

Interim Auditor's Annual Report on Waverley Borough Council

2022/23

Consultation Draft

25 March 2024



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We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting, on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Executive summary



Value for money arrangements and key recommendation(s)

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Auditors are required to report their commentary on the Council's arrangements under specified criteria and 2022/23 is the third year that we have reported our findings in this way. As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Where we identify significant weaknesses in arrangements, we are required to make recommendations so that the Council may set out actions to make improvements. Our conclusions are summarised in the table below.

Criteria	2022/23 Risk assessment	2022/23 Auditor judgement on arrangements	2021/22 Auditor judgement on arrangements	Direction of travel
Financial sustainability	No risks of significant weakness identified	A No significant weaknesses in arrangements identified, but four improvement recommendations made to support the Council in improving arrangements for budget setting and workforce planning.	G No significant weaknesses in arrangements or improvement recommendation made	↓
Governance	No risks of significant weakness identified	A No significant weaknesses in arrangements identified, but one improvement recommendation made to support the Council in improving arrangements for risk management.	A No significant weaknesses in arrangements identified, but an improvement recommendation made	↔
Improving economy, efficiency and effectiveness	No risks of significant weakness identified	G Our work did not identify any areas where we considered that key or improvement recommendations were required	A No significant weaknesses in arrangements identified, but an improvement recommendation made	↑

- G** No significant weaknesses in arrangements identified or improvement recommendation made.
- A** No significant weaknesses in arrangements identified, but improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendations made.

Executive summary (continued)

Ongoing work

We are aware that both Waverley and Guildford Borough Councils are undertaking a review of the letting and management of housing maintenance contracts, following an initial investigation at Guildford Borough Council. We will consider whether further audit work will be required once we know the outcome of this review, given the potential for it to impact on our overall Value for Money Conclusion. The work included within this AAR does not provide any commentary on the position to date, and we will issue a final AAR once we know where the investigation has landed.



Financial sustainability

In 2022/23, Waverley Borough Council (the Council) again delivered a balanced budget. As of February 2023, when the 2023/24 budget was approved, the gross funding gap for the 2024 to 2027 period was **£17.8 million** with **£12.6 million** in compensating measures identified leaving **£5.2million** to identify and deliver, of which a considerable element was subsequently identified. There is a strategy in place to help to identify with this funding gap including property, business transformation, commercial programmes and collaboration programmes.

There is clear evidence from budget projections agreed in 2022/23 and 2023/24 that the Council has an understanding of its financial position. The actions identified to reduce the budget gap are not unreasonable and take into consideration additional expenditure pressures the Council is likely to face through inflation, pay increases and cost of living pressures, and the gap today over the MTFP is considerably smaller as a result of these efforts.

Our work has not identified evidence of significant weaknesses with the Council's arrangements to manage its risks to its financial sustainability. However, we have identified four areas where the Council could further improve arrangements and have raised improvement recommendations to help ensure the Council ensure the delivery of required savings, closely monitor capital delivery consider the views of residents when setting the budget and delivers a collaborate workforce strategy with Guildford Borough Council. These recommendations have been accepted by Management. See pages 9 to 17 for further detail on this area.



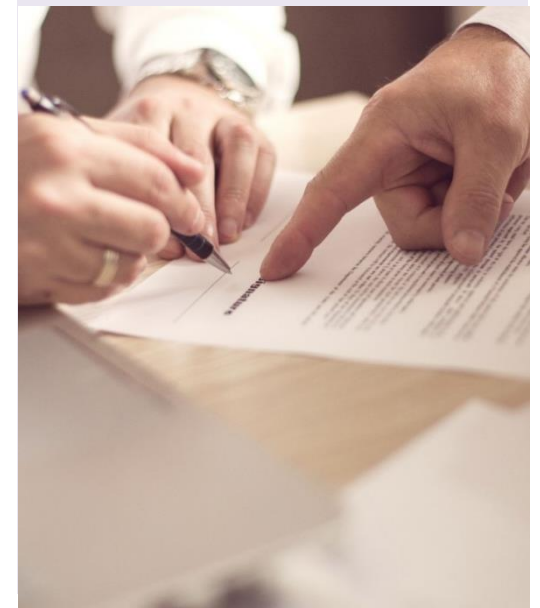
Governance

We have not identified any evidence of significant weakness in the Council's Governance arrangements However, arrangements around risk management are weak as highlighted by an internal audit report in March 2023. We have previously recommended that the Council should review its risk management policy, but this remains outstanding. We have also raised a further improvement recommendation to ensure management implement the recommendations of internal audit in relation to risk management. This recommendation has been accepted by Management. See pages 18 to 22 for further detail on this area.



Financial Statements opinion

We have almost completed our audit of your financial statements and propose issuing an unqualified audit opinion following the Audit Committee meeting on 25 March 2024. Our findings are set out in further detail on pages 29 to 31.



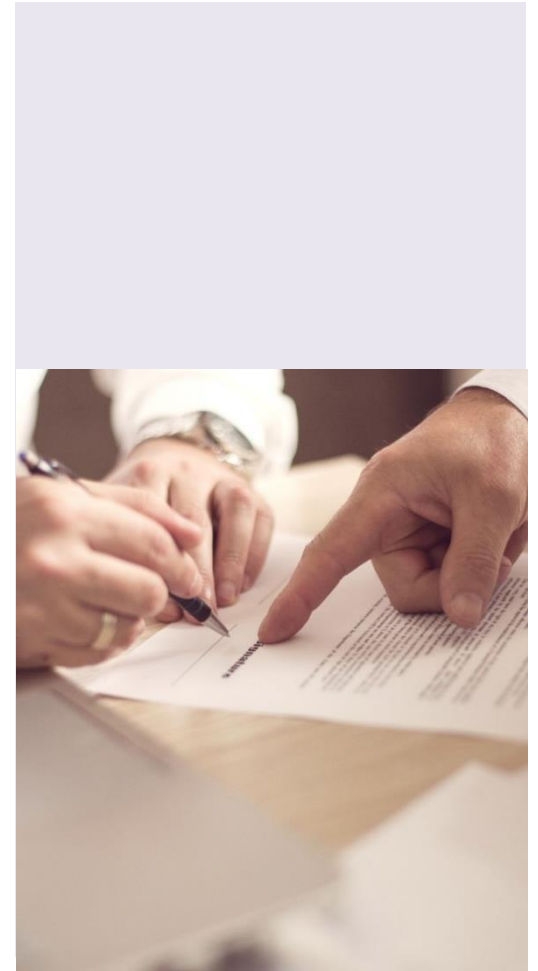
Executive summary (continued)



Improving economy, efficiency and effectiveness

We have not identified any areas of significant weakness in arrangements with regard to improving economy, efficiency and effectiveness.

The Council continues to develop its collaborative partnership with Guildford Borough Council to improve value for money and safeguard services. A joint management team was put in place during 2022/23 and we will continue to monitor development of the collaboration. The Council has adequate arrangements in place to monitor performance and manage procurement. However, a previous recommendation to adopt a formal procurement strategy remains outstanding.



Use of auditor's powers

We bring the following matters to your attention:

2022/23

Statutory recommendations

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly.

We did not make any written recommendations under Schedule 7 of the Local Audit and Accountability Act 2014.

Public Interest Report

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.

We did not issue a public interest report.

Application to the Court

Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.

We did not make an application to the Court.

Advisory notice

Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority:

- is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure,
- is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or
- is about to enter an item of account, the entry of which is unlawful.

We did not issue any advisory notices.

Judicial review

Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.

We did not make an application for judicial review.

Securing economy, efficiency and effectiveness in the Council's use of resources

All councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The Council's responsibilities are set out in Appendix A.

