whether material uncertainties for a period of at least 12 months from the anticipated date of approval of the audited financial statements have arisen; and
- Disclosures within the financial statements will require significant revision to reflect the unprecedented situation and its impact on the preparation of the financial statements as at 31 March 2020 in accordance with IAS1, particularly in relation to material uncertainties.

We have set out in the Audit Plan update the additional work we propose to undertake in respect of this new significant risk. Fundamental to our response will be working with you to understand the arrangements the Authority has in place to address relevant risks in respect of Covid 19 in its accounts preparation. We will also review the appropriateness of your disclosures, including in respect of any estimation uncertainties around for example PPE and Pensions asset valuations.

#### **Value for Money and Financial Standing**

As part of our VfM work we will ensure we understand the arrangements you are putting in place to manage risks around business continuity in the current crisis. We do not envisage this will be a significant audit risk for 2019/20, although we will keep this under review for 2020/21. We will also review your assessment of going concern and financial stability in the light of increased uncertainties around for example Council Tax and NNDR collection rates, car park income and investment properties. We envisage linking the additional VfM work around financial standing with our Going Concern opinion work.

#### **Regulatory changes.**

As you will be aware, earlier this month, CIPFA decided to adopt a small number of presentational changes to its Accounting Code of Practice for 2019/20. The changes which are now proposed to the Code, for example around disclosure, will have only a marginal impact on the audit. The additional audit risk factors that I highlighted in my January 2020 letter regarding raising the bar, PPE and Pensions work, for example, will therefore all still be required this year. You will also be aware that the Government accounting Financial Reporting Advisory Board (FRAB) has deferred the implementation of IFRS 16 by a year. Whilst IAS 8 disclosures will be required, this change will lead to some reduction in preparatory work required by both you and us, for this year at least.

Finally, MHCLG has revised the publication date for the draft accounts to 31 August and set a target date for publication of audited accounts of 30 November. Whilst flexibility in moving away from July is welcome, a number of authorities have highlighted the risk that a delayed closedown process could impact on their budget programme for 2021/22. We are keen to agree a timetable that works for you, and that we can both commit too. We have agreed a target date of 15 July for the draft financial statements to be provided for audit.

#### **Fee impact**

As I set out in my previous letter, final audit fees are determined by PSAA, after the audit has been completed. At this stage, it is difficult to quantify the impact of the additional work required in respect of Covid19. My best estimate is that, taking into account increased work in respect of Covid 19, and reduced work on IFRS 16, the fee set out in our Audit Plan of February 2020, totalling £7,500, remains appropriate, and we will do our best to work within this envelope. Should circumstances change, we will let you know.

I hope this is helpful and allows you to plan accordingly for the 2019/20 audit. Should you wish to discuss this further, please do not hesitate to contact me. I attach a copy of our Audit Plan update for your comment. We look forward to working with you again this year,

Yours sincerely

A handwritten signature in black ink, appearing to read 'Jon Roberts'. The signature is written in a cursive style with a large initial 'J' and 'R'.

**Jon Roberts**  
**Engagement Lead and Key Audit Partner**

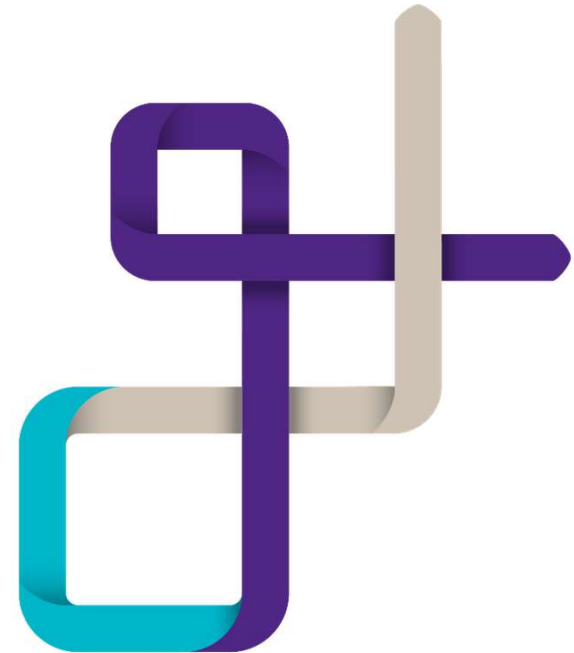
For and on behalf of Grant Thornton UK LLP



# External Audit Plan update

*Year ending 31 March 2020*

Waverley Borough Council  
April 2020



# Introduction & headlines

DRAFT

## Purpose

This document provides an update to the planned scope and timing of the statutory audit of Waverley Borough Council ('the Authority') as reported in our Audit Plan dated February 2020, for those charged with governance.

## The current environment

In addition to the audit risks communicated to those charged with governance in our Audit Plan on 2 March 2020, recent events have led us to update our planning risk assessment and reconsider our audit and value for money (VfM) approach to reflect the unprecedented global response to the Covid-19 pandemic. The significance of the situation cannot be underestimated and the implications for individuals, organisations and communities remains highly uncertain. For our public sector audited bodies, we appreciate the significant responsibility and burden your staff have to ensure vital public services are provided. As far we can, our aim is to work with you in these unprecedented times, ensuring up to date communication and flexibility where possible in our audit procedures.

## Impact on our audit and VfM work

Management and those charged with governance are still required to prepare financial statements in accordance with the relevant accounting standards and the Code of Audit Practice, albeit to an extended deadline for the preparation of the financial statements up to 31 August 2020 and the date for audited financial statements to 30 November 2020. We will liaise with management to agree appropriate timescales. We continue to be responsible for forming and expressing an opinion on the Authority's financial statements and VfM arrangements.

In order to fulfil our responsibilities under International Auditing Standards (ISA's (UK)) we have revisited our planning risk assessment. We may also need to consider implementing changes to the procedures we had planned and reported in our Audit Plan to reflect current restrictions to working practices, such as the application of technology to allow remote working. Additionally, it has been confirmed since our Audit Plan was issued that the implementation of IFRS 16 has been delayed for the public sector until 2020/21.

## Changes to our audit approach

To date we have:

- Identified a new significant financial statement risk, as described overleaf
- Reviewed the materiality levels we determined for the audit. We did not identify any changes to our materiality assessment as a result of the risk identified due to Covid-19.

## Changes to our VfM approach

We have updated our VfM risk assessment to document our understanding of your arrangements to ensure critical business continuity in the current environment. We have not identified any new VfM risks in relation to Covid-19.

## Conclusion

We will ensure any further changes in our audit and VfM approach and procedures are communicated with management and reported in our Audit Findings Report. We wish to thank management for their timely collaboration in this difficult time.

# Significant risks identified – Covid – 19 pandemic

DRAFT

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<p><b>Covid – 19</b></p>	<p>The global outbreak of the Covid-19 virus pandemic has led to unprecedented uncertainty for all organisations, requiring urgent business continuity arrangements to be implemented. We expect current circumstances will have an impact on the production and audit of the financial statements for the year ended 31 March 2020, including and not limited to;</p> <ul style="list-style-type: none"> <li>- Remote working arrangements and redeployment of staff to critical front line duties may impact on the quality and timing of the production of the financial statements, and the evidence we can obtain through physical observation</li> <li>- Volatility of financial and property markets will increase the uncertainty of assumptions applied by management to asset valuation and receivable recovery estimates, and the reliability of evidence we can obtain to corroborate management estimates</li> <li>- Financial uncertainty will require management to reconsider financial forecasts supporting their going concern assessment and whether material uncertainties for a period of at least 12 months from the anticipated date of approval of the audited financial statements have arisen; and</li> <li>- Disclosures within the financial statements will require significant revision to reflect the unprecedented situation and its impact on the preparation of the financial statements as at 31 March 2020 in accordance with IAS1, particularly in relation to material uncertainties.</li> </ul> <p>We therefore identified the global outbreak of the Covid-19 virus as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• Work with management to understand the implications the response to the Covid-19 pandemic has on the organisation's ability to prepare the financial statements and update financial forecasts and assess the implications on our audit approach</li> <li>• Liaise with other audit suppliers, regulators and government departments to co-ordinate practical cross sector responses to issues as and when they arise</li> <li>• Evaluate the adequacy of the disclosures in the financial statements in light of the Covid-19 pandemic.</li> <li>• Evaluate whether sufficient audit evidence using alternative approaches can be obtained for the purposes of our audit whilst working remotely</li> <li>• Evaluate whether sufficient audit evidence can be obtained to corroborate significant management estimates such as asset valuations and recovery of receivable balances</li> <li>• Evaluate management's assumptions that underpin the revised financial forecasts and the impact on management's going concern assessment</li> <li>• Discuss with management any potential implications for our audit report if we have been unable to obtain sufficient audit evidence</li> </ul>

# Agenda Item 8.

## WAVERLEY BOROUGH COUNCIL

### AUDIT COMMITTEE

20<sup>TH</sup> JULY 2020

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**Title:**

**PROGRESS ON THE IMPLEMENTATION INTERNAL AUDIT AGREED ACTIONS**

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**Lead Councillor: Councillor Peter Marriott, Chairman of the Audit Committee**

**Head of Service: Graeme Clark, Strategic Director**

**Key decision: Yes**

**Access: Public**

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**1. Purpose and summary**

- 1.1 To inform the Audit Committee of Senior Management's progress in implementing the agreed actions 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 original agreed implementation date.

