

# Annual Governance Statement

## 2016/2017

### 1 Introduction

- 1.1 The Leader of the Council (Cllr Julia Potts) and the Executive Director (Paul Wenham) both recognise the importance of having robust rules, systems and information available to guide the Council when managing and delivering services to the communities of Waverley.
- 1.2 Each year the Council is required to produce an Annual Governance Statement (AGS) which describes how its corporate governance arrangements have been working over the year.
- 1.3 This AGS is in respect of 2016/17 and was considered and approved by the Audit Committee at its meeting on 24 July 2017.
- 1.4 The Council also published a Corporate Plan, available on the Council website, it provides further information on the Council's objectives and priorities.

### 2 What is Corporate Governance?

- 2.1 Corporate governance generally refers to the 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 that 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.
- 2.2 The governance framework comprises the systems and processes by which the Council is directed and controlled, and reflects the prevailing culture and values of the Council. The framework brings together an underlying set of legislative requirements, good practice principles and management processes.
- 2.3 The Council has a local Code of Corporate Governance. It is consistent with the principles set out in 'proper practice' for the public sector, namely 'Delivering Good Governance in Local Government: Framework' published by CIPFA/SOLACE. The Council acknowledges it is responsible for ensuring that there is a sound system of governance and internal control compliant with its adopted principles within the local code. A high level summary of the principles can be found on the following pages.

### **3 The Principles: A summary**

The Council aims to achieve good standards of governance by:

#### **3.1 Principle 1**

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

**This is achieved by:**

- 3.12 Developing codes of conduct which define standards of behaviour for members and staff, and policies dealing with whistleblowing and conflicts of interest and by effectively communicating these codes and policies.
- 3.13 Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.
- 3.14 Ensuring effective arrangements are in place for the discharge of the Monitoring Officer function.

#### **3.2 Principle 2**

Ensuring openness and comprehensive stakeholder engagement.

**This is achieved by:**

- 3.11 Documenting a commitment to openness and acting in the public interest.
- 3.12 Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.
- 3.13 Ensuring an effective scrutiny function is in place.

#### **3.3 Principle 3**

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

**This is achieved by:**

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

### **3.4 Principle 4**

3.41 Determining the interventions necessary to optimise the achievement of the intended outcomes.

**This is achieved by:**

3.42 Translating the vision into courses of action for the authority, its partnerships and collaborations.

3.43 Reviewing the effectiveness of the decision-making framework, including delegation arrangements, decision-making in partnerships, information provided to decision makers and robustness of data quality.

3.44 Measuring the performance of services and related projects and ensuring that they are delivered in accordance with defined outcomes and that they meet the agreed use of resources and value for money.

### **3.5 Principle 5**

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

**This is achieved by:**

3.52 Defining and documenting the roles and responsibilities of members and management, with clear protocols for effective communication in respect of the authority and partnership arrangements.

3.53 Ensuring effective arrangements are in place for the discharge of the head of paid service function.

3.54 Providing induction and identifying the development needs of members and senior management.

### **3.6 Principle 6**

3.61 Managing risks and performance through robust internal control and strong public financial management.

**This is achieved by:**

3.62 Reviewing the effectiveness of the framework for identifying and managing risks and for performance and then demonstrating clear accountability.

3.63 Ensuring effective counter fraud and anti-corruption arrangements are developed and maintained in accordance with the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014).

## **3.7 Principle 7**

3.71 Implementing good practices in transparency, reporting and audit to deliver effective accountability.

### **This is achieved by:**

3.72 Ensuring that assurance arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010) and, where they do not, explain why and how they deliver the same impact.

3.72 Undertaking the core functions of an audit committee, as identified in Audit Committees: Practical Guidance for Local Authorities and Police (CIPFA, 2013).

3.73 Ensuring that the authority provides timely support, information and responses to external auditors and properly considers audit findings and recommendations.

