

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

When calling please ask for:

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Date: 23 July 2021

Membership of the Audit Committee

Cllr Peter Marriott (Chairman)
Cllr Jerome Davidson (Vice Chairman)
Cllr Jan Floyd-Douglass
Cllr John Gray

Cllr Michaela Wicks
Cllr Richard Seaborne
Cllr George Wilson

Dear Councillors

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

DATE: MONDAY, 2 AUGUST 2021

TIME: 7.00 PM

PLACE: COUNCIL CHAMBER, COUNCIL OFFICES, THE BURYS,
GODALMING

The Agenda for the meeting is set out below.

Please note that due to current Covid restrictions, seating in the public gallery is extremely limited. The meeting can be viewed remotely via [Waverley Borough Council's YouTube channel](#) or by visiting www.waverley.gov.uk/webcast.

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 1 March 2021 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. **EXTERNAL AUDIT PLAN (Pages 1 - 24)**

To note the attached External Audit Plan from Grant Thornton.

7. **ANNUAL GOVERNANCE STATEMENT - CONSIDERATION OF POTENTIAL**

GOVERNANCE ISSUES. (Pages 25 - 38)

To enable the Committee to consider the Draft Annual Governance Statement and raise any potential emerging governance issues that may need to be addressed.

Recommendation

The Committee is invited to consider the Draft Annual Governance Statement and raise any potential emerging governance issues for consideration.

8. ANNUAL INTERNAL AUDIT REPORT FOR 2020-21 (Pages 39 - 58)

The Audit Committee to consider and note the annual internal audit report and audit opinion for 2020-21.

9. REVIEW OF PROGRESS IN THE IMPLEMENTATION OF INTERNAL AUDIT RECOMMENDATIONS (Pages 59 - 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.

10. REVIEW OF THE PROGRESS IN ACHIEVING THE AUDIT PLAN (Pages 77 - 104)

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.

11. FRAUD INVESTIGATION SUMMARY (Pages 105 - 110)

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.

12. INTERNAL AUDIT CHARTER (Pages 111 - 124)

To endorse the Internal Audit Charter.

13. AUDIT COMMITTEE RECURRENT ANNUAL WORK PROGRAMME (Pages 125 - 126)

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**

Waverley Borough Council audit plan

Year ending 31 March 2021

Waverley Borough council
July 2021
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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Key matters

Factors

Finances

Local Government funding continues to be stretched with increasing cost pressures and demand from residents. The ongoing Covid-19 pandemic has and continues to have a significant impact financially and operationally. Moreover, in the short-term, the future for local authority funding remains uncertain as new Local Government funding arrangements that were meant to be in place by April 2020 have been delayed until at least 2022.

The 2020/21 financial year has seen significant uncertainty and risk hit the agreed budget and the Council's Medium Term Financial Plan. In August the Council agreed a major revision to the approved 2020/21 general fund budget to react to a forecast £6.6m adverse variance resulting from the direct and indirect impact of Covid on planned income and expenditure. The Medium Term Financial Plan shows a cumulative projected budget shortfall of £5.4m over the 2020/21 to 2023/24 period.

Accounting and auditing developments

On 1 April 2020, the National Audit Office introduced a new Code of Audit Practice which comes into effect from audit year 2020/21. The Code introduced a revised approach to the audit of Value for Money. (VFM) There are three main changes arising from the NAO's new approach:

- A new set of key criteria, covering financial sustainability, governance and improvements in economy, efficiency and effectiveness
- More extensive reporting, with a requirement on the auditor to produce a commentary on arrangements across all of the key criteria, rather than the current 'reporting by exception' approach
- The replacement of the binary (qualified / unqualified) approach to VFM conclusions, with more sophisticated judgements on performance, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

In the period December 2018 to January 2020 the Financial Reporting Council issued a number of updated International Auditing Standards (ISAs (UK)) which are effective for audits of financial statements for periods beginning on or after 15 December 2019. ISA (UK) 540 (revised): Auditing Accounting Estimates and Related Disclosures includes significant enhancements in respect of the audit risk assessment process for accounting estimates. As part of this process auditors also need to obtain an understanding of the effectiveness of the role of those charged with governance relating to accounting estimates adopted by management, which is particularly important where the estimates have high estimation uncertainty or require significant judgement.

Although the implementation of IFRS 16 has been delayed, audited bodies still need to include disclosures in their 2020/21 statements to comply with the requirements of IAS 8. As a minimum, we would expect the Council to disclose the title of the standard, the date of initial application and the nature of the changes in accounting policy for leases. If the impact of IFRS 16 is not known or reasonably estimable, the accounts should state this.

In the prior year the Council's valuer reported a material uncertainty regarding the valuations of properties due to the COVID-19 pandemic. In addition, there was a material uncertainty in relation to the Council's share of Surrey Pension Fund's pooled property and private equity investments.. We will monitor the position for the 31 March 2021 valuations.

Our response

We will consider your arrangements for managing and reporting your financial resources and assessing your financial resilience as part of our audit in completing our Value for Money work.

We will continue to provide you with sector updates via our Audit Committee updates.

We will liaise with the Council's valuer to clarify any potential material uncertainties in 2020-21.

Key matters

Factors

Impact of COVID-19 pandemic

The outbreak of the COVID-19 coronavirus pandemic has had a significant impact on the Council's normal operations. Throughout the pandemic the Council has kept critical services going at the same time supporting the COVID-19 national effort. In response to the financial uncertainty created by the pandemic, the Council took a Contingency Revised budget for 2020/21 to Council in 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. The Council stopped all recruitment and non-essential spending as an interim measure in April 2020 to combat these challenges.

We will continue to monitor how the Council puts in place suitable arrangements for financial resilience with there being significant challenges to be resolved. This represents a considerable challenge for the Council given the savings it has had to make in recent years.

Our response

We will consider your arrangements for managing and reporting your financial resources as part of our work in completing our Value for Money work.

At this time we have not identified a specific COVID-19 significant audit risk (as we did for Local Government audits in 2019/20 which covered a number of risks including the availability of Council staff to produce accounts, year end stock take completion and valuation uncertainties in relation to land and buildings). We will revisit this assessment should the current pressures the sector faces continue and impacts year end accounting and auditing processes.

Introduction and headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Waverley Borough Council ('the Council') for those charged with governance.

Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the agreed Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of Waverley Borough Council. We draw your attention to both of these documents.

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the:

- Council and group's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit committee); and
- Value for Money arrangements in place at the Council for securing economy, efficiency and effectiveness in your use of resources.

The audit of the financial statements does not relieve management or the Audit Committee of your responsibilities. It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

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

Group Audit

The Council is required to prepare group financial statements that consolidate the financial information of the Shottermill Recreation Ground Trust and the Bequest of Joseph Ewart.

Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Management override of controls
- Revenue cycle includes fraudulent transactions (risk rebutted)
- Valuation of land and buildings
- Valuation of net pension fund liability

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Materiality

We have determined planning materiality to be £1.6m (PY £1.911m) for the group and £1.596m (PY £1.905m) for the Council, which equates to 2% of your prior year gross expenditure for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £80k (PY £96k).

Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money has not identified any risks of significant weakness: We will continue to review and update our risk assessment over the course of the audit.

Audit logistics

Our key deliverables are this Audit Plan, our Audit Findings Report and Auditor's Annual Report. Our audit approach is detailed in Appendix A.

Our fee for the audit will be £64,494 (PY: £71,379) for the Council, subject to the Council delivering a good set of financial statements and working papers.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements..

Group audit scope and risk assessment

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

Component	Individually Significant?	Level of response required under ISA (UK) 600	Risks identified	Planned audit approach
Waverley Borough Council	Yes		See pages 7-9	Full scope audit performed by Grant Thornton UK LLP
Hottermill Recreation Ground Trust	No		- Property, Plant & Equipment revaluation measures not correct - Recorded cash at bank not valid	Specific (targeted) procedures to be performed by Grant Thornton UK LLP
The Bequest of Joseph Ewart	No		- Recorded cash at bank not valid	Specific (targeted) procedures to be performed by Grant Thornton UK LLP

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Key changes within the group:

We have not been made aware of any new significant components, or significant changes to the activities of the existing components listed above.

Audit scope

- Audit of the financial information of the component using component materiality
- Audit of one more classes of transactions, account balances or disclosures relating to significant risks of material misstatement of the group financial statements
- Review of component's financial information
- Specified audit procedures relating to significant risks of material misstatement of the group financial statements
- Analytical procedures at group level

Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
The revenue cycle includes fraudulent transactions (rebutted)	Council and Group	<p>Under ISA (240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>Having considered the risk factors set out in ISA240 and nature of the revenue streams at Waverley Borough Council and the group, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Waverley Borough Council, mean that all forms of fraud are seen as unacceptable 	We do not consider this to be a significant risk for Waverley Borough Council or the group.
Valuation of land and Buildings (including Investment Properties)	Council and Group	<p>You revalue your 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 (£520m in 2019/20) and the sensitivity of this estimate to changes in key assumptions.</p> <p>Additionally, management will need to ensure the carrying value in the Council financial statements is not materially different from the current value or the fair value (for investment properties) at the financial statements date, where a rolling programme is used.</p> <p>We therefore identified valuation of land and buildings and investment properties, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work; • evaluate the competence, capabilities and objectivity of the valuation expert; • write to the valuer to confirm the basis on which the valuation was carried out; • challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding, the valuer's report and the assumptions that underpin the valuation; • test revaluations made during the year to see if they had been input correctly into your asset register; and • evaluate 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.

Significant risks identified

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Management over-ride of controls	Council	<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. You face external scrutiny of your 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>We will:</p> <ul style="list-style-type: none"> • evaluate the design effectiveness of management controls over journals; • analyse the journals listing and determine the criteria for selecting high risk unusual journals; • test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration; • gain an understanding of the accounting estimates and critical judgements applied by management and consider their reasonableness with regard to corroborative evidence; and • evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.
Valuation of the pension fund net liability	Council	<p>Your pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£66 million in your 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>We will:</p> <ul style="list-style-type: none"> • update 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; • evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assess the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation; • assess the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability; • test 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; • undertake 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 • obtain 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.

Accounting estimates and related disclosures

The Financial Reporting Council issued an updated ISA (UK) 540 (revised): *Auditing Accounting Estimates and Related Disclosures* which includes significant enhancements in respect of the audit risk assessment process for accounting estimates. We did not identify any issues or recommendations in our 2019/20 audit in relation to the Council's estimation processes.

Introduction

Under ISA (UK) 540 (Revised December 2018) auditors are required to understand and assess an entity's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the entity's risk management process identifies and addresses risks relating to accounting estimates;
- The entity's information system as it relates to accounting estimates;
- The entity's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit & Standards Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?



Accounting estimates and related disclosures

Additional information that will be required

To ensure our compliance with this revised auditing standard, we will be requesting further information from management and those charged with governance during our audit for the year ended 31 March 2021.

Based on our knowledge of the Council we have identified the following material accounting estimates for which this is likely to apply:

- Valuations of land and buildings, council dwellings and investment properties
- Credit loss and impairment allowances
- Valuation of defined benefit net pension fund liabilities

The Council's Information systems

In respect of the Council's information systems we are required to consider how management identifies the methods, assumptions and source data used for each material accounting estimate and the need for any changes to these. This includes how management selects, or designs, the methods, assumptions and data to be used and applies the methods used in the valuations.

When the models used include increased complexity or subjectivity, as is the case for many valuation models, auditors need to understand and assess the controls in place over the models and the data included therein. Where adequate controls are not in place we may need to report this as a significant control deficiency and this could affect the amount of detailed substantive testing required during the audit.

If management has changed the method for making an accounting estimate we will need to fully understand management's rationale for this change. Any unexpected changes are likely to raise the audit risk profile of this accounting estimate and may result in the need for additional audit procedures.