Councils report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The National Audit Office's Auditor Guidance Note (AGN) 03, requires us to assess arrangements under three areas:



Financial sustainability

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



Governance

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



Improving economy, efficiency and effectiveness

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

In addition to our financial statements audit work, we perform a range of procedures to inform our value for money commentary:

- Review of Council, Cabinet and committee reports
- Regular meetings with senior officers
- Interviews with other members and management
- Attendance at Audit Committee
- Considering the work of internal audit
- Reviewing reports from third parties, where relevant
- Reviewing the Council's Annual Governance Statement and other publications



Our commentary on the Council's arrangements in each of these three areas, is set out on pages 10 to 26.

The current LG landscape



National context

Local government in England continues to face significant challenges as a sector. These include a high level of uncertainty over future levels of government funding, alongside delays to the Government's plans for reform of the local government finance system, impacting on medium-term financial planning. This is also a time of generationally significant levels of inflation – the UK inflation rate was 7.8% in April 2022, rising to a 41-year high of 11.1% in October 2022, then reducing to 10.1% in March 2023. Inflation levels put pressure on councils' revenue and capital expenditure, as well as the associated cost of living crisis impacting on local communities and businesses, leading to an increase in demand for council services such as children with special education needs with associated transport costs, debt advice, housing needs, and mental health, as well as impacting on some areas of council income such as car parking and the collection rates of council tax, business rates and rents. This follows a significant period of funding reductions by Government (2012 to 2017) and the impacts of Brexit and the COVID-19 pandemic which, for example, have contributed to workforce shortages in a number of council service areas, as well creating supply chain fragility risks.

The local government finance settlement for 2023/24 was better than many in the sector anticipated demonstrating an understanding by Government of the financial challenges being faced by the sector. However, the Local Government Association, in July 2023, estimated that the costs to councils of delivering their services will exceed their core funding by £2bn in 2023/24 and by £900m in 2024/25. This includes underlying cost pressures that pre-date and have been increased by the pandemic, such as demographic pressures increasing the demand for services such as social care and homelessness.

Over the past decade many councils have sought to increase commercial activity as a way to generate new sources of income which has increased the nature of financial risk, as well as the need to ensure there is appropriate skills and capacity in place to manage such activities.

Local government is coming under an increased spotlight in terms of how the sector responds to these external challenges, including the Government establishing the Office for Local Government (Oflog) and there has been an increase in the number of councils who have laid a Section 114 Notice, or are commenting on the likelihood of such an action, as well as continued Government intervention at a number of councils.

There has also been an increase in the use of auditors using their statutory powers, such as public interest reporting and statutory recommendations. The use of such auditor powers typically derive from Value for Money audit work, where weaknesses in arrangements have been identified. These include:

- a failure to understand and manage the risks associated with commercial investments and council owned companies
- a failure to address and resolve relationship difficulties between senior officers and members
- significant challenges associated with financial capability and capacity
- a lack of compliance with procurement and contract management processes and procedures
- ineffective leadership and decision-making.

Value for Money audit has an important role in providing assurance and supporting improvement in the sector.

The current LG landscape (continued)



Local context

Waverley Borough Council is a district council in southwest Surrey with borough status. The Council is based around the town of Godalming. The borough also contains the towns of Farnham and Haslemere and numerous villages, including the large village of Cranleigh, and surrounding rural areas. At the 2021 Census, the population of the borough was 128,200. Large parts of the borough are within the Surrey Hills Area of Outstanding Natural Beauty. The district borders Guildford to the north, Mole Valley to the east and West Sussex and Hampshire to the west and south.

The district was created on 1 April 1974 under the Local Government Act 1972 as part of a wider reorganisation of local government in England undertaken at that time. The new district covered the area of four former districts, Farnham Urban District, Godalming Municipal Borough, Haslemere Urban District and Hambledon Rural District. The district was awarded borough status on 21 February 1984, allowing the chair of the council to take the title of mayor. The district was named after Waverley Abbey in Farnham, which was the earliest Cistercian monastery in Britain. The Council headquarters are in Godalming and are known as The Burys.

The Council consists of 50 councillors covering 24 wards. The Council has been under no overall control since 2019, with an administration comprising a coalition of the Liberal Democrats, Farnham Residents, Labour and Greens. The Council's vision is that Waverley will be environmentally, economically and financially sustainable with healthy, inclusive communities and housing available for all who need it. The corporate strategy adopted in 2020 and covering the period to 2025 sets out the following six priorities:

- Local, open, participative government
- Supporting a strong, resilient local economy
- Taking action on Climate Emergency and protecting the environment
- Good quality housing for all income levels and age groups
- Effective strategic planning and development management to meet the needs of our communities
- Improving the health and wellbeing of our residents and communities

The Council provides over 100 services to residents and business including managing the collection of waste, housing, homelessness, development and building control and environmental health.

Financial sustainability



We considered how the Council:

- identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds them into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

Short and medium term financial planning

The government agreed a one-year finance settlement for 2022/23 with an indication that the settlement for 2023/24 would be similar. The fair funding review originally schedules for 2020 has still not been scheduled. This provides challenges for all councils' medium-term financial planning.

The key assumptions are set out in the 2022/23 and 2023/24 budget papers. This provides adequate information for discussion and decision making. Financial plans are well scrutinised by management and Executive and there is a multi-layer review and scrutiny process over the budget and MTFP and the assumptions within them.

As set-out in the budget report, the budget targets comprise the overall financial planning total for 2022/23, including assumptions for funding cuts, unavoidable cost pressures, and reported savings. Financial planning also takes account of the annual funding settlement, demand on services, changes in legislation and policy where applicable and other key income drivers such as car parking. The Council currently assumes a £5 a year increase for Band D properties, which is typically achieved and in line with other Councils and therefore not unreasonable.

When setting the 2022/23 budget the Council prepared a Medium-Term Financial Plan (MTFP) to 2027. At Feb 2022, there was a budget shortfall of £14.8m over this period. There is a strategy in place to deal with this funding gap including property, business transformation, commercial programmes and the collaboration programmes. As of February 2023, when the 2023/24 budget was approved, the funding gap for the 2024 to 2028 was £17.8million with £12.6 million in compensating measures identified leaving £5.2million to identify, agree and then deliver. Further work was performed to reduce this gap further, and eventually the Council has set a balanced budget in 2022/23 and 2023/24. but we have raised an improvement recommendation – see **Improvement Recommendation 1**

In 2022/23, it should be noted that the year end outturn was a surplus of £1.26million. This was largely made up of increased interest income on investments.

Local Government Finance Settlement

The Government announced the Provisional Local Government Finance Settlement for 2023/24 in December 2022, with the Final Settlement confirmed in February 2023. The Settlement distributes a range of grants and business rate income allocations to local authorities, and these should be included in the annual budget.

The Final Settlement for 2023/24 distributed £17.1bn of funding to local authorities, a 4.8% increase in cash terms from 2022/23.

The Settlement also provides the Core Spending Power for local authorities, which is the level of resources assumed available to fund the net budget. Core Spending Power includes the levels of government grant for the coming year, for example revenue support grant, new homes bonus and social care grants. It also includes assumed levels of business rate income.

Core Spending Power includes the assumption that local authorities will increase council tax up to the referendum limit, which for 2023/24 is 3% plus an additional 2% for upper tier authorities who provide adult social care services. District Councils can increase council tax by £5 or 3%, whichever is higher.

The Government will undertake Spending Reviews that set out government departmental budgets over a multi-annual period of typically 3 years, including local government. These reviews are different to, but inform, the annual Local Government Finance Settlement.

Financial sustainability (continued)

Short and medium term financial planning (continued)

From review of committee papers and discussions with officers we have found no evidence that planning is short term. The MTFP covers the next four years, but planning over a longer period is problematic given the high level of uncertainty over future government funding.

There is also a four-year capital programme. The programme aligns with the Council's strategic priorities which are set out to be delivered over the same four-year cycle.

The Housing Revenue Account is based around a 30-year business plan. The Council uses capital receipts flexibly to fund projects associated with delivering the planned programme of savings and service reform. Specific approval of projects and allocation of funds arising from the use of flexible capital receipts will be at the discretion of the Section 151 Officer.

