

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

When calling please ask for:

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Date: 19 February 2021

Membership of the Audit Committee

Cllr Peter Marriott (Chairman)

Cllr Jerome Davidson (Vice Chairman)

Cllr Richard Cole

Cllr Jan Floyd-Douglass

Cllr John Gray

Cllr Richard Seaborne

Cllr Michaela Wicks

Cllr George Wilson

Dear Councillors

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

DATE: MONDAY, 1 MARCH 2021

TIME: 7.00 PM

PLACE: ZOOM MEETING - VIRTUAL 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 30th November 2020 and published on the Council's 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.

5. **QUESTIONS FROM MEMBERS**

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

6. **ANNUAL AUDIT LETTER** (Pages 1 - 16)

To receive the Annual Audit Letter for Year ended 31 March 2020

7. **ANNUAL GOVERNANCE STATEMENT - CONSIDERATION OF POTENTIAL GOVERNANCE ISSUES. (PAGES 17 - 26)**

8. **ACCOUNTING POLICIES** (Pages 27 - 50)

The report provides an update on Waverley Accounting Policies in line with changes to the CIPFA Code of Practice relating to the preparation of the 2020/21 Financial Statements. The audit committee is charged with

responsibility for oversight of financial reporting integrity and plays a pivotal role in helping to ensure that the critical accounting policies, judgments and estimates applied by management present a fair and accurate picture of the Council's financial position.

Recommendation

It is recommended that the Audit Committee reviews and considers the adequacy of the Accounting Policies that underpin the preparation of the Financial Statements and notes that there are no proposed changes in accounting policy or changes in accounting standards to apply in the 2020/21 Financial Statements.

9. **PROPOSED INTERNAL AUDIT PLAN FOR 2021-22** (Pages 51 - 64)

The Committee's terms of reference include provision for the Committee to approve the proposed Internal Audit Plan. This report presents the proposed Draft Internal Audit Plan for 2021-22 and the Committee is invited to comment and approve the Audit Plan. The plan has been drawn up by the Internal Audit Manager through completing a risk assessment of the audit universe of the council's activities including consultation with Senior Management Team.

The draft audit plan also contains those reviews that were deferred from 2020-21 audit plan identifiable by the inclusion of (C/F 2020-21) after their title.

Recommendation

It is recommended that the Audit Committee comments and approves the proposed Draft Internal Audit Plan for 2021-22 as attached in Annexe 1.

10. **PROGRESS ON THE IMPLEMENTATION OF INTERNAL AUDIT AGREED ACTIONS** (Pages 65 - 76)

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

Recommendation

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

11. **REVIEW OF THE PROGRESS ON THE ACHIEVEMENT OF THE 2020-21 AUDIT PLAN** (Pages 77 - 94)

The Committee's Terms of Reference include provision for the Committee to approve, monitor and comment on the progress made in the achievement of

the Internal Audit Plan. An update on the current position of the internal audit reviews is attached.

Recommendation

It is recommended that the Committee notes the contents of the Internal Audit Progress report as attached.

12. FRAUD INVESTIGATION SUMMARY (Pages 95 - 100)

The report provides an update to the Committee on the work being completed in investigating fraud, primarily focusing on Housing Tenancy Fraud.

Recommendation

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

13. AUDIT COMMITTEE RECURRENT ANNUAL WORK PROGRAMME (Pages 101 - 102)

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

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 OTHER ISSUES TO BE CONSIDERED IN EXEMPT SESSION

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

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

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The Annual Audit Letter for Waverley Borough Council

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Year ended 31 March 2020
15 December 2020



Agenda Item 6.

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Executive Summary

Purpose

Our Annual Audit Letter (Letter) summarises the key findings arising from the work that we have carried out at Waverley Borough Council (the Council) and its subsidiaries (the group) for the year ended 31 March 2020.

This Letter is intended to provide a commentary on the results of our work to the Council and external stakeholders, and to highlight issues that we wish to draw to the attention of the public. In preparing this Letter, we have followed the National Audit Office (NAO)'s Code of Audit Practice and Auditor Guidance Note (AGN) 07 – 'Auditor Reporting'. We reported the detailed findings from our audit work to the Council's Audit Committee as those charged with governance in our Audit Findings Report on 30 November 2020.

Pages
Our work

Respective responsibilities

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

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

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

Working with the Council

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

Materiality	We determined materiality for the audit of the group's financial statements to be £1,911k, and £1,905k for the Council's financial statement. This is 2% of the group and Council's gross cost of services.
Financial Statements opinion	<p>We gave an unqualified opinion on the group's financial statements on 2 December 2020.</p> <p>We included an emphasis of matter paragraph in our report in respect of the uncertainty over valuations of the Council and group's land and buildings and the property assets of its pension fund given the Coronavirus pandemic. This does not affect our opinion that the statements give a true and fair view of the Group's financial position and its income and expenditure for the year.</p>
Whole of Government Accounts (WGA)	We completed work on the Council's consolidation return following guidance issued by the NAO.
Use of statutory powers	We did not identify any matters which required us to exercise our additional statutory powers.
Value for Money arrangements	We were satisfied that the Council put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources. We reflected this in our audit report to the Council on 30 November 2020.
Certificate	We certified that we have completed the audit of the financial statements of Waverley Borough Council, in accordance with the requirements of the Code of Audit Practice on 2 December 2020.

Audit of the Financial Statements

Our audit approach

Materiality

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

We determined materiality for the audit of the Group financial statements to be £1,911k, which is 2% of the group's gross cost of services. We determined materiality for the audit of the Council's financial statements to be £1,905k which is 2% of the Council's gross cost of services. We used this benchmark as, in our view, users of the group and Council's financial statements are most interested in where the group and Council has spent its revenue in the year.

We set a lower threshold of £91k, above which we reported errors to the Audit Committee in our Audit Findings Report.

The scope of our audit

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

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

We also read the remainder of the Statement of Accounts to check it is consistent with our understanding of the Council and with the financial statements included in the Statement of Accounts on which we gave our opinion.

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

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

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

Audit of the Financial Statements

Significant Audit Risks

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

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Covid-19</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"> - 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 estimates - 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 - 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. <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>As part of our audit work we have:</p> <ul style="list-style-type: none"> • worked with management to understand the implications the response to the Covid-19 pandemic had on the organisation's ability to prepare the financial statements and update financial forecasts and assessed the implications for our materiality calculations. No changes were made to materiality levels previously reported in respect of Covid-19, although it was reduced to reflect the lower gross revenue expenditure of the Council. The draft financial statements were provided on 17 July 2020; • liaised with other audit suppliers, regulators and government departments to co-ordinate practical cross-sector responses to issues as and when they arose. Examples include the material uncertainty disclosed by the Council's property valuation expert • evaluated the adequacy of the disclosures in the financial statements that arose in light of the Covid-19 pandemic; • evaluated whether sufficient audit evidence could be obtained through remote technology; • evaluated whether sufficient audit evidence could be obtained to corroborate significant management estimates such as assets and the pension fund liability valuations ; • evaluated management's assumptions that underpin the revised financial forecasts and the impact on management's going concern assessment; • discussed with management the implications for our audit report where we have been unable to obtain sufficient audit evidence. <p>Management produced the draft financial statements and working papers in line with the agreed timetable ahead of the audit commencing. This is a significant achievement with all of the Council's staff working remotely, although our audit did identify improvements that could be made to the Council's arrangements for supporting the audit. We completed our audit remotely and, while it took longer than normal as a result, we were able to utilise technology to corroborate information produced by the Council.</p>	<p>We did not identify any implications for our audit report resulting from Covid-19, however our report includes standard reference to the macroeconomic conditions arising from Brexit and Covid-19.</p>

Audit of the Financial Statements

Significant Audit Risks - continued

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

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Valuation of land and buildings</p> <p>The Council revalues its land and buildings on a rolling five-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£512 million) and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the Council and group financial statements is not materially different from the current value at the financial statements date, where a rolling programme is used. We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>As part of our audit work we have:</p> <ul style="list-style-type: none"> evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work evaluated the competence, capabilities and objectivity of the valuation expert discussed with the valuer the basis on which the valuation was carried out challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding of the Council's valuer's report and the assumptions that underpin the valuation. tested revaluations made during the year to see if they had been input correctly into the Council's asset register evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end. 	<p>Our work identified the following issues:</p> <ul style="list-style-type: none"> Indexation had not been applied to the council dwellings for the 2019/20 year. We challenged the valuer on the rationale and the supporting evidence supporting the decision, which was not in line with previous practice. The Council has now decided to apply indexation to the value of its council dwellings, which is a material adjustment. The Council's leisure centres had been revalued downwards by the valuer, in consultation with the Council's engineer, due to changes in the judgements made in respect of overall asset lives and remaining useful economic lives (UJEL) in 2019/20. When these judgements were challenged by the audit team, management and the valuer have revisited the valuations and underlying assumptions. This led to a material adjustment to the accounts. Our testing of the floor area source data used for the valuation of Haslemere Leisure Centre identified a discrepancy in the calculation. Using the floor area that was evidenced resulted in a difference of £331k. This is shown as an unadjusted item in Appendix C. Management provided a description of the logic and process of how they had considered the year end value of properties that have not been valued, and their reasonableness. They were however unable to provide supporting evidence or figures to demonstrate the potential change in valuation of these properties. Therefore we carried out our own procedures, applying indices to the assets not revalued. Our work identified a variance of £955k from our expectation, thereby providing assurance that the value of properties not revalued in the year were not materially different from the current value at year end. A member of the finance team on secondment from finance was closely involved in the decision making process of the internal valuer. Whilst clear separation of roles can be difficult for relatively small councils, in future greater demarcation of these respective roles should be put in place, as the valuation expert should be objective and separate from the preparation of the financial statements. <p>Management are required to ensure that they have the assurance that they require that the accounts are free from material misstatement. This would include assurances over the work of management's experts, including the valuer and the actuary. This is the second successive year where there has been material adjustments to PPE valuations.</p> <p>We will be including an emphasis of matter paragraph in our audit opinion in respect of the material uncertainty in the internal valuer's report.</p>

Audit of the Financial Statements

Significant Audit Risks - continued

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

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Valuation of the net pension liability The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements and group accounts.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£68 million in the Council's balance sheet) and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Council's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>As part of our audit work we have:</p> <ul style="list-style-type: none"> updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluate the design of the associated controls; evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation; assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability; tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; undertook procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and obtained assurances from the auditor of Surrey Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements. 	<p>Our work identified that the pension liability in the financial statements and the figure in the actuary's IAS19 report differ by £586k, which is due to the Council reflecting actual cumulative payments to the fund of £102,186, as opposed to £102,772k per the actuary's report. This difference however cannot be estimated with certainty by the Council, who have agreed to adjust this in the 2020/21 accounts. The uncertainty, which is not material, is therefore shown as an unadjusted item in Appendix C.</p> <p>We will be including an emphasis of matter paragraph in our audit opinion in respect of the material uncertainty in Surrey Pension Fund's valuation reports for pooled property and private equity investments.</p>

Audit of the Financial Statements

Significant Audit Risks - continued

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

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Management override of internal controls</p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities. The Council faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>As part of our audit work we have;</p> <ul style="list-style-type: none"> • evaluated the design effectiveness of management controls over journals • analysed the journals listing and determined the criteria for selecting high risk unusual journals • tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration • gained an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence • evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. 	<p>Our audit work on journals has not identified any issues in respect of management override of controls.</p>

Audit of the Financial Statements

Audit opinion

We gave an unqualified opinion on the group's financial statements on 2 December 2020.

Preparation of the financial statements

The Council presented us with draft financial statements in July in accordance with the agreed timescale. All information and explanations requested from management was provided. However there were a number of delays in some areas during the audit where there were difficulties in the provision of detailed population breakdowns for some areas and in the subsequent sample evidence. HRA debtors and PPE revaluations were particular areas where we encountered delays.

Issues arising from the audit of the financial statements

We reported the key issues from our audit to the Council's Audit Committee on 30 November 2020.

As a result of the issues arising from our work on the valuation of land and buildings we recommended that management must ensure that their processes for how they gain assurance over the PPE valuation work are robust. This should include senior officer review and challenge of the work and findings of management's experts. The recommendation was accepted by management.

Annual Governance Statement and Narrative Report

We are also required to review the Council's Annual Governance Statement and Narrative Report. It published them on its website alongside the draft Statement of Accounts in July.

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

Whole of Government Accounts (WGA)

We carried out work in line with instructions provided by the NAO. We issued an assurance statement which confirmed the Council was below the audit threshold.

Certificate of closure of the audit

We certified that we have completed the audit of the financial statements of Waverley Borough in accordance with the requirements of the Code of Audit Practice on 2 December 2020.

Value for Money conclusion

Background

We carried out our review in accordance with the NAO Code of Audit Practice, following the guidance issued by the NAO in April 2020 which specified the criterion for auditors to evaluate:

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

Key findings

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

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

As part of our Audit Findings report agreed with the Council in November 2020, we agreed recommendations to address our findings.