**2. Recommendation**

- 2.1 It is recommended that the Committee considers the information contained in Annexe 1 and, following discussion at the Audit Committee meeting identifies any action it wishes to be taken.

**3. Reason for the recommendation**

To enable the Audit Committee to be informed of the status of agreed actions accepted by Heads of Service but not yet implemented or progress made to implement by the agreed implementation date.

**4. Background**

- 4.1 This report provides the Audit Committee with the latest position regarding the implementation of Internal Audit agreed actions.

## **5. Relationship to the Corporate Strategy and Service Plan**

5.1 A financially sound Waverley, with infrastructure and services fit for the future

## **6. Implications of decision**

### **6.1 Resource (Finance, procurement, staffing, IT)**

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

### **6.2 Risk management**

There is a risk that where weakness or non-compliance identified as part of audit reviews, if not actioned to strengthen the controls will not assist to prevent the materialising of the risks identified.

### **6.3 Legal**

There are no direct legal implications, although good governance and probity are strengthened by attending to the matters raised in audit agreed actions.

### **6.4 Equality, diversity and inclusion**

There are no direct equality, diversity or inclusion implications in this report. Equality impact assessments are carried out when necessary across the council to ensure service delivery meets the requirements of the Public Sector Equality Duty under the Equality Act 2010.

### **6.5 Climate emergency declaration**

There are no direct implications in this report

## **7. Consultation and engagement**

7.1 Heads of Service

## **8. Other options considered**

8.1 N/A

## **9. Governance journey**

9.1 The minutes of the meeting will be included on the Council agenda.

**Annexes:**

Annexe 1 – provides the current position on agreed actions due for completion at the end of the month of the Audit Committee date.

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**Background Papers**

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

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**CONTACT OFFICER:**






Name: Gail Beaton  
Position: Internal Audit Manager  
Telephone: 01483 523260  
Email: gail.beaton@waverley.gov.uk

Agreed and signed off by:  
Legal Services: 01/07/2020  
Head of Finance:30/06/2020  
Strategic Director: 01/07/2020  
Portfolio Holder: N/A



## Agreed Audit Actions overdue or due within the end of the month of the Audit Committee 31 July 2020





Generated on: 09 July 2020

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

### Head of Service Ellwood, Zac

IA20/08.001 Target Response Times						
<b>Action Code &amp; Description</b>	Monitoring of response targets against those highlighted in the Enforcement Plan for the 3 priorities are not currently measured or reported: Priority One – Major – First contact or site visit within 1 working day from receipt of complaint Priority Two – Medium – First contact or site visit within 5 working days from receipt of complaint Priority Three – Low – First contact or site visit within 10 working days from receipt of complaint				<b>Exit Meeting Date</b>	15-Jan-2020
					<b>Due Date</b>	30-Jun-2020
<b>Risk Level</b>	<b>Medium Priority</b>				<b>Risk RAG</b>	
<b>Audit Report Code and Description</b>	IA20/08 Planning Enforcement					
<b>Agreed Action</b>	1.1 The measuring of response times to be incorporated into the incoming new Horizon programme that replaces ILAP. 1.2 The information for reporting will be available on request from the new Horizon programme that replaces ILAP.  Risk -Performance issues may not be identified. (ZE)					
<b>Status</b>		<b>Check Progress</b>	<b>Progress</b>	0%	<b>Head of Service</b>	<b>Zac Ellwood</b>
<b>All Notes</b>						

IA20/08.002 Out of Date Enforcement Plan						
<b>Action Code &amp; Description</b>	There has been six years of operations since the Enforcement Plan was issued. Elements of the plan relating to key performance indicators and proactive working are out of date and no longer reflect operational activity.				<b>Exit Meeting Date</b>	15-Jan-2020
					<b>Due Date</b>	31-Jul-2020
<b>Risk Level</b>	<b>Medium Priority</b>				<b>Risk RAG</b>	
<b>Audit Report Code and Description</b>	IA20/08 Planning Enforcement					
<b>Agreed Action</b>	To update and agree the Local Planning Enforcement Plan  Risk - Key policy document may be out of date and not reflect current operations. (ZE)					


<b>Status</b>		<b>In Progress</b>	<b>Progress</b>	0%	<b>Head of Service</b>	<b>Zac Ellwood</b>
<b>All Notes</b>						

<b>Action Code &amp; Description</b>	<b>IA20/14.001 CIL Guide</b>				<b>Exit Meeting Date</b>	01-Apr-2020
	<p>The Council has published a CIL Guide and FAQs on its website to ensure the planning applicants are made aware of what is required by the CIL Regulations. This document was updated in December 2018.</p> <p>However, changes to the CIL Regulations were implemented from 1st September 2019, and these have not been incorporated into the guidance. This includes:</p> <ul style="list-style-type: none"> <li>. Form 0 Additional information has now become Form 1 - the link in the WBC guidance goes to the correct form</li> <li>. Form 1 Assumption of liability has now become Form 2 - the link in the WBC guidance goes to the Planning Portal where the correctly numbered form is listed.</li> <li>. Form 2 Relief for Charitable purposes and/or Social Housing has now become Form 10 - the link in the WBC guidance goes to the Planning Portal where the correctly numbered form is listed.</li> <li>. If no commencement notice is received prior to the development being commenced this no longer results in any relief having been granted being lost, instead the surcharge only applies.</li> </ul> <p>Risk: Potential planning applicants could find the inconsistencies confusing.</p>				<b>Due Date</b>	01-Jun-2020

<b>Risk Level</b>	<b>Medium Priority</b>	<b>Risk RAG</b>	
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<b>Audit Report Code and Description</b>	IA20/14 Community Infrastructure Levy
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<b>Agreed Action</b>	Update the CIL Guide and FAQs to align with the changes within the most recent amendments of the CIL Regulations and the CIL NPPG.
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<b>Status</b>		<b>Overdue</b>	<b>Progress</b>	0%	<b>Head of Service</b>	<b>Zac Ellwood</b>
<b>All Notes</b>						





# Agenda Item 9.

## WAVERLEY BOROUGH COUNCIL

### AUDIT COMMITTEE

20 JULY 2020

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**Title:**

**PROGRESS ON THE INTERNAL AUDIT PLAN FOR 2019-20 and 2020-21**

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**Lead Councillor: Councillor Peter Marriott, Chairman of the Audit Committee**

**Strategic Director: Graeme Clark**

**Key decision: Yes**

**Access: Public**

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**1. Purpose and summary**

1.1 Purpose and summary of the report.

1.2 The Committee's Terms of Reference include provision for the Committee to approve, monitor and comment on the progress made in the achievement of the Internal Audit Plan. An update on the current position of the Internal Audit Plans for 2019-20 and 2020-21 are presented for the Audit Committee to note progress being made.

**2. Recommendation**

It is recommended that the Audit Committee notes the contents of the:-

Internal Audit Plan 2019-20 progress report as attached in Annexe 1  
and  
Internal Audit Plan 2020-21 progress report as attached in Annexe 2

**3. Reason for the recommendation**

To enable the Audit Committee to be informed of the work that has been completed to date to provide them with assurance that the control environment is working as intended.

**4. Background**

4.1 The progress report for 2019-20 is detailed in Annexe 1.

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4.2 The progress report for 2020-21 is detailed in Annexe 2. .

## **5. Relationship to the Corporate Strategy and Service Plan**

5.1 A financially sound Waverley, with infrastructure and services fit for the future

## **6. Implications of decision**

### **6.1 Resource (Finance, procurement, staffing, IT)**

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.

### **6.2 Risk management**

The reviews included in this Plan have been risk assessed are being necessary to Provide management with assurance that the controls in place are sufficient to safeguard the authority's assets.

### **6.3 Legal**

The Council must have an operational Audit Plan that covers 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 2015.

### **6.4 Equality, diversity and inclusion**

There are no direct equality, diversity or inclusion implications in this report. Equality impact assessments are carried out when necessary across the council to ensure service delivery meets the requirements of the Public Sector Equality Duty under the Equality Act 2010.

### **6.5 Climate emergency declaration**

There are no direct implications in this report

## **7. Consultation and engagement**

7.1 Heads of Service, Management Board and the Chairman and Vice-Chairman of the Audit Committee were consulted on the content of the proposed draft Audit Plan.