The wider economic uncertainty of the past year has made forecasting and financial planning challenging, especially about inflation but this has been assessed and included in plans with best available assumptions

The Council's performance against key financial and performance metrics is set out in this table. From discussions with officer we understand the slippage demonstrated around capital spend are due to contract issues and issues with profiling but not problems with delivery. These issues have now been resolved and it is expected that delivery will improve during 2023/24 onwards. We have raised an improvement recommendation – see improvement recommendation 2

	2022/23	2021/22
Planned revenue expenditure	£13.66million	£ 15.3million
Actual revenue expenditure	£14.38million	£14..6million
Planned capital spend	£15.9million	£14.8 million
Actual capital spend	£6.58million	£ 7.8million
Year-end cash position	£3.5 million	£ 4.5 million

Financial sustainability (continued)

Identifying savings

Required savings are detailed in the MTFP, and as it stands there is a medium-term funding gap. While some savings have been identified, more medium-term savings plans are essential if balanced budgets are to be delivered in future years. The Council is considering the collaboration with Guildford Borough Council can help drive further efficiencies and savings, but all these plans have not yet been confirmed, with limited savings built into the budgets for 2024/25 and 2025/26. Challenges remain over the medium-term, but we have seen in previous years that similar challenges have been managed and mitigated.

A savings programme is developed at the start of the budget setting process and then built into the base budget. As part of the process, services are expected to consider service implications of their proposals, so it is ensured that cost reductions do not adversely impact quality of services. The final budget is then approved by the Council. Realisation of savings then becomes part of the normal budget monitoring process and the achievement of budget. The Council has a history of delivering on its budget and thus on savings and its approach is felt to be appropriate.

There are no separate formal reporting of savings delivery as such. It is not therefore evident how savings are achieved. We did see adjustment made to the budget in year to address the effects of pressures so there is flexibility. However we have raised an improvement recommendation. **See Improvement recommendation 1**

There is budget consultation with sections of the community such as the voluntary sector, business and tenants as part of the budget setting process, but there has not been consultation with residents in recent years. The last formal consultation was pre Covid-19. Many aspects of daily life, both domestic and business, have changed since then. Finance are in dialogue with the Council's communications team about developing a communication strategy and management are discussing a consultation exercise as part of this work **We have raised an improvement recommendation – see Improvement Recommendation 3**

Financial planning and strategic priorities

Planned expenditure is linked to clearly corporate priorities. The corporate priorities are set out in the Corporate Plan which covers the period 2020 to 2025. There are six priorities and these are :

- Local, open, participative government
- Supporting a strong, resilient local economy
- Taking action on Climate Emergency and protecting the environment
- Good quality housing for all income levels and age groups
- Effective strategic planning and development management to meet the needs of our communities
- Improving the health and wellbeing of our residents and communities

These are all supported by an underlying theme of financial sustainability.

This Plan is referenced in the MTFP and budget papers. The MTFP sets out the aim to provide a framework to invest broader ambitions and long-term priorities.

No plans are dependent on the deletion of services, and the longer term aims for Council services can be seen in the Corporate Plan. This Council is focused on transformational change rather than service reduction.

The Council has a small non HRA capital programme (£3.5m in 2022/23) and the capital budget is used to deliver key priorities e.g. redevelopment of leisure centre. The capital programme is overseen by the Executive, while major projects are subject to an appraisal and approval process. Capital funding is targeted at regeneration, property maintenance and service improvement. Our review of committee papers and discussions with officers identified no evidence of capital investment being cancelled or postponed.

Financial sustainability (continued)

Financial planning and other operational plans

Heads of Service plan their own workforces and report that to Management Board. So, whilst there is not a central workforce planning document, each Head of Service will be responsible for their own workforce plan and decide which posts to recruit to and which to leave vacant. Approval is required from Management Board to agree recruitment and in this way, Management Board retain oversight of resourcing. Discussions with Guildford Borough Council indicate a joint workforce strategy will be developed as part of the collaboration but as yet there is no timescale for this.

During our 2021/22 value for money work, the former joint Section 151 officer for Waverley and Guildford Borough Councils stated that integration of the workforce between the Council and Guildford Borough Council is complex of differences in processes, IT systems and terms and conditions which needed to be addressed before integration could fully occur. We understand from HR management at the Council, joint discussions with Guildford Borough Council are underway but local issues at Guildford Borough Council have delayed the development of a workforce strategy. Given the development of the collaboration it does not seem unreasonable for a joint workforce strategy to be in place and we would expect such a document to be in place during 2024/25. **We have raised an improvement recommendation on this matter – See Improvement Recommendation 4.**

No evidence of working in silos was identified in this review. Services have collaborated and appear to understand the wider position of the Council as a whole, and not just their own departments.

The budget has been balanced over recent years, We understand that underspent budgets are redeployed, which indicates services do not spend their budgets simply to protect future allocations but identify savings. Projects to balance the budget can clearly be seen as cross cutting where services work together to deliver savings.

Managing risks to financial resilience

Financial risks are listed in budget report sent to full Council for approval. Risks listed in the 2023/24 budget papers included:

- the need to achieve savings targets,
- lack of significant non earmarked reserves,
- inadequate provisions,
- reducing government funding and
- reduced income.

The budget gap is being managed through a process including savings, business transformation and identifying additional income. Generally, from discussions with management and review of committee papers, we feel the Council is well managed and has an acute understanding of its budget position and budgetary pressures but it still needs to develop plans to cover the medium term funding gap.

The March 2022 strategic risk register identifies three risks to financial sustainability. These are :

- i) If the income and cost assumptions within the HRA Business plan do not hold true
- ii) If the assumptions in the MTFP cease to be accurate
- iii) If the council is unable to properly utilise available external funding due to lack of resource / bid writing skills

The two risks relating to assumptions were both rated red and in need of active management. The third risk is rated as green.

The budget risk process ensures this is a managed process and that there are no surprises. Changes in Government policy are formally announced, so the Council would become aware through Government channels. The relationship with the Chartered Institute of Public Finance (CIPFA) will also ensure changes to legislation and guidance would be highlighted to the Council so this reduces the risk of not staying up to date with current legislation.

Financial governance

Annual budget setting

The budget process starts in July with consultation with budget managers to identify challenges and pressures. The MTFP is a living document and is constantly adjusted through the year. Over 30% of expenditure relates to staff costs and significant contracts so there is little scope for change. An updated MTFP is then taken to senior management and Executive for comments and by November each year, subject to Government funding announcements, the next year budget substantially prepared. The Political cycle requires the budget to go to member briefings followed by Overview and Scrutiny Committee, Executive and then Full Council for approval.

Budget models are discussed with budget holders, senior management and members prior to approval. The Council also do scenario planning around key risks areas, looking at effects of lost income (e.g. car parks). These reviews are updated every two weeks. Other Councils we work with will present best case, worst case and likely case budget scenarios to member and we feel that there is scope for the Council to improve its use of scenario planning but that current arrangements are adequate. The use of scenario planning is limited due to the capacity in the finance team against the perceived value it offers. When working through project feasibilities the Council assess impacts of different assumptions, and when setting council tax, the HRA business plan and inflation provisions, they consider different assumptions to show impacts thus assessing overall arrangements where they can see the value/impact it would have.

Budgetary control

The budget monitoring process and reporting to members indicate that managing finances are a key objective of the council and managers are aware of their responsibility to meet their budget.

Finance staff have monthly meetings with budget holders to discuss budget position. Key income streams are monitored every two weeks. Detailed budget reports are reported monthly to Management Board and quarterly to Senior Management Team.

Review of committee papers indicates close monitoring of budgets and full disclosure of variances and comprehensive explanations. Financial performance is reported quarterly to Resources Overview and Scrutiny Committee as part of the council-wide performance report. Quarterly performance are not presented to Executive, but this is not unlike some other Councils. The quarterly budget monitoring reports detail variances by department (and service lines within departments) demonstrating a regular identification of in-year variances. Actions being taken or to be taken by departments, where relevant, in response to such variances are not set out. All budget variances are accompanied by detailed explanations.