We are aware that the Council uses management experts in deriving some of its more complex estimates, e.g. asset valuations and pensions liabilities. However, it is important to note that the use of management experts does not diminish the responsibilities of management and those charged with governance to ensure that:

- All accounting estimates and related disclosures included in the financial statements have been prepared in accordance with the requirements of the financial reporting framework, and are materially accurate;
- There are adequate controls in place at the Council (and where applicable its service provider or management expert) over the models, assumptions and source data used in the preparation of accounting estimates.

Estimation uncertainty

Under ISA (UK) 540 we are required to consider the following:

- How management understands the degree of estimation uncertainty related to each accounting estimate; and
- How management address this estimation uncertainty when selecting their point estimate.

For example, how management identified and considered alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the point estimate used.

The revised standard includes increased emphasis on the importance of the financial statement disclosures. Under ISA (UK) 540 (Revised December 2018), auditors are required to assess whether both the accounting estimates themselves and the related disclosures are reasonable.

Where there is a material uncertainty, that is where there is a significant risk of a material change to the estimated carrying value of an asset or liability within the next year, there needs to be additional disclosures. Note that not all material estimates will have a material uncertainty and it is also possible that an estimate that is not material could have a risk of material uncertainty.

Accounting estimates and related disclosures



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Where there is material estimation uncertainty, we would expect the financial statement disclosures to detail:

- **What the assumptions and uncertainties are;**
- **How sensitive the assets and liabilities are to those assumptions, and why;**
- **The expected resolution of the uncertainty and the range of reasonably possible outcomes for the next financial year; and**
- **An explanation of any changes made to past assumptions if the uncertainty is unresolved.**

Planning enquiries

As part of our planning risk assessment procedures, we have sent enquiries to management and to the Audit & Standards Committee. We note that we have received responses in relation to these already and appreciate the swift response.

Further information

Further details on the requirements of ISA (UK) 540 (Revised December 2018) can be found in the auditing standard on the Financial Reporting Council's website:

[https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-\(UK\)-540-Revised-December-2018_final.pdf](https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-(UK)-540-Revised-December-2018_final.pdf)

Other matters

Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement and any other information published alongside your financial statements to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the Council.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.

We consider our other duties under legislation and the Code, as and when required, including:

- giving electors the opportunity to raise questions about your 2020/21 financial statements, consider and decide upon any objections received in relation to the 2020/21 financial statements;
- issuing a report in the public interest or written recommendations to the Council under section 24 of the Local Audit and Accountability Act 2014 (the Act).
- application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act
- issuing an advisory notice under section 29 of the Act
- We certify completion of our audit.

Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

Going concern

As auditors, we are required to obtain sufficient appropriate audit evidence regarding, and conclude on:

- whether a material uncertainty related to going concern exists; and
- the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements.

The Public Audit Forum has been designated by the Financial Reporting Council as a "SORP-making body" for the purposes of maintaining and updating Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom (PN 10). It is intended that auditors of public sector bodies read PN 10 in conjunction with (ISAs) (UK).

PN 10 has recently been updated to take account of revisions to ISAs (UK), including ISA (UK) 570 on going concern. The revisions to PN 10 in respect of going concern are important and mark a significant departure from how this concept has been audited in the public sector in the past. In particular, PN 10 allows auditors to apply a 'continued provision of service approach' to auditing going concern, where appropriate. Applying such an approach should enable us to increase our focus on wider financial resilience (as part of our VfM work) and ensure that our work on going concern is proportionate for public sector bodies. We will review the Council's arrangements for securing financial sustainability as part of our Value for Money work and provide a commentary on this in our Auditor's Annual Report (see page 15).

We will also need to identify whether any material uncertainties in respect of going concern have been reported for the Council's subsidiaries. If such a situation arises, we will consider our audit response for the group.

Materiality

The concept of materiality

Materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality for planning purposes

We have determined financial statement materiality based on a proportion of the gross expenditure of the group and Council for the financial year. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £1.6m (PY £1.911m) for the group and £1.596m (PY £1.905m) for the Council, which equates to 2% of your prior year gross expenditure for the year.

We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

Matters we will report to the Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the group and Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £80k (PY £96k).

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities.

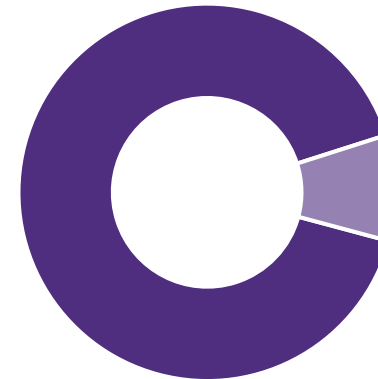
Prior year gross operating costs

£82.3m group

(PY: £95.5m)

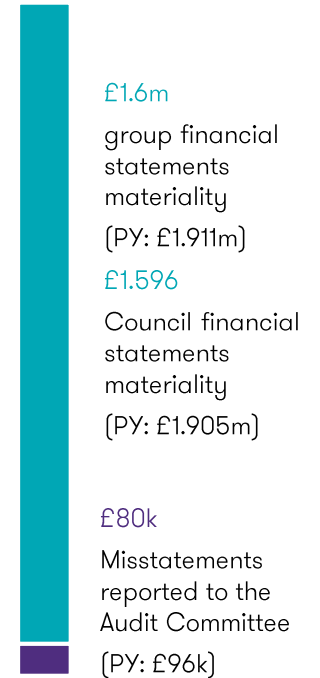
£82.1m Council

(PY: £95.24m)



■ Prior year gross operating costs

Materiality



Page 13

Value for Money arrangements

Revised approach to Value for Money work for 2020/21

On 1 April 2020, the National Audit Office introduced a new Code of Audit Practice which comes into effect from audit year 2020/21. The Code introduced a revised approach to the audit of Value for Money. (VFM)

There are three main changes arising from the NAO's new approach:

- A new set of key criteria, covering financial sustainability, governance and improvements in economy, efficiency and effectiveness
- More extensive reporting, with a requirement on the auditor to produce a commentary on arrangements across all of the key criteria, rather than the current 'reporting by exception' approach
- The replacement of the binary (qualified / unqualified) approach to VFM conclusions, with far more sophisticated judgements on performance, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under three specified reporting criteria. These are as set out below:



Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years)



Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information



Risks of significant VFM weaknesses

As part of our planning work, we considered whether there were any risks of significant weakness in the body's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. We have not identified any risks of significant VFM weaknesses although we set out the areas of focus we intend to review to enable us to produce commentary on arrangements across all of the key criteria. We may need to make recommendations following the completion of our work. The potential different types of recommendations we could make are set out.

Key areas of focus

The Local Government operating environment has been significantly impacted by the pandemic and the future funding regime remains uncertain and this lack of certainty will impact on the Council's ability for long term planning. Our Value for Money work will primarily focus on the aspects listed below, but may increase in scope as further work is performed

The Council's arrangements in response to the COVID-19 pandemic and capitalising on the benefits from the different models of service delivery and ways of working bought about by the pandemic;

The Council's arrangements for setting the Medium-Term Financial Plan and achieving financial sustainability specifically how the council plans to achieve a balanced budget in the medium-term financial plan;

- The Council's arrangements for working with its key partners to deliver services more efficiently;
- The council's governance arrangement in terms of managing risk, responding to COVID-19 and ensuring overall service delivery; and

Potential types of recommendations

A range of different recommendations could be made following the completion of work on risks of significant weakness, as follows:



Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.



Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.



Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

Audit logistics and team



Paul Cuttle, Engagement Lead

Responsible for overall client relationship, quality control, provision of accounts opinions, meeting with key internal stakeholders and final authorization of reports. Attendance of Audit Committee meetings supported by Manager as required.

Waqas Hussain, Audit Manager

Responsible for overall audit management over the course of the year, support and review of work performed by audit In-charge and junior team members. Attendance Audit Committee meetings alongside Engagement Lead as required.

Audited body responsibilities

Where audited bodies do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other audits. Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit, you need to ensure that you:

- produce draft financial statements of good quality by the agreed timetable you have agreed with us, including all notes, the Narrative Report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples for testing
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

Audit fees

In 2018, PSAA awarded a contract of audit for Waverley Borough Council to begin with effect from 2018/19. The fee agreed in the contract was £41,494m. Since that time, there have been a number of developments, particularly in relation to the revised Code and ISA's which are relevant for the 2020/21 audit.

As referred to on page 14, the 2020/21 Code introduces a revised approach to our VFM work. This requires auditors to produce a commentary on arrangements across all of the key criteria, rather than the current 'reporting by exception' approach. Auditors now have to make far more sophisticated judgements on performance, as well as issue key recommendations if any significant weaknesses in arrangements are identified during the audit. We will be working with the NAO and other audit firms to discuss and share learning in respect of common issues arising across the sector.

The new approach will be more challenging for audited bodies, involving discussions at a wider and more strategic level. Both the reporting, and the planning and risk assessment which underpins it, will require more audit time, delivered through a richer skill mix than in previous years.

Additionally, across all sectors and firms, the FRC has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing, as noted in the number of revised ISA's issued by the FRC that are applicable to audits of financial statements commencing on or after 15 December 2019, as detailed in Appendix 1..

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and public sector financial reporting. Our proposed work and fee for 2020/21 is set out below and detailed overleaf. As part of its response to the Redmond Review in December 2020, MHCLG committed an extra £15m to support the delivery of local audit in 2020/21. We understand that the Council will receive a grant to support 2020/21 audit fees in the next few weeks.

	Actual Fee 2019/20	Proposed fee 2020/21
Council Audit	£41,494	£41,494
Fee variations approved by PSAA	£29,985	£23,000
Total audit fees (excluding VAT)	£71,379	£64,494

Assumptions

In setting the above fees, we have assumed that the Council will:

- prepare a good quality set of accounts, supported by comprehensive and well presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard \(revised 2019\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

Audit fees – detailed analysis

Scale fee published by PSAA	£41,494
<i>Ongoing increases to scale fee first identified in 2019/20</i>	£7,500
One off costs for 20219/20 relating to COVID-19 and other issues arising during the audit relating to PPE	£22,385
Audit fee 2019/20	£71,379
<i>Revised 2020/21 baseline (£71,379 less one off costs)</i>	£48,994
Additional work on Value for Money (VfM) under new NAO Code	£9,000
Increased audit requirements of revised ISAs	£6,500
<i>Proposed increase to agreed 2019/20 fee</i>	£15,500
Total audit fees (excluding VAT)	£64,494

Independence and non-audit services

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons. relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard (Revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies. We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council.

Other services

The following other services provided by Grant Thornton were identified .

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.








None of the services provided are subject to contingent fees.

Service	Fees £	Threats	Safeguards
Audit related			
Certification of Housing Benefits Grant	21,500	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £21,500 in comparison to the total fee for the audit of £64,494 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Non-audit related			
Certification of Housing Capital receipts grant	3,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £3,000 in comparison to the total fee for the audit of £64,494 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.









Appendix 1: Revised Auditor Standards and application guidance

FRC revisions to Auditor Standards and associated application guidance




The following Auditing Standards and associated application guidance that were applicable to 19/20 audits, have been revised or updated by the FRC, with additional requirements for auditors for implementation in 2020/21 audits and beyond.

