

Finance and Audit Scrutiny Committee

Tuesday 10 March 2015

A meeting of the above Committee will be held at the Town Hall, Royal Leamington Spa on Tuesday 10 March 2015 at 6.00pm.

Membership:

	Councillor Barrott (Chairman)	
Councillor Mrs Bunker		Councillor Pratt
Councillor Dhillon		Councillor Rhead
Councillor Mrs Knight		Councillor Mrs Syson
Councillor Mrs Mellor		Councillor Williams
Councillor Pittarello		Vacancy (Independent Group)

Emergency Procedure

At the commencement of the meeting, the Chairman will announce the emergency procedure for the Town Hall.

Agenda

Part A – General Items

*1. **Substitutes**

To receive the name of any Councillor who is to act as a substitute, notice of which has been given to the Chief Executive, together with the name of the Councillor for whom they are acting.

*2. **Declarations of Interest**

Members to declare the existence and nature of interests in items on the agenda in accordance with the adopted Code of Conduct.

Declarations should be entered on the form to be circulated with the attendance sheet and declared during this item. However, the existence and nature of any interest that subsequently becomes apparent during the course of the meeting must be disclosed immediately. If the interest is not registered, Members must notify the Monitoring Officer of the interest within 28 days.

Members are also reminded of the need to declare predetermination on any matter.

If Members are unsure about whether or not they have an interest, or about its nature, they are strongly advised to seek advice from officers prior to the meeting.

Part B – Audit Items

***3. External Audit Reports**

To consider a report from Finance

(Item 3/Page 1)

***4. Internal Audit Quarter 3 2014/15 Progress Report**

To consider a report from Finance

(Item 4/Page 1)

Part C – Scrutiny Items

***5. Comments from the Executive**

To receive a report from Civic & Committee Services

(Item 5/Page 1)

***6. Review of the Work Programme & Forward Plan**

To consider a report from Civic & Committee Services

(Item 6/Page 1)

***7. Executive Agenda (Non Confidential Items and Reports) – Wednesday 11 March 2015**

To consider non-confidential items on the Executive agenda which fall within the remit of this Committee. The only items to be considered are those which Committee Services have received notice of by 9.00am on the day of the meeting. You are requested to bring your copy of that agenda to this meeting.

***8. Public and Press**

To consider resolving that under Section 100A of the Local Government Act 1972 that the public and press be excluded from the meeting for the following items by reason of the likely disclosure of exempt information within paragraphs 1 and 3 of Schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006.

***9. Executive Agenda (Confidential Items and Reports) – Wednesday 11 March 2015**

To consider the confidential items on the Executive agenda which fall within the remit of this Committee. The only items to be considered are those which Committee Services have received notice of by 9.00am on the day of the meeting. You are requested to bring your copy of that agenda to this meeting (circulated separately).

(*Denotes those items upon which decisions will be made under delegated powers, as previously granted by Council)

Published Monday 2 March 2015

General Enquiries: Please contact Warwick District Council, Riverside House, Milverton Hill, Royal Leamington Spa, Warwickshire, CV32 5HZ.

Telephone: 01926 353362

Facsimile: 01926 456121

E-Mail: committee@warwickdc.gov.uk

Enquiries about specific reports: Please contact the officers named in the reports.

You can e-mail the members of the this Committee at

F&Ascrutinycommittee@warwickdc.gov.uk

Details of all the Council's committees, councillors and agenda papers are available via our website www.warwickdc.gov.uk/committees

Please note that the majority of the meetings are held on the first floor at the Town Hall. If you feel that this may restrict you attending this meeting, please call (01926) 353362 prior to this meeting, so that we can assist you and make any necessary arrangements to help you attend the meeting.

The agenda is also available in large print, on request, prior to the meeting by calling 01926 353362.