We feel budget reporting is at an appropriate level with clear commentary of the current position. We have found no evidence of weakness in budgetary controls processes.

Cost of Living Crisis

The rising costs of fuel, food and other essentials are combining with existing disadvantage and vulnerability and putting many households at greater risk of both immediate hardship and reduced opportunity and wellbeing.

Councils and local partners continue to do what they can to protect people against higher costs, targeting help at those facing the most complex challenges.

Councils' range of front-line services play a vital role in protecting residents from rising costs; preventing the most vulnerable from falling into destitution and helping to build households long-term financial resilience.

The dramatic increase in inflation alongside increases to the National Living Wage, have added £2.4 billion in extra costs onto the budgets of Councils in 2022/23. In 2023/24 Councils are facing a funding gap of 3.4 billion, with a funding gap of £4.5 billion the following year.

To support its most vulnerable residents through the cost-of-living crisis, Councils face additional cost-pressures which will need to be addressed to avoid further cuts to vital frontline services.

Improvement recommendations

Improvement Recommendation 1

Members should continue to closely monitor identification and delivery of savings to help ensure a balanced budget can be delivered over the medium term

Consideration should be given to reporting a separate savings plan which shows all savings programmes, provides details around savings delivery of each programme and which provides a RAG rating for expected delivery of programmes and identifies mitigating savings where delivery is rated as “red”

Improvement opportunity identified

Closing any gap in the budget setting process as soon as possible.

Summary findings

At Feb 2022 there was a budget shortfall of £14.8m over this period. There is a strategy in place to deal with this funding gap including property, business transformation, commercial programmes and the collaboration programmes. As of February 2023, when the 2023/24 budget was approved, the funding gap for the 2024 to 2027 was £17.8million with £12.6 million in compensating measures identified leaving £5.2million to identify, agree and then deliver. This will need to be covered from reserves unless efficiencies and / or additional income are identified.

There are no separate formal reporting of savings delivery as such. it is not therefore evident how savings are achieved

Criteria impacted



Financial sustainability

Auditor judgement


Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant but have raised a recommendation to support management in making appropriate improvements.

Management comments

We are happy to adopt a monitoring and regulation system around savings. Built into the budget are savings from both the collaboration and potential Invest to Save opportunities.


Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendations

Improvement Recommendation 2	Members should continue to closely monitor capital expenditure. Consideration should be given to undertaking a deep dive review of the capital programme to identify barriers to capital delivery in order to identify possible mitigations for potential issues in future years.
Improvement opportunity identified	Delivery of the agreed capital programme
Summary findings	Our review shows that delivery of the capital programme only achieved 53% of planned spend in 2021/22 and 41% in 2022/23. From discussions with officers we understand the slippage demonstrated around capital spend is due to contract issues and issues with profiling but not problems with delivery. We were informed that these issues have now been resolved and it is expected that delivery will improve during 2023/24 onwards.
Criteria impacted	 Financial sustainability
Auditor judgement	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant but have raised a recommendation to support management in making appropriate improvements.
Management comments	***To be added***

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendations

Improvement Recommendation 3	Consideration should be given to undertaking an annual consultation exercise with residents as part of the budget setting process to understand residents' priorities in relation to spending areas.
Improvement opportunity identified	Understanding resident priorities for Council services when making spending decisions
Summary findings	There is budget consultation with sections of the community such as the voluntary sector, business and tenants as part of the budget setting but there has not been consultation with residents in recent years. The last formal consultation was pre covid. Many things have changed since then. Finance are in dialogue with the communications team about developing a communication strategy and it is thought a consultation exercise may come out of this work. We have raised an improvement recommendation
Criteria impacted	 Financial sustainability
Auditor judgement	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant but have raised a recommendation to support management in making appropriate improvements.
Management comments	This is challenging given the current Local Government landscape. We will consider doing this where there are specific savings proposals to be considered.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendations

Improvement Recommendation 4

Every effort should be made to develop a joint workforce strategy with Guildford Borough Council as soon as practicable.

Improvement opportunity identified

Developing a fit for purpose workforce

Summary findings

A joint workforce strategy will be developed with the Council's collaboration partner, Guildford Borough Council, as part of the collaboration but as yet there is no timescale for this. While we understand recent issues at Guildford Borough Council have engendered delays in the process. We understand from HR management at Waverley, joint discussions with Guildford are underway. Given the development of the collaboration it does not seem unreasonable for a joint workforce strategy not to be in place at this time, but we would expect such a document to be in place for budget planning in 2024/25.

Criteria impacted



Financial sustainability

Auditor judgement

Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant but have raised a recommendation to support management in making appropriate improvements.

Management comments

The next step is the drafting of a plan of collaborative opportunities that could benefit both authorities. It is not necessarily a joint workforce at this stage.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

Governance



We considered how the Council:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effective processes and systems are in place to ensure budgetary control; communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and member behaviour (such as gifts and hospitality or declaration of interests) and where it procures and commissions services.

Risk management and internal controls

The Council have a Risk Management Policy and toolkit in place. 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 and Internal controls are independently reviewed by Internal Audit when carrying out assessments of key activity areas.

The Strategic Risk Register is a key governance document underpinning the delivery of the Corporate Strategy 2020 - 2025. The register focuses on the risks that are inherent in delivering the strategic objectives selected and designed to deliver the strategic priorities.

Risk assessments includes an "impact" assessment of a risk event and the "likelihood" of a risk event happening and is categorised in the five domains included in the Risk Appetites. These are Financial/ Legal/Regulatory/ Safety/ Service Delivery and Reputational. This ensures there is a structured approach within the Council's framework to identify risks on a consistent level and provides management focus to ensure that the key risks are being identified.

Risks are then mapped onto a 'heat map' which is colour coded green, amber, and red to indicate importance of a risk and the level of action required. Risks within the red part of the heat map require active management. The linkage of impact assessments to the risk appetite enables a two-dimensional view of risk management.

A summary of the identified strategic risks is produced to show the review of that risk against the risk appetite statement and its likelihood.

A review of the Strategic Risk Register went to Audit Committee in March 2022 but has not been formally reported since, although verbal updates on risk management have been given to the Committee in November 2022 and March 2023. However, officers have maintained the Strategic Risk Register and formally reviewed it on a quarterly basis.

We have confirmed that the Risk Management Policy and toolkit have not been updated since January 2019. We made an improvement recommendation in 2021/22 that The Council should ensure that its Risk Management Policy and toolkit is updated as it had been three years since it was last reviewed. This was to provide assurance that its arrangements for identifying risks are still consistent with the principles of managing risks and performance as stated in the annual governance statement. This review has not been completed but an internal audit report has also identified this matter and management have agreed that the policy will be updated by March 2024. The internal audit report was issued in March 2023 and rates the council's risk management arrangements as "limited assurance" meaning there are significant gaps and/or weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited. The report made eleven medium priority recommendations all of which were accepted by management. Discussions with management indicate that an officer has been seconded in November 2023 to help address the issues raised in the internal audit report. **We have raised a further improvement recommendation in this area – see Improvement Recommendation 5**

Governance (continued)

Risk Management and internal control (Cont'd)

The draft Annual Governance Statement 2022/23 (AGS) states that all Councillors and Officers are responsible for ensuring that risk implications are considered in the decisions they take, and that risk management is an integral part of all activity and is considered in decision making in accordance with the Council's Risk Appetite Statement.

The AGS outlines the key steps that the Council takes in managing risks and performance, for example service delivery is monitored through financial management review and quarterly reporting to ensure service plan delivery is on target and internal controls are independently reviewed by Internal Audit when carrying out assessments of key activity areas.

The Senior Management Team regularly reviews and updates the Corporate Risk Register and is required to 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.