	Date of revision	Application to 2020/21 Audits
ISQC (UK) 1 – Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Service Engagements	November 2019	
ISA (UK) 200 – Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing (UK)	January 2020	
ISA (UK) 220 – Quality Control for an Audit of Financial Statements	November 2019	
ISA (UK) 230 – Audit Documentation	January 2020	
ISA (UK) 240 – The Auditor’s Responsibilities Relating to Fraud in an Audit of Financial Statements	January 2020	
ISA (UK) 250 Section A – Consideration of Laws and Regulations in an Audit of Financial Statements	November 2019	
ISA (UK) 250 Section B – The Auditor’s Statutory Right and Duty to Report to Regulators of Public Interest Entities and Regulators of Other Entities in the Financial Sector	November 2019	

Appendix 1: Revised Auditor Standards and application guidance continued

	Date of revision	Application to 2020/21 Audits
ISA (UK) 260 – Communication With Those Charged With Governance	January 2020	
ISA (UK) 315 – Identifying and Assessing the Risks of Material Misstatement Through Understanding of the Entity and Its Environment	July 2020	
ISA (UK) 500 – Audit Evidence	January 2020	
ISA (UK) 540 – Auditing Accounting Estimates and Related Disclosures	December 2018	
ISA (UK) 570 – Going Concern	September 2019	
ISA (UK) 580 – Written Representations	January 2020	
ISA (UK) 600 – Special considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)	November 2019	
ISA (UK) 620 – Using the Work of an Auditor’s Expert	November 2019	
ISA (UK) 700 – Forming an Opinion and Reporting on Financial Statements	January 2020	

Appendix 1: Revised Auditor Standards and application guidance continued

	Date of revision	Application to 2020/21 Audits
ISA (UK) 701 – Communicating Key Audit Matters in the Independent Auditor’s Report	January 2020	
ISA (UK) 720 – The Auditor’s Responsibilities Relating to Other Information	November 2019	
Practice Note 10: Audit of Financial Statements of Public Sector Bodies in the United Kingdom	December 2020	

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Document Information & Governance

Approval & Publication:

Approving Body	Publication Type
Audit Committee	External

Version Control Information:

Version	Version Status	Date	Version Comment	Version Author
V0.1	Draft	12/07/21	Update previous years version and Incorporate audit committee comments from 24/03/21	Patrick Tuite

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. In accordance with CIPFA guidance issued in Feb 2021 the AGS this year will address the impact of the Covid-19 pandemic on the operation of the councils governance, measures taken include but are not limited to:

- Distribution of £Xm in Covid grants whilst ensuring due diligence was conducted on claimants
- Continuation of council business via video conferencing
- % of annual audit plan conducted as planned

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.

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The AGS assesses governance in place during 2020/2021 so the entire year was impacted by the Coronavirus 19 pandemic. Further details describing the impact of the pandemic is detailed at section 5 onwards.

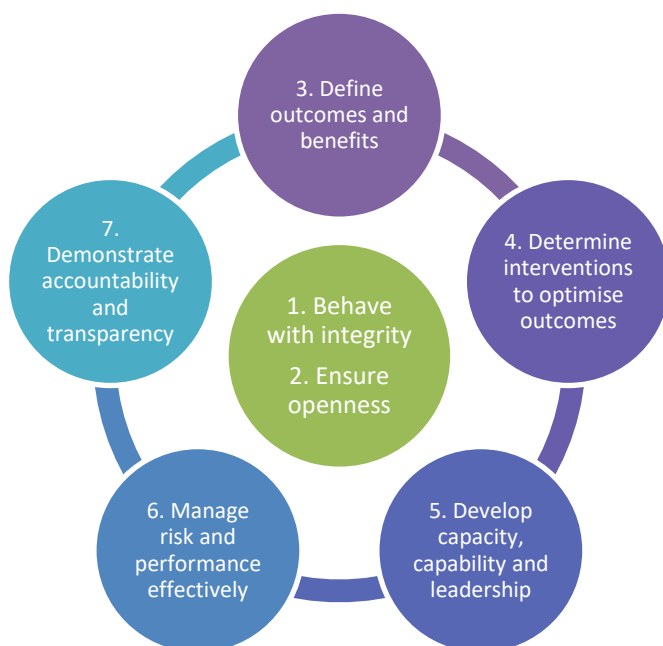
This AGS was considered by the Audit Committee at its meeting on **TBC**.

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.

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- 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.

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.

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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:	How does this provide assurance
Constitution (including Scheme of Delegation to Officers)	This sets out how the council operates, how decisions are made and the procedures followed to ensure that these are efficient, transparent and accountable to local people.
Democratic arrangements – Council, Executive, Overview & Scrutiny Committees, Audit Committee and Standards Committee	Providing additional assurance through a process of independent and objective review.
Head of Paid Service, Monitoring Officer and Chief Finance Officer	Statutory roles, which collectively are responsible for: <ul style="list-style-type: none"> - Determining and publicising a description of the overall departmental structure of the Council showing the management structure and deployment of officers. - Reporting to the council where it appears to them the authority has done, or is about to do, anything which would be considered maladministration or contravene the law. - The proper administration of the Council's affairs appointed under section 151 of the Local Government Act 1972
Management Board and Senior Management Team	Provides officer scrutiny and a clear trail of approvals
Corporate Strategy and service plans	Provides the framework for officers to work within and direction for the council.
Medium Term Financial Strategy	Provides the councils with a clear road map to ensure financial sustainability

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Financial Regulations	Part of the governance framework which supports the councils constitution, clearly laying out what officers must do when dealing with financial matters.
Contract Procurement Rules	Provide a governance framework for officers to ensure best value is achieved whilst complying with relevant legislation and good practices.
Capital Strategy	Determines the approach and priority of capital investments, ensuring they are conducted within the councils risks appetite
Performance management framework (regular reporting)	Provides officer scrutiny and monitoring
Project Governance Boards/ Project management methodology	Sets out a clear auditable process for officers to follow
Risk management framework	Defines the councils risk appetite as well as it's the strategy for eliminating or minimising the impact of identified risks
Customer Service Strategy	Ensures that a consistent approach and levels of customer services are delivered through all channels
Complaints system	Provides a clearly identifiable route of escalation for complaints
HR policies and procedures	Ensures staff are aware of their responsibilities and obligations when conducting their roles
Whistleblowing and other countering fraud arrangements	Provides a clear and secure route for reporting illegal, illicit, unsafe, fraudulent, or other practices, the disclose of which would be in the public interest
Member and Officer training and development	Ensures members are adequately informed of councils processes to enable them to properly challenge and scrutinise decisions
Internal and External audit scrutiny	Independent scrutiny of the councils processes and policies
Ongoing review of governance	Ensures the councils governance arrangements reflects best practice and that measures continue to be fit for purpose
External reviews and inspectorate reports	Provides additional challenge to the councils processes, allowing the council to improve upon them
Customer feedback	Recording customer feedback ensures complaints can be dealt with and escalated accordingly
Staff surveys	Provides a forum for any concerns to be raised

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Community consultations

Ensures steps taken by the council have buy in and support of the wider community

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.

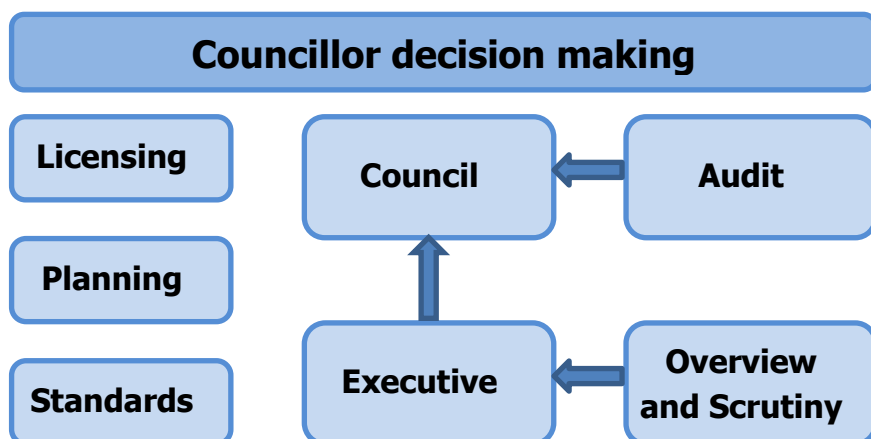
The conduct of the Council's business is defined by formal procedures and rules, which are set out in the Constitution. The Constitution also explains the roles and responsibilities of the Executive, Audit, Overview & Scrutiny and Officer functions.

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.

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.

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- 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

Governance boards - Governance boards have been established to scrutinise council projects, focusing on time / cost and quality. Providing a forum for issues to be recognised and escalated.

Business Transformation - A business transformation team has been established to facilitate council wide changes to generate revenue savings for the council.

Shared Services - Shared services in Revenues and Benefits have been established requiring additional measures and an inter authority agreement.

Corporate Strategy - The Council adopted a new Corporate Strategy for 200-2025 in **Month Year**. 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.

Community Infrastructure Levy - **The CIL Levy Expand upon**

Covid 19 – **Expand upon - To include:**

- Suspension of services
- Redistribution of staff to support the Covid-19 effort
- 3 months of disruption
- Virtual meeting
- Temporary delegations
- Suspension of 4 planning committees and introduced 2
- Planning process and handling of applications
- Impact on governance e.g. audit
- Services by and large unaffected
- Mayors role changes

5.2 Resolution of significant governance issues in 2020/2021

Council meetings – **Virtual meetings Expand upon**

5.3 Significant operational events in 2020/2021

Financial challenges exacerbated - **Expand upon**

Brexit contingency arrangements - **Expand upon**

Staff redeployment - **Expand upon**

Operating as government agents (grant funding) fraud - **Expand upon**

5.4 Other governance issues arising during 2020/2021 include:

Boundary review - Expand upon

Habitats regulations – Expand upon

Quarterly reporting – information being out of date by the time it reaches councillors Expand upon

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 2020/2021, considering a wide range of governance issues. In 2020/21 a number of items were delayed but ultimately delivered against.

Audit Committee Work Programme for 2021/2022			
July 2020	September 2020	November 2020	March 2021
Review the progress of the Internal Audit Plans for 2019/2020 and 2020/21	Review the progress of the Internal Audit Plans for 2020/2021	Review the progress of the Internal Audit Plans for 2020/2021	Review the progress of the Internal Audit Plans for 2020/2021
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
Received an update on the work being done in investigating fraud	Audit Committee Annual Activity Report 2019/20	Received an update on the work being done in investigating fraud	Received an update on the work being done in investigating fraud
Updated External Audit Findings Scope	Received and commented on Annual Audit Findings Report for 2019/20 from Grant Thornton	Update on the Outcome of the SIAP External Quality Assessment	Receive the Annual Audit Letter for year ended 31 March 2020.
Audit Committee Members Briefing – Risk Register	Received a verbal update on risk management	Comment and instruct on an	Update on Waverley Accounting Policies in line with changed to the CIPFA Code of Practice
Consider and Note the Annual Internal Audit Report	Consider and approve the Statement of Accounts 2019/20	Updated on progress with signing off the External Accounts	Comment and approve the proposed Draft Internal Audit Plan for 2021/22
Consider and approve the Internal Audit Charter	Consider and approve the Annual Governance Statement for 2019/20	Review of the Informal Meeting on the Audit ToR	
	Review of the Audi Committee terms of Reference		
	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
		Additional meeting to:	

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		Receive the revised Audit Findings Report and note the amendments to the 2019/20 Accounts.	
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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.

Annual Governance Statement 2020/21

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

To mitigate the risk of fraud the council has in place fraud and governance policies to which staff should adhere to this includes the Anti-fraud, Bribery and Corruption Policy, Prosecution Policy, Whistleblowing Policy and Anti-Money Laundering Policy, these policies are 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. Where appropriate the policies are available on the Council's website and intranet.

Within the Council, the Internal Audit Service fulfils a proactive and reactive role for issues relating to fraud, this includes a fraud investigation officer, (dedicated resource to investigate all types of housing tenancy fraud). This work results in ensuring that properties are used by tenants in accordance with the tenancy agreement, outcomes can include the return of properties to the housing stock to enable them to be utilised for those on the housing waiting list.

In the response to the distribution of the Covid Grants to businesses, validation and certification control processes were implemented to proactively identify applications that did not fulfil the criteria of the grant requirement before being processed to limit the risk of fraudulent payments being made. The residual risks were reduced by participating in the national NFI data matching exercise with other local Authorities, for those grants paid, and the results of this exercise are being investigated. For those that are found to have been fraudulently obtained recovery action will be taken to recover these grant funds through the mechanisms available to the Council.

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.

Annual Governance Statement 2020/21

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 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). Despite the difficulties that the pandemic placed upon these assurance providers re communication and logistics, these hurdles were overcome by the co-operation of those professionals involved, although timeframes to obtain information was sometimes delayed the work was completed to the professional standard required to provide an opinion.

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 2020/2021 year.

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

Annual Governance Statement 2020/21

- 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 impact of Covid 19 on the internal control environment between April 2020 and the approval of this Statement. Covid-19 has however shown that although staff were working remotely controls were in place to provide continuity of services.