## **4 How do we know our arrangements are working?**

### **4.1 Governance Framework**

#### **4.11 The Code of Corporate Governance requires assurance upon:**

- Delivery of Corporate Plan 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 Members and Officers
- Standards of conduct and behaviour
- Training and development of Members and Officers
- Compliance with laws and regulations, internal policies and procedures
- Secure and comprehensive record keeping

#### **4.12 Sources of Assurance:**

- Constitution (incl. statutory officers, scheme of delegation, financial management and procurement rules)
- Council, Executive, Committees and Panels
- Corporate and service plans
- Policy framework
- Performance management framework
- Risk management framework
- Project management methodology
- Financial Performance Monitoring Suite
- Medium Term Financial Strategy
- Customer Service Strategy
- Complaints system

- Head of Paid Service, Monitoring Officer and S151 Officer
- HR policies and procedures
- Whistleblowing and other countering fraud arrangements
- Staff and Member training
- Management Board and Heads of Service Team
- Independent external sources, including external audit

#### **4.13 Assurances Received:**

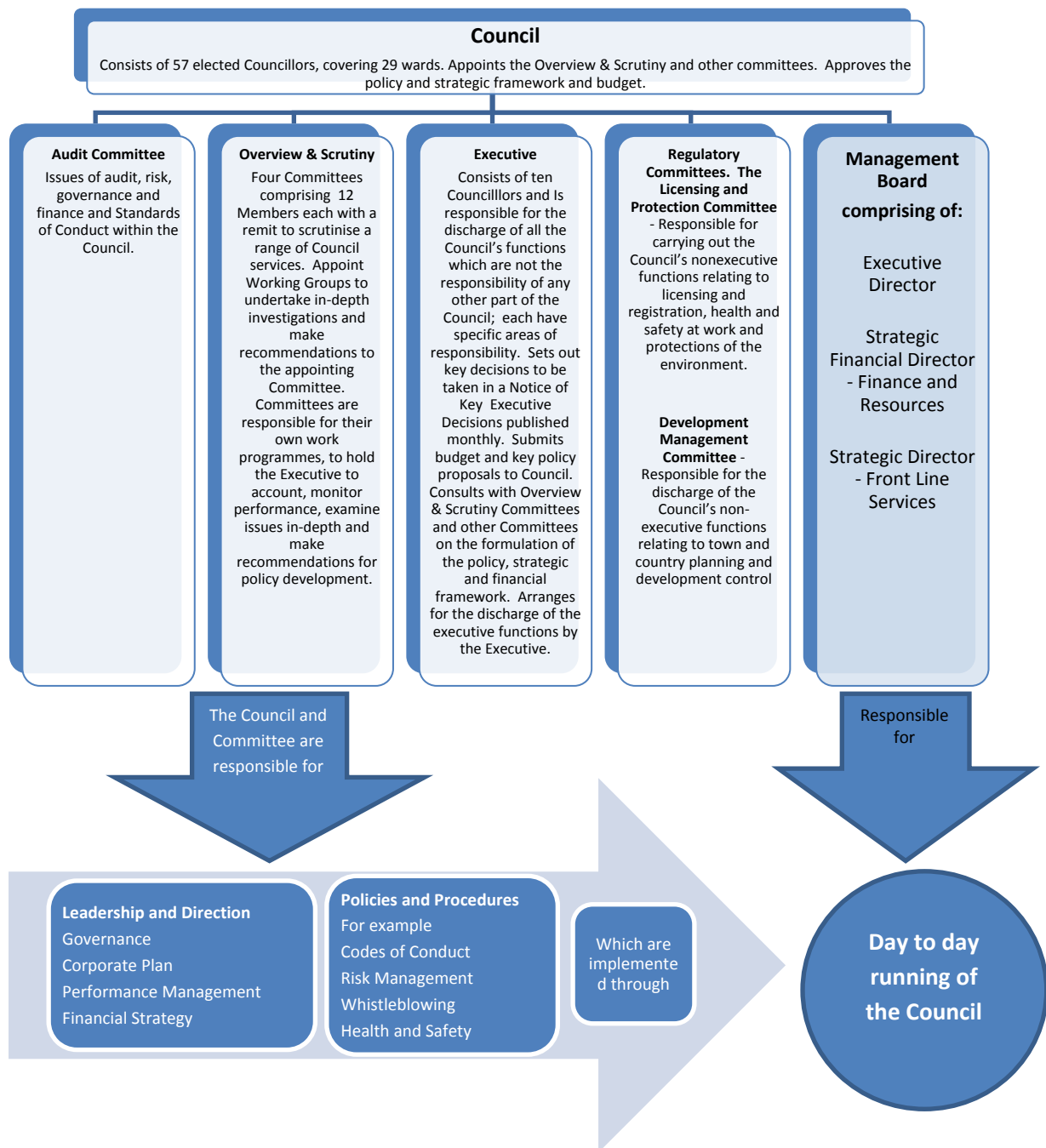
- Regular performance and financial reporting
- Annual financial report
- External audit reports
- Internal audit reports
- On-going review of governance
- External reviews and inspectorate reports
- Customer feedback
- Council's democratic arrangements including scrutiny reviews, Audit committee and Standards Panel
- Staff surveys
- Community consultations

