

# Annual Governance Statement 2020/21

## Document Information & Governance

### Approval & Publication / Version Control Information:

Approving Body	Publication Type	Version	Version Status	Date	Version Author	Version Comment
Audit Committee	Internal	V0.1	Draft	12/07/21-19/08/21	Patrick Tuite	Update previous year's version and Incorporate audit committee comments from 24/03/21
Management Board	Internal	V0.2	Draft	25/08/21	Patrick Tuite	Updated following comments from Management Board on 24/08/21
Audit Committee	Internal	V0.3	Final	06/09/21	Patrick Tuite	Updated following comments from Audit committee

## 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 Coronavirus disease (Covid-19) pandemic on the operation of the council's governance. Measures taken include but are not limited to:

- Distribution of £35,552,691 in Covid-19 grants via 6,107 separate payments whilst ensuring due diligence was conducted on claimants (this was recently subject to internal audit which had significant assurance in the council's processes).
- Continuation of council business via video conferencing
- 96% 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.

The AGS assesses governance in place during 2020/2021 so the entire year was impacted by the Covid-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 6 September 2021.

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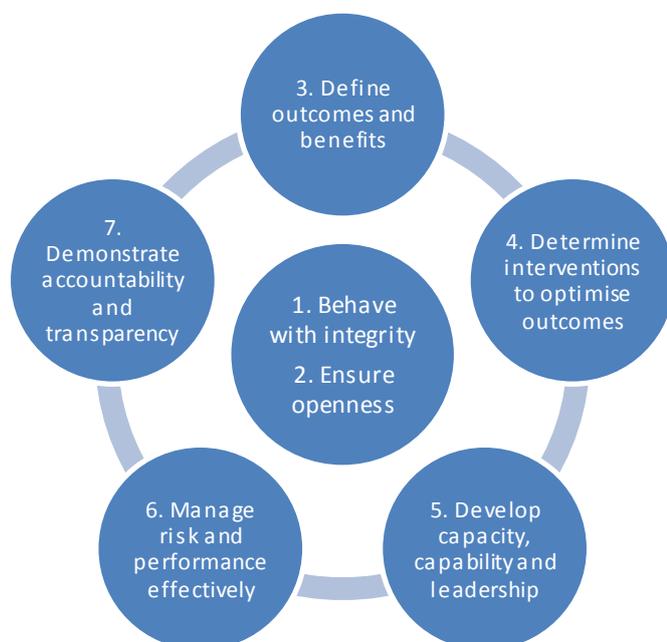
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## 2. What is Corporate Governance?

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.

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- 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

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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, Audit and Standards Committees	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"> <li>- Determining and publicising a description of the overall departmental structure of the Council showing the management structure and deployment of officers.</li> <li>- 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.</li> <li>- The proper administration of the Council’s affairs appointed under section 151 of the Local Government Act 1972</li> </ul>
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
Financial Regulations	Part of the governance framework which supports the council’s 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	Sets out a clear auditable process for officers to follow

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management methodology	
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 council's 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 council's 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
Community consultations	Ensures steps taken by the council have buy in and support of the wider community

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## 5. The Council: How it works

All Councillors meet 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.

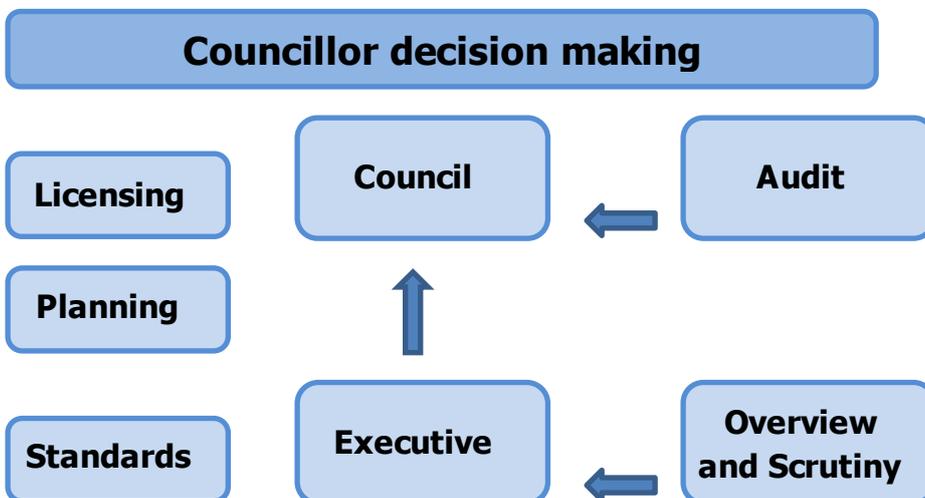
The conduct of the Council's business is defined by formal procedures and rules, which are set out in the Constitution. The Constitution also explains the roles and responsibilities of the Executive, Audit, Overview & Scrutiny and Officer functions.

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.
- 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.

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- 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.