 Finance and Audit Scrutiny Committee 10 March 2015		Agenda Item No. 3
Title	External Audit Reports	
For further information about this report please contact	Mike Snow 01926 456800	
Wards of the District directly affected	N/A	
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?	No	
Date and meeting when issue was last considered and relevant minute number		
Background Papers		

Contrary to the policy framework:	No
Contrary to the budgetary framework:	No
Key Decision?	No
Included within the Forward Plan? (If yes include reference number)	No
Equality Impact Assessment Undertaken	N/A

Officer/Councillor Approval		
Officer Approval	Date	Name
Chief Executive/Deputy Chief Executive	25/2/2015	
Head of Service	25/2/2015	Mike Snow
CMT	25/2/2015	
Section 151 Officer	25/2/2015	Mike Snow
Monitoring Officer	25/2/2015	Andrew Jones
Finance	25/2/2015	Mike Snow
Portfolio Holder(s)	25/2/2015	Cllr Stephen Cross
Consultation & Community Engagement		
Insert details of any consultation undertaken or proposed to be undertaken with regard to this report.		
Final Decision?	Yes/No	
Suggested next steps (if not final decision please set out below)		

1. **Summary**

1.1 Grant Thornton, the Council's external auditors have recently submitted the following three items for the Committee's consideration:-

- Certification work for Warwick District Council for year ended 31 March 2014
- Informing the audit risk assessment for Warwick District Council
- The Audit Plan for Warwick District Council year ended 31 March 2015

2. **Recommendation**

2.1 That the Finance and Audit Scrutiny Committee considers the documents from the external auditors and make any relevant observations.

3. **Reasons for the Recommendation**

3.1 The letter dealing with the Certification work for 2013/14 replaces the previous reports on claims and reports. As the numbers of claims have now reduced, it has been deemed no longer necessary for a formal report to be issued. However, the auditor's letter is being brought to the committee's attention.

3.2 The two claims that were audited are:-

- Pooling of Housing Capital Receipts
- Housing Benefits Claim

3.3 The Housing and Benefit claim was qualified by the auditors. Whilst this is disappointing, as noted in previous years, it is the exception nationally for this claim to be unqualified.

3.4 The Audit Plan for the 2014/15 audit is presented. This includes details of the approach to be followed in carrying out the audit, and also some of the key risks that will be considered.

3.5 "Informing the audit risk assessment". In planning and performing the audit of the financial statements the auditors need to understand how the Finance & Audit Scrutiny Committee, as "those charged with governance", supported by the Council's officers, meets its responsibilities in the following areas:-

- fraud
- laws and regulations
- going concern
- related party transactions
- accounting for estimates.

The accompanying external auditor's report summarises the respective responsibilities of the Finance & Audit Scrutiny Committee, officers and external audit in each of these areas, as set out by International Standards on Auditing (UK and Ireland) (ISAs).

4. Policy Framework

- 4.1 By considering the documents, members can see how external audit can assist the Council in its priority of managing the Council's resources effectively and ensuring its services are of a high quality.

5. Budgetary Framework

- 5.1 The fee charged for the Annual Audit of the Accounts, and associated work is £71,497, excluding grant claims with an indicative fee of £8,530. Details of the fees are set out in the Planned Audit Fee letter from Grant Thornton.
- 5.2 For 2013/14 the main fee was £70,597 and £10,880 for grant claims. For all authorities, a further sum was agreed for additional work in respect of Business Rates.
- 5.3 The increase in fees for 2014/15 is understood to include the additional amount for Business Rates.

6. Risks

- 6.1 The audit of the accounts and associated grant claims seeks to provide assurance to all stakeholders that the Council's finances, as reported in the Accounts, are being properly managed.

7. Alternative Option(s) considered

- 7.1 None.



Grant Thornton

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Our ref: JG/HL

Mike Snow
Chief Finance Officer
Department of Finance
Warwick District Council
Riverside House
Milverton Hill
Leamington Spa CV32 5HZ

22 January 2015

Dear Mike

Certification work for Warwick District Council for year ended 31 March 2014

We are required to certify certain claims and returns submitted by Warwick District Council ('the Council'). This certification typically takes place six to nine months after the claim period and represents a final but important part of the process to confirm the Council's entitlement to funding.