#### **4.2 Opportunities to Improve**

- 4.21 This statement builds upon those of previous years. All the key governance mechanisms remain in place and are referred to in previous statements which are available on the Council's website. This statement therefore describes the key changes and developments within the Council's governance framework during 2016/17 and up to the date of approval of the Annual Financial Report. No significant governance issues were identified in the previous year and all identified key areas for improvement that were identified were resolved during the previous year.
- 4.22 This statement allows the Council to meet the requirement of the Accounts & Audit (England) Regulations 2016, to prepare and publish an AGS to accompany the 2016/17 Annual Financial Report.

### **5 The Council: How it works**

- 5.1 All Councillors meet together as the Full Council. All meetings are open to public but occasionally some items subject to confidentiality rules are held in exempt. The conduct of the Council's business is defined by formal procedures and rules, which are set out in the Constitution.
- 5.2 The Constitution explains the roles and responsibilities of the executive, scrutiny and officer functions and the delegation arrangements that are in place. It also contains the Codes of Financial Management and Procurement and the Code of Conduct for Members'.



### 5.3 Changes in governance during the year

5.31 Following the resignation of two councillors and resulting by-elections, two new councillors were elected to the Council in August 2016. Accordingly, the Council agreed the reallocation of seats on the Council's principal committees in line with the Local Government and Housing Act 1989 (Committees and Political Groups Regulations 1990) on 18 October 2016. The death of a councillor in September 2016 resulted in a by-election in December 2016, however, there was no change in the party representation so no further reallocation of seats was required.

- 5.32 The Council's previous Monitoring Officer retired on 30 June 2016 and the new Monitoring Officer took over this statutory function from 1 July 2016.
- 5.33 In a report to the Standards Panel the Monitoring Officer recommended that the panel consider reviewing and revising the Waverley Borough Council *Member Code of Conduct*, the *Arrangements for Dealing with Standards Allegations* and the *Councillors Planning Code of Good Conduct* in light of examples that had come forward and advice that had been given. The Standards Panel agreed this recommendation and asked the new Monitoring Officer to bring forward suggested changes to all three documents in consultation with the Council's designated Independent Persons. Changes were brought forward to the October 2016 Standards Panel and subsequently agreed by Council.
- 5.34 The Standards Panel also asked for briefing sessions to be provided to all members on the Member Code of Conduct and Arrangements for dealing with Standards Allegations. The Monitoring Officer, Deputy Monitoring Officer and Borough Solicitor provided these briefings sessions in January and February 2017.
- 5.35 In light of the significant changes to Local Government funding and the resulting need to think differently about how service delivery is sustained and supported to meet the needs of Waverley's communities, the Executive agreed in November 2016 to fund a Strategic Review of Waverley Borough Council and, following a procurement exercise, Cratus Communications were appointed to undertake the review. The review commenced on 21 November 2016 and concluded on 15 December 2016. The work was neither an inspection nor a peer review of a council in difficulties but was rather a strategic review intended to be a catalyst for Waverley to develop a more ambitious strategic vision and improved ways of working. These two areas of focus – 'strategic vision' and 'how the council works' – underpinned the structure and methodology of the consultants' review, its findings and its recommendations for a way forward. The Council approved its action plan in response to the review at its February 2017 meeting.
- 5.36 In February 2017 Full Council also agreed a number of changes to the constitution and scheme of delegation in respect of financial thresholds for virements and supplementary estimates and the need to gain Council approval for any change to the Council's staffing establishment. Council also agreed a timetable for a more fundamental review and agreed the principles of a more streamlined, flexible and simplified constitution and scheme of delegation. The recommendations coming forward from that subsequent review were agreed by Council in April 2017 and will therefore be reported in the 2017/18 Annual Governance Statement.
- 5.37 Significant work was also done during the year to take forward the workstreams of the Council's scrutiny change programme. In line with Council decisions, a dedicated scrutiny policy officer was appointed and a programme of learning and development was provided to both officers and councillors. The constitutional changes relating to the Council's approach to overview and scrutiny were worked up by officers and members during the year but as these were agreed in April 2017 these will also be reported in full in the 2017/18 Annual Governance Statement.
- 5.38 Further information on the Constitution and decision making structure including dates of meetings, agendas and reports can be found on the Council's webpages.