Overall Value for Money conclusion

We are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2020.

Value for Money conclusion

Value for Money Risks

Risks identified in our audit plan	Findings and conclusions
<p>Financial sustainability</p> <p>The Council has set a balanced budget for 2020/21, which includes a challenging savings target of £1.9m. The Medium Term Financial Plan shows a cumulative projected budget shortfall of £5.4m over the 2020/21 to 2023/24 period.</p>	<p>Due to the Covid-19 crisis, the Council took a Contingency Revised budget for 2020/21 to Council on 11 August 2020. This was to address some significant adverse variances to the original approved budget that had been caused by the coronavirus. The impact on the budget was identified by management as £6.6m. This results from direct costs of the Council deploying staff to its own services and to implement government mandated schemes, and then direct income losses due to enforced closures of facilities, including leisure centres and museums and consequential losses such as car park income and slow recovery after reopening facilities. The Council has not used the furlough scheme but has incurred overtime costs.</p> <p>The Council stopped all recruitment and non-essential spending as an interim measure in April 2020 to combat these challenges and has received Covid-19 support grant of £1.4m to date from the Government, leaving £5.2m of the budget gap to be mitigated by the Council. The report sets out that £2.9m is being drawn from the Council's reserves and £2.3m from budgetary savings in the year.</p> <p>This unplanned draw down on reserves has put additional pressure on the Council, when it already had to identify savings of £5.4m over the life of the Medium Term Financial Plan (MTFP). As a result the Council launched its Recovery Change and Transformation (RCT) programme, phase 1 of which was the Contingency Revised Budget. Phase 2 of the Programme is looking at the medium term impacts of Covid. This will include new working practices, to see what can be learned from the experiences of delivering the Council's services during lockdown. There are ten separate projects included within the RCT Programme. As part of this process the MTFP will also be reviewed, which is critical given the revised budget that had to be set in the year and the knock on impact of this on the assumptions within the MTFP.</p> <p>We are satisfied that the Council has suitable arrangements in place for financial resilience but as with other councils there are significant challenges to be resolved. The Council's current MTFP has a gap of £5.4m over the 2020/21 - 2023/24 period. This was before the Covid-19 crisis that has led to contingency revised budget for 2020/21 to address a budget gap of £6.6m. The Council is now considering the impact of Covid-19 and the associated budget changes in 20/21 on its medium term financial position. The Recovery Change and Transformation Programme is a critical piece of work for the Council to determine how it will deliver its services going forward. This represents a considerable challenge for the Council given the savings it has had to make in recent years.</p>

Value for Money conclusion

Value for Money Risks - continued

Risks identified in our audit plan	Findings and conclusions
<p>Commercial Property Portfolio</p> <p>The Council are looking to invest further in property beyond its Local Enterprise Partnership (LEP) area into what it defines as its “area of economic opportunity” to provide a source of revenue to support the delivery of its Corporate Strategy. This is a developing area of activity for local government as highlighted by the recent NAO report “Local authority investment in commercial property”. The Council needs to ensure that such investments do not expose it to unnecessary risks within the commercial property sector.</p>	<p>We have reviewed the arrangements that the Council have put in place when considering its commercial property investments.</p> <p>The Council sets its Capital Strategy for 2020/21 in February 2020. The Council’s Property Investment Strategy is an Annex to the overarching Capital Strategy and is subject to the review of the Property Investment Advisory Board.</p> <p>The Executive has the authority to bid, negotiate and complete on property acquisitions and investments, with the performance being monitored by the Value for Money Overview and Scrutiny Committee. A business case must be produced for all cases, supported by financial modelling. Before the investment proceeds it must determine:</p> <ul style="list-style-type: none"> • The reason for the investment • The powers under which the investment is made • The extent to which the capital invested is placed at risk • The impact of any potential losses on financial sustainability <p>There is then a governance framework in place, with the Property Investment Advisory Board playing a key role in scrutinising and challenging proposals, and ensuring that appropriate due diligence has been carried out. They also ensure that the strategic direction of the portfolio and investment principles are in line with the strategy.</p> <p>Each property will have an exit strategy in place to ensure that the Council can take action to prevent further loss should its objectives/required return not be achieved.</p> <p>The Property Investment Strategy arrangements would appear to be appropriate but there has been no activity outside of the Waverley area to assess how this is working in practice for property outside the LEP area.</p> <p>The Council have obtained legal advice from a QC who has advised a number of councils who are looking at extending their commercial property portfolio outside of their area. This advice is supportive of the Council’s plans but it should be noted that this continues to be a area where guidance is developing. Investment property remains a priority in the Council’s Medium Term Finance Plan, however due to the recent consultation on public sector borrowing and the potential exclusion of investment for purely return from PWLB, the Investment Strategy is being revisited alongside the MTFP revision.</p> <p>The Council has not invested in property outside of the Waverley area currently, although its Property Investment Strategy would allow it to do so. This continues to be a fast moving area in Local Government and the Council is revisiting its strategy in the light of potential changes to regulations for investments funded from PWLB as part of the review of the MTFP. We have not identified a risk to our VFM conclusion.</p>

A. Reports issued and fees

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

Reports issued

Report	Date issued
Audit Plan	February 2020
Audit Findings Report	November 2020
Annual Audit Letter	December 2020

Fees

	Planned £	Actual fees £	2018/19 fees £
Statutory audit	41,494	41,494	41,494
Audit fee variations	7,500	29,885	7,200
Total fees	48,994	71,379	48,694

Audit fee variation

As outlined in our audit plan, the 2019-20 scale fee published by PSAA of £41,494 assumes that the scope of the audit does not significantly change. There are a number of areas where the scope of the audit has changed, which has led to additional work. These are set out in the following table.

Fee variations are subject to PSAA approval.

Area	Reason	Fee proposed
Pensions – IAS 19	The Financial Reporting Council has highlighted that the quality of work by audit firms in respect of IAS 19 needs to improve across local government audits. Accordingly, we have increased the level of scope and coverage in respect of IAS 19 this year to reflect this.	1,750
PPE Valuation – work of experts	As above, the Financial Reporting Council has highlighted that auditors need to improve the quality of work on PPE valuations across the sector. We have increased the volume and scope of our audit work to reflect this.	1,750
Raising the bar	The Financial Reporting Council (FRC) has highlighted that the quality of work by all audit firms needs to improve across local audit. This will require additional supervision and leadership, as well as additional challenge and skepticism in areas such as journals, estimates, financial resilience and information provided by the entity.	2,500
New standards / developments	New standards have been introduced since PSAA's original scale fee was set in March 2018. We did not raise fees in 2018/19 but we are no longer able to sustain this position for 2019/20.	1,500
Additional time needed to complete the audit	Additional audit time as a result of the underlying additional time requirements of working through the lockdown and other restrictions on movement during the pandemic, as well as additional time required to resolve the valuation and other issues encountered during the audit, offset by a reduction for us not needing to travel to undertake the audit (time and expenses).	22,385
Total		29,885

A. Reports issued and fees continued

Fees for non-audit services

Service	Fees £
Audit related services	
- Certification of Housing benefits grant	29,000*
- Certification of Housing capital receipts grant	3,000*
Non-Audit related services	
- None	-

* Final fees TBC – Work is in progress

Non- audit services

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

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



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Annual Governance Statement 2019/2020

1. Introduction

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

The Council's Chief Executive and the Leader of the Council acknowledge responsibility for ensuring that there is a sound system of governance and internal control when managing and delivering the vision set out in the Corporate Strategy.

Each year the Council is required to produce an Annual Governance Statement (AGS) under the Accounts & Audit (England) Regulations 2015, to be published alongside the Statement of Accounts. The AGS is published in accordance with *Delivering Good Governance in Local Government: Framework (2016)* issued by CIPFA/SOLACE. There were no changes to the legal framework or CIPFA guidance for 2019/2020.

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

The AGS assesses governance in place during 2019/2020 so the majority of the year was unaffected by the coronavirus. The impact of the coronavirus is detailed at 5.4.

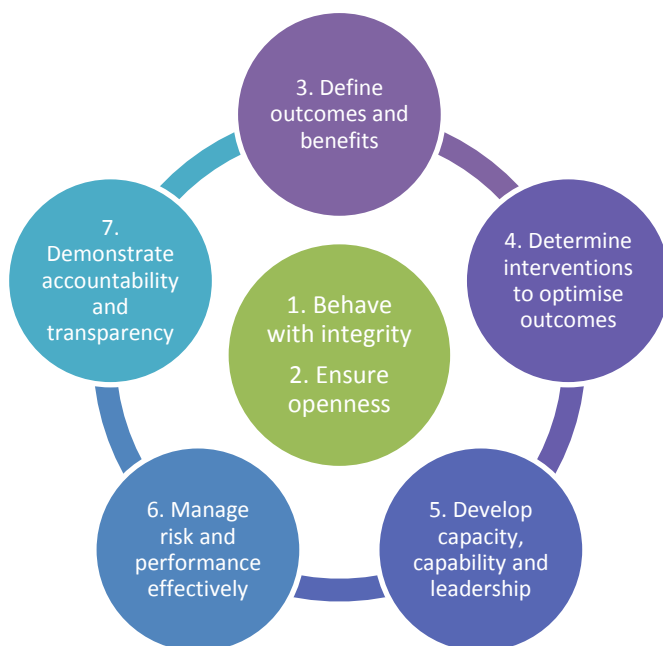
This AGS was considered by the Audit Committee at its meeting on 2 March 2020.

2. What is Corporate Governance?

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

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

The Council's framework brings together legislative requirements, good practice principles and management processes. It is consistent with the principles set out in the Delivering Good Governance Framework. The principles are summarised in the diagram below. Principles 1. and 2. have an overarching effect on the outcome of all other principles.



3. The Principles – A Summary

The Council aims to achieve good standards of governance by:

Principle 1 - Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.

- Having codes of conduct which define standards of behaviour for Councillors and all staff, supported by more detailed policies for ethical values such as whistleblowing and conflicts of interest.
- Ensuring compliance with relevant laws and regulations, internal codes, policies and procedures.
- Ensuring effective arrangements are in place for the discharge of the Monitoring Officer function.

Principle 2 - Ensuring openness and comprehensive stakeholder engagement.

- Demonstrating, documenting and communicating the Council’s commitment to openness and accountability in acting in the public interest.
- Establishing clear channels of communication with the community and other stakeholders, and encouraging open consultation.
- Ensuring an effective scrutiny function is in place.

Principle 3 - Defining outcomes in terms of sustainable economic, social and environmental benefits.

- Developing and communicating a vision which specifies intended outcomes for residents and service users and is used as a basis for planning.

Principle 4 - Determining the interventions necessary to optimise the achievement of the intended outcomes.

- Translating the vision into courses of action for the Council, its partnerships and collaborations.
- Reviewing the effectiveness of the decision-making framework, including delegation arrangements and robustness of information.
- Quarterly performance monitoring of services and projects to ensure the Council achieves its agreed vision as planned.

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Principle 5 - Developing the Council's capacity, including the capability of its leadership and the individuals within it.

- Defining clearly the roles and responsibilities of Councillors and Officers, with protocols to ensure shared understanding of roles.
- Providing inductions, training and development to give all the appropriate skills, knowledge, and support to fulfil their roles and responsibilities.
- Ensuring effective arrangements are in place for the discharge of the Head of Paid Service function.

Principle 6 - Managing risks and performance through robust internal control and strong public financial management.

- Risk Management is an integral part of all activity and is considered in decision making in accordance with the Council's Risk Appetite Statement.
- Service delivery is monitored through financial management review and quarterly reporting to ensure service plan delivery is on target.
- Internal controls are independently reviewed by Internal Audit when carrying out assessments of key activity areas.

Principle 7 - Implementing good practices in transparency, reporting and audit to deliver effective accountability.

- Meetings and decisions are available on the Council's website along with other information such as quarterly performance reviews.
- Undertaking the core functions of an Audit Committee to provide good governance.
- The Council provides timely support, information and responses to external auditors and properly considers audit findings and recommendations.

