

# Annual Governance Statement 2019/2020

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## **1. Introduction**

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

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

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

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

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

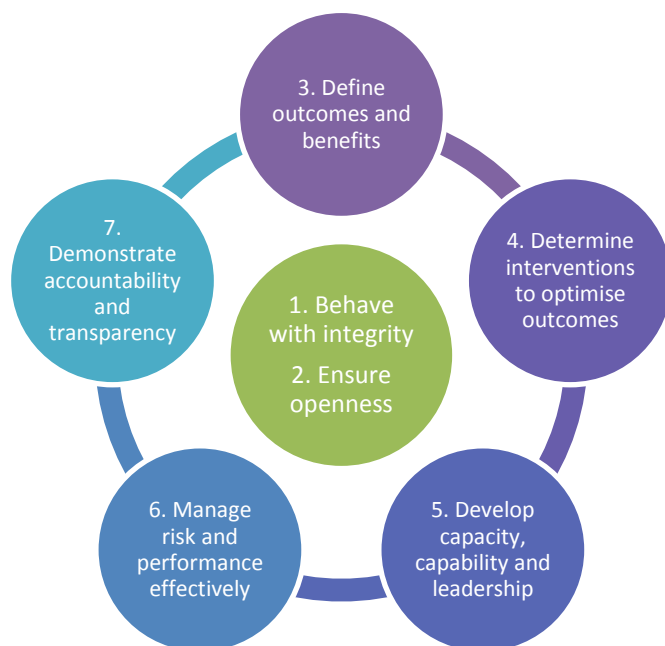
This AGS was considered by the Audit Committee at its meeting on 2 March 2020.

## **2. What is Corporate Governance?**

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

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

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



### 3. The Principles – A Summary

**The Council aims to achieve good standards of governance by:**

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

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

**Principle 2 - Ensuring openness and comprehensive stakeholder engagement.**

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

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

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

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

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

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

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

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

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

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

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

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

#### **Corporate Governance requires providing assurances on:**

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

#### **The Council gains assurance through having:**

- Constitution (including Scheme of Delegation to Officers)

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

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

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

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

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

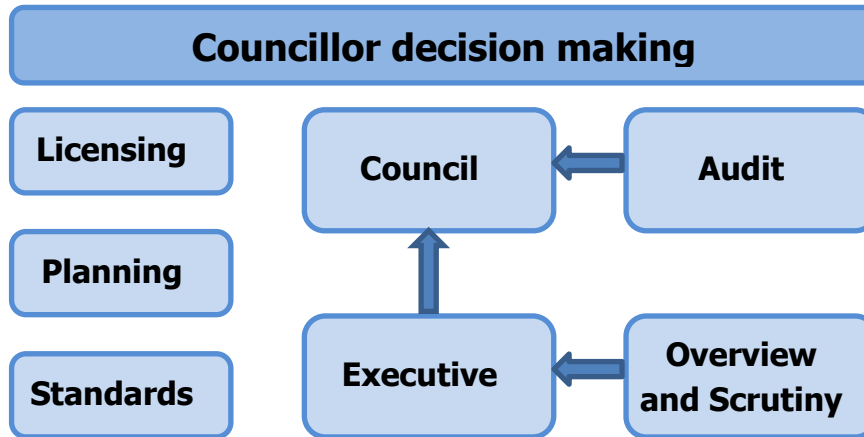
The Chief Executive is the Council's Head of Paid Service and is responsible for how the Council operates. The Chief Executive is assisted by the Management Board, which includes the two Strategic Directors, one of whom is the Section 151 Officer. The Council is required to appoint a Monitoring Officer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

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

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



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

## 5.1 Changes in governance during the year

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

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

## Corporate Strategy

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

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## *5.2 Resolution of significant governance issues in 2018/2019*

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

## *5.3 Significant operational events in 2019/2020*

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

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

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

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

## *5.4 Other governance issues arising during 2019/2020 include:*

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

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

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

**Statutory Challenges** – None arising during the year.

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

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## 6. Audit Committee seeking assurance

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

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

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



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## ***7. Managing key risks***

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

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

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

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

## ***8. Managing the risk of fraud***

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

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

## ***9. Anti-Fraud and Corruption Statement***

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

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

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

## ***10. Responsible Chief Financial Officer***

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

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



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

## **11. Internal and External Audit assurance**

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

## **12. Internal Audit**

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

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

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

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

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

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

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

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

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

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## **13. External Audit**

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

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

## **14. Level of Assurance**

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

## **15. Certification**

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

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

Councillor John Ward

Tom Horwood

Signed

Signed

Leader of the Council

Chief Executive

Dated

Dated