- 5.39 The Council's Vision, Strategic Priorities and Objectives are contained within its Corporate Plan, which covers a three year period. The Plan sets out what the Council aims to achieve in addition to the core statutory services. The 2016/18 Plan was approved by the Council in March 2016 and lead to a number of changes to the key actions to be delivered during 2016/17.
- 5.40 The Corporate Plan includes a number of key performance measures that provide additional supporting information for each of the Strategic Priorities and are reported to the Overview and Scrutiny Panels, Executive and the Management Board.
- 5.41 The Executive Director is the Council's Head of Paid Service and is responsible for how the Council operates. He is assisted by the Management Board. The Council is required to appoint a Monitoring Officer whose role includes ensuring that decision making is lawful and fair.
- 5.42 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 forum.
- 5.43 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.

## **5.5 Significant operational events in 2016/17**

- General Fund Property Investment Strategy: an Investment Advisory Board has been set up to provide a governance framework within which to advise the Executive on implementation of the property investment strategy.
- Housing Maintenance Contract Renewal: the nine housing maintenance contracts were considered to determine whether they either need to be extended or terminated in early 2019.

One of the key areas in which the Council keeps its residents informed is via its website: <http://www.Waverley.gov.uk/>. The website was redesigned in 2015 to make it easier to use on tablets and mobile phones – the method most used to access the website.

## **5.6 Other governance issues that have been addressed during 2016/17 include:**

2016/17 Treasury Management Strategy  
Cultural Strategy Action Plan 2017/18

## **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 2016/17, considering a wide range of governance issues.



Audit Committee work programme for 2016/17			
June 2016	September 2016	November 2016	March 2017
Review of progress on the Internal Audit Plans for 2015/16 and 2016/17	Review of progress on the Internal Audit Plan for 2016/17	Review of progress on the Internal Audit Plan for 2016/17	Review of progress on the Internal Audit Plan for 2016/17
Review and revision of the Internal Audit Charter	Update on the work being completed as part of the Surrey Counter Fraud Partnership	Update on the work being completed as part of the Surrey Counter Fraud Partnership	Approve proposed Internal Audit Plan for 2017/18
External Audit progress report and emerging issues and developments for the 2015/16 Accounts	Consider and approve the Statement of Accounts for the year ended 31 March 2016	Approve Anti-fraud strategy, Prosecution Policy, Anti- Money Laundering policy	External Audit grants and returns certification report
Review of the Audit Committee Terms of Reference for the year 2016/17	Approve the letter of representation to the external auditors for the financial statements year ended 31 March 2016	Review options for the appointment of external auditors from 2018/2019	Approve proposed Internal Audit Plan for 2017/18
Review the Annual Governance Statement for 2015/16	Recommend the approval of the Annual Governance Statement for 2015/16	Review the Risk Management Policy and Corporate Risk Register	
	Review and approve the Shottermill Trust and Ewart Trust Financial Accounts	Receive the External Audit Annual Audit Letter	
	Review the External Audit findings report		

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.

## 7 Managing key risks

- 7.1 All Councillors and Managers are responsible for ensuring that risk implications are considered in the decisions they take. Managing risk is a key element of service planning. The successful delivery of the Corporate Plan priorities depends on the Council's ability to tolerate and manage risk where it cannot be eliminated altogether.
- 7.2 Significant risks that may be potentially damaging to the achievement of the Council's Corporate Plan objectives are recorded in a risk register and assigned owners. Senior Managers regularly review and update the risk register and are required to positively state 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. This information is used by Internal Audit during annual audit planning and reviewed during individual audits.

The corporate risk register was reviewed by the Audit Committee.

## 8 Managing the risk of fraud

- 8.1 An anti-fraud review was completed December 2016, with all reasonable endeavours made to ensure the effectiveness of management processes and controls. The Council has raised the profile of the anti-fraud, bribery and corruption policy and the whistleblowing policy by increasing their visibility through inclusion on the Council's website.