## **8. Other options considered**

8.1 N/A

## **9. Governance journey**

9.1 The minutes of the meeting will be included on the next Council agenda.

### **Annexes:**

Annexe 1 – Progress on the Internal Audit Plan for 2019-20

Annexe 2 – Progress on the Internal Audit Plan for 2020-21

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### **Background Papers**

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

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### **CONTACT OFFICER:**

Name: Gail Beaton  
Position: Internal Audit Manager  
Telephone: 01483 523260  
Email: [gail.beaton@waverley.gov.uk](mailto:gail.beaton@waverley.gov.uk)

Agreed and signed off by:  
Legal Services: 01/07/2020  
Head of Finance: 30/06/2020  
Strategic Director: 01/07/2020  
Portfolio Holder: N/A



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<b>6.</b>	<b>Planning and resourcing</b>	<b>12</b>
<b>7.</b>	<b>Rolling work programme</b>	<b>13</b>
<b>8.</b>	<b>Adjustments to the Plan</b>	<b>17</b>

## 1. Role of Internal Audit

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

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

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

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

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

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

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

## 2. Purpose of report

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

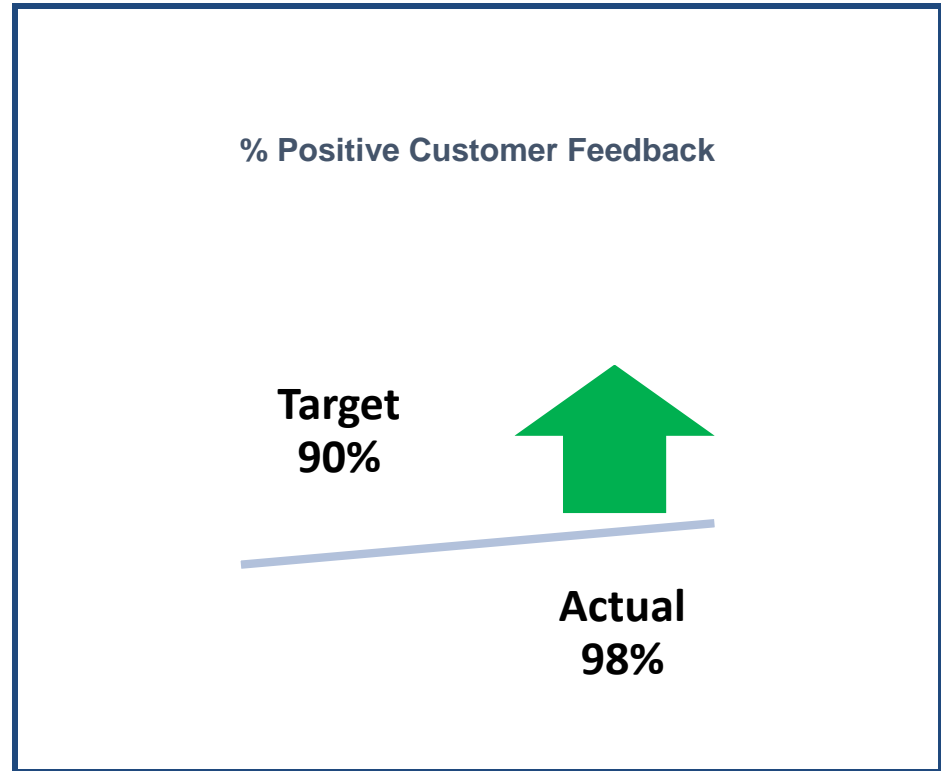
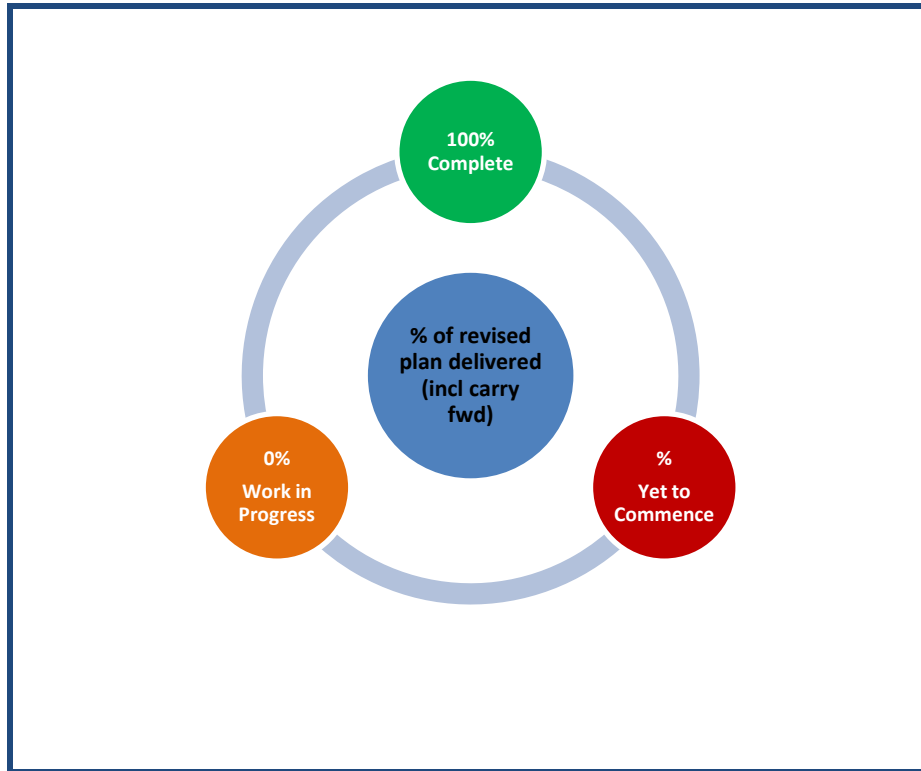
- The status of 'live' internal audit reports;
- an update on progress against the annual audit plan;
- a summary of internal audit performance, planning and resourcing issues; and
- a summary of significant issues that impact on the Internal Audit Manager's annual opinion.

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

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



### 3. Performance dashboard



**Compliance with Public Sector Internal Audit Standards**



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

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

In accordance with PSIAS, a further self-assessment was completed in April 2018 concluding that the Southern Internal Audit Partnership continues to comply with all aspects of the IPPF, PSIAS and LGAN. An external Quality Assessment is planned in 2020 to be completed by the Chartered Institute of Internal Auditors (CIIA), which will incorporate both the .the contractor

4. Analysis of 'Completed' audit plan reviews


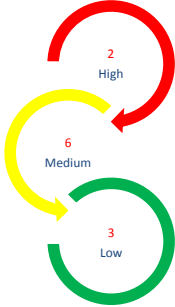
Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Management Actions						
				Reported	Not Accepted	Not Yet Due	Implemented	Overdue Priority		
								L	M	H
Planning Service VFM Review	18/07/2019	HOP&ED	Advisory	N/A						
Payroll Accuracy Report	02/08/2019	HOP&G	Advisory	5(0)	0(0)	1(0)	4(0)			
Management of water safety (Legionella)	08/08/2019	HOHO	Adequate	2(0)	0(0)	0(0)	2(0)			
Gas Safety Checks	08/08/2019	HOHO	Substantial	0(0)	0(0)	0(0)	(0)0			
Management of Asbestos	08/08/2019	HOHO	Limited	9(6)	00(0)	0(0)	9(6)			
Reconciliations	06/09/2019	HOFPP	Adequate	10(0)	0(0)	0(0)	10(0)			
Responsive repairs and voids – new contract	29/10/2019	HOHO	Adequate	1(0)	0(0)	0(0)	1(0)			
Borough Hall	14/01/2020	HOCS &SP	Adequate	12(1)	0(0)	0(0)	12(1)			
Planning Enforcement	22/01/2020	HOP&ED	Adequate	4(0)	0(0)	1(0)	2(0)		1	

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Management Actions							
				Reported	Not Accepted	Not Yet Due	Implemented	Overdue Priority			
									L	M	H
Vending Machine	24/01/2020	HOB T	Advisory	13(6)	0(0)	0(0)	13(6)				
Recovery of Debt	20/03/2020	HOF& P	Limited	11(2)	0(0)	0(0)	11(2)				
Private Sector Housing HMOs	06/05/2020	HOHD & C	Adequate	4(0)	0(0)	0(0)	4(0)				
IT Fraud Risk Assessment	08/08/2019	SD	Advisory								
Accounts Payable	20/03/2020	HOF& P	Adequate	8(5)	0(0)	8(4)	8(5)				
Community Infrastructure Levy	24/04/2020	HOP&ED	Substantial	1(0)	0(0)	1(0)	0(0)		1		
Firewalls	26/05/2020	HOB T	Limited	6(0)	0(0)	6(0)	0(0)				
Kitchen & Bathrooms	17/04/2020	HOHO	Adequate	4(0)	0(0)	0(0)	4(0)				
Construction Industry Scheme	15/05/2020	HOF& P	Adequate	4(1)	0(0)	0(0)	4(1)				
Planning Fee Income	25/06/2020	HOP&ED	Adequate	11(7)	0(0)	11(7)	0(0)				
Management of Major Construction projects	01/07/2020	HOHD & C	Adequate	1(0)	0(0)	1(0)	0(0)				
Orchard/Agresso Interface	01/07/2020	HOHO & HOF& P	Adequate	3(0)	0(0)	3(0)	0(0)				

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Management Actions						
				Reported	Not Accepted	Not Yet Due	Implemented	Overdue Priority		
								L	M	H
Air Quality	10/07/2020	HOES	Adequate	1(0)	0(0)	0(0)	0(0)			

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

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

RECOVERY OF DEBTS		
<p><b>Sponsor:</b> Strategic Director S151 officer Graeme Clark</p> <p><b>Head of Finance and Property</b> Peter Vickers</p> <p><b>Final Report Issued: 28 March 2020</b></p>	<p><b>Assurance opinion:</b></p> 	<p><b>Management Actions:</b></p> 
<p><b>Summary of key observations:</b></p> <ul style="list-style-type: none"> <li>• Whilst new debt recovery processes have been prepared detailing timescales and actions to be taken in terms of recovering outstanding debt the new processes have not yet been finalised for publication.</li> <li>• Debt recovery action is taking place, and whilst debts are being chased recovery action isn't consistent across the</li> </ul>		

Council.

- Improvements in consistency should be seen once the new debt recovery processes have been finalised and published.
- Debt suppression is not monitored in a consistent manner across the Council’s departments.
- Testing of the write off process found the Council are unable to demonstrate that all write offs have been adequately approved.
- No oversight mechanism was in place with which to monitor and check debtor account maintenance, such a mechanism would improve the control environment around the integrity and security of information on debtor accounts.