4. How do we know our arrangements are working?

Corporate Governance requires providing assurances on:

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

The Council gains assurance through having:

- Constitution (including Scheme of Delegation to Officers)

Annual Governance Statement 2019/2020

- Democratic arrangements – Council, Executive, Overview & Scrutiny Committees, Audit Committee and Standards Committee
- Head of Paid Service, Monitoring Officer and Chief Finance Officer
- Management Board and Senior Management Team
- Corporate Strategy and service plans
- Medium Term Financial Strategy
- Financial Regulations
- Contract Procurement Rules
- Capital Strategy
- Performance management framework (regular reporting)
- Risk management framework
- Project management methodology
- Customer Service Strategy
- Complaints system
- HR policies and procedures
- Whistleblowing and other countering fraud arrangements
- Member and Officer training and development
- Internal and External audit scrutiny
- Ongoing review of governance
- External reviews and inspectorate reports
- Customer feedback
- Staff surveys
- Community consultations

5. The Council: How it works

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

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

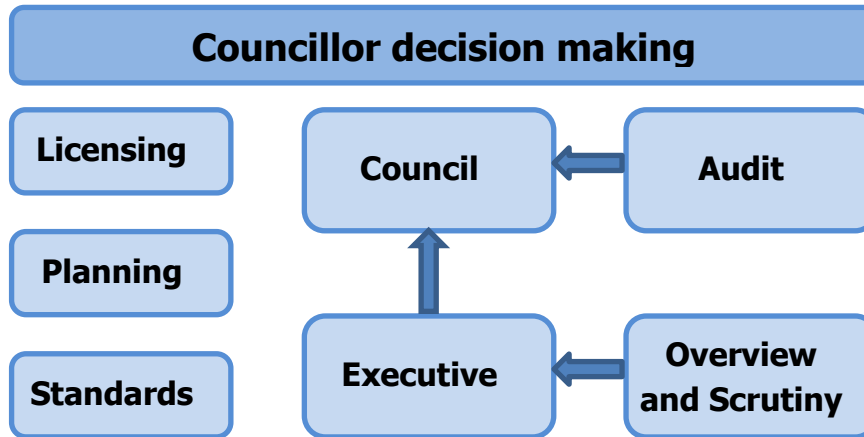
The 'Scheme of Delegation to Officers' sets out the basis on which Officers may take decisions under delegated authority. The Council also follows codes of Financial Management and Procurement and maintains codes of conduct for Councillors and Officers.

The Chief Executive is the Council's Head of Paid Service and is responsible for how the Council operates. The Chief Executive is assisted by the Management Board, which includes the two Strategic Directors, one of whom is the Section 151 Officer. The Council is required to appoint a Monitoring Officer whose role includes ensuring that decision making is lawful and fair.

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

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



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

5.1 Changes in governance during the year

Full borough council elections took place in May 2019, resulting in a 'no overall control' authority. At the Annual Full Council meeting on 21 May 2019, The Council elected a new Leader of the Council, Mayor and Deputy Mayor and agreed the nominations to the principal committees and area planning committees for the 2019/2020 year. The new Leader of the Council made eight appointments to the Executive, including a Deputy Leader, from different political groups, forming a new multi-party administration. Following the passing away of one councillor and the resignation of one councillor from the Conservative group, Council reviewed the allocation of seats again at the meetings of the Full Council.

The Council has initiated a project to review its governance arrangements, with the aim of ensuring these are transparent, accountable inclusive and efficient.

Corporate Strategy

The Council adopted a new Corporate Strategy for 2019-2023 in September 2019. The Corporate Strategy provides the Council with direction, priorities and key objectives. Objectives are being delivered through annual service reviews agreed with councillors and monitored and reported regularly.

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5.2 Resolution of significant governance issues in 2018/2019

Statutory Challenges – In October 2018, two linked High Court Challenges against the Council’s Local Plan and a further challenge against the Secretary of State’s decision to grant planning permission for a settlement of 1,800 homes at Dunsfold Aerodrome were successfully defended by the Council. The High Court dismissed all claims in November 2018. That decision, insofar as it relates to the Local Plan, was appealed by the Claimants in the Court of Appeal. An appeal hearing took place in the in June 2019 and the Court of Appeal dismissed the appeals in a decision handed down in October 2019. There was no appeal against the High Court’s decision regarding the Dunsfold Aerodrome planning permission.

5.3 Significant operational events in 2019/2020

Capital Strategy – the Council strengthened its Capital Strategy in February 2020 with the adoption of the Property Investment Strategy as set out below. The Capital Strategy provides a framework for planning and decision making to ensure capital expenditure and investment decisions are affordable, prudent and sustainable. It brings together detailed policies, procedures and plans relating to cash investments and property assets.

Property Investment Strategy – the Council adopted a Property Investment Strategy in February 2020 for the General Fund. This sets out the basis the Council intends to:

- Make property investments (through purchase or development)
- Provide on-going management of the portfolio
- Report portfolio performance to Officers and Councillors

Risk Management – through in-house training and facilitated workshops members of the Executive, Audit Committee and senior management received practical guidance to develop the Council’s Risk Management Strategy. This built on work done in 2018/2019 to adopt a Risk Appetite Statement.

5.4 Other governance issues arising during 2019/2020 include:

Coronavirus pandemic – the AGS assesses governance in place during 2019/2020 so the majority of the year was unaffected by the coronavirus pandemic. A report to the Executive in May 2020 summarised how the Council was responding to this crisis and indicated the scale of potential risk to the Council’s financial sustainability. Further reports will be made regularly to the appropriate Council committees as the impacts and mitigations are determined.

Air quality – The court case concerning a former member of staff and the reporting of air quality data concluded in December 2019 with a conviction of the individual responsible. This issue was uncovered in August 2017, and updates on the improvements made to air quality monitoring and reporting were reported to the relevant Overview and Scrutiny Committee from then. This is also detailed in the Annual Governance Statement 2017/18. The outcomes of the court case and lessons drawn were reported the Audit Committee in March 2020.

Habitats regulations – Following concerns raised by a councillor and the workshops and external legal advice provided to councillors in 2018, a further workshop was held in 2019 to update councillors. The training brought all councillors up-to-date with current development in the area of Habitats regulations to ensure they have the requisite knowledge when considering relevant planning applications within Committee.

Statutory Challenges – None arising during the year.

Other issues – At each Audit Committee the officers and the Audit Committee members have reviewed the governance arrangements and no further significant governance issues were identified.

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6. Audit Committee seeking assurance

The Audit Committee has responsibility for requesting and receiving reports that deal with issues that are key to good governance. It met four times in 2019/2020, considering a wide range of governance issues.

Audit Committee Work Programme for 2019/2020			
July 2019	September 2019	November 2019	March 2020
Review the progress of the Internal Audit Plans for 2018/19 and 2019/20	Review the progress of the Internal Audit Plan for 2019/20	Review the progress of the Internal Audit Plan for 2019/20	Review the progress of the Internal Audit Plan for 2019/20
Review the progress on the implementation of Internal Audit Recommendations	Review the progress on the implementation of Internal Audit Recommendations	Review the progress on the implementation of Internal Audit Recommendations	Review the progress on the implementation of Internal Audit Recommendations
Review the External Audit Findings Report (including Value for Money)	Received an update on the work being done in investigating fraud	Received an update on the work being done in investigating fraud	Received an update on the work being done in investigating fraud
Consider and approve the Statement of Accounts 2018/19	Received and commented on Annual Audit Letter for 2018/19 from Grant Thornton	Recommend the adoption of the update to the Financial Regulations and any changes to the scheme of delegation	Draft Annual Governance Statement for 2019/20
Consider and approve the Annual Governance Statement for 2018/19	Received a verbal update on risk management	Recommend amendments to the Contract Procurement Rules	Approve proposed Internal Audit Plan for 2020/21
Consider and approve the Letter of Representation for 2018/19		Received a Brexit briefing note	Receive the External Audit Grants and Returns Certification Report
		Recommends to Council that the Tax Strategy be approved.	Review External Audit proposed External Audit Plan for 2020/21
		Received a verbal update on debt recovery	
Considered any significant governance issues	Considered any significant governance issues	Considered any significant governance issues	Considered any significant governance issues
Review the recurrent work programme	Review the recurrent work programme	Review the recurrent work programme	Review the recurrent work programme

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

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7. Managing key risks

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

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

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

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

8. Managing the risk of fraud

The Anti-fraud, Bribery and Corruption Policy, Prosecution Policy, Whistleblowing Policy and Anti-Money Laundering Policy were all reviewed, updated and agreed by the Audit Committee. Any issues raised relating to these policies are dealt with by the appropriate responsible Officers in accordance with the requirements of each policy. The policies are available on the Council's website and intranet.

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

9. Anti-Fraud and Corruption Statement

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

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

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

10. Responsible Chief Financial Officer

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

The CFO has been involved in reviewing the governance framework and preparing this Statement and is satisfied with the arrangements that are in place for managing finances, considers the system

Annual Governance Statement 2019/2020

of internal control works effectively and that no matters of significance have been omitted from this Statement.

11. Internal and External Audit assurance

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

12. Internal Audit

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

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

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

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

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

One of the key assurance statements the Council receives is the annual Internal Audit report. This report includes the opinion of the Internal Audit Manager on the Council's control environment based on the work that has been completed throughout the 2019/2020 year.

The opinion for the 12-month period ending March 2020 is shown below:

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

The Internal Audit Manager is not aware of any significant changes having occurred across the Council's internal control environment between April 2019 and the approval of this Statement.

Annual Governance Statement 2019/2020

13. External Audit

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

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

14. Level of Assurance

This AGS demonstrates that the systems and processes continue to provide a comprehensive level of assurance to the Council in its governance arrangements during 2019/2020.

15. Certification

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

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

Councillor John Ward

Tom Horwood

Signed



Leader of the Council

Dated 1 December 2020

Signed



Chief Executive

Dated 1 December 2020

WAVERLEY BOROUGH COUNCIL

AUDIT COMMITTEE

1 MARCH 2021

Title:

Update on Statement of Accounts - Accounting Policies

Portfolio Holder: Councillor Mark Merryweather

Head of Service: Peter Vickers

Key decision: No

Access: Public

1. Purpose and summary

- 1 The report provides an update on Waverley Accounting Policies in line with changes to the CIPFA Code of Practice relating to the preparation of the 2020/21 Financial Statements. The audit committee is charged with responsibility for oversight of financial reporting integrity and plays a pivotal role in helping to ensure that the critical accounting policies, judgments and estimates applied by management present a fair and accurate picture of the Council's financial position.

2. Recommendation

It is recommended that the Audit Committee reviews and considers the adequacy of the Accounting Policies that underpin the preparation of the Financial Statements and notes that there are no proposed changes in accounting policy or changes in accounting standards to apply in the 2020/21 Financial Statements.

3. Reason for the recommendation

The Accounting Policies enable the Audit Committee to understand and evaluate the facts, economics and financial reporting requirements surrounding each critical accounting judgment and estimate and is sufficiently satisfied that management's accounting policies, judgements and estimates are fit for purpose.

4. Background

- 4.1 Local authorities in the United Kingdom are required to prepare their accounts in compliance with the terms of the Code of Practice on Local Authority Accounting in the United Kingdom (the Code). The Code is developed each year by CIPFA/LASAAC (Local Authority Scotland Accounts Advisory Committee) and has effect for financial years commencing on or after 1 April each year.
- 4.2 The Code specifies the principles and practices of accounting required to prepare financial statements which give a true and fair view of the financial position and

transactions of a local authority.

4.3 2020/2021 Statement of Accounts

As reported to the Audit Committee on 2 March 2020, the 2020/2021 Code was expected to introduce a substantial change to reporting requirements in lease accounting. The new standard, IFRS 16, was due to change the recognition, measurement and presentation of leases, bringing many onto the asset register. In light of the current Covid-19 pandemic, it has since been confirmed that the implementation of IFRS16 has been delayed until April 2022.

4.4 2021/2022 Statement of Accounts – the year ahead

The 2021/22 Code of Practice does not introduce any new substantial reporting requirements for 2021/22.

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 accounts will be completed within current agreed budgets and staffing resource.

6.2 Risk management

There is a risk that if the accounts are non compliant with statutory regulations, the Council's Statement of Accounts will receive recommendations, may not be signed off by the councils independent auditors in line with statutory deadlines. This will have reputational risk and require additional resources to rectify issues as appropriate.

6.3 Legal

There are no direct legal implications.

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 N/A

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 – Accounting Policies 2019-20

Background Papers

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

CONTACT OFFICER:

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Position: Accountant Manager
Telephone: 01483 523255
Email: rosie.plaistowe@waverley.gov.uk

Agreed and signed off by:

Legal Services: date

Head of Finance: date

Strategic Director: date

Portfolio Holder: date

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1. Statement of Main Accounting Policies

1.1 General Principles

The Statement of Accounts summarises the Council's consolidated group account transactions for the 2019/2020 financial year and its position at the year-end on 31 March 2020. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2019/2020 (the Code), supported by International Financial Reporting Standards (IFRS).

The Statement of Accounts have been prepared on a going concern basis of accounting on the assumption that the functions of the Council will continue in operational existence for the foreseeable future.

The Chief Finance Officer reviews the Accounting Policies to give assurance that there are no material changes to those previously approved for the financial year.

The Group Accounts consolidate the accounts of the Shottermill Recreation Ground Trust and the Ewart Bequest (see 1.22). The accounts for these Trusts are prepared in accordance with The Charities Act 2015, and applicable regulations.

The accounting convention adopted in the Statement of Accounts is historical cost with the exception of the revaluation of certain categories of non-current assets and financial instruments.

The notes to the accounts represent the single entity accounts but have been supplemented by additional notes incorporating group transactions where the activity is material.