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 2020/2021. **Caveat for any findings regarding central gov on the grant payments**

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

Signed

Leader of the Council

Chief Executive

Dated **1 December 2020**

Dated **1 December 2020**

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WAVERLEY BOROUGH COUNCIL

AUDIT COMMITTEE

2ND AUGUST 2021

Title:

ANNUAL INTERNAL AUDIT REPORT 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 Accounts and Audit Regulations 2015 (Part 2 s3) require local authorities to have a sound system of internal control and Internal Audit is part of this system of internal control. Part 2 (s5) of the Regulations state that an authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes. This report is a summary of the work carried out by Internal Audit during the financial year 2020-21 and also provides an audit opinion to support the Annual Governance Statement on the organisation's control environment.

2. Recommendation

It is recommended that the Audit Committee considers and notes the annual internal audit report and audit opinion for 2020-21.

3. Reason for the recommendation

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

4. Background

4.1 The 2020-21 Internal Audit Plan was approved at the March 2020 Audit Committee to be completed with a combination of the internal resource of the Internal Audit Manager (195 days) and the external contractor Southern Internal Audit

Partnership (SIAP) for 155 days to provide a total of 350 days. With the occurrence of Covid-19 the commencement of planned reviews were delayed or rescheduled until staff, were available as some were redeployed to deal with Covid Grants and community support activities, and also the technology being available to enable reviews to be completed remotely. In this unprecedented challenging time Internal audit commenced reviews later than intended around June 2020 this resulted in the delivery of 20 Internal Audit reviews. This delay has resulted in reviews overlapping into this financial year and where changes have been made to the plan 330 audit days have been provided.

4.2 There are some reviews still in progress that need to be concluded to final report stage. The contents of these reviews including an advisory review but indicate that there are no implications that will affect the annual opinion provided in this report.

4.3 Those reviews that were previously agreed at the March 2020 audit committee that have been replaced with other reviews were reassessed in the preparation of the 2021-22 Audit Plan and where applicable have been included in the 2021-22 Audit Plan.

5. Relationship to the Corporate Strategy and Service Plan

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

6. Implications of decision

6.1 Resource (Finance, procurement, staffing, IT)

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

6.2 Risk management

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

6.3 Legal

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

6.4 Equality, diversity and inclusion

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

6.5 Climate emergency declaration

There are no direct implications in this report

7. Consultation and engagement

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

8. Other options considered

- 8.1 N/A

9. Governance journey

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

Annexes:

Annexe 1 – Annual Internal Audit Report for 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: 05/07/2021
Head of Finance: 02/07/2021
Strategic Director: 12/07/2021
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, considering 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 operation. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes’.

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

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

2. Internal Audit Approach

To enable effective outcomes, internal audit provide a combination of assurance and consulting activities. Assurance work involves assessing how well the systems and processes are designed and working, with consulting activities available to help to improve those systems and processes where necessary.

A full range of internal audit services is provided in forming the annual opinion.

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

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

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



3. Internal Audit Opinion

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

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

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

Annual Internal Audit Opinion 2020-2021

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

In my opinion, Waverley Borough Council’s framework of governance, risk management, governance and internal control is ‘adequate’ and audit testing has demonstrated controls to be working in practice.

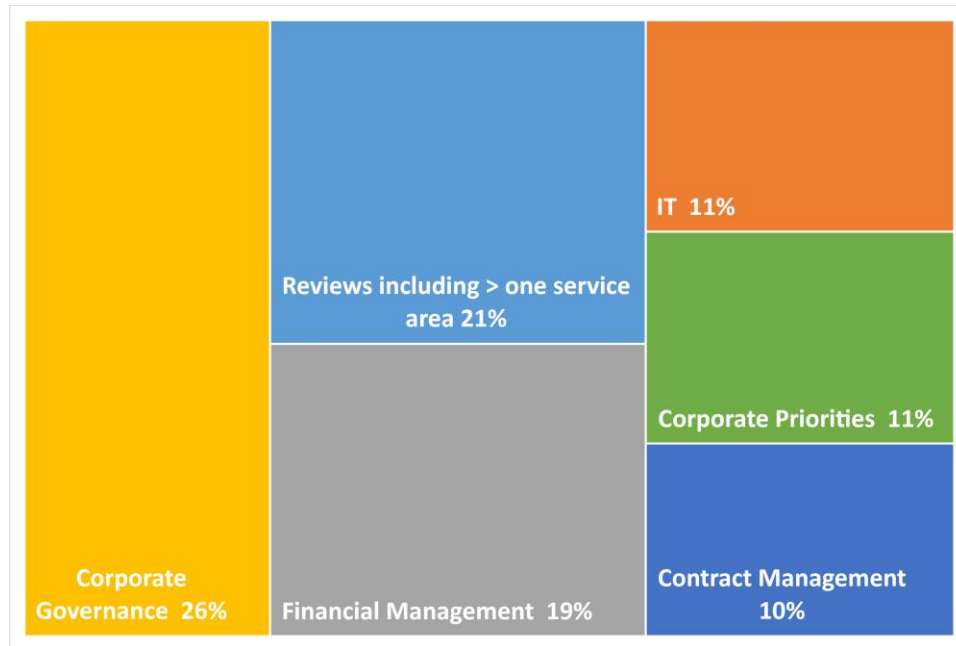
Where weaknesses have been identified through internal audit review, we have worked with management to agree appropriate corrective actions and a timescale for improvement.”

It is acknowledged that Covid-19 presented new risks and challenges to maintain the normal operation of existing risk management, governance and control frameworks.

4. Internal Audit Coverage and Output

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

Percentage of Types of Reviews



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

The 2020-21 Internal Audit Plan approved by the Audit Committee in March 2020, was informed by internal audit’s assessment of risk and materiality. In addition to consultation with management to ensure it aligned to key risks facing the organisation.

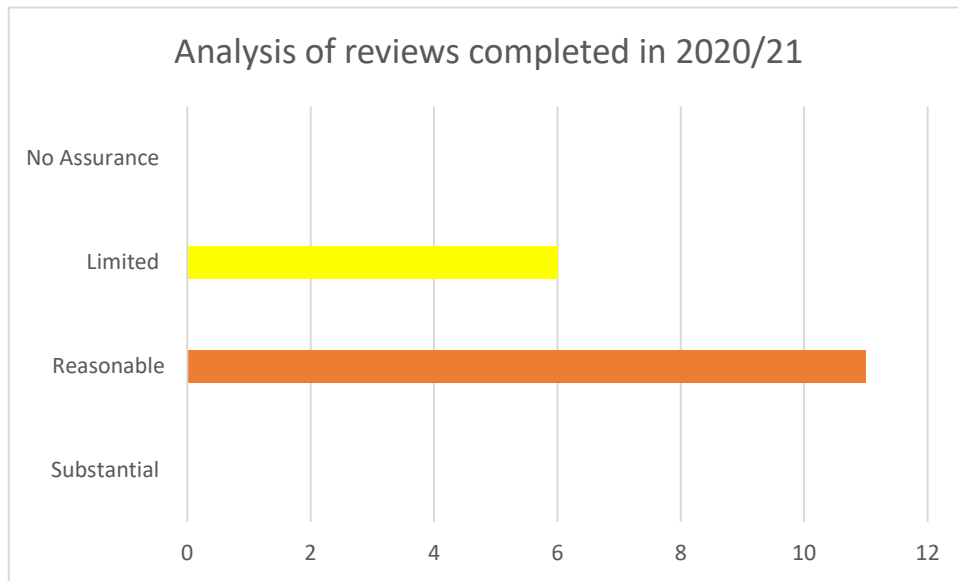
The plan has remained fluid throughout the year to maintain an effective focus.

In delivering the internal audit opinion the Internal Audit Service have undertaken 20 reviews during the year.

The 2020-21 internal audit plan has been delivered with the following exceptions:

- Work is substantially complete and an opinion has been formed for 20 reviews. This includes 5 reports that have not yet been issued as a Final report. One advisory review was completed which did not culminate in an audit opinion as they relate to work conducted in respect of advisory reviews on the systems in operation and actions were raised where necessary. Another advisory review was started but has been delayed in being completed due to other priorities by the Internal Audit Manager.
- The reviews detailed in section 5 below are those reviews currently provided with 'limited' assurance (include 2 at Draft report stage).

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



Substantial - A sound system of governance, risk management and controls exist, 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 Assurance - 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.

5. Key Observations

There were no ‘No Assurance’ opinions issued during the year. In general, internal audit work found there to be a sound control environment in place across a majority of review areas that were working effectively to support the delivery of corporate objectives, however there were some areas identified that provide challenge to the organisations risk environment and were given a “limited’ assurance:

Decant and demolition of council homes – Improvements were identified relating to the reviewing and updating of policies, sign off of programme milestones, highlight reports progress reports, checks on home loss payments and the terms of reference for the Ockford Ridge Programme Group.

Financial element of Exacom – highlighted that the interface between the Exacom system and Agresso requires improvement relating to demand notices, notification of income received through Agresso to Exacom and reconciliation between both systems.

Compliance monitoring for council owned buildings – Areas identified where improvements are needed include; Statutory Risk Assessments; performance indicators or comparison reporting; centralisation of records, formal approval of policies and contractor confirmation re guidance updated re covid secure compliant.

Procurement levels with suppliers – contract register maintenance and compliance re contract, value exceeded, procuring of Agency staff, market testing, procurement strategy development, compilation of performance indicators, waiver register and cyclical reporting.

6. Anti-Fraud and Corruption

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

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

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

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

National Fraud Initiative (NFI) - The NFI is a statutory exercise facilitated by the Cabinet Office that matches electronic data within and between public and private sector bodies to prevent and detect fraud. Public sector bodies are required to submit data to the National Fraud Initiative on a regular basis (every two years). Work has commenced on the matches we have received, and progress will be monitored.

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

7. Quality Assurance and Improvement

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

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

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

An ‘External Quality Assessment’ of the Southern Internal Audit Partnership was undertaken by the Institute of Internal Auditors (IIA) in 2020. Include new assessment re report provided.

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

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

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

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

8. Disclosure of Non-Conformance

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

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

There are no disclosures of Non-Conformance to report.




9. Quality control

Our aim is to provide a service that remains responsive to the needs of the Council and maintains consistently high standards. This was achieved in 2020-21 through the following internal processes:

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

10. Internal Audit Performance

The following performance indicators are maintained to monitor effective service, the first 3 were previously agreed with the Audit Committee and formed part of the contract with the internal audit contractor who completed the majority of the work in 2020/21. The last 2 have been reintroduced as suggested at the last Audit Committee when this Annual Report was reported last year.

Annual performance indicators		
Aspect of service	2019-2020 Actual (%)	2020-2021 Actual (%)
Revised plan delivered (including 2019/20 c/f) (C) (Target 100%)	98	 96
Positive customer responses to quality appraisal questionnaire ** (Target 90%)	99	 96
Compliant with the Public Sector Internal Audit Standards	Yes	 Yes
Average no. of days between Contractor exit meeting and the issue of Draft Report to WBC (Target 28 Days) (C)	New	32 Days
Average number of days between the contactor issuing Draft report for WBC management agreed actions and the uploading of Final Report to Pentana (Target 28 Days (WBC))	New	24 Days

**Customer satisfaction has been assessed through response to questionnaire issued to a wide range of stakeholders including senior officers and audit committee members involved in the Internal Audit process throughout the year.

11. Acknowledgement

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

Gail Beaton
Internal Audit Manager
July 2021

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WAVERLEY BOROUGH COUNCIL

AUDIT COMMITTEE

2ND AUGUST 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).

