

Annual Governance Statement 2017/2018

1 Introduction

- 1.1 The Leader of the Council (Cllr Julia Potts) and the Chief Executive (Tom Horwood) 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 2017/2018 and will be considered by the Audit Committee at its meeting on 24 July 2018.

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. Waverley'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

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

This is achieved by:

- 3.1.1 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.
- 3.1.2 Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.
- 3.1.3 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:

- 3.2.1 Documenting a commitment to openness and acting in the public interest.
- 3.2.2 Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.
- 3.2.3 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:

- 3.3.1 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

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

This is achieved by:

- 3.4.1 Translating the vision into courses of action for the Council, its partnerships and collaborations.

- 3.4.2 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.
- 3.4.3 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 performance measures.

3.5 Principle 5

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

This is achieved by:

- 3.5.1 Defining and documenting the roles and responsibilities of members and management, with clear protocols for effective communication in respect of the Council's and partnership arrangements.
- 3.5.2 Ensuring effective arrangements are in place for the discharge of the Head of Paid Service function.
- 3.5.3 Providing induction and identifying the development needs of members and senior management.

3.6 Principle 6

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

This is achieved by:

- 3.6.1 Reviewing the effectiveness of the framework for identifying and managing risks and for performance and then demonstrating clear accountability.
- 3.6.2 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).
- 3.6.3 Independent review of the internal controls by Internal Audit when carrying out assessments of key activity areas.

3.7 Principle 7

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

This is achieved by:

- 3.7.1 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.
- 3.7.2 Undertaking the core functions of an audit committee, as identified in Audit Committees: Practical Guidance for Local Authorities and Police (CIPFA, 2013).
- 3.7.3 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

4.1.1 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

4.1.2 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

4.1.3 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

4.2.1 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 Waverley's website. This statement therefore describes the key changes and developments within the Council's governance framework during 2017/2018 and up to the date of approval of the Annual Financial Report.

4.2.2 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 2017/2018 Annual Financial Report.

5 The Council: How it works

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

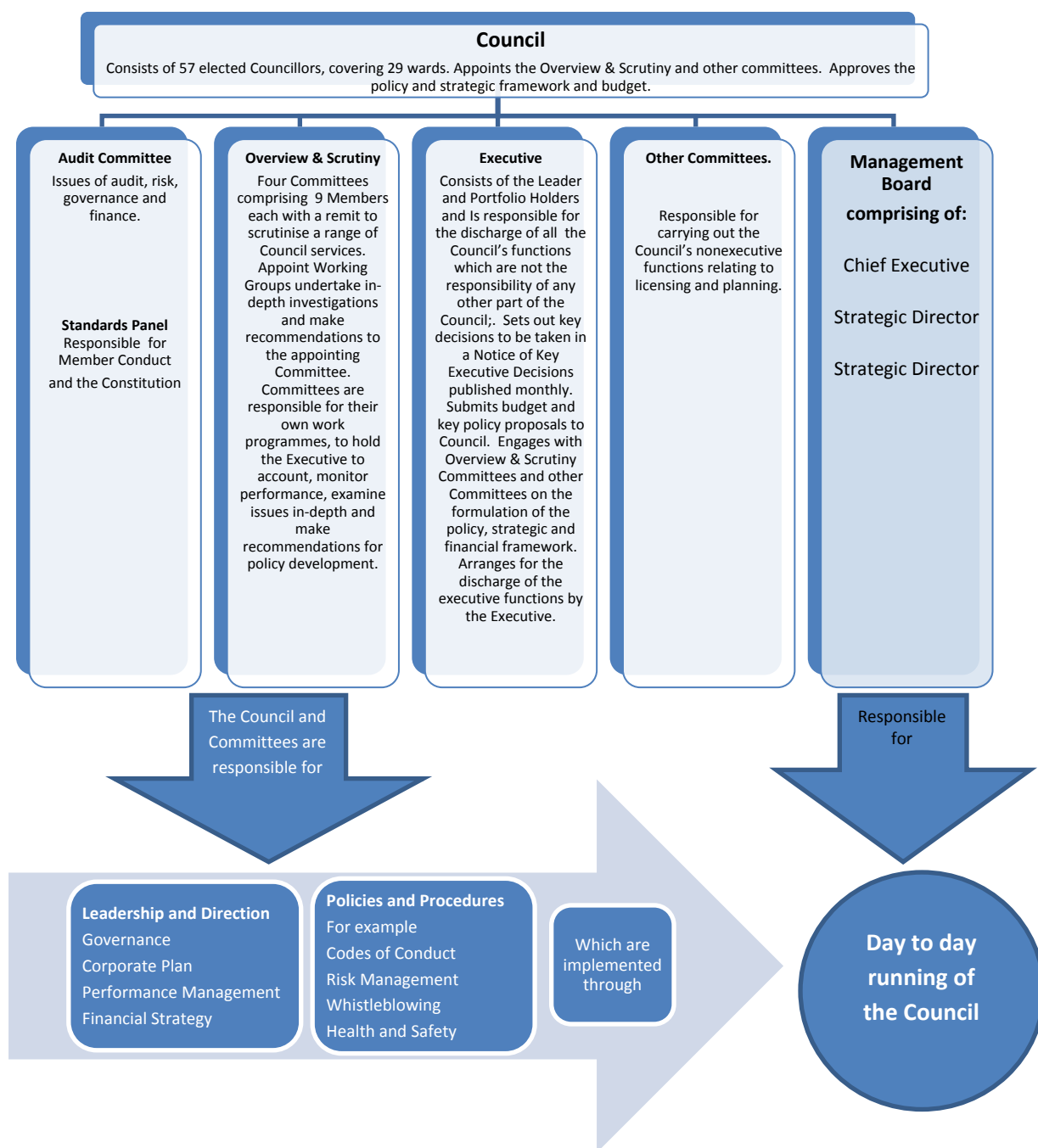
The conduct of the Council's business is defined by formal procedures and rules, which are set out in the Constitution. The Constitution also explains the roles and responsibilities of the Executive, Scrutiny and Officer functions.