1.2 Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from contracts with service recipients, whether for services or the provision goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract. However, as the Council borrowings and investments are either of a short duration or have fixed-interest rates, the 'effective interest rate' accounting method is generally equal to the fixed contractual cash flows on a single investment.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded on the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected. The de minimis for the accrual of a single item is £1,000.
- Revenue from council tax and business rates is measured at the full amount receivable (net of any impairment losses) as they are non-contractual, non-exchange transactions and there can be no difference between the delivery and payment dates.
- Where the amount of an item of revenue or expenditure relating to the financial year is not known at the 31 March, estimation techniques are applied to ensure that the accounts reflect the most likely position.

1.3 Council Tax and Business Rates

Billing authorities act as agents, collecting Council Tax and Business Rates on behalf of the major preceptors (including Central Government for Business Rates), and as principals, collecting Council Tax and Business Rates for themselves. Billing authorities are required by statute to maintain a separate fund (the Collection Fund) for the collection and distribution of amounts due in respect of Council Tax and Business Rates. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of Council Tax and Business Rates collected could be less or more than estimated.

Accounting for Council Tax and Business Rates

The Council Tax and Business Rates income included in the Comprehensive Income and Expenditure Statement (CIES) is the Council's share of accrued income for the year. Regulations, however, determine the amount of Council Tax and Business Rates that must be included in the Council's General Fund. The difference, therefore, between the income included in the CIES and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the Council's share of the end of year balances in respect of Council Tax and Business Rates relating to arrears, impairment allowances for bad debts, overpayments, prepayments and appeals.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made (fixed or determinable payments), the asset is

written down and a charge made to the Collection Fund. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

1.4 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are, in accordance with the Council's Treasury Management Policy, investments identified as meeting short-term needs rather than for investment purposes. They are identified as those held 'on call' with a bank or building society rather than invested in longer term Fixed Deposits. They are readily convertible to known amounts of cash with insignificant risk of change in value.

Cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management. Bank overdrafts will also form part of cash and cash equivalents where the bank balance fluctuates between cash in hand and cash overdrawn between years.

1.5 Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, ie in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices, or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

1.6 Charges to Revenue for Non-Current Assets

Non-Current Assets are all Property, Plant, Equipment, Intangible and other assets that bring longer term benefits (for a period of more than one year) to the Council, its customers and the services it provides.

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- amortisation of intangible assets attributable to the service

The Council is not required to raise council tax to cover depreciation, revaluation and impairment losses or amortisation. Depreciation, revaluation and impairment losses and amortisation are, therefore, replaced by a contribution in the General Fund Balance of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement.

The General Fund is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement of an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. This is called the Minimum Revenue Provision (MRP).

1.7 Employee Benefits

Benefits Payable during Employment

Short term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave, paid sick leave and non-monetary benefits (eg cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. These are charged on an accruals basis to the appropriate service, or where applicable, to a corporate service segment in the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructure.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund or Housing Revenue Account balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post Employment Benefits

Most employees of the Council are members of the statutory Local Government Pension Scheme administered by Surrey County Council (the Surrey Pension Fund). This scheme provides defined benefits to members (retirement lump sums and annual pensions), earned while employees of the Council.

The Local Government Pension Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Surrey Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – ie

an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc, and projected earnings for current employees.

- Liabilities are discounted to their value at current prices, using a discount rate of 2.3% in 2019/2020.
- The assets of the Pension Fund attributed to the Council are included in the Balance Sheet at their fair value:
 - quoted securities – current bid price
 - unquoted securities – professional estimate
 - unitised securities – current bid price
 - property – market value

The change in the net pensions liability is analysed into the following components:

- Service cost comprising:
 - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
 - past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of the Finance and Property Services segment. Annual pension increases are calculated using CPI.
 - net interest on the net defined benefit liability (asset), ie net interest expense for the Council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period - taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
- Remeasurements comprising:
 - the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
 - actuarial gains and losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as other Comprehensive Income and Expenditure.
- Contributions paid to the pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities - not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

1.8 Events after the Reporting Period

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

1.9 Financial Instruments

The definition of a financial instrument is "any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity".

The term 'financial instrument' covers both financial assets and financial liabilities. These range from straightforward trade receivables (trade debtors) and trade payables (trade creditors) to more complex transactions such as financial guarantees, derivatives and embedded derivatives. The Council's borrowings and investment transactions are also classified as financial instruments. There has been no change in the valuation technique used during the year for the financial instruments. Amounts relating to council tax, business rates and payments and

overpayments of Housing Benefit etc are outside the scope of these accounting provisions as they are statutory debts and do not arise from contracts.

Financial Liabilities

A Financial Liability is an obligation to transfer economic benefits controlled by the Council that is represented by a contractual obligation to deliver cash or another financial assets to another entity or an obligation to exchange financial assets and liabilities with another entity under conditions that are potentially unfavourable to the Council.

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For the Council's borrowing, this means that the amount presented on the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Borrowing costs are interest payments and other costs incurred in connection with the borrowing of funds. The Council has a policy of expensing borrowing costs and they are recognised as expenditure in the period in which they are incurred.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund or Housing Revenue Account Balance to be spread over future years.

Financial Assets

A financial asset is a right to future economic benefits controlled by the Council that are represented by cash or other instruments or a contractual right to receive cash or another financial asset.

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI)

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (ie where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Council, this means that the amount presented in the balance sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement. However, at the 31 March the interest due but not received is included with the investment figure shown on the Balance Sheet, rather than treated as a debtor.

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

The Council's portfolio of investments and Trade Receivables are measured at amortised cost. This form of measurement does not change the amount of cash receivable under the terms of the transaction.

Expected Credit Loss Model

The Council recognises expected credit losses on all of its financial assets held at amortised cost (or where relevant FVOCI), either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Council.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

Financial Assets Measured at Fair Value through Profit and Loss

The Council does not have any material assets on its Balance Sheet classified required to be measured at Fair Value through Profit or Loss.

1.10 Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments; and

- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried on the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund or Housing Revenue Account Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Grants to cover general expenditure, eg retained Business Rate income and New Homes Bonus are non-ring-fenced and are credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

Community Infrastructure Levy

The Council approved its Community Infrastructure Levy (CIL) Scheme to take effect from March 2019. The levy will be charged on new builds (chargeable developments for the Council) with appropriate planning consent. The Council charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund a number of infrastructure projects to support the development of the area.

The CIL is received without outstanding conditions. It is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement in accordance with the accounting policy for government grants and contributions set out above. CIL charges will be largely used to fund capital expenditure. However, up to 5% of the charges may be used to fund revenue expenditure for administration expenses.

1.11 Heritage Assets

Heritage assets are assets held and maintained principally for their contribution to knowledge and culture and are intended to be preserved in trust for future generations because of their cultural, historical, artistic, scientific, technological, geological or environmental associations. Provided that they meet this definition, heritage assets can be tangible such as historic buildings, civic regalia, museum collections and works of art or intangible such as recordings of historical events.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment, eg where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment – see 1.17 page 33 in this Statement of Main Accounting Policies. If a heritage asset is disposed of, the proceeds would be accounted for in accordance with the Council's general provisions relating to the disposal of property, plant and equipment.

Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts (see 1.17 page 34).

Recognition and Measurement: Heritage assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment. They are principally measured at insurance valuation based on market value updated annually or external valuation if appropriate.

The Council has set a de minimis level for the recognition of heritage assets of £5,000.

Depreciation: Most of the heritage assets are not subject to depreciation because of indeterminable lives, high residual values or the valuations being updated annually. However, depreciation may be charged if appropriate and in accordance with the Council's general policies on depreciation shown at 1.17 on page 33.

1.12 Interests in Companies and Other Entities

The Council, as sole Trustee, has a material interest in the Shottermill Recreation Ground Trust and the Ewart Bequest. According to the Code both are considered a subsidiary for the purpose of preparing this Statement of Accounts and, therefore, the Council is required to produce group accounts incorporating the accounts of the Shottermill Recreation Ground Trust and the Ewart Bequest.

1.13 Long-term Contracts

Long-term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the consideration allocated to the performance obligations satisfied based on the goods or services transferred to the service recipient during the financial year.

1.14 Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale. In such cases the asset is then accounted for as property, plant and equipment.

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, Investment Properties are measured at highest and best use. They are not

depreciated but are revalued annually, by the Council's valuer, according to market conditions at the year-end unless the carrying value is not materially different from the fair value. Gains and losses on revaluation are accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

1.15 Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Council as Lessee

Finance Leases

The Council has no material assets acquired under finance leases.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (eg there is a rent-free period at the commencement of the lease).

The Council leases in a small number of assets under operating leases.

The Council as Lessor

Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance

Sheet (whether property, plant and equipment or assets held for sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line on the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore apportioned to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained on the Balance Sheet. Rental income is credited to Net Cost of Services or Investment Properties in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (eg there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

The Council owns a number of non-current assets that are leased out under operating leases.

1.16 Overheads and Support Services

The costs of overheads and support services are charged to service segments in accordance with the Council's arrangements for accountability and financial performance. The HRA element is charged to the HRA revenue account.

1.17 Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition: Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (ie repairs and maintenance) is charged as an expense when it is incurred.

The Council has a de minimis level for the recognition of non-current assets of £5,000 for vehicles, plant and equipment (including Information Technology equipment) and £10,000 for land and buildings.

Component Accounting: this requires assets to be separated into component parts and recognised, depreciated and derecognised separately where those component parts have a cost that is significant in relation to the total cost of the asset and require a different useful life and method of depreciation to be used.

Measurement: Assets are initially measured at cost, comprising:

- The purchase price.
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The cost of assets acquired other than by purchase is deemed to be their fair value, unless the acquisition does not have commercial substance (ie it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Infrastructure, community assets and assets under construction – depreciated historical cost.
- Dwellings - current value, determined using the basis of Existing Use Value for Social Housing (EUV-SH).
- Land and buildings – current value, determined as the amount that would be paid for the asset in its existing use (existing use value EUV).
- Vehicles, Plant and Equipment – depreciated historical cost.
- Surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective.

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Council Dwellings and land and buildings were valued in accordance with the Royal Institute of Chartered Surveyors (RICS) <http://www.rics.org/uk/> Statement of Asset Valuation Practice and Guidance Notes (Red Book) as supplemented by the Manual of Valuation (White Book) by the Council's valuer who is RICS qualified.

Assets included in the Balance Sheet at current value are revalued regularly, and as a minimum every five years, to ensure that their carrying amount is not materially different from their fair value at the year-end. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified they are accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

The de minimis level for land and buildings is £10,000 and vehicles, plant and equipment £5,000.

Impairment: Assets are assessed at each year-end to determine whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is subsequently reversed, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation: Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their estimated useful lives. An exception is made for assets without a determinable finite useful life

(ie freehold land and certain community assets) and assets that are not yet available for use (ie assets under construction).

Depreciation is charged to the services that receive the benefit of the assets during the year. It is reversed out of the Comprehensive Income and Expenditure Statement via the Movement in Reserves Statement.

Depreciation is calculated on the following bases:

- Council Dwellings – componentised basis for dwelling stock valued on replacement cost of each component.
- Buildings (General Fund and HRA non dwelling) – straight-line allocation over the useful life of the property as estimated by the valuer.
- Vehicles, Plant and Equipment – straight-line allocation over the useful life of the asset.
- Infrastructure – straight-line allocation over the useful life of the asset.
- Surplus Assets – straight-line allocation over the useful life of the asset as estimated by the valuer.

Depreciation on HRA assets – depreciation is charged in accordance with proper practices to the HRA. The Code requires an amount equal to the total depreciation charge for all HRA assets to be transferred to the Major Repairs Reserve (MRR) to establish resources available for capital spend on HRA assets. This is transacted through the Movement in Reserves Statement to remove the impact on the HRA.

The estimated useful lives for depreciation purposes are reviewed on revaluation and when assets are coming to the end of their current useful life. Estimated useful lives are updated, if appropriate, and the new estimated useful life used to calculate the depreciation charge for the year by dividing the carrying value of the asset over the new estimated useful life. Where useful lives have been changed in 2019/2020, the effect on the depreciation charge for the year is immaterial.

Where an item of Property, Plant and Equipment asset has major components with a significant cost in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Newly acquired/enhanced assets receive a full depreciation charge in their first year, regardless of the precise timing of the expenditure. Assets disposed of receive no depreciation charge in the year of disposal.

Following a revaluation, a full year of depreciation is charged in the year of revaluation on the new valuation.

Disposals and Non-Current Assets Held for Sale: When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and is then carried

at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of capital receipts relating to housing disposals is payable to the Government. The balance of receipts remains within the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Capital Receipts Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

1.18 Provisions, Contingent Liabilities and Contingent Assets

Provisions: Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the

Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried on the Balance Sheet. Estimated settlements are reviewed at the end of each financial year - where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (eg from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

The Council has a provision for losses on backdated Business Rate appeals that would be unavoidable costs if the District Valuer upheld appeals.

Waverley sets an amount aside from revenue to meet potential bad debts but this does not meet the definition of a provision.