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

Agreed and signed off by:
Legal Services: 05/07/21
Head of Finance: 04/07/2021
Strategic Director: 12/07/2021
Portfolio Holder: N/A

Agreed Internal Audit Actions overdue as at 31 July 2021




Generated on: 22 July 2021


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



Head of Service Allum, David



IA21/01.001 Account Setup						
Action Code & Description	Implement a criterion that the user is required to set up an account which includes the need to use an email address for each session of upload of comments made to the Waverley Borough Council's planning website. It is acknowledged that there are future plans for this to be implemented when Waverley moves to 365 when gaining access to all online Council services. Consideration should however be given to local groups who may have a coordinator/ or other individuals that upload comments, relating to Planning applications or other consultation exercises, on behalf of others due to them not having the technical capabilities or IT access to do this for themselves.				Exit Meeting Date	22-Jan-2021
					Due Date	31-May-2021
Risk Level	Medium Priority				Risk RAG	
Audit Report Code and Description	IA21/01 Planning comments on portal Advisory Review					
Agreed Action	<i>The investment of £3,000 - £4,000 (as a one-off cost) to implement this account setup will be funding by Planning Services. Where an email account will be mandatory, and a pin will be sent to that email address for the account to be activated to confirm and submit comments to the planning CIVICA website. (ZE) (Support from IT)</i>					
Status		Overdue	Progress	25%	Head of Service	David Allum; Zac Ellwood
All Notes	Awaiting order from Planning Service deferred pending Horizon implementation. Therefore, this action will not be completed until the Horizon system is bedded in before changes such as this will be made.					22-Jun-2021
	It is therefore requested that an extension until December 2021, considering the low risk attributed to this action, is proposed to the Audit Committee.					
	Investment in account set-up now agreed by relevant Head of Service.					11-Feb-2021



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. (ZE)					
Status		Overdue	Progress	80%	Head of Service	Zac Ellwood
All Notes	Completion of this action is dependent on the necessary functionality being available in the new Horizon system, which is not yet in place;					01-Jul-2021
	Therefore, an extension to 31 October 2021 from the Audit Committee is requested.					
	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. (ZE)					
Status		Overdue	Progress	50%	Head of Service	Zac Ellwood
All Notes	The Council is actively looking at how it will deliver enforcement and inspection functions more holistically at the corporate level and it was therefore agreed with the Environment Overview & Scrutiny Committee that scrutiny of the draft Local Enforcement Plan will now take place in September 2021 so that any implications for/from the corporate project can be taken into account. The Plan itself is almost complete in draft form.					01-Jul-2021
	Therefore, an extension to 31 October 2021 from the Audit Committee is requested after the scrutiny process has been completed.					
	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	31-May-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		Overdue	Progress	80%	Head of Service	Zac Ellwood; Peter Vickers
All Notes	Action awaiting successful Horizon role out.					
	Therefore, an extension to 1st October 2021 from the Audit Committee is requested.					30-Jun-2021
	Due date changed re AC November agreement to 31/05/2021					21-Jun-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
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	31-May-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		Overdue	Progress	80%	Head of Service	Zac Ellwood
All Notes	Horizon snags delaying next steps. Developer meeting requested.					
	Therefore, an extension to 1st October 2021 from the Audit Committee is requested.					30-Jun-2021
	Due date changed re AC November agreement to 31/05/ 2021					21-Jun-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	IA20/17.002.2 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 on consumer confidence in the past.				Exit Meeting Date	16-Jun-2020
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.				Due Date	31-May-2021	
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		Overdue	Progress	40%	Head of Service	Zac Ellwood
All Notes	Due to Horizon delays, Pre-apps suspended to potentially through to 13th August. Allowing time to review the process in line with Horizon development.					30-Jun-2021
	Therefore, an extension to 1st October 2021 from the Audit Committee is requested.					
	Due date changed re AC November agreement to 31/05/ 2021					21-Jun-2021
	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	IA20/17.003.1 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.				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.				Due Date	31-May-2021	
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						
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		Overdue	Progress	50%	Head of Service	Zac Ellwood; Peter Vickers
All Notes	Snags identified with the roll out of Horizon have dictated the stall in progress in this regard. SMT have requested a meeting with Horizon devs to review.					30-Jun-2021
	Therefore, an extension to 1st October 2021 from the Audit Committee is requested.					


	Due date changed re AC November agreement to 31/05/ 2021	21-Jun-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


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	31-May-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		Overdue	Progress	33%	Head of Service	Zac Ellwood
All Notes	Snags identified with the roll out of Horizon have dictated the stall in progress in this regard. SMT have requested a meeting with Horizon devs to review. Therefore, an extension to 1st October 2021 from the Audit Committee is requested.					30-Jun-2021
	Due date changed re AC November agreement to 31/05/ 2021				21-Jun-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	
	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: <ul style="list-style-type: none"> . 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	31-May-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		Overdue	Progress	80%	Head of Service	Zac Ellwood
All Notes	Snags identified with the roll out of Horizon have dictated the stall in progress in this regard. SMT have requested a meeting with Horizon development to review.					30-Jun-2021
	Therefore, an extension to 1st October 2021 from the Audit Committee is requested.					
	Due date changed re AC November agreement to 31/05/2021					21-Jun-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	IA20/17.004.2 Spot Checks					
	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	31-May-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		Overdue	Progress	80%	Head of Service	Zac Ellwood
All Notes	Snags identified with the roll out of Horizon have dictated the stall in progress in this regard. SMT have requested a meeting with Horizon development to review.					30-Jun-2021
	Therefore, an extension to 1st October 2021 from the Audit Committee is requested.					
	Due date changed re AC November agreement to 31/05/ 2021					21-Jun-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


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 accuracy of income recording.				Due Date	31-May-2021
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		Overdue	Progress	20%	Head of Service	Zac Ellwood; Peter Vickers
All Notes	Snags identified with the roll out of Horizon have dictated the stall in progress in this regard. SMT have requested a meeting with Horizon development to review.					30-Jun-2021
	Therefore, an extension to 1st October 2021 from the Audit Committee is requested.					
	Due date changed re AC November agreement to 31/05/ 2021					21-Jun-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	


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	31-May-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		Overdue	Progress	33%	Head of Service	Zac Ellwood
All Notes	Snags identified with the roll out of Horizon have dictated the stall in progress in this regard. SMT have requested a meeting with Horizon development to review.					30-Jun-2021

	Therefore, an extension to 1st October 2021 from the Audit Committee is requested.	
	Due date changed re AC November agreement to 31/05/ 2021	21-Jun-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


IA21/01.002 Declarations						
Action Code & Description	The declaration on the Waverley CIVICA Planning website should be expanded, clearly stating the possible implications of making a false declaration, before starting the online process of input to the website re confirmation that they are the individual making the comments as well as including their email address.				Exit Meeting Date	22-Jan-2021
	Other authorities websites include statements such as:- "Login details are confidential and only used to prevent anonymous comments" or in the prevention or investigation of fraudulent activity as the law permits. "Planning services will not share your data with third parties except where necessary to process your comments and preventing or detecting crime".				Due Date	31-May-2021
Risk Level	Medium Priority				Risk RAG	
Audit Report Code and Description	IA21/01 Planning comments on portal Advisory Review					
Agreed Action	<p><i>The declaration can be updated to enable positive confirmation that they are the person named making the comment with the use of a tick box.</i></p> <p><i>Inclusion of "preventing or detecting crime" might also make users think twice about using someone else's name.</i></p> <p><i>(ZE supported by Legal)</i></p>					
Status All Notes		Overdue	Progress	10%	Head of Service	Zac Ellwood
	Snags identified with the roll out of Horizon have dictated the stall in progress in this regard. SMT have requested a meeting with Horizon development to review. When this has been resolved this can be implemented in conjunction with improvements to the setting up of an account to make comments on a planning applications re IA21/01.001, both these action will not be completed until the Horizon system is bedded in before initiatives such as these are progressed.					30-Jun-2021
	It is therefore requested that an extension until December 2021 is proposed to the Audit Committee.					
Dependent on software upgrade.						11-Feb-2021

Head of Service Smith, Andrew


IA20/10.002 Comparison to electoral roll						
Action Code & Description	The Private sector housing team have not completed a comparison of the number of people in a household on the electoral roll to the register of properties (HMOs) already known. For example 8 Badgers Close Farncombe, has 4 adults able to vote and appears on electoral role all with different surnames would be worth investigating) Risk:- If HMO's are not identified and inspected could result in loss or harm to life.				Exit Meeting Date	06-May-2020
					Due Date	01-Apr-2021
Risk Level	Low Priority				Risk RAG	■
Audit Report Code and Description	IA20/10 Private Sector Housing HMOs					
Agreed Action	Continue to update HMO list with data from tenancy deposit schemes. Carry out examination of electoral roll to identify potential HMOs and investigate.					
Status		Overdue	Progress	50%	Head of Service	Andrew Smith
All Notes	This is a major piece of work, which will take several months to complete in combination with other tasks. The Private Sector Housing Manager anticipates this work to be completed by 30 September 2021 if funds are made available to obtain the services of an agency resource.					08-Jul-2021
	Therefore, an extension is requested from the Audit Committee to 30 September 2021.					
	Dependent on recruited officer starting employment in or before January 2021 - delay due to Covid-19.					08-Oct-2020



IA20/10.003 Customer Feedback						
Action Code & Description	A mechanism to enable customer feedback to be obtained could not be located on the website. Risk:- That areas of improvement are not identified to assist with service improvement.				Exit Meeting Date	06-May-2020
					Due Date	01-Apr-2021
Risk Level	Low Priority				Risk RAG	■
Audit Report Code and Description	IA20/10 Private Sector Housing HMOs					
Agreed Action	Draw up customer service questionnaire and send out to landlords on completion of HMO licence process.					
Status		Overdue	Progress	0%	Head of Service	Andrew Smith
All Notes	The team has not been able to start on the HMO audit actions here as officers have had to prioritise other work activities since the Covid pandemic started. The pandemic also affected the ability to recruit to the team, which meant that the admin officer did not have any spare capacity.					20-Jul-2021
	Therefore, an extension is requested from the Audit Committee to 30 September 2021.					
	Project dependent on newly recruited officer starting employment. Contract commencement delayed due to Covid-19. Request extension to completion date to 1 April 2021 - subject to officer in post in or before January 2021.					08-Oct-2020



Head of Service Vickers, Peter

Action Code & Description	IA21/05.002.1 Request for quotes					Exit Meeting Date	11-Mar-2021
	CPR's currently require supplies and services with a value below £100k to be supported by evidence of Request for Quotes (RFQ's). From our sample testing of five transactions, we identified one example where market testing was not undertaken (agency staff - £16.5K) and one further example (under £5K) where market testing was undertaken but the evidence of the unsuccessful quotes was not retained (Landscaping - £2.8K). (CPR's only require one quote to be obtained for purchases below £5K but do recommend as best practice that multiple quotes are obtained to better demonstrate value for money)					Due Date	30-Apr-2021
Risk Level	Medium Priority					Risk RAG	■
Audit Report Code and Description	IA21/05 Procurement levels with suppliers						
Agreed Action	Undertake a review of agency spend and report back to MB on findings.						
Status		Overdue	Progress	75%	Head of Service	Peter Vickers	
All Notes	<p>Report is being written in conjunction with HR. Delay due to further analysis required, due to the complexities of the HR process for managing agency staff. Report will be complete by the end of August 2021.</p> <p>Therefore, an extension is requested from the Audit Committee to 31 August 2021.</p>					20-Jul-2021	



Head of Service Wagstaff, Hugh


Action Code & Description	IA21/07.001 Handover procedure					Exit Meeting Date	17-Feb-2021
	<p>The aim of the Handover Procedure was to set out the processes to be undertaken by WBC Housing Service staff, to ensure they hand-over and allocate new build properties correctly.</p> <p>We were advised by the Housing Development Manager that the Handover Policy was never implemented and has not been available to stakeholder teams in WBC. Furthermore, we were told that it has been assigned to the Service Improvement Team to complete the update.</p> <p>An updated Handover procedure document has now been drafted but requires discussion and agreement with key stakeholder teams. We were advised that no timetable is in place for the Policy's implementation, as the next set of handovers are not scheduled for approximately two years' time. However, the Housing Development Manager has said that she will aim to complete the team sign offs by April 2021.</p>					Due Date	30-Apr-2021
Risk Level	Medium Priority					Risk RAG	■
Audit Report Code and Description	IA21/07 Decant of Tenants & their property & Demolition of Council Homes						
Agreed Action	Produce a final Handover Procedure - with defined management and operational responsibilities - which ensures new build homes are handed-over and allocated correctly.						
Status		Overdue	Progress	80%	Head of Service	Hugh Wagstaff	
All Notes	<p>Unable to formally agree procedure due to conflicting priorities and practicalities for group meeting. Meetings arranged July 2021.</p> <p>Therefore, an extension is requested from the Audit Committee to 30 September 2021.</p>					16-Jul-2021	
	Handover procedure revised with team to agree and adopt June 2021					28-May-2021	
	commenced review of draft guidance					19-Apr-2021	