**Management Response / Update:**

All recommendations have been implemented since 28 April 2020

Procedure notes have been finalised and completed and distributed to those involved in Debt Recovery providing consistency of application

On Hold accounts will be monitored and notification of changes report will be generated.

Write offs will be held electronically as well as signed listed will be printed copy.

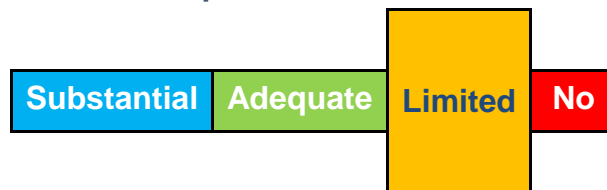
Write offs will include comment on recovery action taken

An audit report of changes to the debtor accounts will be reviewed against back up documentation by the Financial Manager weekly and the report will be signed and filed

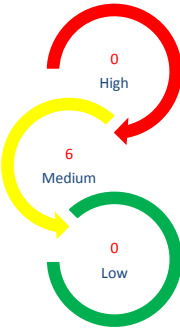
**FIREWALLS**

**Directorate Sponsor/s:**  
Annie Righton  
David Allum

**Assurance opinion:**



**Management Actions:**

<p><b>Final Report Issued: 26<sup>th</sup> May 2020</b></p>		
<p><b>Summary of key observations:</b></p> <ul style="list-style-type: none"> <li>• IT do not hold a documented policy that specifies responsibility for the implementation, configuration and administration of firewalls.</li> <li>• There is no documented change management procedure in place for the implementation or modification of firewall rules.</li> <li>• IT do not follow a regular procedure to ensure that firewall rules in place remain current and safe for the corporate network.</li> <li>• The business need / justification for the addition of firewall rules is not supported by formal documentation.</li> </ul>		
<p><b>Management Response / Update:</b></p> <p>The following actions are to be implemented by the Service Manager</p> <p>Create a form to request firewall changes,          Implement a process so that all firewall changes are documented          Implement a monthly review of firewall rules          Document the policy for the responsibility for the implementation, configuration and administration of firewalls          Include change management in the documented Firewall rule change process</p> <p>These actions are scheduled to be completed by 30 August 2020</p>		



## 6. This Planning & Resourcing

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

The audit plan remains fluid to provide a responsive service that reacts to the changing needs of the Council. Section 8 details the reviews that have been added to the original plan approved in March 2019. Progress against the plan is detailed below in section 7 for those reviews not already included in Para 4 above.

## 7. Rolling Work Programme

IT programme / Audit Review	Audit Sponsor	Risk	Days	Qtr.	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Comment
<b>*Recovery of debts (including Write Offs) (SIAP)</b>	HOF&P	H	7.00	Q3	✓	✓	✓	✓	✓	Limited	
<b>**Accounts Payable (SIAP)</b>	HOF&P	H	10.00	Q4	✓	✓	✓	✓	✓	Adequate	
<b>Reconciliations( IA)</b>	HOF&P	H	7.00	Q2	✓	✓	✓	✓	✓	Adequate	

IT programme / Audit Review	Audit Sponsor	Risk	Days	Qtr.	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Comment
<b>**Construction Industry Scheme (CIS) (SIAP)</b>	HOF&P	H	7.00	Q4	✓	✓	✓	✓	✓	Adequate	
<b>*IT Fraud Risk Assessment (SIAP)</b>	HOBT	SR	5.00	Q3	✓	✓	✓	✓	✓	Advisory	
<b>*Firewalls/Cloud Security (SIAP)</b>	HOBT	H	5.00	Q4	✓	✓	✓	✓	✓	Limited	
<b>*Agresso/Orchard Interface (SIAP)</b>	HOF&P	H	7.00	Q3	✓	✓	✓	✓	✓	Adequate	
<b>*Gas Maintenance in Waverley Properties (SIAP)</b>	HOHO	H	7.00	Q2	✓	✓	✓	✓	✓	Substantial	
<b>*Legionella checks re Waverley Property Ownership (SIAP)</b>	HOHO	H	7.00	Q2	✓	✓	✓	✓	✓	Adequate	
<b>*Asbestos Exposure in Waverley Properties (HRA and GF) (SIAP)</b>	HOHO	H	7.00	Q2	✓	✓	✓	✓	✓	Limited	
<b>*Planning Enforcement (SIAP)</b>	HOP&ED	H	10.00	Q3	✓	✓	✓	✓	✓	Adequate	
<b>**Housing Kitchen &amp; Bathrooms Replacement programme (SIAP)</b>	HOHO	H	10.00	Q4	✓	✓	✓	✓	✓	Adequate	

IT programme / Audit Review	Audit Sponsor	Risk	Days	Qtr.	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Comment
<b>*Responsive repairs and voids – new contract (SIAP)</b>	HOHO	H	15.00	Q4	✓	✓	✓	✓	✓	Adequate	
<b>Private Sector Housing (HMO) (IA)</b>	HOHD&C	H	7.00	Q3	✓	✓	✓	✓	✓	Adequate	
<b>*Borough Hall (SIAP)</b>	HOCS	H	7.00	Q2	✓	✓	✓	✓	✓	Adequate	
<b>Vending Machines (IA)</b>	HOBT	SR	7.00	Q2	✓	✓	✓	✓	✓	Advisory	
<b>Payroll Accuracy (IA)</b>	SD	SR	15.00	Q2	✓	✓	✓	✓	✓	Advisory	
<b>Planning - Benchmarking exercise (IA)</b>	SD	SR	20.00	Q1	✓	✓	✓	✓	✓	Advisory	
<b>*Community Infrastructure Levy (SIAP)</b>	HOP&ED	H	10.00	Q4	✓	✓	✓	✓	✓	Substantial	
<b>**Planning Fee Income (SIAP)</b>	SD	H	17.00	Q4	✓	✓	✓	✓	✓	Adequate	
<b>**Management of Major Construction projects - lessons learned from Brightwells and Memorial Hall (SIAP)</b>	SD	H	07.00	Q4	✓	✓	✓	✓	✓	Adequate	

IT programme / Audit Review	Audit Sponsor	Risk	Days	Qtr.	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Comment
Air Quality (IA)	HOES/SD	H	10.00	Q4	✓	✓	✓	✓	✓	Adequate	
<b>Total Audit Plan Days</b>			<b>204</b>								
<b>Total Audit Plan Days Delivered</b>			<b>204</b>								
<b>Still to be delivered</b>			<b>0</b>								
Fraud and/or Irregularities (IA)	SD		35								
<b>Management (IAM)</b>			<b>160</b>								

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

Assurance Opinion	Framework of governance, risk management and management control
<b>Substantial</b>	A sound framework of internal control is in place and is operating effectively. No risks to the achievement of system objectives have been identified.

<b>Adequate</b>	Basically a sound framework of internal control with opportunities to improve controls and / or compliance with the control framework. No significant risks to the achievement of system objectives have been identified.
<b>Limited</b>	Significant weakness identified in the framework of internal control and / or compliance with the control framework which could place the achievement of system objectives at risk.
<b>No</b>	Fundamental weakness identified in the framework of internal control or the framework is ineffective or absent with significant risks to the achievement of system objectives.
<b>Management Actions</b>	<b>Current risk</b>
<b>High Priority</b>	A significant risk of; failure to achieve objectives; fraud or impropriety; system breakdown; loss; or qualification of the accounts by the organisation's external auditors. Such risk could lead to adverse impact on the organisation or expose the organisation to criticism.
<b>Medium Priority</b>	A serious, but not immediate risk of: failure to achieve objectives; system breakdown; or loss.
<b>Low Priority</b>	Areas that individually have no major impact, but where management would benefit from improved risk management and / or have the opportunity to achieve greater efficiency and / or effectiveness.

**8. Adjustment to the Internal Audit Plan**

Audit reviews deferred from the 2019-20 Audit plan to be included in 2020-21 Audit Plan	
<b>Main Accounting</b>	10 Days
<b>Payroll</b>	7 Days
<b>Leasehold Service Charges</b>	10 Days

<b>Disability Facilities Grants</b>	10 Days	
<b>Film and Events</b>	10 Days	
<b>Property Investment</b>	10 Days	
<b>Ethics and Culture</b>	7 Days	
<b>Planning Housing Delivery Monitoring Process</b>	15 Days	
		<b>Total 79 Days</b>

<b>Audit reviews Added to the 2019-20 Audit plan</b>		
<b>Planning Service VFM</b>	20 Days	
<b>Assurance on Payroll Accuracy</b>	15 Days	
<b>Accounts Payable</b>	10 Days	
<b>Planning system change to officer allocation</b>	15 Days	
<b>Special re Non Business related purchases</b>	20 Days	
<b>Planning Fee Income</b>	17 Days	<b>Total 92 Days</b>



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<b>2.</b>	<b>Purpose of report</b>	<b>4</b>
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The standards for ‘proper practices’ are laid down in the Public Sector Internal Audit Standards [the Standards – updated 2017].