Arrangements for certification are prescribed by the Audit Commission, which agrees the scope of the work with each relevant government department or agency, and issues auditors with a Certification Instruction (CI) for each specific claim or return.

We have certified two claims and returns for the financial year 2013/14 relating to expenditure of £34.3 million. Further details of the claims certified are set out in Appendix A.

There are no issues arising from our certification work which we wish to highlight for your attention. We are satisfied that the Council has appropriate arrangements to compile complete, accurate and timely claims/returns for audit certification. The indicative fee for 2013/14 for the Council is based on the final 2011/12 certification fees, reflecting the amount of work required by the auditor to certify the claims and returns in that year. Fees for schemes no longer requiring certification (such as the national non-domestic rates return) have been removed. The fees for certification of housing benefit subsidy claims have been reduced by 12 per cent, to reflect the removal of council tax benefit from the scheme. The indicative scale fee set by the Audit Commission for the Council for 2013/14 is £10,880. This is set out in more detail in Appendix B.

Appendix B confirms that a fee variation has been sought from the Audit Commission as a result of additional testing that was required on housing benefit cases. This has been agreed with the Head of Finance, however we are currently awaiting final approval from the Audit Commission in terms of the fee variation requested.

Yours sincerely

John Gregory
For Grant Thornton UK LLP

Grant Thornton UK LLP
Colmore Plaza
20 Colmore Circus
Birmingham B4 6AT
T +44 (0)121 212 4000
F +44 (0)121 212 4014
DX 13174 Birmingham
www.grant-thornton.co.uk

Chartered Accountants

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Appendix A - Details of claims and returns certified for 2013/14

Claim or return	Value (£)	Amended?	Amendment (£)	Qualified?	Comments
Pooling of Housing Capital Receipts	3,002,149	Yes	Nil impact on the claim value	No	A new cell had been added to the claim form and the guidance had not been correctly interpreted initially. The appropriate amendment was agreed and made prior to submission.
Housing Benefit Claim	31,269,347	Yes	39	Yes	As in previous years the claim has been both amended and qualified, the errors identified as part of the initial discovery testing resulted in the need for additional testing to be undertaken in 3 areas.

Appendix B: Fees for 2013/14 certification work

Claim or return	2012/13 fee (£)	2013/14 indicative fee (£)	2013/14 actual fee (£)	Variance (£)	Explanation for variances
Pooling of Housing Capital Receipts	440	463	463	0	
Housing Benefit Claim	9,690	10,417	12,717	2,300	The indicative fee is based on the 2011/12 certification fee and the level of testing that was required to be undertaken in that year. In 2011/12 no additional testing was required following the discovery testing performed, however for 2013/14 3 areas required additional sampling of 40 benefit cases in each area. As a result an additional fee has been incurred. The value of this additional fee has been agreed with the Head of Finance, however we are awaiting final approval from the Audit Commission who need to approve all requested fee variations.
National non-domestic rates return (NNDR3)	720	N/a	N/a	N/a	No requirement to certify this return in 2013/14
Total	10,850	10,880	13,180	2,300	