Contingent Liabilities: A contingent liability arises where an event has taken place that gives the Council a possible obligation, the existence of which will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised on the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets: A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised on the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

1.19 Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred it is charged to the appropriate service in that year against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then transferred back to the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets and retirement benefits - they do not represent usable resources for the Council. These reserves are detailed in the notes to the financial statements on page 61.

1.20 Value Added Tax (VAT)

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

1.21 Fair Value Measurement

The Council measures some of its non-financial assets such as surplus assets and investment properties at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset, or
- in the absence of a principal market, in the most advantageous market for the asset.

The Council measures the fair value of an asset using the assumptions that market participants would use when pricing the asset assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy, as follows:

Level 1 - quoted prices (unadjusted) in active markets for identical assets that the Council can access at the measurement date

Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly

Level 3 - unobservable inputs for the asset.

1.22 Group Accounts

Nature of Interest: The Group Accounts consolidate the accounts of the Shottermill Recreation Ground Trust and the Ewart Bequest in the form of a subsidiary relationship as the Council is the sole trustee of both and has the ability to

direct the operating and financial policies (within Trust objectives) with a view to gaining service potential from the activities undertaken by the Trusts.

Shottermill Recreation Ground Trust (Haslemere Leisure Centre) is an important part of the Council's Leisure provision. In 2008 the Council entered into a 15 year management contract for the operation of this centre.

The Ewart Bequest owns land at Farnham on which are built small dwellings suitable for elderly people of limited financial resources. It is an important part of the Council's housing service.

Basis of Consolidation: The Group Accounts have been prepared on the basis of a full consolidation of the financial transactions and balances of the Council, the Shottermill Recreation Ground Trust and the Ewart Bequest, each having a year-end of 31 March 2020.

The assets of the trust are revalued in line with the accounting policies at 1.17.

Degree of Commitment: The Council performs a role of stewardship over the charitable trusts included in the Group Accounts. As such it has a degree of commitment to meet any accumulated deficits or losses. However, the risks associated with this commitment are not considered material.

Trust Accounts: The annual report and accounts for the Trusts are prepared in accordance with The Charities Act 2015, and applicable regulations. The Statement of Financial Activities and Balance Sheets for the Trust Accounts for the year ended 31 March 2020 are included on pages 92 to 95 for information.

The full charity accounts are subject to audit/review according to audit thresholds. For the 2019/2020 accounts both the Shottermill Recreation Ground Trust and the Ewart Bequest are subject to independent review. The accounts can be obtained from the Charity Commission website:

<http://apps.charitycommission.gov.uk/showcharity/registerofcharities/RegisterHomePage.aspx> or Waverley Borough Council.

2. Accounting Standards that have been issued but have not yet been adopted

The Council is required to disclose information relating to the impact of an accounting change required by a new standard that has been issued, but not yet adopted, in the 2019/2020 financial statements.

For the 2019/2020 accounts the accounting changes to disclose are in relation to:

- IFRS16 Leases – the recognition of 'right of use' assets on the Balance Sheet for lessees. The CIPFA/LASAAC Local Authority Accounting Code Board (CIPFA/LASAAC) has agreed to defer the implementation of IFRS 16 Leases for one year in-line with the government's Financial Reporting Advisory Board's proposals for central government departments. This will mean the effective date for implementation is 1 April 2021.

- IAS19 Employee Benefits - relating to plan amendment, curtailment or settlement. This amendment has been adopted in the 2020/21 Code and will therefore be applicable for the 2020/21 financial year reporting.
- Amendments to IAS28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures
- Annual Improvements to IFRS Standards 2015-2017 Cycle
- IAS1/IAS 8 Changes on the definition of Materiality

These accounting changes are not anticipated to have a material impact on the financial statements of the Council.

WAVERLEY BOROUGH COUNCIL

AUDIT COMMITTEE

01 MARCH 2021

Title:

PROPOSED INTERNAL AUDIT PLAN FOR 2021-22

Lead Councillor: Councillor Peter Marriott, Chairman of Audit Committee

Strategic Director: Graeme Clark

Key decision: Yes, affects the whole council.

Access: Public

1. Purpose and summary

- 1.1 The Committee's terms of reference include provision for the Committee to approve the proposed Internal Audit Plan. This report presents the proposed Draft Internal Audit Plan for 2021-22 and the Committee is invited to comment and approve the Audit Plan. The plan has been drawn up by the Internal Audit Manager through completing a risk assessment of the audit universe of the council's activities including consultation with Senior Management Team.
- 1.2 The draft audit plan also contains those reviews that were deferred from 2020-21 audit plan identifiable by the inclusion of (C/F 2020-21) after their title.

2. Recommendation

It is recommended that the Audit Committee comments and approves the proposed Draft Internal Audit Plan for 2021-22 as attached in Annexe 1.

3. Reason for the recommendation

In accordance and compliance with the Internal Audit Committees terms of reference to approve the Annual Internal Audit Plan.

4. Background

- 4.1 The Internal Audit Plan is required to be prepared, agreed on an annual basis by the Audit Committee as the committee responsible for governance.

5. Relationship to the Corporate Strategy

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 provision of the Draft Audit Plan presented will be delivered utilising the current budget allocation and provisions.

6.2 Risk management

In the compilation of the Internal Audit Plan a risk assessment was completed by assessing the contents of the Risk Register and of our audit universe. The contents of Annexe1 provides the areas for review that will provide management assurance that systems and controls are operating as intended.

6.3 Legal

There are no direct legal implications, although good governance is strengthened by attending to the matters raise within the audit 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 the report.

7. Consultation and engagement

7.1 Consultation with Senior Management Team Chair and Vice Chair of Audit Committee.

8. Other options considered

8.1 None

9. Governance journey

9.1 Minutes of the meeting will be provided to Council.

Annexes:

Annexe 1 – Proposed Internal Audit Plan for 2021-22

Background Papers

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

CONTACT OFFICER:

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Telephone: 01483 523260
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Agreed and signed off by:
Legal Services: 09/02/2021
Head of Finance: 08/02/2021
Strategic Director: 09/02/2021

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Internal Audit Plan

2021-2022

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Internal Audit Plan 2021-22

Introduction

The role of internal audit is that of 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’ (CIPFA and IIA).

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 and 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 achievements of the organisations objectives.

The aim of internal audit’s work programme is to provide independent and objective assurance to management, in relation to the business activities; systems or processes under review that:

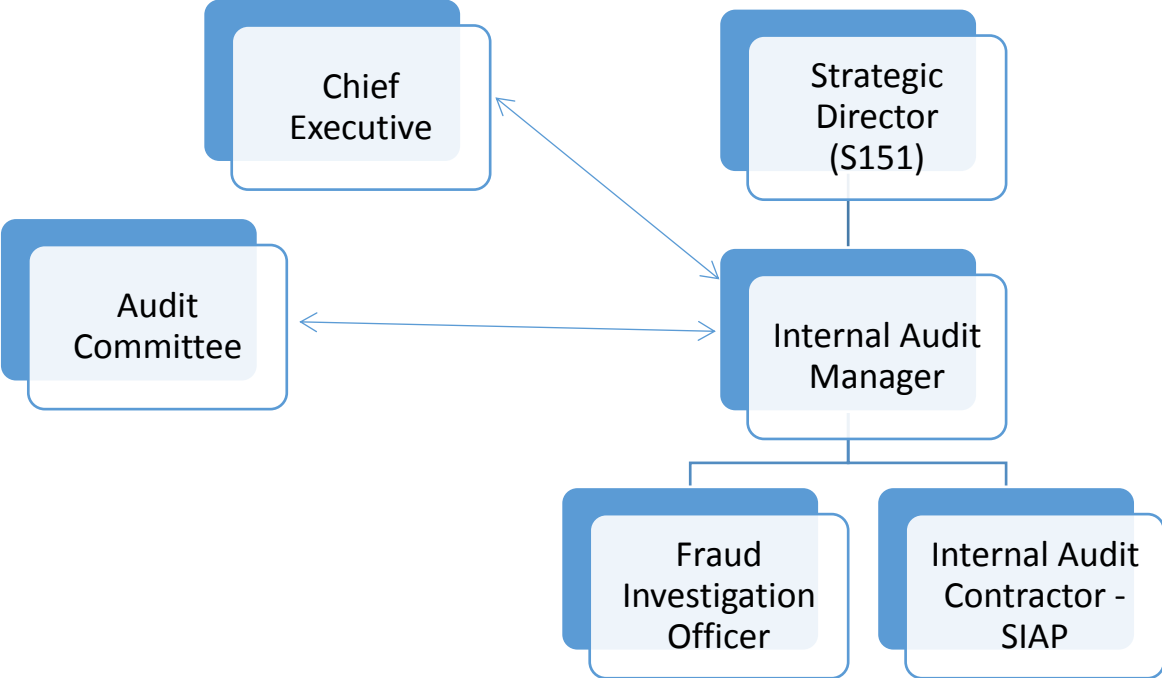
- The framework of internal control, risk management and governance is appropriate and operating effectively; and
- Risk to the achievement of the Council’s objectives is identified, assessed and managed to a defined acceptable level

The internal audit plan provides the mechanism through which the Chief Audit Executive (Internal Audit Manager at WBC) can ensure most appropriate use of internal audit resources to provide a clear statement of assurance on risk management, internal control and governance arrangements.

Internal Audit focus should be proportionate and appropriately aligned. The plan will remain fluid subject to ongoing review and amendment, in consultation with the relevant Strategic Directors, and Audit sponsors, to ensure it continues to reflect the needs of the Council. Amendments to the plan will be identified through the Internal Audit Manager’s continued contact and liaison with those responsible for the governance of the Council and the Audit Committee as included in the Audit Committees Terms of Reference.

Your Internal Audit Team

Your internal audit service is provided by the in-house team and supported by the external resource of the Southern Internal Audit Partnership (SIAP). The in-house team is led by Gail Beaton, Internal Audit Manager and supported by Jose Ribeiro, Housing Fraud Investigation Officer. The resourcing of the plan will be supported by the services of Southern Internal Audit Partnership (SIAP), which was setup and supported by Hampshire County Council, led by Neil Pitman, Head of Southern Internal Audit Partnership.



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Conformance with internal auditing standards

Under the conformance of the Public Sector Internal Audit Standards (PSIAS) there is a requirement for audit services to have an external quality assessment every 5 years. Our contractors, SIAP, have undergone this assessment, which was undertaken by the Institute of Internal Auditors (IIA) in September 2020. The report concluded:

'The mandatory elements of the IPPF include the Definition of Internal Auditing, Code of Ethics, Core Principles and International Standards. There are 64 fundamental principles to achieve with 118 points of recommended practice. We assess against the principles. It is our view that the Southern Internal Audit Partnership conforms to all 64 of these principles. We have also reviewed SIAP conformance with the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN). We are pleased to report that SIAP conform with all relevant, associated elements.'

Conflicts of Interest

We are not aware of any relationships that may affect the independence and objectivity of the team, and which are required to be disclosed under internal auditing standards.

Councils Corporate Strategy

As part of the Councils Corporate Strategy our vision is for the council to promote and sustains:

- Open, democratic and participative governance
- A financially sound Waverley, with infrastructure and services to fit for the future
- A value and worth of all residents, regardless of income, wealth, age, disability, race, religion, gender or sexual orientation
- High quality public services accessible for all, including sports, leisure, arts, culture and open spaces

- A thriving local economy, supporting local businesses and employment
- Housing to buy and rent, for those at all income levels
- Responsible planning and development, supporting place-shaping and local engagement in planning policy
- A sense of responsibility for our environment, promoting biodiversity and protecting our plant

The audit service will support the achievement of the vision through the work that will be completed to provide assurance that controls are in place to support and enhance the service outcomes contributing to the corporate vision.

Council Risk

The council have a clear framework and approach to risk management which has involved members and officers working together to determine the authorities risk appetite. The strategic risks assessed by the Council are a key focus of our planning for the year to ensure it meets the organisation's assurance needs and contributes to the achievement of their objectives. We will monitor the strategic risk register closely over the course of the year to ensure our plan remains agile to the rapidly changing landscape.

Developing the Internal Audit Plan 2021-22

The plan has been developed by the Internal Audit Manager, by completing a risk assessment of the council's audit universe (Auditable areas in the Council) and in consultation with Senior Management Team. Reference was also made to the Corporate Strategy and the council Risk Register and risk appetite as part of developing the plan. We have utilised various sources of information and discussed priorities for the internal audit plan with the Section 151 Officer (Strategic Director). The audit plan reflects the Council's vision and strategies.

The Council is reminded that internal audit is only one source of assurance and through the delivery of our audit plan we will not, and do not seek to cover all risks and processes within the organisation.