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

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

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

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

## 2. Purpose of report

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

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

Internal audit reviews culminate in an opinion on the assurance that can be placed on the effectiveness of the framework of risk management, control and governance designed to support the achievement of management objectives of the service area under review. The contractor has adopted the new CIPFA recommended standard terminology and definitions to be used in internal audit engagements across the whole Public sector and for a standard set of opinions and supporting definitions for internal audit service provider to use. This has resulted in minor amendments to those previously used by Southern internal Audit Partnership. The recommended CIPFA classifications and supporting narrative are detailed below and will be used from March 2020:-

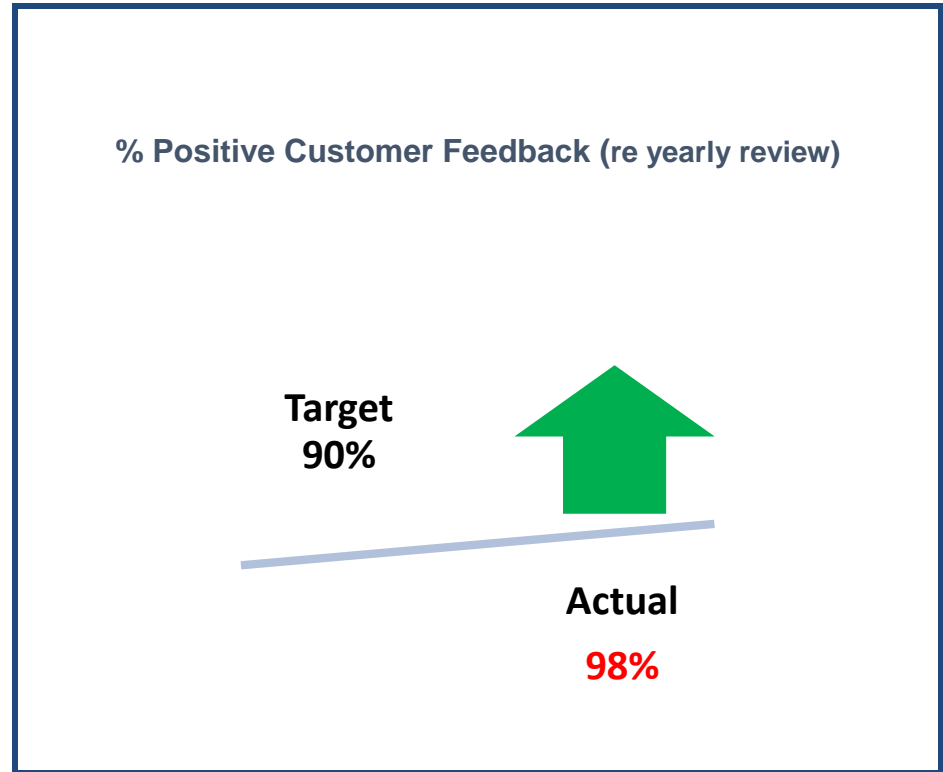
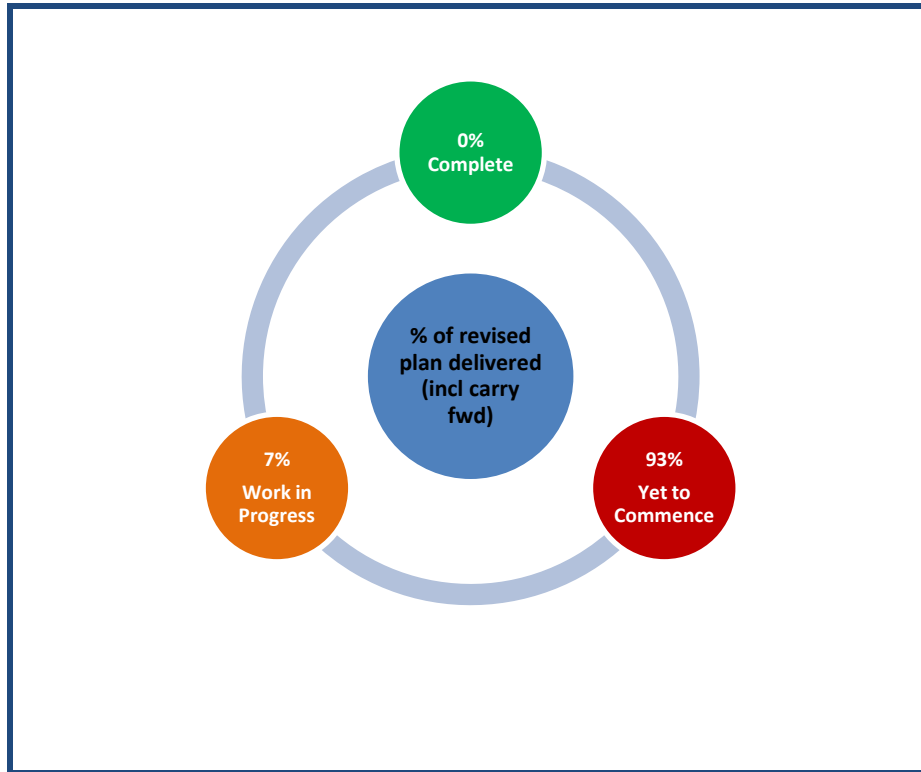
**Substantial** A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

**Reasonable** There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited

**Limited** Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited

**No** Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

### 3. Performance dashboard



**Compliance with Public Sector Internal Audit Standards**



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

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

In accordance with PSIAS, a further self assessment was completed in April 2018 concluding that the Southern Internal Audit Partnership continues to comply with all aspects of the IPPF, PSIAS and LGAN. A new assessment is planned for 2020-20.

**4. Analysis of ‘Completed’ audit plan reviews**

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Management Actions						
				Total Rec's Reported	Not Accepted	Not Yet Due	Complete	Overdue		
								Priority		
								L	M	H

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

## 5. Planning & Resourcing

The internal audit plan for 2020-21 was approved by the Audit Committee in March 2020.

The audit plan remains fluid to provide a responsive service that reacts to the changing needs of the Council. Section 8 details the reviews that have been added to the original plan approved in March 2020. Progress against the plan is detailed below in section 6 for those reviews not already included in Para 4 above.

## 6. Rolling Work Programme

IT programme / Audit Review	Audit Sponsor	Risk	Days	Qtr.	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Comment
<b>CORPORATE/CROSS CUTTING</b>											
Compliance monitoring for council owned buildings.	HOF&P	M	7.00	Q1/2	✓	✓					
Procurement levels with Suppliers	HOF&P	H	7.00	Q1/2	✓	✓					
Safeguarding	HOHD&C	H	5.00	Q3/4							
Health & Safety	HOF&P & HOHO	H	7.00	Q3/4							
Ethics including Declaration of Interests, gifts and Hospitality	HOG&P	H	10.00	Q4							
<b>KEY FINANCIAL SYSTEM</b>											
Payroll (Deferred from 2019/20)	HOP & G	H	10.00	Q2/4							
Main Accounting (Deferred from 2019/20)	HOF&P	H	10.00	Q3/4							
Car Parking Income	HOE& RS	H	10.00	Q2/4	✓	✓					

IT programme / Audit Review	Audit Sponsor	Risk	Days	Qtr.	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Comment
<b>and PCN Write Offs</b>											
Rent Collection	HOHO	H	7.00	Q1/2	✓	✓					
Post payment Business Grant compliance	HOF&P	H	10.00	?							
<b>INFORMATION TECHNOLOGY</b>											
IT Inventory Control and Licensing for Software	HOBT	H	5.00	Q3							
<b>APPLICATIONS SYSTEMS IN SERVICE AREAS</b>											
BACS Process	HOF & P AND OTHER HOS	H	7.00	Q1/2	✓	✓					
Systems Administrator Activities	ALL HOS	H	10.00	Q3							
<b>SERVICE AREAS</b>											
Service Charges - Leasehold Flats	HOS	H	15.00	Q3/4							



IT programme / Audit Review	Audit Sponsor	Risk	Days	Qtr.	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Comment
<b>Disability Facilities Grants Private Sector Housing</b>	HOHD&C	H	10.00	Q2/3	✓	✓					
<b>Film and Events</b>	HOCS	M	7.00	Q3/4							
<b>Planning Housing Delivery Monitoring Process</b>	HOP&ED	M	15.00	Q3/4							
<b>Gas Servicing of boilers in council homes</b>	HOHO	M	5.00	Q2	✓	✓					
<b>Repair Recharges for Void properties to vacating tenants process</b>	HOHO	M	10.00	Q3/4							
<b>Decant and Demolition of council homes - process</b>	HOHO	M	10.00	Q1/2	✓	✓					
<b>No of days currently allocated</b>			185.00								
<b>Days Allocated to Southern Internal Audit Partnership</b>			155.00								

**7. Adjustment to the Internal Audit Plan**

Audit reviews deferred from the 2020-21 Audit plan

Audit reviews added to the 2020-21 Audit plan

**WAVERLEY BOROUGH COUNCIL**

**AUDIT COMMITTEE**

**20 JULY 2020**

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**Title:**

**INTERNAL AUDIT CHARTER**

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**Lead Councillor: Councillor Peter Marriott, Chairman of the Audit Committee**

**Strategic Director: Graeme Clark**

**Key decision: Yes**

**Access: Public**

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**1. Purpose and summary**

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

**2. Recommendation**

- 2.1 It is recommended that the Audit Committee approves the Internal Audit Charter as attached in Annexe 1.

**3. Reason for the recommendation**

- 3.1 To enable the Audit Committee to have an overview and endorse the Internal Audit Charter.

**4. Background**

- 4.1 All internal audit services across the public sector are governed by the PSIAS. CIPFA has also produced an Application Note as the sector-specific requirements for local government organisations. The PSIAS and the Local Government Application Note together supersede the 2006 CIPFA Code of Practice for Internal

Audit in Local Government in the UK.