We note that the Strategic Risk Register directly underpins the Corporate Strategy. The AGS states that 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 Strategic Risk Register.

The Council's Risk Register shows risks with a risk description and the risk domain that it impacts on. Risks are RAG rated into the 3 categories of active management, monitor and review. Risks are mapped to the corporate strategy objectives and show the current and target impact and the current and target likelihood and current and target rating are also included for oversight. A summary of actions for each risk is also provided.

We note that although the risk register has the key control and assurances, risks have not been allocated to a named senior officer. In addition, showing the direction of travel on the risk register would enable members to see if there has been any improvement in that risk i.e. if it still high or the risk has been reduced. We note that the March 2023 Internal Audit report recommended that the format of the risk register is review and management have agreed to action this by March 2024. As such we will make no specific recommendation at this time, but an improvement recommendation has been raised around embedding the recommendations from the internal audit report.

The internal audit function is provided by Southern Internal Audit Partnership and was overseen by an in-house Internal Audit Manager during 2022/23. The internal audit service reviews the controls and processes which have been put in place by management to ensure that systems are working as effectively as possible. These reviews include financial systems that contribute to the compilation of the yearly financial statements.

Management reports are produced and implementation of recommendations made is monitored by the internal audit service. Our review of Audit and Risk Committee papers shows evidence of Internal Audit updates were provided on a quarterly basis for the review of progress on recommendations and in achieving the audit plan.

The Internal Audit Plan was approved by Audit and Risk Committee in March 2022. This was prepared by undertaking a risk assessment of the council's auditable areas in the Council and in consultation with Senior Management Team with a provision of 350 audit days. The plan was adjusted in year to maintain an effective focus and ensure that it provided assurance, as required, over new or emerging risks. Of the 22 audit reviews agreed in the original plan, seven were deferred in year to 2023/24 and seven additional reviews were added to the plan. Changes made to the plan were agreed with the S151 Officer and endorsed and reported to the Audit and Risk Committee in the internal audit progress reports which were reviewed at each meeting.

The Annual Head of Internal Audit Opinion for 2022-23 was presented to Audit Committee in June 2023. The Head of Internal Audit Opinion concludes that: *'the frameworks of governance, risk management and management control are 'Reasonable' and audit testing has demonstrated controls to be working in practice'*. During 2022/23, one internal audit report was issued with substantial assurance, six with reasonable assurance and two with limited assurance – those being "revenue refunds" and "risk management"

The annual report confirms that the Councils internal audit function is compliant with Public Sector Internal Audit Standards, an 'External Quality Assessment' of the Southern Internal Audit Partnership was undertaken by the Institute of Internal Auditors (IIA) in September 2020. The Internal Audit Charter was revised and went to Committee in June 2023. The Internal Audit Manager will confirm to the Audit Committee, at least annually, the organisational independence of the internal audit activity and has a direct reporting line to the Joint Chief Executive (Head of Paid Service) of Guildford and Waverley .

Governance (continued)

Risk Management and internal control (Cont'd)

Counter fraud services are also provided by the internal audit team which includes a fraud investigation officer. The Annual Internal Audit Opinion makes reference to this service. The internal audit team undertake work related to the National Fraud Initiative and other counter fraud duties. Review of minutes confirmed that the Audit and Risk Committee receives periodic updates on counter fraud activity.

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

The Council maintains a framework of procedures and control through several strategies and policies to support the effective management of the prevention, detection and investigation of fraud and corruption. These include the Counter Fraud Strategy, Policy and Fraud Response Plan and Anti Bribery Policy, Prosecution Policy and Anti Money Laundering Policy which was approved in March 2022 and therefore comprehensively covers all aspects of fraud detection.

We would expect key policies such as this to be reviewed every year to remain relevant, and our work noted that the policies were reviewed and updated in December 2022 and therefore are deemed to be current.

As detailed in the fraud investigation summary 2022-23, in the period 1 April 2022 to 31 March 2023, the Council successfully recovered ten properties due to housing fraud investigations.

The fraud policies sit alongside the Council's Whistleblowing Policy and given that there has been evidence of whistleblowing to internal audit in year, we would suggest that the policy is easily accessible and well understood by staff and given that the issues were across several areas of the council this shows this understanding is widespread and therefore raises no concerns.

The members Code of Conduct is contained within the Councils Constitution. The Council's code is in line with the Local Government Association (LGA) Model Councillor Code of Conduct as included in their Constitution. The role of the councillor is based on the seven Nolan principles of public life and the role and the expectations required from a councillor are clearly and explicitly stated in the Constitution. Also included in the Constitution is the Councillor's Planning Code of Good Practice, which aims to help Members maintain high standards of conduct and ensure that in the planning process there are no grounds for suggesting that a decision has been biased, partial or not well-founded in anyway.

Informed decision making including the Audit Committee

The Constitution which includes the Scheme of Delegation to Officers, sets out how the Council operates, how decisions are made, and the procedures to be followed to ensure that these are efficient, transparent and accountable to local people. The Constitution also explains the roles and responsibilities of the Executive, Audit, Overview & Scrutiny and Officer functions. Our review confirmed that comprehensive papers are provided to members to provide challenge and scrutiny. The Governance arrangements for the Council are clearly laid out in its Annual Governance Statement.

As reported in its 2022/23 draft AGS, one of the key principles that the Council has set to achieve good standards of governance is to ensure openness and comprehensive stakeholder engagement. This will be achieved by:

- 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

Our work did not identify any evidence of decision making that is unlawful or could lead to significant financial risk/conflicts of interest. We are not aware of any significant legal cases against the Council and the Council does not tend to undertake complex activities. Discussions with the Monitoring Officer did not highlight any compliance issues.

We are satisfied that there is no evidence of a weak or ineffective audit committee, our review of minutes from the Audit and Risk Committee demonstrate that the committee is well engaged and are given the opportunity to ask questions on each item which they take. The Audit and Risk Committee met four times in 2022/23, with a good level of attendance noted. The Committee has seven members and one substitute as part of its membership showing a cross representation of all parties and residents' representation in accordance with the make-up of the Council.

Governance (continued)

Standards and behaviours

The work of the Council's committees is governed by the Constitution setting out how the Council operates. The Constitution is regularly reviewed and was last updated in October 2022. The Constitution is shared with all staff members on joining and is accessible on the Council's website.

As reported in the draft Annual Governance Statement (AGS) 2022/23 the Constitution 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, by compliance with relevant laws' and regulations. The statement sets out that the Council has drafted the AGS in accordance with the principles of the Delivering Good Governance in Local Government: Framework (2016) issued by CIPFA/SOLACE. We note that the AGS was reviewed and approved by the Audit and Risk Committee at its meeting on 20th June 2023.

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 Council also follows codes of Financial Management and Procurement and maintains codes of conduct for Councillors and Officers.

The separate officer code of conduct outlines the expected standards of behaviour for all officers, including openness, transparency, personal ownership, and engagement, which align with the public sector Nolan principles. We found no evidence of anyone acting unlawfully or outside the code of conduct through our review of committee papers and discussions with officers. The leadership from senior officers demonstrates an appropriate 'tone from the top,' emphasizing a culture of zero tolerance for inappropriate behaviour or actions. Statutory requirements are a priority, and communication to both officers and members reflects this.

Member and Officer codes of conduct provide rules around gifts and hospitality which are included in the Constitution and is published on the Councils website. There is a register of gifts and hospitality for officers maintained by the Monitoring Officer. Any gift or hospitality over the value of £50 and £100 respectively is to be registered with the Monitoring Officer.

Members interests are published on the Council website. There is an opportunity for Members to declare interests at every meeting. Our review of minutes showed evidence of members declaring any interests at the start of the meeting. Members declaration and register of interests are published on the Council website under each Councillors profile.

Officer declarations of interest are voluntary and are advised on the rules related to gifts and hospitality and registering of interest.