The Audit Plan for Warwick District Council

Year ended 31 March 2015

10 March 2015

John Gregory

Director

T 0121 232 5333

E john.gregory@uk.gt.com

Helen Lillington

Manager

T 0121 232 5312

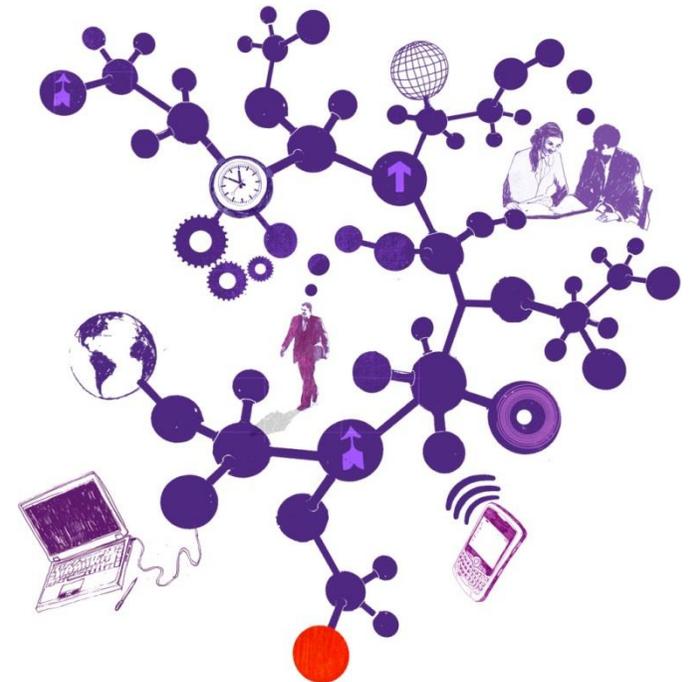
E helen.m.lillington@uk.gt.com

Lorraine Connor

Executive

T 0121 232 5257

E lorraine.connor@uk.gt.com



The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. 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.

Contents

Section

1. Understanding your business
2. Developments relevant to your business and the audit
3. Our audit approach
4. Significant risks identified
5. Other risks
6. Value for Money
7. Results of interim work
8. Key dates
9. Fees and independence
10. Communication of audit matters with those charged with governance

Understanding your business

In planning our audit we need to understand the challenges and opportunities the Council is facing. We set out a summary of our understanding below.

Challenges/opportunities

1. Procurement and Commissioning

- Delivering efficiency savings through improved procurement.
- Many authorities are looking at making significant changes to the way services are delivered, which is requiring long term planning and up front commitment from both officers and members.

2. LG Reorganisation

- Regional devolution plans
- Combined authorities
- Confederations

3. LG Finance Settlement

- The local government spending settlement showed local authorities are facing a cash reduction in their spending power of 6% in 2015-16.
- Councils are being placed under continued pressure to produce savings on an on going basis.

4. Governance Arrangements

- Austerity, funding reductions and demographic pressures create a potential threat to the long-term sustainability of some organisations in the sector.
- In this context the task of maintaining good and effective governance is becoming ever more complex, and at the same time increasingly important.
- Governance needs to keep pace with these changes, ensuring that authorities' goals are achieved, and values maintained regardless of who is contracted to deliver the service.



Our response

- We will review the progress you have made in delivering your efficiency savings in this area as part of our work on your arrangements for financial resilience.

- We will discuss your plans in these areas through our regular meetings with senior management and those charged with governance, providing a view where appropriate.

- We will review your Medium Term Financial Plan and financial strategy as part of our work on your arrangements for financial resilience.

- We will discuss any planned changes to your governance structures through our regular meetings with senior management and those charged with governance, providing a view where appropriate.
- We will ensure that any governance recommendations arising from the review of the recent local government objections are properly considered.

Developments relevant to your business and the audit

In planning our audit we also consider the impact of key developments in the sector and take account of national audit requirements as set out in the Code of Audit Practice ('the code') and associated guidance.

Developments and other requirements

1. Financial reporting

- Changes to the CIPFA Code of Practice
- Adoption of new group accounting standards (IFRS 10, 11 and 12)

2. Legislation

- Local Government Finance settlement

3. Corporate governance

- Annual Governance Statement (AGS)
- Explanatory foreword

5. Financial Pressures

- Managing service provision with less resource
- Progress against savings plans

6. Other requirements

- The Council is required to submit a Whole of Government accounts pack on which we provide an audit opinion.
- The Council completes grant claims and returns on which audit certification is required.