4.2 The objectives of PSIAS are to:

- Define the nature of internal auditing within the UK Public Sector
- Set basic principles for carrying out internal audit in the UK public sector
- Establish a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations;
- Establish the basis for the evaluation of internal audit performance and to drive improvement planning.

4.3 The foundations of PSIAS are not fundamentally different to those adhered to under the CIPFA Code of practice and require an internal audit charter that defines the purpose, authority and responsibility of the internal audit activity, with clear definitions of those fulfilling responsibilities of the 'board' (The Audit Committee) and 'senior management' (Management Board). The proposed Internal Audit Charter, which meets the requirements set out in PSIAS, is attached at Annexe 1 for consideration.

4.4 The Internal Audit Charter must be reviewed periodically (as a minimum annually) by the 'Chief Audit Executive' (Internal Audit Manager) and presented to the Audit Committee.

4.5 In line with the PSIA Standards, external assessment will also be conducted at least once every five years by an external, qualified, independent assessor or assessment team.

## **5. Relationship to the Corporate Strategy and Service Plan**

5.1 A financially sound Waverley, with infrastructure and services fit for the future.

## **6. Implications of decision**

### **6.1 Resource (Finance, procurement, staffing, IT)**

There are no specific current financial implications from this report, however, any changes in the Public Sector Internal Auditing Standards could result in the revision of the charter and the revision of the service delivery provision.

### **6.2 Risk management**

Defining the purpose, authority and responsibility of the internal activity with clear definitions minimises the risk of misunderstandings as to the role of internal audit.

### **6.3 Legal**

The Council must have arrangements in place to adhere to the public sector internal auditing standards and any guidance provided by CIPFA, Chartered Institute Public Sector Financial Accountants

#### 6.4 **Equality, diversity and inclusion**

There are no direct equality, diversity or inclusion implications in this report. Equality impact assessments are carried out when necessary across the council to ensure service delivery meets the requirements of the Public Sector Equality Duty under the Equality Act 2010.

#### 6.5 **Climate emergency declaration**

There are no direct implications in this report

### 7. **Consultation and engagement**

7.1 Strategic Director (S151 Officer) and Chairman and Vice-Chairman of the Audit Committee were consulted on the content of the Internal Audit Charter.

### 8. **Other options considered**

8.1 N/A

### 9. **Governance journey**

9.1 The minutes of the meeting will be included on the next Council agenda.

#### **Annexe(s):**

Annexe 1 – Internal Audit Charter

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#### **Background Papers**

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

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#### **CONTACT OFFICER:**

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Email: [gail.beaton@waverley.gov.uk](mailto:gail.beaton@waverley.gov.uk)

Agreed and signed off by:  
Legal Services: 01/07/2020  
Head of Finance: 30/06/2020  
Strategic Director: 01/07/2020  
Portfolio Holder: N/A



# INTERNAL AUDIT CHARTER

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<b>15.</b>	<b>Periodic Assessment</b>	<b>9</b>
<b>16.</b>	<b>Review of the Internal Audit Charter</b>	<b>9</b>

<b>Version</b>	<b>Approved by</b>	<b>Date</b>
<b>V 1</b>	<b>Audit Committee</b>	<b>17/09/2013</b>
<b>V 2</b>	<b>Audit Committee</b>	<b>21/06/2016</b>
<b>V 3</b>	<b>Audit Committee</b>	<b>26/09/2017</b>
<b>V 4</b>	<b>Audit Committee</b>	<b>25/09/2018</b>
<b>V 5</b>	<b>Audit Committee</b>	<b>24/09/2019</b>
<b>V 6</b>	<b>Audit Committee</b>	<b>20/07/2020</b>

## 1. Introduction

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

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

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



## 2. Definitions

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

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

*'Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.'*

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



## 2.2 The 'Board'

The board is defined as:

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

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

## 2.3 Senior Management

***Senior Management is defined as:***

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

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

## 2.4 Chief Audit Executive

The Chief Audit Executive is described as:

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

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

## 3. Purpose of Internal Audit

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

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

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

#### **4. Professionalism**

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

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

#### **5. Authority of Internal Audit**

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

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

#### **6. Organisation**

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

#### **7. Responsibility of the Internal Audit Service**

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

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

## **8. Scope of Internal Audit**

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

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

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

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

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

## **9. Independence and Objectivity**

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

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

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

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

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

## **10. Internal Audit Plan**

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

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

## **11. Internal Audit Resources**

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

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

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

## 12. Reporting and Monitoring

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

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

The internal audit activity will be responsible for appropriate follow-up on agreed actions with the responsible **Head of Service**. **All agreed action will remain on the monitoring system (Pentana) until implemented** or approved to be removed by the Audit Committee if a justifiable reason is provided to support the request.

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

## 13. Role of Internal Audit in Fraud Related Work

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

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

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

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

#### **14. Performance of Non-Audit Activities**

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

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

#### **15. Periodic Assessment**

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

In addition, the Internal Audit Manager will communicate to the Management Board and the Audit Committee on the internal audit activity's quality assurance and improvement program, including results of ongoing internal assessments and external assessments conducted at least every five years. However, as the **majority of the Audit Plan work is completed by an External Contractor, Public Sector Internal Auditing Standards requires them to have an external quality assessment** completed at least every 5 years and this is confirmed and included in the Annual Internal Audit Report each year. The evidence of these assessments are checked by the External Auditors as part of their assessment of the internal control and governance framework in place within Waverley Borough Council as part of the work completed for the External Audit findings report.

#### **16. Review of the Internal Audit Charter**

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

**WAVERLEY BOROUGH COUNCIL**

**AUDIT COMMITTEE**

**20TH JULY 2020**

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**Title:**

**ANNUAL INTERNAL AUDIT REPORT FOR 2019-20**

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**Lead Councillor: Councillor Peter Marriott, Chairman of the Audit Committee**

**Strategic Director: Graeme Clark**

**Key decision: Yes**

**Access: Public**

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**1. Purpose and summary**

1.1 Purpose and summary of the report.

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

**2. Recommendation**

It is recommended that the Audit Committee considers and notes the annual internal audit report and audit opinion for 2019/20.

**3. Reason for the recommendation**

To enable the Audit Committee to be informed of the work that has been completed to date to provide them with assurance that the control environment is working as intended.

**4. Background**

4.1 As a result of the vacant in-house auditor position not being filled changes were made to the original Internal Audit Plan which were approved at the March 2019 Audit Committee. At the November 2019 Audit Committee the committee received

an action plan that included the reassessment of the audit coverage for 2019/20, including revising and rescheduling of the plan according to priorities. This resulted in the decision to procure an additional 37 days from our current provider of Internal Audit services, Southern Internal Audit Partnership (SIAP) as agreed with the Chair and Vice-Chair of the Audit Committee. The Committee is to note that an additional review relating to Ethics and Culture has been deferred to 2020-21 as the Governance review being completed by Members has not been finalised and it was deemed more effective to await the outcomes before any value can be obtained from an Internal Audit review of the governance arrangements around ethics.

- 4.2 The services of the contractor (SIAP) provided 138 days, Each review initially allocated to SIAP in April 2019 is marked by a single asterisk and those indicating new additional revisions after April allocation are marked by two.
- 4.3 The remaining reviews currently shown in Annexe 1 in Para 6 (Adjustments to the Internal Audit Plan) have been included in next year's Internal Audit Plan for 2020/21.

## **5. Relationship to the Corporate Strategy and Service Plan**

- 5.1 A financially sound Waverley, with infrastructure and services fit for the future

## **6. Implications of decision**

### **6.1 Resource (Finance, procurement, staffing, IT)**

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

### **6.2 Risk management**

The work completed by Internal Audit provides an independent assessment of the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

### **6.3 Legal**

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

### **6.4 Equality, diversity and inclusion**

There are no direct equality, diversity or inclusion implications in this report. Equality impact assessments are carried out when necessary across the council to ensure service delivery meets the requirements of the Public Sector Equality Duty under the Equality Act 2010.

### **6.5 Climate emergency declaration**



There are no direct implications in this report

## **7. Consultation and engagement**

- 7.1 Heads of Service, Management Board and the Chairman and Vice-Chairman of the Audit Committee were engaged throughout the year on the internal audit activity.

## **8. Other options considered**

- 8.1 N/A

## **9. Governance journey**

- 9.1 The minutes of the meeting will be included on the next Council agenda.