Improvement recommendations

Improvement Recommendation 5

The Council should ensure that the recommendations of the March 2023 internal audit report on risk management are fully implemented

Improvement opportunity identified

Risk management processes that are fit for purpose

Summary findings

We made an improvement recommendation in 2021/22 that The Council should ensure that its Risk Management Policy and Toolkit is updated as it has been three years since it was last reviewed to provide assurance that its arrangements for identifying risks are still consistent with the principles of managing risks and performance as stated in its annual governance statement. This has not been completed but an internal audit report has also picked up on this matter and management have agreed that the policy will be updated by March 2024. The internal audit report was issued in March 2023 and rates the council's risk management arrangements as "limited assurance" meaning there are significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited. The report made 11 medium priority recommendations, all of which were accepted by management. Discussions with management indicate that an officer has been seconded in November 2023 to help address the issues raised in the internal audit report.

Criteria impacted



Governance

Auditor judgement

Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant but have raised a recommendation to support management in making appropriate improvements.

Management comments

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

Improving economy, efficiency and effectiveness



We considered how the Council:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives
- where it commissions or procures services assesses whether it is realising the expected benefits.

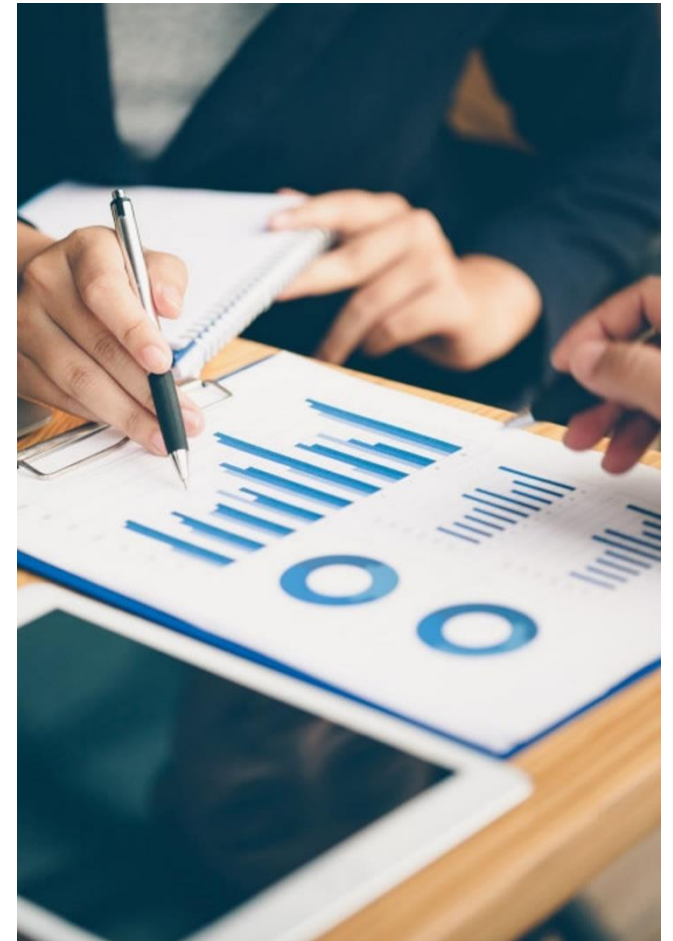
Use of financial and performance information

The Council measures progress and performance against its plans and priorities using a range of measures and the ongoing monitoring of Key Performance Indicators (KPIs) is part of that process. The aim of these KPIs is to indicate how successful the Council is in the delivery of its services against set targets, which is an essential part of performance management and the scrutiny process. The indicators are included in the corporate performance report which is reviewed quarterly by the Senior Management Team and Overview and Scrutiny – Resources Committee. Data on all corporate indicators is stored in a corporate performance monitoring application called Pentana.

The Council's Performance Management Framework provides the governance structure to enable the delivery of the Council's objectives. Performance monitoring is conducted at all levels of the organisation, from the strategic corporate level, through the operational/team level, leading to individual staff performance targets. The data is collated at the end of each quarter and a broad range of measures have been included to provide a comprehensive picture which include: KPIs, progress on Internal Audit recommendations, complaints monitoring, workforce data, financial forecasting and housing delivery monitoring.

The Corporate Performance Report for Quarter 4 of 2022/23 end of year outturn was presented to the Overview and Scrutiny – Resources Committee at the July 2023 meeting. 34.9% of indicators were classed as Red (53% in 21/22) which means they were over 5% off target with 53.5% Green - on target (33% in 21/22). This shows significant progress but 1/3rd of indicator are still off target. Amongst those areas that are classed as red include dealing with complaints, homeless households in temporary accommodation, reletting void properties and various elements of responsive repairs. Detailed summaries are provided in the service dashboard element of the report for each corporate KPI ensuring that members are fully informed of the key issues and can challenged those services highlighted as needing improvement.

As a result of the Council's annual review of KPIs, the proposed changes to the current corporate performance indicators for 2022/23 were agreed at the Overview & Scrutiny Committee in March 2022 and formally approval by Executive Committee in April 2022. There are six new proposed KPIs which were monitored in 2022/23.



Improving economy, efficiency and effectiveness (continued)

Assessing performance and identifying improvement (continued)

The Council has an Information Management Policy dated 2018. This is in need of review as it predates the latest Data Protection legislation. We reported in 2020/21 that the Council had no Data Quality Policy or Guidance to ensure the accuracy and timeliness of data used and this is still to be developed. In 2022/23 we were told The Information Governance Strategy and Information Management Policy are out of date and the holistic review of all existing information /Data governing documents, as well as the creation of a new Data/Information Vision and Strategy underpinned by a clear and phased delivery programme will be undertaken by the newly appointed Information Manager. In summer 2023, the Council began the development of an Information and Data Management Programme (IDMP) in order to get the best value from its data, information and systems, necessary to progress on their digital transformation journey and to offer modern services to residents, local businesses and partners. The Information Manager is the corporate lead for this initiative, responsible for collaborative work across the organisation, in order to deliver programme workstreams identified at the beginning of each financial year whilst considering key focus areas. We understand that the Information Management Policy is due for review in 2024 and a Data Quality Policy will be considered as part of this work.

The Council is part of the Surrey Chief Executive's benchmarking group which provides benchmarked data against key performance metrics. This benchmarking report is circulated to Surrey Chief Executives on a quarterly basis. The latest Surrey Chief Executives benchmarking report shows the Council's performance was above average for metrics on homelessness, planning and benefits processing. Performance is poorer on collection of council tax and NNDR although not significantly out of line with the majority of other councils in Surrey. We have no concerns based on these results.

We have seen a copy of the annual letter from the Local Government and Social Care Ombudsman for 2022/23. This confirms in relation to the Council there were seven investigations for the period between 1 April 2022 to 31 March 2023 and the Council had six complaints (86%) upheld. This compares to an average of 59% in similar organisations. In 100% of cases the Ombudsman was satisfied the organisation had successfully implemented the recommendations made. This shows the Council use external scrutiny as a tool for improvement.

Partnership working

The key partnership is the collaboration between the Council and Guildford Borough Council. The collaboration aims to help both councils cut costs by reducing the duplication of work, increasing efficiency and purchasing power, providing better value for money for residents and helping to protect local public services. The partnership is one of the largest between borough councils in the country, providing local services to 275,000 residents. During 2022/23 this arrangement was still in its infancy with only a Joint Chief Executive and joint management structure being put in place. Further advancement of collaboration work has been delayed due to financial difficulties being experienced by Guildford Borough Council which needs to be stabilised before further progress can be made. We were informed by the former joint section 151 officer for Guildford and Waverley Borough Council during our 2021/22 work that further progress was unlikely in the short term due to the need to harmonise working arrangements including processes, IT systems, staff arrangements and staff terms and conditions. As such we feel that progress in 2022/23 was acceptable but this will need to be revisited in our 2023/24 work to ensure progress was made in year. A paper has been submitted to the Executive in November 2023 outlining the next steps for the collaboration.