Proposed Areas to be covered in the Internal Audit Plan 2021/22

Audit	Risk	Scope
Information Technology		
IT Risk Assessment of our current environment (remote working and server capacity etc.)	Reputation/loss of data	Review the current IT environment to identify areas of risk where further work needs to be completed to provide management with assurance that maintains and safeguards the security of the corporate network.
Further reviews to be decided based on the results of the Audit Needs Analysis above	Reputation/loss of data	
Applications system in service areas		
Horizon Planning System	Reputational loss/system vulnerabilities/financial	Post Implementation Review – Product delivered achieves specification requirements with internal controls in place to safeguard the council's systems and reputation.
Financial Management		
Post Payment Business Grant Compliance (C/F 2020-21)	Reputation and financial loss	Provide third party scrutiny and assurance on the process applied for the awarding and processing of Government Covid-19 Grants to external parties in line with government requirements.

Housing Rent Recovery	Reputation and financial loss	Review the implementation and application of the amended rent recovery policy, providing assurance on the accurate application of the revised policy.
Treasury Management	Reputation and financial loss	Review will cover key controls over the management of the financial investment transactions relating to the management of the Councils bank balances.
Council Tax Reduction Scheme	Reputation and financial loss	Review will cover a key area of the process to ensure compliance with legislative requirements in the administration of the scheme for the awarding of reductions for Council Tax accounts.
Collection of Fees and Charges	Reputation and financial loss	Review of the controls over the collection of income, billing and collection at the point of service. How efficient and effective are the processes within each service and are the services using the most effective systems available.
Debt Management	Reputation and financial loss	Review processes in place re adherence with income and debt Management Policy.
Corporate Systems		
Property Terrier	Financial/reputation/safety	Completeness and accuracy of records maintained, verify accuracy of any third party databases where reliance is place re stock condition in the valuation of property in WBC ownership.
Gas Servicing of Boilers in council Homes (re certification of gas checks)	Safety of tenants and reputational/financial loss	Review progress of implementation of improvements from previous year review.

Repair Recharges for Void properties to vacating tenants (C/F 2020-21)	Financial loss	Review process in place re tenant awareness of their responsibilities, recharges are accurate and timely and appropriately applied in accordance with the agreed policy.
Responsive repairs	Safety of tenants and reputational/financial loss	Review process in place to ensure that backlog has been cleared and Customer Service raising repairs orders is working effective and consistently.
Planning Housing Delivery Monitoring Process (C/F 2020-21)	Reputation and financial loss	Review the system in operation to provide assurance that effective monitoring arrangements are in place to report accurate and complete, housing delivery numbers in line with government requirements.
Waste Management (Bin stocks and Stores controls and Missed Bin contractual terms)	Reputation and financial loss	Review the system in operations to ensure effective controls and monitoring arrangements are in place to manage purchase sale and issue of waste bins. Ensure compliance with terms of the contract re the charging the LA for collection of missed bins only where applicable re terms of the contract.
Governance and Cross Cutting reviews		
Health & Safety (C/F 2020-21)	Safety of tenants/Staff/leaseholders and reputational/financial loss	Review the Health & Safety policies and procedures in operation throughout the council to ensure consistency is being applied in relation to council office buildings and those managed by Housing Services. Consider the outcomes of the previous review on CIPFA Guide re Council owned property in 2020-21.

Corporate Criminal Offence	Protection of Staff and reputational/financial loss	Review that processes and controls are in place to safeguard Waverley and its officers against Corporate Criminal Offence allegations.
Lone Working Policy	Safety of Staff reputational damage	Review that controls in place to safeguard staff when working alone, processes and procedures are effective to ensure the staff safety register is accurate, up to date and regularly maintained.
Climate Change (Strategic plan, Policy etc.)	Reputation and financial loss	Preparedness, common goals defined, training & awareness of members and staff with expected outcomes clearly defined in the strategy.
Other Audit Activities		
Fraud and Irregularities	Ineffective procedures to detect/mitigate fraud and irregularity or to promote a zero tolerance culture	To operate in line with best practice <ul style="list-style-type: none"> • Proactive • Reactive • NFI – 2021-22 national exercise include COVID Grants • SCFP • Fraud Surveys
Management		
Contingency		

WAVERLEY BOROUGH COUNCIL

AUDIT COMMITTEE

01 MARCH 2021

Title:

PROGRESS ON THE IMPLEMENTATION INTERNAL AUDIT AGREED ACTIONS

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

Head of Service: Graeme Clark, Strategic Director

Key decision: Yes

Access: Public

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/s

- 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 and

Considers the Head of Service(s) justification for a request for a change in the agreed target date for the Management Actions (s) listed in **Annexe 2** and agree an appropriate implementation date(s).

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 and protect the council from financial risks.

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 within the 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.

Annexe 2 – provides the requests from Heads of Service for changes to the agreed action dates.

Background Papers

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

CONTACT OFFICER:

Name: Gail Beaton
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Telephone: 01483 523260
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Agreed and signed off by:
Legal Services: 09/02/2021
Head of Finance: 08/02/2021
Strategic Director: 09/02/2021
Portfolio Holder: N/A

Agreed Internal Audit Actions overdue or due within the end of the month after the AC 31 March 2021



Generated on: 18 February 2021



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						
Action Code & Description	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				Exit Meeting Date	15-Jan-2020
					Due Date	31-Mar-2021
Risk Level	Medium Priority				Risk RAG	
Audit Report Code and Description	IA20/08 Planning Enforcement					
Agreed Action	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.					
Status		In Progress	Progress	80%	Head of Service	Zac Ellwood
All Notes	Due changed re AC November agreement to 31/03/2021					04-Dec-2020



IA20/08.002 Out of Date Enforcement Plan						
Action Code & Description	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.				Exit Meeting Date	15-Jan-2020
					Due Date	31-Mar-2021
Risk Level	Medium Priority				Risk RAG	
Audit Report Code and Description	IA20/08 Planning Enforcement					
Agreed Action	To update and agree the Local Planning Enforcement Plan Risk - Key policy document may be out of date and not reflect current operations.					



Status		In Progress	Progress	20%	Head of Service	Zac Ellwood
All Notes	Due date changed re AC November agreement to 31/03/2021					04-Dec-2020
	Meeting with Development Manager & Enforcement Manager arranged for November and reporting timescales set in Forward Plan.					09-Nov-2020


Action Code & Description	IA20/17.001.1 Reconciliation					
	From our discussion with Planning and Accountancy teams, we noted that an overall reconciliation process does not take place between planning income received and that which is logged in the planning system, ILAP, and planning income recorded in the accounts. Such a process being in place would better enable the Council to demonstrate that income received is accurately reflected and would give additional reassurance to that effect.				Exit Meeting Date	16-Jun-2020
				Due Date	28-Feb-2021	
Risk Level	Medium Priority				Risk RAG	
Audit Report Code and Description	IA20/17 Planning Fee Income					
Agreed Action	Initiate reconciliation process using current systems.					
Status		Check Progress	Progress	80%	Head of Service	Zac Ellwood; Peter Vickers
All Notes	The Audit Committee's agreement to a further extension of the due date to 31 May 2021 is requested. This Action is dependent on the successful roll out of the new, bespoke Horizon system, which, due to technical issues and the need for further robust testing and comprehensive training, has been put back to a 'go live' date of Monday 22 March 2021. Preparations are in place to implement this action shortly following the Horizon go-live date, with an appropriate testing period of live system data to 'prove the process.'					11-Feb-2021
	Due date changed re AC November agreement to 28/02/2021					04-Dec-2020
	Linked to Project Horizon - rollout Q4 2020;/21					09-Nov-2020


Action Code & Description	IA20/17.001.2 Functionality of the new Planning Database					
	From our discussion with Planning and Accountancy teams, we noted that an overall reconciliation process does not take place between planning income received and that which is logged in the planning system, ILAP, and planning income recorded in the accounts. Such a process being in place would better enable the Council to demonstrate that income received is accurately reflected and would give additional reassurance to that effect.				Exit Meeting Date	16-Jun-2020
				Due Date	28-Feb-2021	
Risk Level	Medium Priority				Risk RAG	
Audit Report Code and Description	IA20/17 Planning Fee Income					
Agreed Action	Development of new Planning database to ensure an automatic process is available.					
Status		Check Progress	Progress	80%	Head of Service	Zac Ellwood
All Notes	The Audit Committee's agreement to a further extension of the due date to 31 May 2021 is requested. This Action is dependent on the successful roll out of the new, bespoke Horizon system, which, due to technical issues and the need for further robust testing and comprehensive training, has been put back to a 'go live' date of Monday 22 March 2021. Preparations are in place to implement this action shortly following the Horizon go-live date, with an appropriate testing period of live system data to 'prove the process.'					11-Feb-2021
	Due date changed re AC November agreement to 28/02/2021					04-Dec-2020



Action Code & Description	IA20/17.002.2 Recording of pre application advice					
	Budgets were set, within the last few years, based on a consistently increasing housing market and using the assumption that status quo would apply to planning activity regardless of outside events which had direct effects				Exit Meeting Date	16-Jun-2020
				Due Date	28-Feb-2021	

	on consumer confidence in the past. Analysis of the market behaviour might, in future, inform a different outcome in terms of budget setting, and in turn mitigate the risk of setting too ambitious or too small an income target.					
Risk Level	Medium Priority				Risk RAG	
Audit Report Code and Description	IA20/17 Planning Fee Income					
Agreed Action	Record pre-application advice on larger applications likely to be supportable.					
Status		Check Progress	Progress	40%	Head of Service	Zac Ellwood
All Notes	Internal task and finish group now set up to look at this matter.					11-Feb-2021
	The Audit Committee's agreement to a further extension of the due date to 31 May 2021 is requested. This Action is dependent on the successful roll out of the new, bespoke Horizon system, which, due to technical issues and the need for further robust testing and comprehensive training, has been put back to a 'go live' date of Monday 22 March 2021. Preparations are in place to implement this action shortly following the Horizon go-live date, with an appropriate testing period of live system data to 'prove the process.'					11-Feb-2021
	Due date changed re AC November agreement to 28/02/2021					04-Dec-2020



Action Code & Description	IA20/17.002.3 Development Timescales					
	Budgets were set, within the last few years, based on a consistently increasing housing market and using the assumption that status quo would apply to planning activity regardless of outside events which had direct effects on consumer confidence in the past. Analysis of the market behaviour might, in future, inform a different outcome in terms of budget setting, and in turn mitigate the risk of setting too ambitious or too small an income target.				Exit Meeting Date	16-Jun-2020
					Due Date	28-Feb-2021
Risk Level	Medium Priority				Risk RAG	
Audit Report Code and Description	IA20/17 Planning Fee Income					
Agreed Action	Discussions with developers and landowners regarding timescales of sites coming forward.					
Status		Check Progress	Progress	75%	Head of Service	Zac Ellwood
All Notes	The Audit Committee's agreement to a further extension of the due date to 31 May 2021 is requested. This Action is dependent on the successful roll out of the new, bespoke Horizon system, which, due to technical issues and the need for further robust testing and comprehensive training, has been put back to a 'go live' date of Monday 22 March 2021. Preparations are in place to implement this action shortly following the Horizon go-live date, with an appropriate testing period of live system data to 'prove the process.'					11-Feb-2021
	Due date changed re AC November agreement to 28/02/2021					04-Dec-2020



Action Code & Description	IA20/17.003.1 Planning Reference Number					
	Testing for the approval of refunds, from the ILAP system/documentation held, through to the finance system, Agresso, was completed on a reduced scale due to the inability of the ILAP system to run a report specifically on refunds. However, from filing completed earlier in the 2019/2020 financial year, we selected a sample of five refunds. For 2/5 we were unable to confirm that the request had approval for refund and we were also unable to confirm the date that the refund was requested in order to check it had been issued both appropriately and in a timely manner. Where refunds are issued it is important to retain an audit data trail and document authorisations, timings and reasons for refunds being made. For example, including an appropriate planning reference on Agresso payment records alongside. Risk: Risk of loss of income				Exit Meeting Date	16-Jun-2020
					Due Date	28-Feb-2021
Risk Level	High Priority				Risk RAG	

Audit Report Code and Description	IA20/17 Planning Fee Income					
Agreed Action	Discussions with Finance Service over joint procedures to ensure that all records necessary are held on the Planning database and the Finance records hold the Planning reference for refunds.					
Status		Check Progress	Progress	50%	Head of Service	Zac Ellwood; Peter Vickers
All Notes	The Audit Committee's agreement to a further extension of the due date to 31 May 2021 is requested. This Action is dependent on the successful roll out of the new, bespoke Horizon system, which, due to technical issues and the need for further robust testing and comprehensive training, has been put back to a 'go live' date of Monday 22 March 2021. Preparations are in place to implement this action shortly following the Horizon go-live date, with an appropriate testing period of live system data to 'prove the process.'					11-Feb-2021
	Due date changed re AC November agreement to 28/02/2021					04-Dec-2020