- 8.2 During 2016/17 the anti-fraud, bribery and corruption policy, prosecution policy, whistleblowing policy and anti-money laundering policy was reviewed and updated and agreed by the Audit Committee at the March 2017 meeting. Any issues raised relating to these policies are dealt with by the appropriate responsible officers in accordance with the requirements of these policies.
- 8.3 A corporate fraud risk assessment was completed in 2016 and reported to the Audit Committee on the controls in place and the work being completed to minimise the risk of fraud. Resources are utilised to investigate and deter fraud. For the last few years a particular focus on the safeguarding of our housing stock, against those seeking to obtain a tenancy fraudulently and those using the property for personal gain, resulted in 12 properties being made available for those on our waiting list.

## **8.4 Anti-Fraud and Corruption Statement**

- 8.5 Waverley Borough Council is committed to the highest possible standards of honesty, openness and accountability.
- 8.6 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 complaints.
- 8.7 The Council will pursue appropriate action, including the recovery of any losses it has suffered, in every case where fraud and corruption has been found.

## **9 Responsible Chief Financial Officer**

- 9.1 The Strategic Director of Finance and Resources is the Responsible Chief Financial Officer and has responsibility for delivering and overseeing the financial management arrangements of the Council and has line management responsibility for the Finance team. The role conforms to the good practice requirements within the CIPFA Statement on the Role of the Chief Financial Officer in Local Government.
- 9.2 The Responsible Financial Officer has been involved in reviewing the Code of Corporate Governance 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.

## **10 Managing resources**

- 10.1 The Council is continuing to face increasing financial pressures but, as shown through the Medium Term Financial Strategy, it aims to be self-financing by 2020/21. In order to achieve this, a number of initiatives have been introduced:
- An initiative to strengthen procurement was undertaken with the recruitment to a new procurement post to provide skilled capacity to challenge business delivery.
  - The Corporate Procurement Regulations were reviewed to streamline the procurement process and a procurement advisory board set up consisting of key

spending officers from across the services to oversee all procurement governance.

## **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 (RSM) and External Auditors (Grant Thornton LLP).

### **11.1 Internal Audit**

- 11.11 The Council considers its Internal Audit Service to be a key component of its governance framework.
- 11.12 Each year the Audit Committee review the Internal Audit Charter (which sets out the internal audit role and its responsibilities and clarifies its independence) and align it to the Public Sector Internal Audit Standards (PSIAS).
- 11.13 Internal audit is required by the PSIAS to review how they work each year. The Audit committee receives a report from the Internal Audit & Risk Manager on the outcome of effectiveness self-assessment with no issues reported.

#### **The Internal Audit Service has been established to:**

- provide independent, risk-based and objective assurance, advice and insight to the Council on its operations
- enhance and protect 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.

- 11.14 The Internal Audit Client Manager reports to the Strategic Director of Finance and Resources and has direct access to the Executive Director, the Audit Committee and its Chairman.
- 11.15 One of the key assurance statements the Council receives is the annual report and opinion of the Internal Audit Client Manager. The opinion for the 12 month period ending March 2016 is shown below.

#### **The Internal Audit opinion:**

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

- 11.16 The organisation has an adequate and effective framework for risk management, governance and internal control. However, further enhancements to the framework of risk management, governance and internal control to ensure that it remains adequate and effective have been identified.
- 11.17 The assurance opinion is unchanged from 2015/16.
- 11.18 The Internal Audit Client Manager has stated in their annual report that they 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.
- 11.19 The Internal Audit Client Manager is not aware of any significant changes having occurred across the Council's internal control environment between April 2016 and the approval of this Statement.

## **11.2 External Audit**

- 11.21 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.
- 11.22 The statutory financial statements for 2016/17 have been audited and an unqualified opinion has been issued.
- 11.23 The external auditor has also 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.

## **12 Level of Assurance**

- 12.1 This Annual Governance Statement demonstrates that the systems and processes that comprised Waverley's governance arrangements during 2016/17, and which remain in force, and continue to provide a comprehensive level of assurance to the Council. The Audit Committee will continue to review these governance arrangements to ensure they are fit for purpose in accordance with the governance framework.

## **13 Certification**

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

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

Signed  
Leader of the Council

Executive Director

Dated

Dated