Our response

We will ensure that

- the Council complies with the requirements of the CIPFA Code of Practice through discussions with management and our substantive testing.
- the group boundary is recognised in accordance with the Code and joint arrangements are accounted for correctly.

- We will discuss the impact of the legislative changes with the Council through our regular meetings with senior management and those charged with governance, providing a view where appropriate.

- We will review the arrangements the Council has in place for the production of the AGS.
- We will review the AGS and the explanatory foreword to consider whether they are consistent with our knowledge.
- We will follow up the previous recommendation made on the AGS.

- We will review the Council's performance against the 2014/15 budget, including consideration of performance against the savings plan.
- We will undertake a review of Financial Resilience as part of our VfM conclusion.

- We will carry out work on the WGA pack in accordance with requirements.
- We will certify the housing benefit subsidy claim in accordance with the requirements specified by Public Sector Audit Appointments Ltd. This company will take over the Audit Commission's responsibilities for housing benefit grant certification from 1 April 2015.

Our audit approach

Global audit technology

Ensures compliance with International Standards on Auditing (ISAs)

- * Understanding the environment and the entity
- * Understanding the business
- * Understanding management's focus
- * Evaluating the year's results

Inherent risks
Significant risks
Other risks
Material balances

Develop audit plan to obtain reasonable assurance that the Financial Statements as a whole are free from material misstatement and prepared in all material^a respects with the CIPFA Code of Practice framework using our global methodology and audit software



Note:
a. An item would be considered material to the financial statements if, through its omission or non-disclosure, the financial statements would no longer show a true and fair view.



Creates and tailors audit programs

Stores audit evidence

Documents processes and controls

Significant risks identified

'Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty' (ISA 315).

In this section we outline the significant risks of material misstatement which we have identified. There are two presumed significant risks which are applicable to all audits under auditing standards (International Standards on Auditing – ISAs) which are listed below:

Significant risk	Description	Substantive audit procedures
The revenue cycle includes fraudulent transactions	<p>Under ISA 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Warwick District Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none">• there is little incentive to manipulate revenue recognition.• opportunities to manipulate revenue recognition are very limited.• the culture and ethical frameworks of local authorities, including Warwick District Council, mean that all forms of fraud are seen as unacceptable.
Management over-ride of controls	<p>Under ISA 240 the presumption that the risk of management over-ride of controls is present in all entities.</p>	<p>Work completed to date:</p> <ul style="list-style-type: none">• Review of the journal control environment. <p>Further work planned:</p> <ul style="list-style-type: none">• Review of accounting estimates, judgments and decisions made by management.• Testing of journal entries.• Review of unusual significant transactions.

Other risks identified

The auditor should evaluate the design and determine the implementation of the entity's controls, including relevant control activities, over those risks for which, in the auditor's judgment, it is not possible or practicable to reduce the risks of material misstatement at the assertion level to an acceptably low level with audit evidence obtained only from substantive procedures (ISA 315).

In this section we outline the other risks of material misstatement which we have identified as a result of our planning.

Other risks	Description	Audit Approach
Operating expenses	Creditors understated or not recorded in the correct period (Operating expenses understated)	<p>Work completed to date:</p> <ul style="list-style-type: none"> • We have updated our understanding and discussed the cycle with relevant personnel from the finance team during the interim audit. • We have performed walkthrough tests of the controls identified in the cycle. • Substantive testing of transactions up to the date of the interim audit. <p>Further work planned:</p> <ul style="list-style-type: none"> • Substantive testing will be performed on transactions made since the interim visit on our return at the final audit. • Cut off testing will be performed on pre and post year end transactions. • A review of the completeness of the reconciliations to the purchasing system will be undertaken.
Employee remuneration	Employee remuneration accruals understated (Remuneration expenses not correct)	<p>Work completed to date:</p> <ul style="list-style-type: none"> • We have updated our understanding and discussed the cycle with relevant personnel from the finance team during the interim audit. • We have performed walkthrough tests of the controls identified in the cycle. • Substantive testing of transactions up to the date of the interim audit. <p>Further work planned:</p> <ul style="list-style-type: none"> • Substantive testing will be performed on transactions made since the interim visit on our return at the final audit. • A review of the completeness of the payroll reconciliation to ensure that the information from the payroll system can be agreed to the ledger and financial systems.