IA20/17.003.2 Planning Procedure Note						
Action Code & Description	Testing for the approval of refunds, from the ILAP system/documentation held, through to the finance system, Agresso, was completed on a reduced scale due to the inability of the ILAP system to run a report specifically on refunds.				Exit Meeting Date	16-Jun-2020
	However, from filing completed earlier in the 2019/2020 financial year, we selected a sample of five refunds. For 2/5 we were unable to confirm that the request had approval for refund and we were also unable to confirm the date that the refund was requested in order to check it had been issued both appropriately and in a timely manner. Where refunds are issued it is important to retain an audit data trail and document authorisations, timings and reasons for refunds being made. For example, including an appropriate planning reference on Agresso payment records alongside confirmation of the date of any refund paid would enable such a data trail to be captured.				Due Date	28-Feb-2021
Risk Level	High Priority				Risk RAG	
Audit Report Code and Description	IA20/17 Planning Fee Income					
Agreed Action	Update the Planning procedure note.					
Status		Check Progress	Progress	33%	Head of Service	Zac Ellwood
All Notes	The Audit Committee's agreement to a further extension of the due date to 31 May 2021 is requested. This Action is dependent on the successful roll out of the new, bespoke Horizon system, which, due to technical issues and the need for further robust testing and comprehensive training, has been put back to a 'go live' date of Monday 22 March 2021. Preparations are in place to implement this action shortly following the Horizon go-live date, with an appropriate testing period of live system data to 'prove the process.'					11-Feb-2021
	Due date changed re AC November agreement to 28/02/2021					04-Dec-2020
	Procedure Notes to be updated as part of Project Horizon rollout					09-Nov-2020



IA20/17.004.1 Automate payment extraction from portal						
Action Code & Description	The interface between the Agresso and ILAP system relies on manual input. It is inevitable that errors will occur from time to time where they might not with a computer system interface.				Exit Meeting Date	16-Jun-2020
	Our review of a sample of 50 found that in terms of the receipt of income: . Two records were unable to be located on ILAP. . Three amounts were recorded incorrectly on ILAP . In three further instances, a record of checks made on income which had been received had not been retained. Whilst the errors were minor in comparison to the amount of income tested,				Due Date	28-Feb-2021

	this demonstrates the possibility of errors in recording information, and highlights that staff must remain vigilant when recording income to ensure accuracy of income recording.					
Risk Level	High Priority				Risk RAG	
Audit Report Code and Description	IA20/17 Planning Fee Income					
Agreed Action	Ensure the new Planning Database extracts the payment details directly from the Portal payment to remove manual entry of data.					
Status		Check Progress	Progress	80%	Head of Service	Zac Ellwood
All Notes	The Audit Committee's agreement to a further extension of the due date to 31 May 2021 is requested. This Action is dependent on the successful roll out of the new, bespoke Horizon system, which, due to technical issues and the need for further robust testing and comprehensive training, has been put back to a 'go live' date of Monday 22 March 2021. Preparations are in place to implement this action shortly following the Horizon go-live date, with an appropriate testing period of live system data to 'prove the process.'					11-Feb-2021
	Due date changed re AC November agreement to 28/02/2021					04-Dec-2020

IA20/17.004.2 Spot Checks						
Action Code & Description	The interface between the Agresso and ILAP system relies on manual input. It is inevitable that errors will occur from time to time where they might not with a computer system interface.				Exit Meeting Date	16-Jun-2020
	Our review of a sample of 50 found that in terms of the receipt of income: . Two records were unable to be located on ILAP. . Three amounts were recorded incorrectly on ILAP . In three further instances, a record of checks made on income which had been received had not been retained. Whilst the errors were minor in comparison to the amount of income tested, this demonstrates the possibility of errors in recording information, and highlights that staff must remain vigilant when recording income to ensure accuracy of income recording.				Due Date	28-Feb-2021
Risk Level	High Priority				Risk RAG	
Audit Report Code and Description	IA20/17 Planning Fee Income					
Agreed Action	Ensure the new Planning Database extracts the payment details directly from the Portal payment to remove manual entry of data.					
Status		Check Progress	Progress	80%	Head of Service	Zac Ellwood
All Notes	The Audit Committee's agreement to a further extension of the due date to 31 May 2021 is requested. This Action is dependent on the successful roll out of the new, bespoke Horizon system, which, due to technical issues and the need for further robust testing and comprehensive training, has been put back to a 'go live' date of Monday 22 March 2021. Preparations are in place to implement this action shortly following the Horizon go-live date, with an appropriate testing period of live system data to 'prove the process.'					11-Feb-2021
	Due date changed re AC November agreement to 28/02/2021					04-Dec-2020

IA20/17.004.3 Data on Systems						
Action Code & Description	The interface between the Agresso and ILAP system relies on manual input. It is inevitable that errors will occur from time to time where they might not with a computer system interface.				Exit Meeting Date	09-Nov-2020
	Our review of a sample of 50 found that in terms of the receipt of income: . Two records were unable to be located on ILAP. . Three amounts were recorded incorrectly on ILAP . In three further instances, a record of checks made on income which had been received had not been retained. Whilst the errors were minor in comparison to the amount of income tested, this demonstrates the possibility of errors in recording information, and highlights that staff must remain vigilant when recording income to ensure				Due Date	28-Feb-2021

	accuracy of income recording.					
Risk Level	High Priority				Risk RAG	
Audit Report Code and Description	IA20/17 Planning Fee Income					
Agreed Action	Discuss with the Finance service ways to record more specific data regarding the applicant/site address/Planning reference for incoming payments and refunds on the Finance systems.					
Status		Check Progress	Progress	20%	Head of Service	Zac Ellwood; Peter Vickers
All Notes	The Audit Committee's agreement to a further extension of the due date to 31 May 2021 is requested. This Action is dependent on the successful roll out of the new, bespoke Horizon system, which, due to technical issues and the need for further robust testing and comprehensive training, has been put back to a 'go live' date of Monday 22 March 2021. Preparations are in place to implement this action shortly following the Horizon go-live date, with an appropriate testing period of live system data to 'prove the process.'					11-Feb-2021
	Due date changed re AC November agreement to 28/02/2021					04-Dec-2020

IA20/17.004.4 Procedure Notes						
Action Code & Description	The interface between the Agresso and ILAP system relies on manual input. It is inevitable that errors will occur from time to time where they might not with a computer system interface.				Exit Meeting Date	16-Jun-2020
	Our review of a sample of 50 found that in terms of the receipt of income: . Two records were unable to be located on ILAP. . Three amounts were recorded incorrectly on ILAP . In three further instances, a record of checks made on income which had been received had not been retained. Whilst the errors were minor in comparison to the amount of income tested, this demonstrates the possibility of errors in recording information, and highlights that staff must remain vigilant when recording income to ensure accuracy of income recording.				Due Date	28-Feb-2021
Risk Level	High Priority				Risk RAG	
Audit Report Code and Description	IA20/17 Planning Fee Income					
Agreed Action	Ensure all procedure notes across different teams with the Planning Service that deal with the receipt of money (and refunds of payments) have the exact same procedure for recording the information in the relevant data bases.					
Status		Check Progress	Progress	33%	Head of Service	Zac Ellwood
All Notes	The Audit Committee's agreement to a further extension of the due date to 31 May 2021 is requested. This Action is dependent on the successful roll out of the new, bespoke Horizon system, which, due to technical issues and the need for further robust testing and comprehensive training, has been put back to a 'go live' date of Monday 22 March 2021. Preparations are in place to implement this action shortly following the Horizon go-live date, with an appropriate testing period of live system data to 'prove the process.'					11-Feb-2021
	Due date changed re AC November agreement to 28/02/2021					04-Dec-2020

Head of Service Vickers, Peter

IA21/02.001.1 Procedures Notes re Revenues						
Action Code & Description	We confirmed that BACS processes have been documented in part for each of the four departments that regularly process BACS payments or BACS collections.				Exit Meeting Date	02-Nov-2020
	For Revenues & Benefits however, these procedures have not been updated since the responsibility for processing BACS moved to the department. A control sheet also includes sign off from people no longer involved in the process.				Due Date	31-Oct-2020



<p>For Accounts Payable & Receivable, procedures do not clearly document the checking stage of the process whereby BACS files are checked against the source file.</p> <p>For Housing, procedures do not adequately explain the roles and responsibilities for those involved in the BACS process, including what checks should be performed against the Orchard source file to the BACS file.</p> <p>Risk: - Where processes remain unchanged since the introduction of PT-X then out of date activities could cause unnecessary effort and inefficiencies. If roles and responsibilities for BACS processes are unclear, then errors could be made, particularly for those who do not regularly perform them.</p>			
Risk Level	Medium Priority	Risk RAG	
Audit Report Code and Description	IA21/02 Bacs Process		
Agreed Action	Procedure notes to be updated to reflect that processing has move to the department. (PV)		
Status		Overdue	Progress 0% Head of Service Peter Vickers;
All Notes			



IA21/02.002.2 Revenues refund of payments			
Action Code & Description	<p>We observed that the following BACS runs are missing from department BACS schedules (e.g. to account for bank holidays). Revenues & Benefits NNDR / Council tax refund payments, which are run every Tuesday Accounts Payable and Receivable BACS run processed every Monday and Thursday.</p> <p>Risk: BACS submissions could be missed.</p>	Exit Meeting Date	02-Nov-2020
		Due Date	31-Oct-2020
Risk Level	Medium Priority	Risk RAG	
Audit Report Code and Description	IA21/02 Bacs Process		
Agreed Action	Refund payments, which are run every Tuesday, to be included on the BACS schedule. (PV)		
Status		Overdue	Progress 0% Head of Service Peter Vickers;
All Notes			


IA21/02.004.1 Nominated deputy familiarisation with Bacs process			
Action Code & Description	<p>We confirmed that all departments have nominated secondary persons to carry out each stage of the BACS process, however for Revenues and Benefits there has not been sufficient opportunity for the nominated deputy to process direct debit council tax collections which are processed twice a month.</p> <p>Mistakes made in the BACS process due to lack of experience</p>	Exit Meeting Date	02-Nov-2020
		Due Date	30-Oct-2020
Risk Level	Medium Priority	Risk RAG	
Audit Report Code and Description	IA21/02 Bacs Process		
Agreed Action	Nominated deputy to be provided with opportunity to be confident with the process. (PV)		
Status		Overdue	Progress 0% Head of Service Peter Vickers;
All Notes			

Head of Service Wagstaff, Hugh

IA21/02.001.3 Procedure notes in Housing			
Action Code & Description	<p>We confirmed that BACS processes have been documented in part for each of the four departments that regularly process BACS payments or BACS collections.</p>	Exit Meeting Date	02-Nov-2020
		Due Date	31-Jan-2021

	For Housing, procedures do not adequately explain the roles and responsibilities for those involved in the BACS process, including what checks should be performed against the Orchard source file to the BACS file.					
	Risk: - Where processes remain unchanged since the introduction of PT-X then out of date activities could cause unnecessary effort and inefficiencies. If roles and responsibilities for BACS processes are unclear, then errors could be made, particularly for those who do not regularly perform them.					
Risk Level	Low Priority				Risk RAG	
Audit Report Code and Description	IA21/02 Bacs Process					
Agreed Action	Procedures will be updated to ensure that they adequately explain the roles and responsibilities for those involved in the BACS process. (HW)					
Status		Check Progress	Progress	0%	Head of Service	Hugh Wagstaff
All Notes	Procedure note update to include PT-X included in wider rents process notes review. Delay in completion due to pandemic priorities and rent increase work to be completed 26 Feb.					08-Feb-2021

	IA21/02.002.1 Housing BACS scheduling					
Action Code & Description	We confirmed that BACS scheduling for Housing is solely done using Outlook calendars. Where Housing BACS runs are made most days of the week schedules will be difficult and time consuming to extract from Outlook calendars if staff are absent, as they are not documented centrally elsewhere.				Exit Meeting Date	02-Nov-2020
	Additionally, we observed that the following BACS runs are missing from department BACS schedules (e.g. to account for bank holidays).				Due Date	31-Jan-2021
	Risk: - BACS submissions could be missed.					
Risk Level	Medium Priority				Risk RAG	
Audit Report Code and Description	IA21/02 Bacs Process					
Agreed Action	Housing procedure notes to be updated to refer that the central Outlook Team Calendar contains the direct debit days. (HW)					
Status		Check Progress	Progress	0%	Head of Service	Hugh Wagstaff
All Notes	Current practice to be added to procedure notes. Included in wider rent process review. Delay in completion due to pandemic priorities and rent increase work to be completed 26 Feb.					08-Feb-2021

	IA21/03.001.3 Processes					
Action Code & Description	At present, the Systems Administrator is the only officer capable of completing all processing prior to authorisation relating to the collection and refunding of Direct Debits.				Exit Meeting Date	29-Oct-2020
	There are no processes in place for these tasks to be effectively carried out by a deputising officer in their absence.				Due Date	26-Feb-2021
	Risk: - A lack of effective business continuity arrangements may result in issues with the ability to collect and refund customer direct debits.					
Risk Level					Risk RAG	
Audit Report Code and Description	IA21/03 Rent Collection					
Agreed Action	All processes will be reviewed and re-written.					
Status		Check Progress	Progress	50%	Head of Service	Hugh Wagstaff
All Notes	Systems Administrator commenced updating processes with screen shots expected to be completed by end Feb 2021.					22-Jan-2021

Application/s for extension/s to implementation date/s

Recommendation Ref No /s	Planning Fee Income IA20/17.001.1, IA20/17.001.2, IA20/17.002.2, IA20/17.002.3, IA20/17.003.1, IA20/17.003.2, IA20/17.004.1, IA20/17.004.2, IA20/17.004.3, IA20/17.004.4.
Justification for an extension	<p>These actions are dependent on the successful roll out of the new, bespoke Horizon system, which, due to technical issues and the need for further robust testing and comprehensive training, has been put back to a 'go live' date of Monday 22 March 2021.</p> <p>Preparations are in place to implement this action shortly following the Horizon go-live date, with an appropriate testing period of live system data to 'prove the process.</p> <p>Therefore the Audit Committee's agreement to a further extension of the due date to 31 May 2021 is requested.</p>
Head of Service	Head of planning and Economic Development

WAVERLEY BOROUGH COUNCIL

AUDIT COMMITTEE

01 MARCH 2021

Title:

PROGRESS ON THE INTERNAL AUDIT PLAN FOR 2020-21

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

Strategic Director: Graeme Clark

Key decision: Yes

Access: Public

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 Plan 2020-21 is 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 2020-21 progress report as attached in Annexe 1 and endorse the changes to be made in the audit internal audit plan for 2020-21 to meet current priorities.