Action Code & Description	IA21/07.002 Decant and Demolition Procedure					
	The Housing Development Officer (HDO) maintains his own spreadsheet in Sharepoint to help him discharge his duties by identifying the tasks completed on site and the progress to date of each property.				Exit Meeting Date	17-Feb-2021
	The spreadsheet is not a formal requirement of the programme control system, consequently, it is not shared with other stakeholders and there is no evidence of any formal schedule of phases/milestone checklist to confirm completion of key events enabling sign off by the Housing Development Officer.				Due Date	30-Apr-2021
	It was not possible during the audit to obtain supporting evidence to demonstrate that key stages of the project had been successfully completed (e.g. Section 81 Planning Permissions, Demolition Certificates). If put in place, this will enable the identification of potential delays and informed decision-making. It could also link to the relevant evidence to demonstrate completion of key stages.					
Risk Level	Medium Priority				Risk RAG	
Audit Report Code and Description	IA21/07 Decant of Tenants & their property & Demolition of Council Homes					
Agreed Action	Produce a final decant and demolition procedure with defined management and operational responsibilities to ensure key stages of the project are successfully completed and recorded as completed.					
Status		Overdue	Progress	50%	Head of Service	Hugh Wagstaff
All Notes	Unable to formally agree procedure due to conflicting priorities and practicalities for group meeting. Meetings arranged July 2021.					16-Jul-2021
	Therefore, an extension is requested from the Audit Committee to 30 September 2021.					
	Redevelopment Moves procedure developed with teams to agree and adopt in June. Reviewing demolition project plan					28-May-2021
	commenced review of draft guide					19-Apr-2021

Action Code & Description	IA21/07.004 Repairs and Maintenance Compensation & Reimbursement Policy					
	We were advised that routine checks of tenant accounts occur prior to payment of the Home Loss Payments (e.g. checks on any outstanding debts, the length of tenancy meets requirements and to ensure the correct tenant is being paid).				Exit Meeting Date	17-Feb-2021
	However, despite being told that these checks are held in the Orchard system, we have received no evidence of such checks. We also found no evidence to confirm that tenants had signed the bank details form to agree the submitted amount. This was also the case regarding disturbance claims.				Due Date	30-Apr-2021
	From our discussions with staff regarding the checks undertaken to ensure that these payments are appropriately paid, there appears to be uncertainty over the responsibility for tasks to ensure correct amounts are paid (e.g. requesting a check for tenant arrears or an examination of disturbance claim receipts).					
We were also unable to obtain evidence to confirm whether Home Loss payments (which can be as much as £6,400 per household), have been appropriately approved.						
Risk Level	Medium Priority				Risk RAG	
Audit Report Code and Description	IA21/07 Decant of Tenants & their property & Demolition of Council Homes					
Agreed Action	Review and update the Repairs and Maintenance and Compensation and Reimburse Policy taking into account the auditor's observations. New procedure required to support policy.					
Status		Overdue	Progress	80%	Head of Service	Hugh Wagstaff

All Notes	Unable to formally agree application and payment due to conflicting priorities and practicalities for group meeting. Meetings arranged July 2021. .	16-Jul-2021
	Therefore, an extension is requested from the Audit Committee to 30 September 2021.	
	Process updated with latest financial information and adopted by teams. Reviewing application and payment process	28-May-2021
	Commenced review of current guidance	19-Apr-2021

IA21/07.006 Notification points to tenants						
Action Code & Description	We found that the Handover procedure does not detail all specific notification points (e.g. decision letters to tenants to advise of their successful application for a new property) or state how progress against the plan will be monitored and reported.				Exit Meeting Date	17-Feb-2021
					Due Date	30-Apr-2021
Risk Level	Medium Priority				Risk RAG	
Audit Report Code and Description	IA21/07 Decant of Tenants & their property & Demolition of Council Homes					
Agreed Action	The auditor's observations will be incorporated in to the new Decant and Demolition Procedure.					
Status		Overdue	Progress	80%	Head of Service	Hugh Wagstaff
All Notes	Unable to formally agree updated procedure due to conflicting priorities and practicalities for group meeting. Meetings arranged July 2021.					16-Jul-2021
	Therefore, an extension is requested from the Audit Committee to 30 September 2021.					
	Redevelopment Moves procedure updates to ensure clear action for HO to advise tenants of outcome of allocation panel (in writing) and ongoing updates on progress with moving - all recorded on Civica					28-May-2021

IA21/11.003 Post Inspections						
Action Code & Description	We obtained an extract from the Orchard system and identified all paid jobs between 01/04/20 and 19/12/20. (4065 Response and 178 Void repairs)				Exit Meeting Date	14-Apr-2021
	There are 131 Void jobs listed with no inspection date recorded - 100% of void handovers are inspected and Officers have indicated that this anomaly within data capture by the Orchard system requires review. Similarly, our review identified 158 response jobs over £300 (which would trigger an inspection) with no inspection date recorded on Orchard. Again, officers have indicated that this anomaly within data capture by the Orchard system requires review.				Due Date	31-May-2021
	It is currently unclear why inspect date prompts and review records are not being captured within Orchard systems and officers have requested an IT update and correction on this.					
In addition, there are currently no client systems for aggregating inspection data and outcomes to provide analysis which would inform contract management going forward.						
Risk Level	Low Priority				Risk RAG	
Audit Report Code and Description	IA21/11 Housing Contractors Payment Process					
Agreed Action	3.1 To review Orchard Post Inspection parameters with Deb Holland to understand why jobs over £300 are not being flagged for Post Inspection.					
	To review void Post inspection parameters Orchard administrator to ensure thresholds for inspection are correctly set.					
	ALL voids are post inspected irrespective to whether orchard flags it or not (these Post Inspections are held in sharepoint).					

Status		Overdue	Progress	75%	Head of Service	Hugh Wagstaff
All Notes	Manual process ongoing whilst review discrepancy in process. Awaiting confirmation of Orchard consultant support to remedy for inspection parameter error. Therefore, an extension is requested from the Audit Committee to 31 August 2021.					15-Jul-2021
	Currently undertaking manual process whilst review Orchard					20-Apr-2021

ANNEXE 2

Requests for extension/s to previously agreed implementation date/s

Recommendation Ref No/s	IA20/08.001 - IA20/08.002, IA20/17.001-4.4 and IA21/01.002
Justification for an extension	<p>Completion of this action is dependent on the necessary functionality being available in the new Horizon system, which is not yet in place; (IA20/08.001)</p> <p>The Council is actively looking at how it will deliver enforcement and inspection functions more holistically at the corporate level and it was therefore agreed with the Environment Overview & Scrutiny Committee that scrutiny of the draft Local Enforcement Plan will now take place in September 2021 so that any implications for/from the corporate project can be taken into account. The Plan itself is almost complete in draft form. (IA20/08.002)</p> <p>Therefore, an extension to 31 October 2021 from the Audit Committee is requested.</p> <p>Action awaiting successful Horizon role out. (IA20/17.001-4.4)</p> <p>Therefore, an extension to 1st October 2021 from the Audit Committee is requested.</p> <p>Snags identified with the roll out of Horizon have dictated the stall in progress in this regard. SMT have requested a meeting with Horizon development to review. (IA21/01.002)</p> <p>Therefore, an extension to 1st October 2021 from the Audit Committee is requested.</p>
Head of Service	Zac Ellwood, Head of Planning and Economic Development

Recommendation Ref No/s	IA21/01.001
Justification for an extension	<p>Awaiting order from Planning Service deferred pending Horizon implementation. Therefore, this action will not be completed until the Horizon system is bedded in before changes such as this will be made.</p> <p>It is therefore requested that an extension until December 2022, considering the low risk attributed to this action, is proposed to the Audit Committee.</p>
Head of Service	David Allum, Head of Business Transformation

Recommendation Ref No/s	IA21/05.002.1
Justification for an extension	<p>Report is being written in conjunction with HR. Delay due to further analysis required, due to the complexities of the HR process for managing agency staff. Report will be complete by the end of August 2021.</p> <p>Therefore, an extension is requested from the Audit Committee to 31 August 2021.</p>
Head of Service	Peter Vickers, Head of Finance and Property

Recommendation Ref No /s	IA21/007.001/2/4/6 & IA21/11.003
Justification for an extension	<p>Unable to formally agree procedure due to conflicting priorities and practicalities for group meeting. Meetings arranged July 2021. (IA21.007)</p> <p>Therefore, an extension is requested from the Audit Committee to 30 September 2021.</p> <p>Manual process ongoing whilst review discrepancy in process. Awaiting confirmation of Orchard consultant support to remedy for inspection parameter error. (IA21/11.003)</p> <p>Therefore, an extension is requested from the Audit Committee to 31 August 2021</p>
Head of Service	Hugh Wagstaff, Head of Housing Operations

Recommendation Ref No/s	IA20/10.002 & IA20/10.003
Justification for an extension	<p>The team has not been able to start on the HMO audit actions here as officers have had to prioritise other work activities since the Covid pandemic started. The pandemic also affected the ability to recruit to the team, which meant that the admin officer did not have any spare capacity.</p> <p>This is a major piece of work, which will take several months to complete in combination with other tasks. The Private Sector Housing Manager anticipates this work to be completed by 30 September 2021 if funds are made available to obtain the services of an agency resource.</p> <p>Therefore, an extension is requested from the Audit Committee to 30 September 2021.</p>
Head of Service	Andrew Smith, Head of Housing Strategy and Communities

WAVERLEY BOROUGH COUNCIL

AUDIT COMMITTEE

2ND AUGUST 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 Plans for 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.

3. Reason for the recommendation

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

4. Background

4.1 The progress report for 2020-21 is detailed in Annexe 1.

5. Relationship to the Corporate Strategy and Service Plan

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

6. Implications of decision

6.1 Resource (Finance, procurement, staffing, IT)

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

6.2 Risk management

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

6.3 Legal

The Council must have an operational Audit Plan that covers a period of no more than a year in order to fully comply with the requirements of the Code of Practice issued by CIPFA, which is given mandatory status by the Accounts and Audit Regulations 2015.