Other risks identified

Other risks	Description	Audit Approach
Welfare Expenditure	Welfare benefit expenditure improperly computed	<p>Work completed to date:</p> <ul style="list-style-type: none">• We have updated our understanding and discussed the cycle with relevant personnel in the Revenue and Benefits team during the interim audit.• We performed walkthrough tests of the controls identified in the cycle. <p>Further work planned:</p> <ul style="list-style-type: none">• Substantive testing is performed via the HBCOUNT work which provides assurances over the balances in the financial statements.• Review of key reconciliations are performed between the Revenues and Benefits systems and the ledger.

Value for money

Value for money

The Code requires us to issue a conclusion on whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion.

Our VfM conclusion is based on the following criteria specified by the Audit Commission:

VfM criteria	Focus of the criteria
The organisation has proper arrangements in place for securing financial resilience	The organisation has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future
The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness	The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity

We have undertaken a risk assessment to identify areas of risk to our VfM conclusion. We will undertake work in the following areas to address the risks identified:

- Perform a risk assessment and then consider the areas for further review which will support our overall conclusion. We will then update members on the key areas reviewed, and
- Undertake a financial resilience review

The results of our VfM audit work and the key messages arising will be reported in our Audit Findings report and in the Annual Audit Letter.

We will agree any additional reporting to the Council on a review-by-review basis.

Results of interim audit work

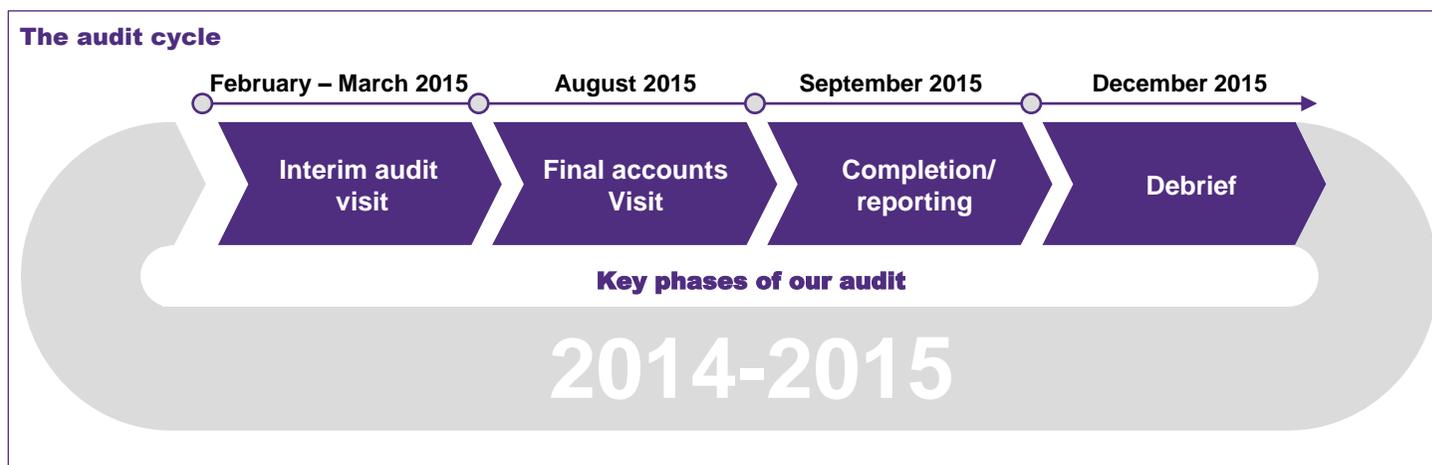
The findings of our interim audit work, and the impact of our findings on the accounts audit approach, are summarised in the table below:

	Work performed and findings	Conclusion
Internal audit	We have completed a high level review of internal audit's overall arrangements. Our work has not identified any issues which we wish to bring to your attention.	Our review of internal audit work has not identified any weaknesses which impact on our audit approach.
Walkthrough testing	<p>We have completed walkthrough tests of controls operating in areas where we consider that there is a risk of material misstatement to the financial statements.</p> <p>Internal controls have been implemented in accordance with our documented understanding, with the exception of the issue noted.</p>	<p>Our work has identified one issue which we wish to bring to your attention. The walkthrough of the bank reconciliation process identified that although the reconciliations were being carried out on a timely basis, these were not been signed off by the reviewer as being completed and accurately followed up.</p> <p>Our work has not identified any weaknesses which impact on our audit approach.</p>
Entity level controls	<p>We have obtained an understanding of the overall control environment relevant to the preparation of the financial statements including:</p> <ul style="list-style-type: none"> • Communication and enforcement of integrity and ethical values • Commitment to competence • Participation by those charged with governance • Management's philosophy and operating style • Organisational structure • Assignment of authority and responsibility • Human resource policies and practices 	Our work has identified no material weaknesses which are likely to adversely impact on the Council's financial statements

Results of interim audit work cont'd

	Work performed	Conclusion
Journal entry controls	We have reviewed the Council's journal entry policies and procedures as part of determining our journal entry testing strategy and have not identified any material weaknesses which are likely to adversely impact on the Council's control environment or financial statements.	No issues have been identified that we wish to highlight for your attention.

Key dates



Date	Activity
February 2015	Planning
March 2015	Interim site visit
March 2015	Presentation of audit plan to Audit Committee
August 2015	Year end fieldwork
September 2015	Audit findings clearance meeting with Head of Finance
September 2015	Report audit findings to those charged with governance
September 2015	Sign financial statements opinion

Fees and independence

Fees

	£
Council audit	71,497
Grant certification	8,530
Total fees (excluding VAT)	80,027

Our fee assumptions include:

- Supporting schedules to all figures in the accounts are supplied by the agreed dates and in accordance with the agreed upon information request list
- The scope of the audit, and the Council and its activities, have not changed significantly
- The Council will make available management and accounting staff to help us locate information and to provide explanations

Grant certification

- Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited, as the successor to the Audit Commission in this area.
- Fees in respect of other grant work, such as reasonable assurance reports, are shown under 'Fees for other services.'

Fees for other services

Service	Fees £
None	Nil

Fees for other services

Fees for other services reflect those agreed at the time of issuing our Audit Plan. Any changes will be reported in our Audit Findings Report and Annual Audit Letter.

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

Full details of all fees charged for audit and non-audit services will be included in our Audit Findings report at the conclusion of the audit.

We confirm that we have implemented policies and procedures to meet the requirement of the Auditing Practices Board's Ethical Standards.

Communication of audit matters with those charged with governance

International Standards on Auditing (ISA) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

This document, The Audit Plan, outlines our audit strategy and plan to deliver the audit, while The Audit Findings will be issued prior to approval of the financial statements and will present key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via a report to the Council.

Respective responsibilities

This plan has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission (www.audit-commission.gov.uk).

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

	Audit plan	Audit findings
Our communication plan		
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issue arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence.	✓	✓
Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged.		
Details of safeguards applied to threats to independence		
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to the auditor's report, or emphasis of matter		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓



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Informing the audit risk assessment for Warwick District Council