### **Annexes:**

Annexe 1 – Annual Internal Audit Report for 2019-20

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### **Background Papers**

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

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### **CONTACT OFFICER:**

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Position: Internal Audit Manager  
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Email: [gail.beaton@waverley.gov.uk](mailto:gail.beaton@waverley.gov.uk)

Agreed and signed off by:  
Legal Services: 02/07/2020  
Head of Finance: 03/07/2020  
Strategic Director: 03/07/2020  
Portfolio Holder: N/A



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## 1. Role of Internal Audit

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

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

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



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

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

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

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

## 2. Internal Audit Approach

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

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

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

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

### 3. Internal Audit Opinion

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



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

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

*Annual Internal Audit Opinion 2019-2020*

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

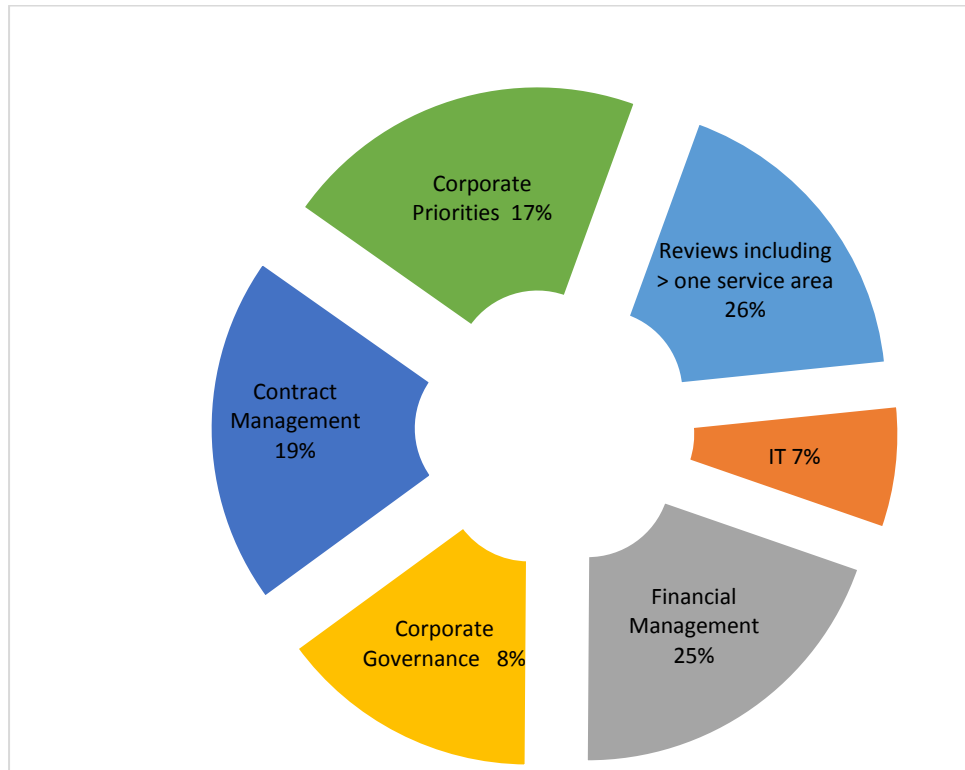
***In my opinion, Waverley Borough Council has an adequate and effective framework for risk management, governance and internal control. However, the internal audit work has identified further enhancements to the framework of risk management, governance and internal control to ensure that it remains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

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

#### **4. Internal Audit Coverage and Output**

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

##### **Percentage of Types of Reviews**



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

The 2019-20 Internal Audit Plan approved by the Audit Committee in March 2019, was informed by internal audit’s own assessment of risk and materiality. In addition to consultation with management to ensure it aligned to key risks facing the organisation.

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

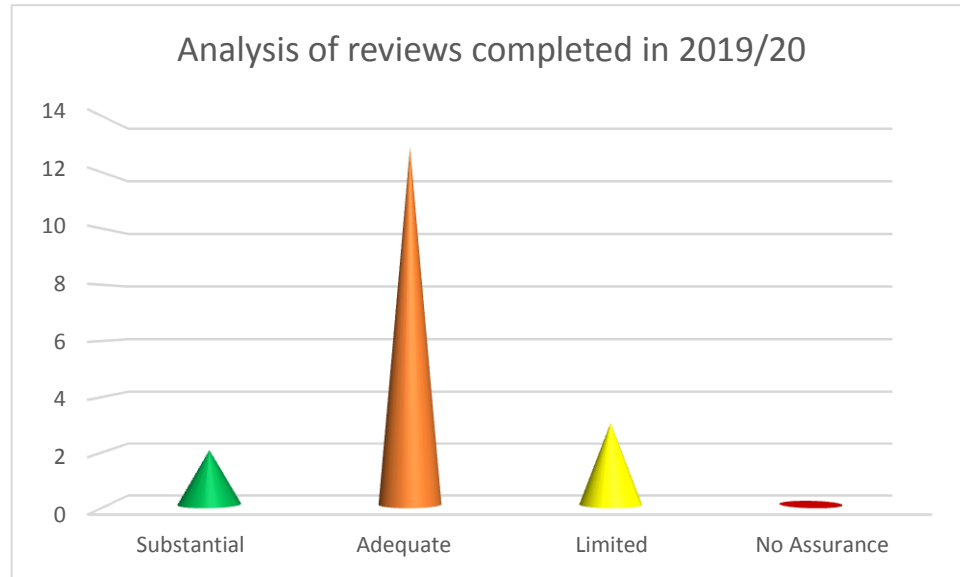
In delivering the internal audit opinion the Internal Audit Service have undertaken 22 reviews during the year ending 31 March 2020.

The 2019-20 internal audit plan has been delivered with the following exceptions:

- Work is substantially complete and an opinion has been formed for 22 reviews. This includes 4 advisory reviews which did not culminate in an audit opinion as they relate to work conducted in respect of advisory reviews on the systems in operation and actions were raised where necessary.



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



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

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

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

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

## 5. Key Observations

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

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

**Recovery of Debts** – This review highlight areas that are required to enhance the retention of evidence of the action taken before an item is proposed for write off. When completed the reason for write off should also be retained.

**Firewalls** – The review identified areas of improvement to enhance the operational requirements for firewalls relating to the documentation retained to support changes made to the Firewall.

## 6. Anti-Fraud and Corruption

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

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

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

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

**National Fraud Initiative (NFI)** - The NFI is a statutory exercise facilitated by the Cabinet Office that matches electronic data within and between public and private sector bodies to prevent and detect fraud. Public sector bodies are required to submit data to the National Fraud Initiative on a regular basis (every two years).

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

## 7. Quality Assurance and Improvement

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

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

The QAIP must include both internal and external assessments: internal assessments are both on-going and periodical and external assessment must be undertaken at least once every five years. In addition to evaluating compliance with the Standards, the QAIP also assesses the efficiency and effectiveness of the internal audit activity, identifying areas for improvement.

An ‘External Quality Assessment’ of the Southern Internal Audit Partnership was undertaken by the Institute of Internal Auditors (IIA) in September 2015.

In considering all sources of evidence the external assessment team concluded:

**“It is our view that the Southern Internal Audit Partnership (SIAP) service generally conforms to all of the principles contained within the International Professional Practice Framework (IPPF); the Public Sector Internal Audit Standards**

**(PSIAS); and the Local Government Application Note (LAGN).**

**There are no instances across these standards where we determined a standard below “generally conforms”, and 4 instances where the standard is assessed as “not applicable” due to the nature of SIAP’s remit.”**

In accordance with PSIAS, annual self-assessments have been completed since the external inspection concluding that the Southern Internal Audit Partnership continues to comply with all aspects of the IPPF, PSIAS and LGAN.

## **8. Disclosure of Non-Conformance**

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

**‘the Southern Internal Audit Partnership conforms to the, Definition of Internal Auditing; the Code of Ethics; and the Standards’**

There are no disclosures of Non-Conformance to report.

## **9. Quality control**

Our aim is to provide a service that remains responsive to the needs of the Council and maintains consistently high standards. This was achieved in 2019-20 through the following internal processes:

- On-going liaison with management to ascertain the risk management, control and governance arrangements, key to corporate success;
- On-going development of a constructive working relationship with the External Auditors to maintain a cooperative assurance approach;

- A tailored audit approach using a defined methodology and assignment control documentation, including checking and signing off documents;
- Review and quality control of all internal audit work by professional qualified senior staff members; and
- A self-assessment against the Public Sector Internal Audit Standards.

## 10. Internal Audit Performance

The following performance indicators are maintained to monitor effective service, these were previously agreed with the Audit Committee and formed part of the contract with the internal audit contractor who completed the work in 2019/20.

Annual performance indicators *New contractor		
Aspect of service		2019-20 Actual (%)
Revised plan delivered (including 2018/19 c/f)		97
Positive customer responses to quality appraisal questionnaire **		98
Compliant with the Public Sector Internal Audit Standards		Yes

\*\*Customer satisfaction has been assessed through response to questionnaire issued to a wide range of stakeholders including senior officers and the Audit Committee.

## 11. Acknowledgement

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

Gail Beaton

Internal Audit Manager  
July 2020

**WAVERLEY BOROUGH COUNCIL**

**AUDIT COMMITTEE**

**20<sup>TH</sup> JULY 2020**

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**Title:**

**FRAUD INVESTIGATION SUMMARIES**

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**Lead Councillor: Councillor Peter Marriott, Chairman of Audit Committee**

**Strategic Director: Graeme Clark**

**Key decision: Yes**

**Access: Public**

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**1. Purpose and summary**

The report provides an update to the Committee on the work being completed in investigating fraud, primarily focusing on Housing Tenancy fraud. The report also includes the current outputs in relation to the National Fraud Initiative (NFI)

**2. Recommendation**

It is recommended that the Audit Committee notes the results of the fraud investigation activity, attached in:-

Annexe 1 for the full year (01 April 2019 to 31 March 2020).

Annexe 2 for the 1st quarter (01 April 2020 to 30 June 2020).

**3. Reason for the recommendation**

To enable the Audit Committee to be informed of the work that has been completed to date in relation to fraud matters.

**4. Background**

- 4.1 This report provides the Audit Committee with an update on the progress being made on fraud investigations. As part of this work we continue to share ideas and information with other Surrey councils and other social housing providers as part of the Surrey Counter Fraud Partnership. The success of the work completed has been supported by the introduction of the Prevention of Social Housing Fraud Act 2013 where the maximum penalty for the offence of acting dishonestly in the subletting/parting with possession of a property is up to 2 years' imprisonment or a fine (or both).