6.4 Equality, diversity and inclusion

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

6.5 Climate emergency declaration

There are no direct implications in this report

7. Consultation and engagement

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

8. Other options considered

8.1 N/A

9. Governance journey

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

Annexes:

Annexe 1 – Progress on the Internal Audit Plan for 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: 05/07/2021
Head of Finance: 05/07/2021
Strategic Director: 12/07/2021
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 (Internal Audit Manager at WBC) 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:-

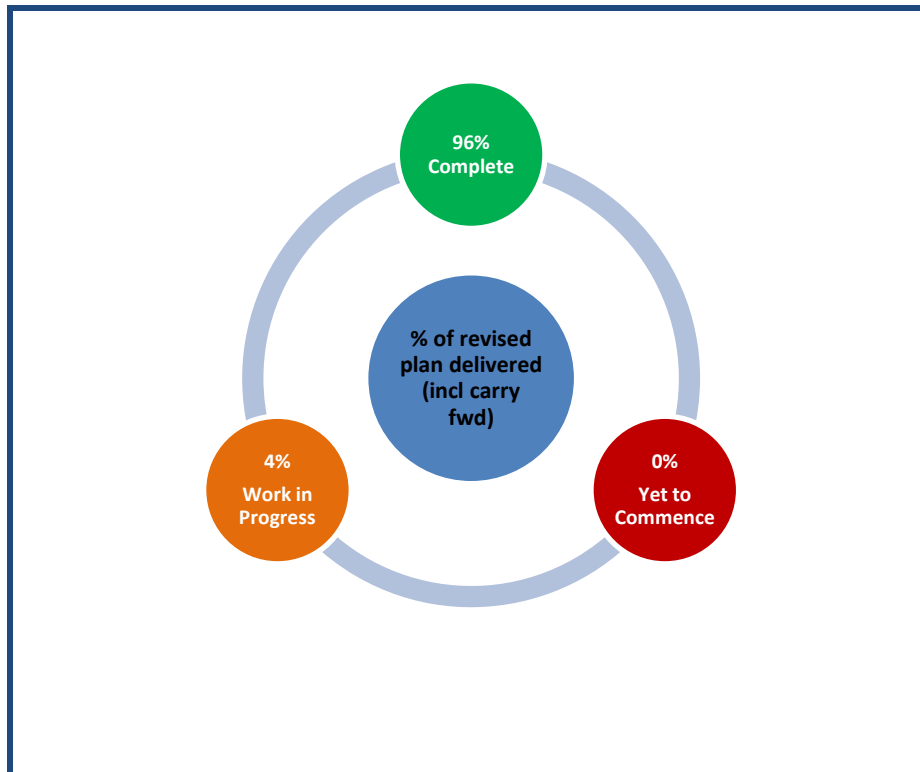
Substantial A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

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 'Live' audit plan reviews

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Management Actions						
				Total Action Reported	Not Accepted	Not Yet Due	Complete	Overdue Actions		
								L	M	H
BACS Process	21/10/2020	HOF & P & HOHO	Reasonable	8	0	0	8			
Rent Collection	28/10/2020	HOHO	Reasonable	5		0	5			
Planning portal public comments on applications	22/01/2021	HOP&ED	Advisory	3			1		2	
Gas Servicing of boilers in council homes	19/01/2021	HOHO	Reasonable	3		1	2			
Payroll	02/03/2021	HOPC	Reasonable	2			2			
Main Accounting	18/03/2021	HOF&P	Reasonable	6			6			
Decant and Demolition of council homes process	26/02/2021	HOHO	Limited	6			2		4	

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Management Actions						
				Total Action Reported	Not Accepted	Not Yet Due	Complete	Overdue Actions		
								L	M	H
Procurement levels with Suppliers	31/06/2021	HOF&P	Limited	8	0	1	6		1	
Payments process for new housing repairs contractor	14/04/2021	HOHO	Reasonable	3	0		2	1		
Disabled Facilities Grants	21/05/2021	HOHD & C	Reasonable	3	0	2	1			
CIL and S106 system income	27/04/2021	HOP&ED	Limited	8			8			
Car Parking Income and PCN	23/06/2021	HOES	Reasonable	6			6			
Housing Options Deposits & Rents in Advance	26/05/2021	HOHD & C	Reasonable	1		1	1			
Compliance Monitoring for Council Owned Properties	22/06/2021	HOES, HOF&P & HOBT	Limited	13		4	9			

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. Executive summaries ‘Limited’ and ‘No’ assurance opinions

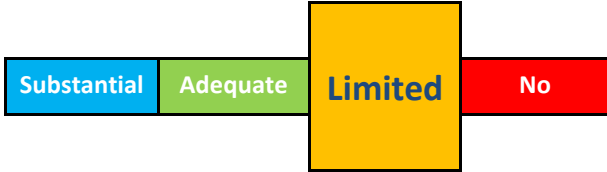
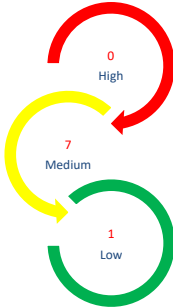
Decant and Demolition of council homes process (IA21-07)		
<p>Directorate Sponsor:</p> <p>Anne Righton</p> <p>Final Report Issued: 26/02/2021</p> <p>(Note:-2 of the 6 actions have been implemented)</p>	<p>Assurance opinion:</p> <div style="text-align: center;"> </div>	<p>Management Actions:</p> <div style="text-align: center;"> </div>
<p>Summary of key observations:</p> <ul style="list-style-type: none"> • An organisational structure is in place to provide day to day management oversight and strategic decision-making for the Ockford Ridge development programme (including the decanting and demolition phases). • We found that a Communications Plan, dated January 2020, is in place for the Ockford Ridge development. It contains the purpose of the communications, key stakeholders, potential media and a list of key activities and events. • A Housing Development Officer working group meets to discuss issues arising on sites and to share knowledge/ best practice. From this, a lessons log is maintained by the Housing Development Team. • To mitigate the threat of risks in the decanting and demolition processes, a risk register is in place, containing risk rating, owner and mitigation actions. • The entitlement and eligibility criteria for home loss payments (and the process for claiming disturbance payments), is documented in a leaflet provided to affected tenants. • Two systems are used by WBC to effectively manage its property stock, i.e. (i) Orchard Property Database and (ii) Keystone Asset Management Database. To ensure that the two systems align at the end of every quarter, a formal reconciliation is carried out. At the time of our audit fieldwork testing confirmed that the latest reconciliation had been successfully undertaken. • Information is shared at a project level (using highlight reports), enabling decision making at both operational and strategic level. 		

Summaries key issues

- A 'New build property handover' policy was drafted in January 2019. It has since been updated by the Service Improvement Team but has yet to be implemented. Furthermore, it does not detail all specific notification points (e.g. decision letters to tenants to advise of their successful application for a new property) or state how such progress will be monitored and reported.
- The Housing Development Officer maintains his own record of site progress. However, there was no formal sign-off of programme phases/ milestones.
- Although highlight reports are produced and presented to the Ockford Ridge Programme Group, our review found that they did not show progress against the schedule of phases/ milestones for each site (with a commentary for any deviation), nor the impact of any changes in the assessed risks to the achievement of the strategic objectives.
- We were unable to obtain evidence to demonstrate that WBC has undertaken the full range of checks, in accordance with the guidance, to ensure that only appropriate amounts are paid to tenants in respect of home loss payments. Furthermore, there was no evidence to confirm that tenants had signed the bank details form to agree the submitted amount. This was also the case regarding disturbance claims. We were also unable to obtain evidence to confirm whether Home Loss payments have been appropriately approved.
- Terms of Reference are not in place for the Ockford Ridge Programme Group.

Management Response / Update:

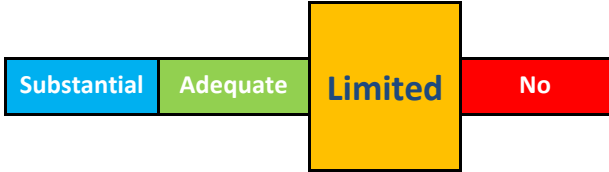
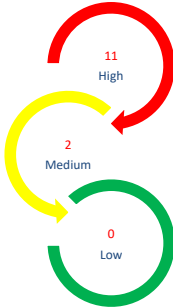
Action has already been taken on 2 of the recommendations, the remaining actions will be discussed and resolve a way forward at the meeting arranged in July with all the teams involved or with an interest in this area. An extension date has been requested to accommodate this meeting outcomes.

Procurement levels with Suppliers (IA21-05)		
<p>Directorate Sponsor:</p> <p>Graeme Clark</p> <p>Final Report Issued: 11/03/21</p> <p>(Note: 6 out of the 8 actions have been implemented and the due date for another has not been reached. The remaining action is in hand)</p>	<p>Assurance opinion:</p> 	<p>Management Actions:</p> 
<p>Summary of key observations:</p> <ul style="list-style-type: none"> The Constitution of the Council contains the organisation’s Financial Regulations and Contract Procedure Rules (CPR’s). The most recent revision and update to CPR’s was agreed by Council in February 2020. These satisfactorily prescribe controls that seek to: <ul style="list-style-type: none"> obtain best value in the way WBC spends money; comply with UK and EU laws, and protect individuals from undue criticism or allegation of wrongdoing by ensuring that all Officers act with independence and integrity. A dedicated e-procurement system is in place. We confirmed that the inTend software is a cloud-based procurement system designed to provide compliance for relevant procurement legislation and local Contract Procedure Rules. The e-Tendering module forms the basis of the system and provides a complete electronic trail of the contract invitation, tender opening and award process. Key documents are linked into and archived within the system. <p><i>Summaries key issues</i></p> <ul style="list-style-type: none"> From an analysis of aggregated expenditure, we examined the top 30 areas of Council expenditure and identified areas where contracts are not in place, were not recorded on the Contract Register or where the contract value on the register was exceeded. 		

- Expenditure on Agency staff is not currently subject to CPR's. The absence of a procured framework for the supply of temporary staff increases the risks of unsuitable agencies being used, non-compliance with EU Regulations and value for money not being achieved.
- From our sample testing of five purchases, we identified one example where market testing was not undertaken (agency staff - £16.5K as discussed above) and one further example (under £5K) where market testing was undertaken but the evidence of the unsuccessful quotes was not retained (Landscaping - £2.8K) – (CPR's only require one quote to be obtained for purchases below £5K but do recommend as 'best practice' that multiple quotes are obtained to better demonstrate value for money)
- There is currently no Procurement Strategy document, although we note that a number of strategic aspirations are considered within the Contract Procedure Rules and are commented upon to a lesser extent in other existing strategies such as those covering Economic Development and Electric vehicles. The absence of an overarching corporate procurement strategy weakens assurances that the objectives and key required outcomes for the service have been defined together with a governance framework.
- There are currently no performance indicators for the Procurement Function to enable monitoring to provide assurance that key outcomes are being delivered.
- A waiver register, in respect of those areas of procurement not required to comply with CPR's, is not in place to provide a central point of reference and consistent review of the waiver process.
- There is currently no annual or cyclical report to members to provide assurance that there is compliance to contract procedure rules.
- There are a number of minor areas where CPR's could be enhanced to clarify the controls prescribed.

Management Response / Update:

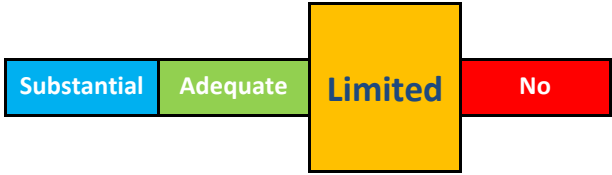
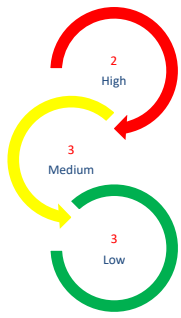
Six out of the eight actions have already been implemented of the remaining actions, one is dependent on the outcome of the report going to an August meeting after collaborating with HR re the Agency action and the other has not reached its agreed due date.

Building Compliance Monitoring (IA21-08)		
<p>Directorate Sponsor:</p> <p>Graeme Clark</p> <p>Final Report Issued: 31/06/21</p> <p>(Note 9 of the 13 actions have been implemented the remaining 4 have not reached their due date)</p>	<p>Assurance opinion:</p> 	<p>Management Actions:</p> 
<p>Summary of key observations:</p> <ul style="list-style-type: none"> • The Council has updated its policies and procedures in line with the most recent Government guidance and has effectively communicated the updated guidance to ensure relevant officer’s understanding and compliance. Updated policies have been approved by the Executive Management Board. • A duty holder has been identified who has clear responsibility for ensuring the maintenance or repair of each premises. • When notified or identified, remedial or unplanned works are assessed for level of priority response and resources allocated to ensure buildings comply with the relevant health and safety legislation. • Assessments that identify high priority remedial works have the required works completed or are scheduled for completion on a risk-based priority basis. • Assessments / inspections have been undertaken by appropriately qualified contractors. • “Access” audits have been completed as required, and an action plan is in place to manage issues noted, such as physical constraints, or alternative reasonable adjustments for providing the service. • Reports are issued to Councillors to update them of health and safety issues and includes details of the works and actions taken to ensure health and safety compliance for the buildings the council is responsible for. <p><i>Summaries key issues</i></p>		

- Testing of statutory risk assessments and inspections in relation to legionella, passenger lifts, emergency lighting and air conditioning were found to be incomplete or overdue. However, it is acknowledged that the impact of COVID 19 will have been a contributory factor.
- There is a Health and Safety Working Group, with representatives from service sectors. There is no formal report presented to the Group regarding works in response to inspections or assessments and the issues arising and is currently limited to a verbal update. There are no agreed performance indicators and comparison reporting to enable monitoring of actual performance vs planned performance.
- Buildings managers and the Property and Engineering Team work together to ensure inspections / assessments are completed. Currently, records are maintained separately and therefore, there is not a complete central source of documentation to facilitate efficient access to completed assessments / inspections.
- Identified remedial actions have been noted and prioritised for action to ensure compliance, although at the time of our testing emergency lighting had some actions outstanding, and water system risk assessments were recorded as having exceeded the bi-annual review date.
- At the time of our review, the updated Health and Safety Policy had not been approved by the Executive Management Board.
- The current frequency of the identification of fire risks, though compliant with minimum legal requirements, does not prompt the timely review of fire safety arrangements.
- A requirement is placed upon contractors to ensure a COVID secure workplace. Currently contractors undertaking repairs or maintenance are not asked for confirmation that they have updated their guidance or to supply a copy of their risk assessment to be COVID secure compliant prior to works starting and maintain COVID secure standards for Council premises.