The 'Scheme of delegation' sets out the basis officers may take decisions under delegated authority. The Council also follows codes of Financial Management and Procurement and maintains a Code of Conduct for Councillors.

The Chief Executive 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.

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.

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.



5.1 Changes in governance during the year

5.1.1 Re-allocation of seats

Following the election of a new Borough Councillor at a By-Election in December 2017, 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 19 December 2017.

5.1.2 Scheme of delegation review

The Standards Panel oversaw a comprehensive review of the Council's Scheme of Delegation and put forward recommendations for change which were subsequently agreed by the Council.

5.1.3 Overview and Scrutiny

A number of smaller changes to the Constitution were also put forward and agreed during the past 12 months. The most significant of these related to the Council's new approach to overview and scrutiny following a comprehensive member-led scrutiny review in 2016/2017.

In April 2017 the Council agreed changes to the Constitution which saw the introduction of four smaller scrutiny committees with new terms of reference:

- Value for Money and Customer Service OS committee
- Community Wellbeing OS committee
- Environment OS Committee
- Housing OS committee

An informal coordinating group, comprised of the chairs and vice chairs of each of the four committees, was established at the same time to coordinate the work agendas of all committees, with a focus on ensuring each committee undertakes meaningful and ambitious policy development work and research projects.

5.1.4 Constitution Formatting

Following feedback from members, including the Chair of the Audit Committee, it was decided during the year to undertake a review of how the Constitution was presented and formatted, with the aim of ensuring it is easy to refer to, find, understand and navigate. This work is now underway.

Further information on the Constitution and decision making structure including dates of meetings, agendas and reports can be found on the Council's webpages.

5.1.5 Corporate Plan

The Council's Corporate Plan 2016-19 sets out what the Council aims to achieve in addition to the core statutory services. A Strategic Review was reported to Council in February 2017 and an action plan agreed. A new Chief Executive was appointed in December 2017. The Council's Executive and all councillors have been involved in

developing a new Corporate Strategy to provide the Council with direction, priorities and key objectives. Further consultation will inform the draft Corporate Strategy before its adoption.

5.2 Significant operational events in 2017/2018

In August 2017, the Council's approach to recording and reporting air quality came under scrutiny following queries from an expert member of the public. The Council's publicly reported figures were found to be incorrect and its air quality report for 2016 was subsequently withdrawn.

Two reviews were commissioned. Independent air quality experts assessed the 2016 data and a revised report was completed. An independent public sector audit practice was also engaged to review processes and information was passed to Surrey Police for further investigation. At the time of writing the investigation is active and on going.

The Council then awarded a new three-year contract for the monitoring and reporting of the borough's air quality to ensure independent verification of data integrity. A second contract is reviewing the air quality monitoring network.

The Service is looking at the options for the future line management responsibilities for this function to strengthen governance arrangements.

The Chairs and Vice-Chairs of the Audit Committee and the Environment OS Committee, as well as the Executive and the Department for the Environment, Food and Rural Affairs, were briefed on a confidential basis during the investigation. Web pages and news releases were published to maintain public accountability. Raw air quality data is now being published monthly on the Council website.

5.3 Other governance issues arising during 2017/2018 include:

5.3.1 Following the departure of the Executive Director/Head of Paid Service the Council appointed Tom Horwood as its Interim Managing Director/Head of Paid Service with effect from 1 August 2017. Mr Horwood carried out this role for three days a week and continued his other role of Executive Director for East Hampshire District Council and Havant Borough Council while the Executive considered its strategic way forward. Following an assessment process facilitated by Solace in Business Ltd the Council appointed Mr Horwood as its new Chief Executive and Returning Officer in December 2017 and he took on this role on a full-time basis on 19 March 2018.