A Joint Appointments Committee comprised of six councillors from across political groups in both councils has overseen the recruitment and selection of the three Joint Strategic Directors during 2022/23. In addition, a Joint Governance Committee has been established to oversee the governance arrangements for inter-authority working. The first meeting of this new committee was held on 9 December 2022.

A collaboration risk register is in place which is to be reviewed by the Joint Governance Committee every six months. This was reviewed in December 2022, March 2023 and was last reviewed in October 2023. This contains 28 risks. The initial collaboration risk register was approved by both councils in April 2022, and is updated by officers to reflect developments and actions to mitigate risks accordingly. We have seen previously (minutes of the March 2023 Joint Governance Committee Meeting) that Members challenged several of the risks.

A draft Heads of Terms for the Inter Authority Agreement (IAA), that will form the basis of the partnership between Guildford and Waverley Borough Councils was agreed by councillors at the full Council meeting on 26 April 22. The IAA is a contract between the two councils, containing the legal framework under which the partnership will operate.

Improving economy, efficiency and effectiveness (continued)

Commissioning and procurement

The Council's Contract Procurement Rules (CPRs) outline the review of the Contract Procurement Rules and the changes made. The Audit Committee approved the draft in March 2022 and was approved by full Council in April 2022. It was recommended by officers to the Council that the proposed amendments to the Contract Procurement Rules be approved and incorporated into the Council's constitution. Our review confirmed that this has been completed.

The main purpose of the CPRs is to ensure that the Council meets current legal and policy requirements. Whilst securing value for money for residents, minimise the risk of challenge / undue criticism, support social value and sustainability and provide transparency as to how it spends public money. The document sets out the minimum requirements the Council must follow when procuring and/or entering into Contracts for the supply of goods, works and services including consultants. The CPRs document is available to staff and is also publicly available on the Council's website and therefore increases the ease of following these guidelines.

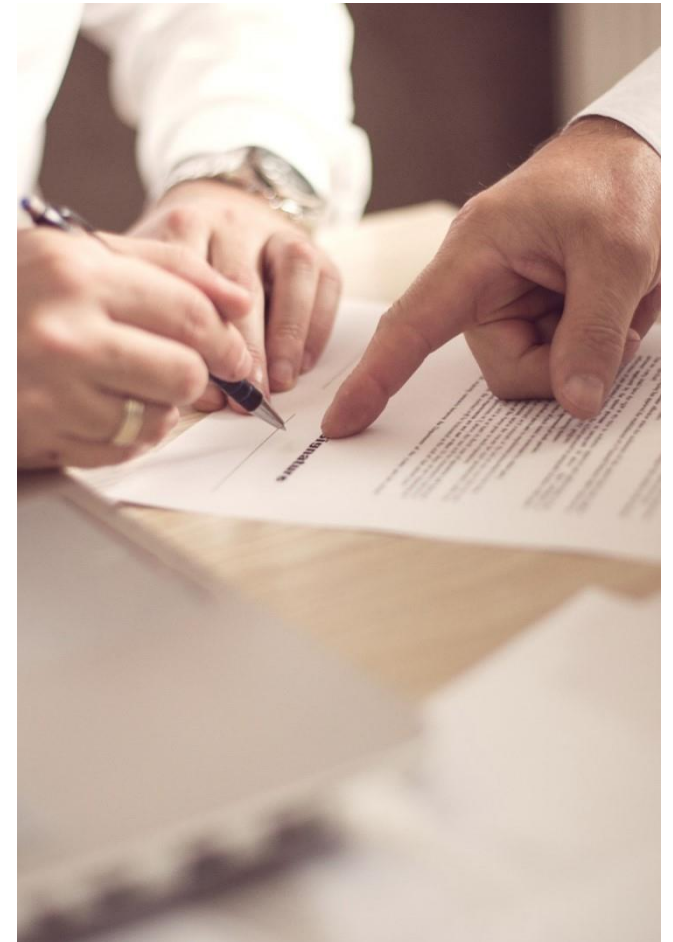
The Council has an e-sourcing portal which is a collaboration between public sector authorities in the south east region to provide a simple, secure and efficient way for managing sourcing and quotation activities, reducing time and cost for buyers and suppliers. There is access to the Contracts register via the website showing all contracts in value over £5,000.

We reported in 2020-21, that the Council does not have Procurement Strategy and made an improvement recommendation that the Council should consider developing one. Our review of arrangements in 2021-22 and 2022/23 have shown that there is still no Procurement Strategy in place. This Improvement recommendation will be restated.

The Council's key contracts have KPI's in place and regular contract meetings to review performance etc. It is expected that the service managers would work to resolve any issues with providers, and if necessary apply any punitive measures set out in the contract. The Council has four key contracts cover waste collection, grounds maintenance, housing repairs and leisure provision.

Capital monitoring happens regularly throughout the year and is reported quarterly to members through performance reporting.

Alongside this, for major projects, separate project boards are in place. These are cross service teams, who then report regularly to Corporate Management Board with highlight reports to notify of issues.



Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
<p>1 We recommend a Procurement Strategy is developed. In addition to explaining the Council's approach to procurement and how it complies with legal requirements it should also include the following: SMART (specific, measurable, achievable, realistic, and timely) objectives clearly set out in the Strategy to allow the Council to subsequently assess whether the Strategy is delivering as intended.</p> <p>A framework for how the delivery of the Strategy will be achieved. An annual or biennial review against SMART objectives reported to the Overview and Scrutiny Committee would allow the Council to assess how successful the Strategy is in delivering its objectives.</p>	Improvement	June 2022	No progress was identified on this matter	No	We re-raised this recommendation to ensure that the Council is focused on delivering improvements.
<p>2 The Council does not currently have a formal Data Strategy in place. Its good practice to have a formally published strategy or policy which sets out the Council's approach to ensure information is fit for purpose, with appropriate balance between the characteristics of good quality data (relevance, accuracy, timeliness, accessibility, coherence and comparability. Such a policy supports an organisation in enabling it to set expectations of staff and other organisations it works with regards to the treatment of data, whether from a collection or a decision making point of view.</p>	Improvement	June 2022	The Council has two publicly-available, personal data orientated policies in existence Data Protection Policy Feb 2022 and Consent Policy Feb 2022. The Information Governance Strategy and Information Management Policy are out of date and the holistic review of all existing information /data governing documents, as well as the creation of a new Data/Information Vision and Strategy underpinned by a clear and phased delivery programme will be undertaken by the newly appointed Information Manager. This work is due for completion in 2024.	In Progress	No

Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
<p>3 Consideration should be given to the following actions to help support the continued evolution of risk management that is in progress at the Council:</p> <ul style="list-style-type: none"> • Ask Internal Audit to complete a review of strategic risk management. • The Risk Management Policy and toolkit is refreshed as changes to processes have taken place since it was last updated in January 2019. • Executive and Council is presented with a copy of the Risk Register for review at least annually (as set out in the Risk Management Policy and toolkit.) 	Improvement	August 2023	The internal audit of risk management was undertaken and provided limited assurance. 11 recommendations were raised which were accepted by management and are due for implementation by March 2024. The recommendations include the review of the Risk Management Policy which remains outstanding. No reports on risk have been made to executive of Council.	Partially	Yes – a further improvement recommendation has been made.
<p>4 The Council should identify those service areas with high level of complaints and provide an action plan/progress update to members detailing service improvements made as a result of the complaints investigations made.</p>	Improvement	August 2023	This report is to be presented in 2024.	No	Yes – report to be presented in 2024/

Opinion on the financial statements



Grant Thornton provides an independent opinion on whether the Council's financial statements:

- give a true and fair view of the financial position of the Council as at 31 March 2023 and of its expenditure and income for the year then ended, and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2022/23
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

We conducted our audit in accordance with:

- International Standards on Auditing (UK)
- the Code of Audit Practice (2020) published by the National Audit Office, and
- applicable law

We are independent of the Council in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

Audit opinion on the financial statements

We have almost completed our audit of your financial statements and propose issuing an unqualified audit opinion following the Audit Committee meeting on 25 March 2024.