**Establishment of the Covid Response Group** – The council established the Covid Response Group (CRG) who initially met on a weekly basis. This provided a clear audit trail of decisions made in relations to the council's response to the pandemic. Subjects in scope of this group included location of testing sites, staff redeployment, developing temporary COVID-19 policies and the Health and Safety of officers, councillors and members of the public.

**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 2020-2025 in October 2020. 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.

**Health and Safety** - During the year officers have reviewed and strengthened the governance arrangements for overseeing Waverley's health and safety function. This gives greater clarity of role and lines of accountability.

**Covid-19** – In response to the global pandemic and the Council's Chief Executive, on 19 March 2020, and following consultation with all group leaders, formally directed all staff to arrange the Council's resources to support the immediate health, wellbeing and safety of local residents, particularly the vulnerable. As a result, all formal committee meetings were suspended for a short period of time.

## 5.2 Resolution of significant governance issues in 2020/2021

**Council meetings** – The Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority Police and Crime Panel Meetings) (England and Wales) Regulations 2020 ('the Regulations') came into effect in April 2020. This provided the ability for remote meetings to be held remotely. The first remote meeting held by Zoom video conferencing was the Council's Standards Committee which made several recommendations to Full Council to respond to the pandemic situation. These included: a change to the structure of the planning committees, initially on a temporary basis but made permanent in April 2021; temporary additional delegated authority to the Head of Planning and Economic Development and the introduction of Virtual Meeting Procedure Rules, council meetings continued to be webcast live on YouTube.

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## 5.3 Significant operational event's in 2020/2021

**Financial challenges exacerbated** – The Council's finances were further strained by significant losses of revenue by way of reduced income from both car parking and the council's leisure centres, all of which were heavily impacted by the regulations imposed by central government in response to the pandemic.

**Covid-19** – The council continued to deliver its services throughout the pandemic, non-essential services such as green waste collections were however temporarily suspended to ensure that the staff could be redistributed to cover staff absences / support the council's Covid-19 response, which included amongst other things, taking over 5,500 phone calls via its community helpline, delivering 42,000 community meals, providing emergency accommodation to 41 homeless people and conducting over 400 welfare visits. The redistribution of staff was particularly prevalent for the first 4 months of the financial year.

**Planning applications** – The council experienced an increase of over 28% in the number of planning applications received compared to the previous financial year. As a result there was a delay in the processing of applications. This delay was exacerbated as the 21/22 year commenced by the implementation of new planning software which took time to be embedded and a restructure of the planning service.

## 5.4 Other governance issues arising during 2020/2021 include:

**Financial challenges exacerbated** – In the course of the year there were 3 revisions of the Medium-Term Financial Plan (MTFP) in addition to a contingency budget being compiled.

**Boundary review** - The Council is a key consultee of the Local Government Boundary Commission's review of Waverley Borough Council. Within 2020/21, the Council formed a cross-party boundary review working group, supported by officers. This made recommendations in July 2021 to Full Council on the question of the Council's size which were in turn put forward to the commission.

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

**Overview and Scrutiny committees** - At its meeting on 19th October, the Council agreed to establish two new Overview and Scrutiny Committees: Policy; and Services. These replaced the Housing; Community and Wellbeing; Environment; and Value for Money and Customer Service Overview and Scrutiny Committees.

**Financial Management Code** – The Financial Management Code has been developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) as a framework of assurance of good financial management practice in local authorities. This Code applies from 2021/22 but councils are required to be aware of it and to prepare in 2020/21 for full compliance. Compliance with the Code itself is not a statutory requirement but it has been designed to enhance financial management which supports the statutory responsibility for sound financial administration. The Code applies a principles-based approach and is not prescriptive, the principles are translated into a set of standards and CIPFA recommend a flexible and proportionate approach to implementing it. At Waverley, officers and the Management Board considered the scope of the Code in 2020/21 and are currently working with the Audit Committee to agree a position statement and implementation plan. The Audit Committee will monitor progress periodically in future.

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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 several items were delayed but ultimately delivered against.

<b>Audit Committee Work Programme for 2020/2021</b>			
<b>July 2020</b>	<b>September 2020</b>	<b>November 2020</b>	<b>March 2021</b>
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	Considered any significant governance issues
	Review of the Audi Committee terms of Reference	Considered any significant governance issues	
	Considered any significant governance issues	Additional meeting to 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.

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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

To mitigate the risk of fraud the council has in place fraud and governance policies to which staff should adhere. These include 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-19 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.

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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 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.

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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:

- 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. It should however be stated that whilst significant due diligence was conducted prior to paying out any of the Covid-19 Grants this was done at a pace significantly faster than the council would choose to operate, therefore checks will extend beyond the 2020/2021 period to ensure no monies were incorrectly claimed or paid out.

### 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 Paul Follows

Tom Horwood

# Annual Governance Statement 2020/21

Signed

Leader of the Council

Dated XXXX

Signed

Chief Executive

Dated XXXX