5.3.2 During the year Waverley has been preparing for the implementation of new General Data Protection Regulations (GDPR) which took effect from 25 May 2018. A new Data Governance Board oversaw the project work required to meet the new requirements which involved a comprehensive external data audit, training for all staff and Members, revision of policies and procedures and the creation of a new

Data Protection post. Officers are confident that all reasonable steps have been taken to implement the required changes.

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 2017/2018, considering a wide range of governance issues.

Audit Committee Work Programme for 2017/18			
July 2017	September 2017	November 2017	March 2018
Review the progress of the Internal Audit Plans for 2016/17 and 2017/18	Review the progress of the Internal Audit Plan for 2017/18	Review the progress of the Internal Audit Plan for 2017/18	Review the progress of the Internal Audit Plan for 2017/18
Review the progress on the implementation of Internal Audit Recommendations	Review the progress on the implementation of Internal Audit Recommendations	Review the progress on the implementation of Internal Audit Recommendations	Review the progress on the implementation of Internal Audit Recommendations
Review Contract Procurement Rules and Recommend adoption to Council	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	Update on the work being completed on Housing Tenancy Fraud - SCFPartnership
Review the External Audit Findings Report	Review of the Corporate Risk Register	Review of the Corporate Risk Register	Comment on the proposal of internal Audit service delivery form April 2019.
Consider and approve the Statement of Accounts for year ended 31 March 2017	Review and revision of the Internal Audit Charter	Review Financial Regulations and Recommend adoption to Council	Approve proposed Internal Audit Plan for 2018/19
Consider and approve the Letter of Representation for 2016/17	Note the appointment of External Auditor	Receive the External Audit Annual Audit Letter	Receive the External Audit Grants and Returns Certification Report
Review and approve the Annual Governance Statement for 2016/17	Review of the Audit Committee Terms of Reference	Review and recommend amendments to the Audit Committee Terms of Reference	Review External Audit proposed External Audit Plan for 2018/19
Review the Annual Internal Audit Report	Note Audit Committee Activity Report	Interim consideration of Annual Governance Statement issues	Note updated Financial Reporting Standards for Statement of Accounts

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.
- 7.3 The corporate risk register is reviewed during Audit Committee meetings.
- 7.4 A project to comprehensively review the corporate risk commenced with councillors and senior officers, including external training.

8 Managing the risk of fraud

- 8.1 A corporate fraud risk assessment was completed in December 2016, to ensure the effectiveness of management processes and controls are in place to limit the risk of these risks materialising. This assessment was reported to the Audit Committee on the controls in place and the work being completed to minimise the risk of fraud. Over the last few years resources have been utilised to investigate and deter fraud in particular in relation to housing tenancy fraud where used for personal gain by the tenant. This work resulted in nine properties being made available for others on our waiting list in social housing need.
- 8.2 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 and/or intranet where applicable.
- 8.3 The anti-fraud, bribery and corruption policy, prosecution policy, whistleblowing policy and anti-money laundering policy were 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.

8.4 Anti-Fraud and Corruption Statement

- 8.4.1 Waverley Borough Council is committed to the highest possible standards of honesty, openness and accountability.
- 8.4.2 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.
- 8.4.3 The Council will pursue appropriate action, including the recovery of any losses it has suffered, where fraud and corruption has been identified.

9 Responsible Chief Financial Officer

- 9.1 A Strategic Director is the Responsible Chief Financial Officer and the Section 151 Officer. The Responsible Chief Financial Officer has responsibility for delivering and overseeing the financial management arrangements of the Council and has line management responsibility for the Finance Team and Internal Audit. To maintain the independence and objectivity of the Internal Audit service the Internal Audit Manager has direct access to the Chief Executive, the Audit Committee and its Chairman. 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 Chief 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 has a strategy to address the budget shortfall by 2020/2021. 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.
 - The Value for Money Overview and Scrutiny committee has initiated a project to support the further development of a strategy to address the budget gap forecasted in the Medium Term Finance Plan. This includes five workstreams that will review every aspect of service delivery over the next three years.

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).

11.1 Internal Audit

11.1.1 The Council considers its Internal Audit Service to be a key component of its governance framework.

11.1.2 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).

The Internal Audit Service:

- 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.

11.1.3 The Internal Audit Manager reports to the Strategic Director (Section 151 Officer) and has direct access to the Chief Executive, the Audit Committee and its Chairman.

11.1.4 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 2017/2018 year. The opinion for the 12 month period ending March 2018 is shown below:

The Internal Audit opinion:

- 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.

11.1.5 The assurance opinion remains the same as 2016/2017.

11.1.6 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.

11.1.7 The Internal Audit Manager is not aware of any significant changes having occurred across the Council's internal control environment between April 2017 and the approval of this Statement.

11.2 External Audit

11.2.1 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.

11.2.2 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 Significant Governance Issues

12.1 The officers and the Audit Committee members have reviewed the governance arrangements and no further significant governance issues were identified.

13 Level of Assurance

13.1 This Annual Governance Statement demonstrates that the systems and processes that comprised Waverley's governance arrangements during 2017/2018, 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.

14 Certification

14.1 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

Chief Executive

Dated

Dated