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 focusing on current issues with the resources currently available.

4. Background

4.1 The progress report for 2020-21 Internal Audit Plan including previous revisions approved by the Audit Committee at the November 2020 meeting is detailed in Annexe 1.

4.2 The number of days originally allocated to be delivered in the plan will be achieved however there may be a few reviews that will be finalised in 2021-22 financial year

due to the initial delays in starting reviews due to the covid restriction. It is however my assessment that the reviews covered will be sufficient to provide an audit opinion on the assurance framework to management on the control environment. This opinion will be included in the Annual Governance Statement to support the 2020-21 Statement of Financial Accounts.

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 as resources will be financed from existing budgets, 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. Budget information is provided in Section 8 of Annex 1.

6.2 Risk management

The reviews included in this plan have been risk assessed as 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 2020-21

Background Papers

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

CONTACT OFFICER:

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Agreed and signed off by:
Legal Services: 09/02/2021
Head of Finance: 08/02/2021
Strategic Director: 09/02/2021
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. 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 and adopted by the internal inhouse provision in accordance with best practice.

The recommended CIPFA classifications:-

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 2020. The report concluded:

'The mandatory elements of the IPPF include the Definition of Internal Auditing, Code of Ethics, Core Principles and International Standards. There are 64 fundamental principles to achieve with 118 points of recommended practice. We assess against the principles. It is our view that the Southern Internal Audit Partnership conforms to all 64 of these principles. We have also reviewed SIAP conformance with the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN). We are pleased to report that SIAP conform with all relevant, associated elements.'

4. Analysis of ‘Completed’ audit plan reviews

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Management Actions						
				Total Action Reported	Not Accepted	Not Yet Due	Complete	Overdue Actions	Priority	
					L	M	H			
BACS Process	21/10/2020	HOF &P & HOHO	Reasonable	8	0	8	3	1	4	
Rent Collection	28/10/2020	HOHO	Reasonable	5		4	4			
Planning portal public comments on applications (IA)	22/01/2021	HOP&ED	Advisory	3		3				
Gas Servicing of boilers in council homes (IA)	19/01/2021	HOHO	Reasonable	3		3				

HOF&P	<i>Head of Finance and Property - Peter Vickers</i>	HOBT	<i>Head of Business Transformation - David Allum</i>
HOP&G	<i>Head of Policy and Governance - Robin Taylor</i>	HOHO	<i>Head of Housing Operations - Hugh Wagstaff</i>
HOCS&SP	<i>Head of Commercial Services - Kelvin Mills</i>	HOHD&C	<i>Head of Housing Delivery & Communities - Andrew Smith</i>
HOES	<i>Head of Environmental Services - Richard Homewood</i>	HOP&ED	<i>Head of Planning and Economic Development – Zac Ellwood</i>
CEO	<i>Chief Executive - Tom Horwood</i>	SD Director/s	<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 7 details the reviews that have been added/removed/deferred to the original plan approved by the Audit Committee March 2020. Progress against the plan is detailed below in Section 6. This plan will be delivered within the budget allocated as detailed in Section 8 of this report.

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
INFORMATION TECHNOLOGY											
IT Inventory Control and Licensing for Software (C)	HOBT	H	5	Q4	✓	✓	✓				
APPLICATIONS SYSTEMS IN SERVICE AREAS											
BACS Process(C)	HOF & P AND OTHER HOS	H	5	Q1/2	✓	✓	✓	✓	✓	Reasonable	
Systems Administrator Activities (C)	ALL HOS	H	10	Q4	✓	✓	✓				
KEY FINANCIAL SYSTEM											
Payroll (Deferred from 2019/20) (C)	HOP & G	H	10	Q2/4	✓	✓	✓	✓		Reasonable	
Main Accounting (Deferred from 2019/20) (C)	HOF&P	H	10	Q4	✓	✓	✓	✓		Reasonable	
Car Parking Income and PCN Write Offs (C)	HOE& RS	H	10	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
Rent Collection (C)	HOHO	H	7	Q1/2	✓	✓	✓	✓	✓	Reasonable	
SERVICE AREAS											
Service Charges - Leasehold Flats(C)	HOS	H	10	Q4	✓	✓	✓				
Disability Facilities Grants Private Sector Housing (IA)	HOHD&C	H	10	Q3/4	✓	✓	✓				
Planning portal public comments on applications (IA)	HOP&ED	M	20	Q2/3	✓	✓	✓	✓	✓	Advisory	
Gas Servicing of boilers in council homes (IA)	HOHO	M	5	Q2	✓	✓	✓	✓	✓	Reasonable	
Decant and Demolition of council homes process (C)	HOHO	M	10	Q1/2	✓	✓	✓	✓		Limited	
Loans paid for Rent Deposits in Advance to prevent homelessness (C)	SD	H	7	Q3/4	✓	✓	✓				
CORPORATE/CROSS CUTTING											

IT programme / Audit Review	Audit Sponsor	Risk	Days	Qtr.	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Comment
Compliance monitoring for council owned buildings re CIPFA guidance. (C)	HOF&P	M	7	Q1/2	✓	✓	✓	✓			
Procurement levels with Suppliers (C)	HOF&P	H	10	Q1/2	✓	✓	✓	✓		Limited	
Payments process for new housing repairs contractor (C)	HOHO	H	10	Q2/3	✓	✓	✓				
Safeguarding (C)	HOHD&C	H	7	Q3/4	✓	✓	✓				
Ethics including Declaration of Interests, gifts and Hospitality (C)	HOG&P	H	10	Q4	✓	✓	✓				
Positions with sole responsibility for a service function including data returns to third parties risk mitigation strategies re – (IA)	Audit Committee	M	20	Q3/4	✓	✓	✓				
Exacom – CIL & S106 income via Agresso	S151 Officer	H	7	Q3	✓	✓	✓	✓			

IT programme / Audit Review	Audit Sponsor	Risk	Days	Qtr.	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Comment
(C)											
No of Audit Plan days allocated			190								
Days currently allocated to Southern Internal Audit Partnership			135								
AP Days currently allocated to Internal Audit Manager			55								

7. Adjustments to the Internal Audit Plan

Audit reviews deferred or removed from the 2020-21 Audit plan	
Planning Housing Delivery Monitoring Process (Defer until 2021-22 Plan) (IA)	15 Days
Repair Recharges for Void properties to vacating tenants process (Defer until 2021-22 Plan re post not in place) (C)	10 Days
Post payment Business Grant compliance (To be included in 2021-22 Plan) (C)	10 Days
Health & Safety (until 2021-22 Plan Re outcomes of CIPFA Compliance review already completed in 2020-21) (C)	7 Days
Film and Events (Defer until activity increases) (C)	10 Days
Total 52 Days	

Audit reviews added to the 2020-21 Audit plan	
Positions with sole responsibility for a service functions including data returns provided to third Parties, what risk mitigation strategies (AC)	20 Days
Planning Portal re Public Comments on Applications (IA)	20 Days
Exacom CIL income collection via Agresso (SD) (C)	7 Days
Loans for rent deposits in advance re prevention of homelessness (C)	7 Days
Total 54 Days	

8. Other activities to be resourced from the Audit Service

National Fraud Initiative (NFI) - Internal Audit continues to support the NFI which is a biennial data matching exercise administered by the Cabinet Office. The data collections for the 2021/22 exercise have been uploaded to the Cabinet Office. The data matching reports were released on 28th January 2021. The timetable can be found using the following link www.gov.uk NFI timetables. Examples of data sets include insurance, payroll, creditors, Licencing, and Housing. Not all matches are investigated but where possible all recommended matches are reviewed by either Internal Audit or the appropriate service area.

9. Budget Expenditure to date

Cost Centre R0202 Internal Audit	Current Approved Budget	Committed/Salaries and NI and service costs.	Remaining Balance at 05/02/2021	Estimated Number of Audit Days Planned to be delivered (Incl IAM)
Total Internal Audit Budget	£152,000	£102,000	£50,000	330 Days

WAVERLEY BOROUGH COUNCIL

AUDIT COMMITTEE

1ST MARCH 2021

Title:

FRAUD INVESTIGATION SUMMARY

Lead Councillor: Councillor Peter Marriott, Chairman of Audit Committee

Strategic Director: Graeme Clark

Key decision: Yes

Access: Public

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 accumulative period from 1 April 2020 to 31 December 2020 covering Quarters 1, 2 and 3.

3. Reason for the recommendation

To inform the Audit Committee of the work that has been completed to date in relation to fraud investigation 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 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 1st April 2020 to 31st December 2020, results include 5 properties where the tenancies have been recovered including 1 where the right to buy was stopped and the tenancy relinquished as it was not the sole and principal home.

4.3 In the current situation with covid restrictions care has been taken to protect members of the public and staff where reduced contact has been necessary. Although this has placed limitations on the normal activities taken to investigate cases notified to us by members the investigation officer resource has also been utilised to assist and contribute to the process developed to determine eligibility, awarding and issuing of Covid grants to businesses.

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 for the accumulative for 2020-2021 relates to the recovery of 5 properties to the value of £537,000 based on Cabinet Office figures relates directly to housing fraud.

These however are 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 5 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 Operations 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.

Annexe:

Annexe 1 – Provides the analysis of the caseload and accumulative outputs from the Fraud Investigation activity for the period 01/04/2020 to 31/12/2020 covering Quarters 1,2 and 3.

Background Papers

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

CONTACT OFFICER:

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Agreed and signed off by:

Legal Services: 09/02/2021
Head of Finance: 08/02/2021
Strategic Director: 09/02/2021

Name of Partner	Waverley
QUARTER	3

Record of cases investigated in the period covering 01 April 2020 to 31 December 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
Housing												
Social housing Fraud	5	10	15	4	11	4		4	Tenancy/ies Relinquished	372,000		
Housing Register Fraud	0	1	1	0	1				Housing Applications Rejected	0		
Homelessness Applications												
Right To Buy/Right To Acquire	4	24	28	26	2	1	1	1	Right to Buy stopped and/or Tenancy Relinquished	165,000		
Mutual Exchange	0								Mutual Exchange denied/rejected	0		
Successions	0	4	4	4					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 **												
2020/21 Total to 30 September 2020.	9	39	48	34	14	5	1	5		537,000		
2019/20 Year Total	18	65	83	73	9	5	0	6		879,976		
2018/19 Year Total	18	54	72	55	17	8	3	4		189,710	0	0
2017/18 Year Total	21*	113	134	117	17	30	13	10		733,930		
2016/17 Year Total	11	127	138	118	20*	32	13	12		688,866		

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

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

* 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.

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Agenda Item 13.

AUDIT COMMITTEE RECURRENT ANNUAL WORK PROGRAMME

Meeting	Item	Action	Responsibility
July 2021	External Audit Findings Report	Note	External audit
	Annual Governance Report	Endorse	External Audit
	External Audit Plan	Note	External Audit
	Certification Report	Note	External Audit
	Statement of Accounts (Deadline currently 31/07/2021 but Government consulting on this)	Approve	Head of Finance, Peter Vickers
	Annual Governance Statement (Deadline currently 31/07/2021 but Government consulting on this)	Approve	Head of Finance and Property, Peter Vickers and Head of Policy and Governance, Robin Taylor
	Annual Internal Audit Report (Activity of previous financial year)	Comment and Note	Internal Audit Manager, Gail Beaton
September 2021	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
November 2021	Risk Management	Approve	Head of Finance and Property, Peter Vickers
	Annual Governance Statement – Interim Review	Comment and instruct	Head of Finance and Property, Peter Vickers
March 2022	Internal Audit Plan	Approve	Internal Audit Manager, Gail Beaton
	Risk Management (if required)	Approve	Head of Finance, Peter Vickers

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

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

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

Fraud Investigation Summary [To note].

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

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