Opinion on the financial statements



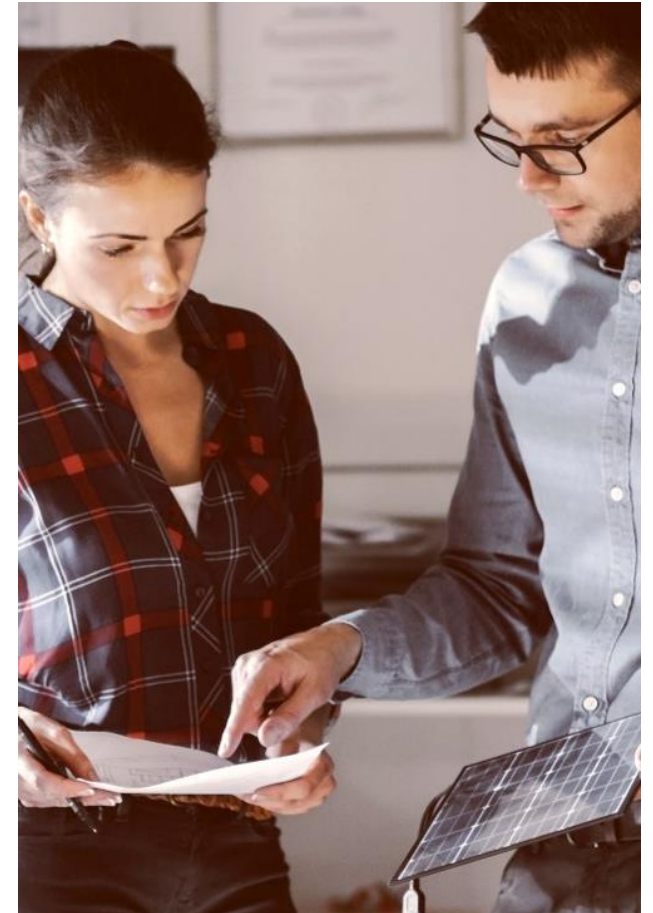
Timescale for the audit of the financial statements

- The Audit Plan was issued to the Audit Committee on 27 November 2023. This was later than a normal year due to the delays in completing the work on the 2021-22 Audit.
- Our audit work was completed remotely during October to November 2023, and then between January and March 2024.
- The Council provided draft financial statements in July 2023 in line with the national timetable
- There were some challenges with the provision of information from the Council, which did result in the audit being paused and recommenced in early 2024. There has been improvement in the response rate since January 2024, which has helped move things forward towards completion.
- The opinion on the financial statements is scheduled to be issued following the Audit Committee on 25 March 2024.

Findings from the audit of the financial statements

- We have identified three corrected adjustments that have nil impact on the General Fund. We also noted three uncorrected adjustments with a potential **£1.033 million** impact on the Council's Comprehensive Income and Expenditure Statement (CIES).
- There were some minor presentational adjustments that were amended by the Council in the final set of Accounts
- We have also raised recommendations for management as a result of our audit work.

More detailed findings are set out in our Audit Findings Report, which was presented to the Council's Audit Committee on 25 March 2024. Requests for this Audit Findings Report should be directed to the Council.



Other reporting requirements



Other opinion/key findings

We are required to report on a number of matters by exception in a number of areas:

- if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit,
- if we have applied any of our statutory powers or duties.
- where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es.

We have nothing to report on these matters.

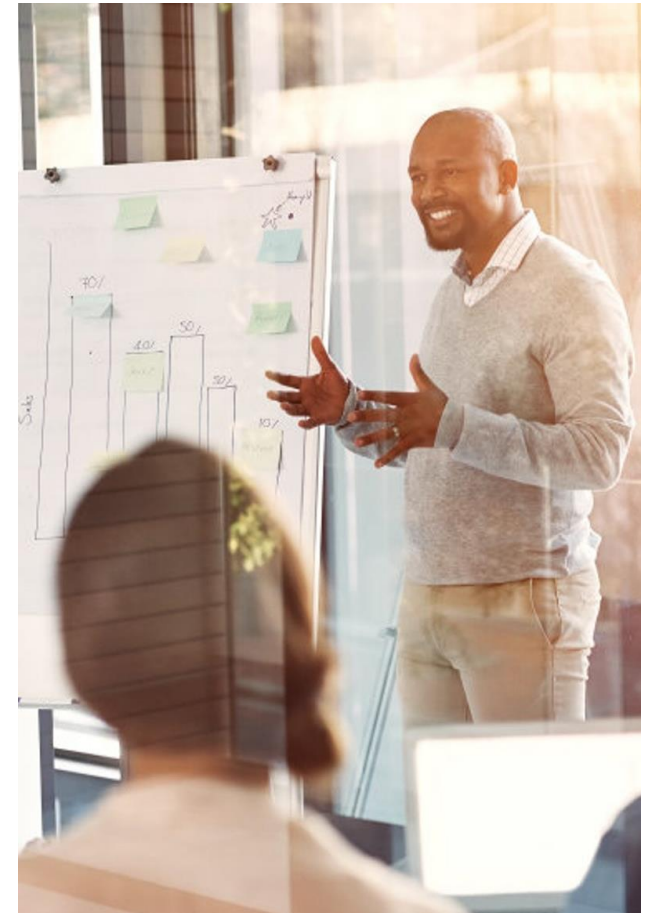
Audit Findings Report

More detailed findings can be found in our AFR, which was published and reported to the Council's Audit Committee on 25 March 2024, alongside this AAR.

Whole of Government Accounts

To support the audit of the Whole of Government Accounts, we are required to examine and report on the consistency of the Council's consolidation schedules with their audited financial statements. This work includes performing specified procedures under group audit instructions issued by the National Audit Office.

Waverley Borough Council does not exceed the threshold and therefore no further work is required in respect of this area.



Appendices

Appendix A: Responsibilities of the Council

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

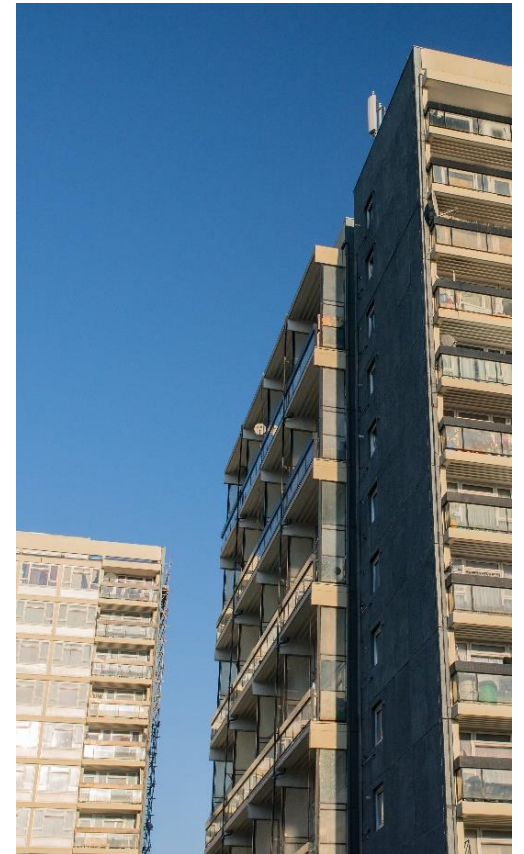
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer (or equivalent) is required to prepare the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing the Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Council will no longer be provided.

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.



Appendix B:

An explanatory note on recommendations

A range of different recommendations can be raised by the Council's auditors as follows:

Type of recommendation	Background	Raised within this report	Page reference(s)
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	No	
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of the Council's arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as 'key recommendations'.	No	
Improvement	These recommendations, if implemented, should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council's arrangements.	Yes	15-18, 23