- 4.2 In the period 1<sup>st</sup> April 2019 to 31<sup>st</sup> March 2020, include 6 properties either being relinquished (2 cases) or recovered through the court system, (4 cases), and these have been made available to be re-let to applicants on our waiting list.

In the period 1<sup>st</sup> April 2020 to 30<sup>th</sup> June 2020, include 4 properties where the tenancies have been recovered including 1 where the right to buy was stopped and the tenancy was also relinquished.

## **5. Relationship to the Corporate Strategy and Service Plan**

- 5.1 A financially sound Waverley, with infrastructure and services fit for the future

## **6. Implications of decision**

### **6.1 Resource (Finance, procurement, staffing, IT)**

The notional value of financial savings detailed in Annexe 1 up to 31 March 2020 is £879,976. Of which £258,530 relates to National Fraud Initiative, £55,992 for a DFG Grant and the majority of the balance of £565,454 based on Cabinet Office figures relates directly to housing fraud.

Annexe 2 for the 1<sup>st</sup> quarter of 2020-2021 Relates to the recovery of 4 properties to the value of £444,000.

However, these indicative values do not include the real value to Waverley Borough Council, as it costs on average £200,000 to build a new house. Outcomes from this work not only highlight the fundamental financial value of continuing to support the work being carried out but the ethical and social responsibility importance to ensure that only those that qualify for social housing are successful. By securing the return of 10 properties back into housing stock helps Waverley to meet the needs of legitimate housing applicants.

### **6.2 Risk management**

If the authority did not carry out this investigation work it would enable fraudsters to perpetrate fraud against the council and obtain services or financial benefit including housing that they are not entitled to. Protection of council assets.

### **6.3 Legal**

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

The Prevention of Social Housing Fraud Act 2013 contains two offences regarding the sub-letting or parting with possession of properties held under secure tenancies. The first is committed where the tenant no longer occupies the property as their only or principal home and sublets or parts possession of all or part of it in the knowledge



that this is in breach of tenancy. A person convicted of this offence is liable on summary conviction to a fine of up to £5,000.

A more serious offence is committed if the tenant acts dishonestly in the subletting/parting with possession. A person convicted of this offence is liable to imprisonment for a term not exceeding 2 years or a fine (or both).

#### **6.4 Equality, diversity and inclusion**

There are no direct equality, diversity or inclusion implications in this report. Equality impact assessments are carried out when necessary across the council to ensure service delivery meets the requirements of the Public Sector Equality Duty under the Equality Act 2010.

#### **6.5 Climate emergency declaration**

There are no direct implications in this report.

#### **7. Consultation and engagement**

7.1 Head of Housing and the Fraud Investigation Officer

#### **8. Other options considered**

8.1 N/A

#### **9. Governance journey**

9.1 The minutes of the Audit Committee will be presented to Council.

#### **Annexes:**

Annexe 1 – Analysis of the caseload and outputs from the Fraud Investigation activity for the period 01/04/2019 to 31/03/2020.

Annexe 2 – Analysis of the caseload and outputs from the Fraud Investigation activity for the period 01/04/2020 to 30/06/2020.

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#### **Background Papers**

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

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#### **CONTACT OFFICER:**

Name: Gail Beaton

Position: Internal Audit Manager  
Telephone: 01483 523260  
Email: [gail.beaton@waverley.gov.uk](mailto:gail.beaton@waverley.gov.uk)

Agreed and signed off by:  
Legal Services: 01/07/2020  
Head of Finance: 30/06/2020  
Strategic Director: 01/07/2020

Name of Partner	Waverley
QUARTER	4

**Record of cases investigated in the period covering 01 April 2019 to 31 March 2020**

	Cases currently being investigated from previous years	Referrals received since 1 April 2019	Cases Started	Cases closed	Still under investigation	Positive outcomes includes previous years cases	Properties retained by the Council	Properties Handed Back /Recovered	Housing / Homeless/RTB / Succession/Mutual Exchange/Shared ownership application withdrawn	Financial Value	Prosecutions	Other Sanctions
<b>Housing</b>												
Social housing Fraud	11	13	24	19	5	6		6	Tenancy Relinquished	558,000		5 Court Cases
<b>Housing Register Fraud</b>	2	3	5	5	0	2			Housing Applications Rejected	6,480		
Homelessness Applications												
<b>Right To Buy/Right To Acquire</b>	4	30	34	30	4	0			Right to Buy stopped and/or Tenancy Relinquished	0		
<b>Mutual Exchange</b>	0	16	16	16	0				Mutual Exchange denied/rejected	0		
<b>Successions</b>	1	2	3	3	0				No of Succession/s denied	0		
<b>Recovered properties for others</b>	0									0		
Council Tax Discount												
<b>SPD &amp; LCTRS (As result from Caseload above)</b>						1				974		
Student Exemptions												
Disability												
<b>Council Tax Support (benefit)</b>												
<b>Business rates</b>												
NNDR	0									0		
<b>Other (DFG)</b>	0	1	1			1				55,992		
<b>NFI exercise **</b>										258,530		
<b>2019/20 Year Total</b>	18	65	83	73	9	10	0	6		879,976		
<b>2018/19 Year Total</b>	18	54	72	55	17	8	3	4		189,710	0	0
<b>2017/18 Year Total</b>	21*	113	134	117	17	30	13	10		733,930		
<b>2016/17 Year Total</b>	11	127	138	118	20*	32	13	12		688,866		

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

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

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

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

Name of Partner	Waverley
QUARTER	1

**Record of cases investigated in the period covering 01 April 2020 to 31 June 2020**

	Cases currently being investigated from previous years	Referrals received since 1 April 2020	Cases Started	Cases closed	Still under investigation	Positive outcomes includes previous years cases	Properties retained by the Council	Properties Handed Back /Recovered	Housing / Homeless/RTB / Succession/Mutual Exchange/Shared ownership application withdrawn	Financial Value	Prosecutions	Other Sanctions
<b>Housing</b>												
Social housing Fraud	5	4		2	7	1		1	Tenancy Relinquished	93,000		
Housing Register Fraud	0								Housing Applications Rejected	0		
Homelessness Applications												
Right To Buy/Right To Acquire	4	2	6	2	4	1	1	1	Right to Buy stopped and/or Tenancy Relinquished	165,000		
Mutual Exchange	0								Mutual Exchange denied/rejected	0		
Successions	0	2	2	2					No of Succession/s denied	0		
Recovered properties for others	0									0		
Council Tax Discount												
SPD & LCTRS (As result from Caseload above)												
Student Exemptions												
Disability												
Council Tax Support (benefit)												
Business rates												
NNDR	0									0		
Other (DFG)	0											
NFI exercise **												
<b>2020/21 Total to 30 June 2020</b>	<b>9</b>	<b>8</b>	<b>8</b>	<b>6</b>	<b>11</b>	<b>2</b>	<b>1</b>	<b>2</b>		<b>258,000</b>		
<b>2019/20 Year Total</b>	<b>18</b>	<b>65</b>	<b>83</b>	<b>73</b>	<b>9</b>	<b>2</b>	<b>0</b>	<b>6</b>		<b>879,976</b>		
<b>2018/19 Year Total</b>	<b>18</b>	<b>54</b>	<b>72</b>	<b>55</b>	<b>17</b>	<b>8</b>	<b>3</b>	<b>4</b>		<b>189,710</b>	<b>0</b>	<b>0</b>
<b>2017/18 Year Total</b>	<b>21*</b>	<b>113</b>	<b>134</b>	<b>117</b>	<b>17</b>	<b>30</b>	<b>13</b>	<b>10</b>		<b>733,930</b>		
<b>2016/17 Year Total</b>	<b>11</b>	<b>127</b>	<b>138</b>	<b>118</b>	<b>20*</b>	<b>32</b>	<b>13</b>	<b>12</b>		<b>688,866</b>		

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

Tenancy Recovered - £93,000  
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\* difference of 1 related to Housing Association property where assistance was provided to recover a property as part of one of our investigations.

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

**AUDIT COMMITTEE RECURRENT ANNUAL WORK  
PROGRAMME**

Meeting	Item	Action	Responsibility
<b>September 2020</b>	Risk Management (if required)	Approve	Head of Finance and Property, Peter Vickers
	Review Audit Committee's Terms of Reference	Rec to Council, if necessary	Committee Services
	Audit Committee Annual Report	Note	Committee Services
	Internal Audit Charter	Endorse	Internal Audit Manager, Gail Beaton
	External Audit Annual Audit Letter	Note	External Audit
<b>November 2020</b>	Risk Management	Approve	Head of Finance and Property, Peter Vickers
	Annual Governance Statement – Interim Review	Comment and instruct	Head of Finance and Property, Peter Vickers
<b>March 2021</b>	External Audit Plan	Note	External Audit
	Certification Report	Note	External Audit
	Internal Audit Plan	Approve	Internal Audit Manager, Gail Beaton
	Risk Management (if required)	Approve	Head of Finance, Peter Vickers
<b>July 2021</b>	External Audit Findings Report	Note	External audit
	Annual Governance Report	Endorse	External Audit
	Statement of Accounts <b>(Deadline 31/07/2020)</b>	Approve	Head of Finance, Peter Vickers
	Annual Governance Statement <b>(Deadline 31/07/2020)</b>	Approve	Head of Finance and Property, Peter Vickers and Head of Policy and Governance, Robin Taylor
	Annual Internal Audit Report (Activity of previous financial year)	Comment and Note	Internal Audit Manager, Gail Beaton

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

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

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

Fraud Investigation Summary [To note].

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