Management Response / Update:

Action has been taken to address the issues identified and the teams involved are working together to complete the 4 remaining actions to meet the agreed due date of 31 August 2021.

Financial Element of Exacom re CIL and Agresso (IA21-13)		
<p>Directorate Sponsor:</p> <p>Graeme Clark</p> <p>Final Report Issued: 28/05/21</p> <p>Please note all 8 actions have been implemented.</p>	<p>Assurance opinion:</p> 	<p>Management Actions:</p> 
<p>Summary of key observations:</p> <ul style="list-style-type: none"> • Demand notices for CIL are issued when the Council are made aware that the development has commenced, in line with CIL regulations. Testing of a sample of 10 applications confirmed that a demand notice had been issued. • Demand notices for S106 income are issued when the Council are made aware that trigger points for the contributions have been reached. Testing of a sample of 10 applications confirmed that a demand notice had been issued. • Demand notices for CIL and S106 contributions contain a unique reference that the developer is required to quote when making payment and testing of 20 demand notices confirmed each had a unique reference number. <p><i>Summaries key issues</i></p> <ul style="list-style-type: none"> • The interface between Exacom and Agresso does not always work effectively, leading to incorrect amounts being recorded as due in Agresso and in three cases the demand notice was not uploaded to Agresso from Exacom. • The interface also does not always export the receipts from Agresso to Exacom in a timely manner, which can lead to Developers 		

being reminded to pay an amount that has already been received.

- Quarterly reconciliations between Exacom and Agresso are carried out, however, discrepancies identified are not always corrected in a timely manner.

Management Response / Update:

Incorporate management comment / update on mitigation of issues raised

Both Planning and Finance have worked together to provide solution to the areas identified that require improvement. All actions have been implemented.

6. 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.

7. Rolling Work Programme

IT programme / Audit Review	Audit Sponsor	Risk	Days	Qtr.	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Comment
INFORMATION TECHNOLOGY											
IT Inventory Control and Licensing for Software (C)	HOBT	H	5	Q4	✓	✓	✓	✓		Reasonable	
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	12	Q4	✓	✓	✓				
KEY FINANCIAL SYSTEM											

IT programme / Audit Review	Audit Sponsor	Risk	Days	Qtr.	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Comment
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	✓	✓	✓	✓	✓	Reasonable	
Rent Collection (C)	HOHO	H	7	Q1/2	✓	✓	✓	✓	✓	Reasonable	
SERVICE AREAS											
Service Charges - Leasehold Flats(C)	HOS	H	10	Q4	✓	✓	✓	✓		Limited	
Disability Facilities Grants Private Sector Housing (IA)	HOHD&C	H	10	Q3/4	✓	✓	✓	✓	✓	Reasonable	
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	

IT programme / Audit Review	Audit Sponsor	Risk	Days	Qtr.	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Comment
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	✓	✓	✓	✓	✓	Reasonable	
CORPORATE/CROSS CUTTING											
Compliance monitoring for council owned buildings re CIPFA guidance. (C)	HOF&P	M	7	Q1/2	✓	✓	✓	✓	✓	Limited	
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	✓	✓	✓	✓	✓	Reasonable	
Safeguarding (C)	HOHD&C	H	7	Q3/4	✓	✓	✓	✓		Limited	
Ethics including Declaration of Interests, gifts and Hospitality (C)	HOG&P	H	10	Q4	✓	✓	✓	✓		Reasonable	

IT programme / Audit Review	Audit Sponsor	Risk	Days	Qtr.	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Comment
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	✓	✓	✓			Advisory	Delayed due to other work.
Exacom – CIL & S106 income via Agresso (C)	S151 Officer	H	7	Q3	✓	✓	✓	✓	✓	Limited	
No of Audit Plan days allocated			192								
Days currently allocated to Southern Internal Audit Partnership			135								
AP Days currently allocated to Internal Audit Manager			55								

8. 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	<u>Total 52 Days</u>

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	
System Administrator Activities (Extra days re expanding of brief to 3 service areas and delays in responding to requests re providing information to complete the review)	2 Days	<u>Total 56 Days</u>

9. 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 will be investigated but where possible all recommended matches are reviewed by either Internal Audit or the appropriate service area. An additional NFI exercise relating to Covid-19 grants was carried out and the results are being investigated through services procured by the Finance.

The service also continues to investigate any allegations of Fraud and internal investigations as required including Social Housing Fraud.

10. Budget Expenditure to date

Cost Centre R0202 Internal Audit	Current Approved Budget	Committed/Salaries and NI and service costs.	Remaining Balance at 31/03/2021	Number of Audit Days Planned to be delivered (Incl IAM)
Total Internal Audit Budget	£152,000	£152,000	0	330 Days

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WAVERLEY BOROUGH COUNCIL

AUDIT COMMITTEE

2ND AUGUST 2021

Title:

FRAUD INVESTIGATION SUMMARY FOR 2020-2021

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 whole year for 1 April 2020 to 31 March 2021.

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 activity relating to 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 March 2021, results include 6 properties where the tenancies have been recovered including 2 where the right to buy was stopped and the tenancy relinquished as it was not the sole and principal home of the tenant.

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 of the public the investigation officer resource has also been utilised to assist and contribute to the process developed to determine controls and checks on the 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 cumulative year for 2020-2021 relates to the recovery of 6 relinquished tenancies and the retention of 5 other properties, 4 of which relates to Right to buy applications and the other a succession that was denied due to the inaccuracy of the information supplied. This provided a total value of £1,083,000 indicative savings to the council, based on Cabinet Office figures relating directly to housing fraud casework.

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 6 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 and this work helps to protect 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 assessed on a case-by-case basis and are outweighed by the Council's stance that fraud perpetrated against the council and its taxpayers will not be tolerated, and the benefits (financial and otherwise) in pursuing these cases. There are tangible and

intangible benefits to the recovery of HRA properties by stopping perpetrators from 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 cumulative outputs from the Fraud Investigation activity for the period 01/04/2020 to 31/03/2021 for the whole financial year.

Background Papers

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

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

Agreed and signed off by:
Legal Services: 5 July 2021
Head of Finance: 5 July 2021
Strategic Director: 12 July 2021

Name of Partner	Waverley
QUARTER	4

Record of cases investigated in the period covering 01 April 2020 to 31 March 2021

	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	5	10	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	36	40	40	0	8	6	2	Right to Buy stopped and/or Tenancy Relinquished	618,000		
Mutual Exchange	0								Mutual Exchange denied/rejected	0		
Successions	0	11	11	11		1	1		No of Succession/s denied	93,000		
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												
NDR	0									0		
Other (DFG)	0											
NFI exercise **												
2020/21 Year Total	9	58	67	56	11	13	7	6		1,083,000		
2019/20 Year Total	18	65	83	73	9	13	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 the partnership on 01 April 2019

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

* 2017/18 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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WAVERLEY BOROUGH COUNCIL

AUDIT COMMITTEE

2ND AUGUST 2021

Title:

INTERNAL AUDIT CHARTER

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

2. Recommendation

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

3. Reason for the recommendation

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

4. Background

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

Application Note together supersede the 2006 CIPFA Code of Practice for Internal Audit in Local Government in the UK.

4.2 The objectives of PSIAS are to:

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

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

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

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

5. Relationship to the Corporate Strategy and Service Plan

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

6. Implications of decision

6.1 Resource (Finance, procurement, staffing, IT)

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

6.2 Risk management

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

6.3 Legal

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

6.4 **Equality, diversity and inclusion**

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

6.5 **Climate emergency declaration**

There are no direct implications in this report

7. **Consultation and engagement**

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

8. **Other options considered**

8.1 N/A

9. **Governance journey**

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

Annexe(s):

Annexe 1 – Internal Audit Charter

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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Agreed and signed off by:
Legal Services: 05/07/2021
Head of Finance: 05/07/2021
Strategic Director: 12/07/2021
Portfolio Holder: N/A

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INTERNAL AUDIT CHARTER

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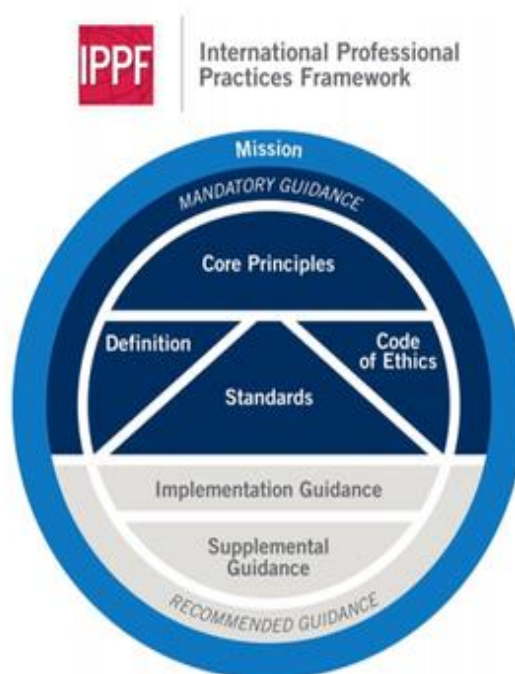
Version	Approved by	Date
V1	Audit Committee	17/09/2013
V2	Audit Committee	21/06/2016
V3	Audit Committee	26/09/2017
V4	Audit Committee	25/09/2018
V5	Audit Committee	24/09/2019
V6	Audit Committee	20/07/2020
V6.1	Revision to AC	02/08/2021

1. Introduction

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

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

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



2. Definitions

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

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

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

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

2.2 The 'Board'

The board is defined as:

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

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

2.3 Senior Management

Senior Management is defined as:

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

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

2.4 Chief Audit Executive

The Chief Audit Executive is described as:

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

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

3. Purpose of Internal Audit

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

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

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

4. Professionalism

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

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

5. Authority of Internal Audit

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

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

6. Organisation

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

7. Responsibility of the Internal Audit Service

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

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

8. Scope of Internal Audit

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

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

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

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

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

9. Independence and Objectivity

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

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

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

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

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

10. Internal Audit Plan

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

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

11. Internal Audit Resources

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

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

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

12. Reporting and Monitoring

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

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

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

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

13. Role of Internal Audit in Fraud Related Work

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

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

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

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

14. Performance of Non-Audit Activities

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

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

15. Periodic Assessment

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

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

16. Review of the Internal Audit Charter

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

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Agenda Item 13.

AUDIT COMMITTEE RECURRENT ANNUAL WORK PROGRAMME

Meeting	Item	Action	Responsibility
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
	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
July 2022	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	Approve	Head of Finance, Peter Vickers
	Annual Governance Statement	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
	Internal Audit Charter	Endorse	Internal Audit Manager, Gail Beaton

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

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

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

Fraud Investigation Summary [To note].

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

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