Year ended

31 March 2015

John Gregory

Director

T 0121 232 5333

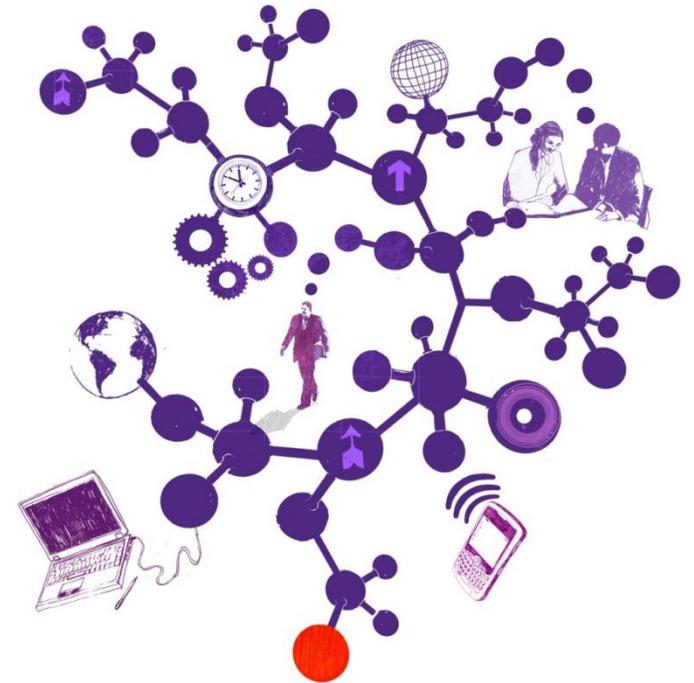
E Mail john.gregory@uk.gt.com

Helen Lillington

Audit Manager

T 0121 232 5312

E Mail helen.m.lillingtonl@uk.gt.com



The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. 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.

Contents

Section	Page
Purpose	4
Fraud	5
Fraud Risk Assessment	6
Laws and Regulations	9
Impact of Laws and Regulations	10
Going Concern	12
Going Concern Considerations	13
Related Parties	15
Accounting Estimates	16
Appendix A Accounting Estimates	17

Purpose

The purpose of this report is to contribute towards the effective two-way communication between the Authority's external auditors and the Authority's Finance and Audit Scrutiny Committee, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where we are required to make inquiries of the Finance and Audit Scrutiny Committee under auditing standards.

Background

Under International Standards on Auditing (UK and Ireland) (ISA(UK&I)) auditors have specific responsibilities to communicate with the Finance and Audit Scrutiny Committee. ISA(UK&I) emphasise the importance of two-way communication between the auditor and the Finance and Audit Scrutiny Committee and also specify matters that should be communicated.

This two-way communication assists both the auditor and the Finance and Audit Scrutiny Committee in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the Finance and Audit Scrutiny Committee and supports them in fulfilling its responsibilities in relation to the financial reporting process.

Communication

As part of our risk assessment procedures we are required to obtain an understanding of management processes and the Finance and Audit Scrutiny Committee's oversight of the following areas:

- fraud
- laws and regulations
- going concern
- accounting estimates
- related parties.

This report includes a series of questions on each of these areas and the response we have received from the Authority's management. The Finance and Audit Scrutiny Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

Fraud

Issue

Matters in relation to fraud

ISA(UK&I)240 covers auditors responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both the Finance and Audit Scrutiny Committee and management. Management, with the oversight of the Finance and Audit Scrutiny Committee, needs to ensure a strong emphasis on fraud prevention and deterrence and encourage a culture of honest and ethical behaviour. As part of its oversight, the Committee should consider the potential for override of controls and inappropriate influence over the financial reporting process.

As the Authority's external auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

As part of our audit risk assessment procedures we are required to consider risks of fraud. This includes considering the arrangements management has put in place with regard to fraud risks including:

- assessment that the financial statements could be materially misstated due to fraud
- process for identifying and responding to risks of fraud, including any identified specific risks
- communication with the Finance and Audit Scrutiny Committee regarding its processes for identifying and responding to risks of fraud
- communication to employees regarding business practices and ethical behaviour.

We need to understand how the Finance and Audit Scrutiny Committee oversees the above processes. We are also required to make inquiries of both management and the Committee as to their knowledge of any actual, suspected or alleged fraud. These areas have been set out in the fraud risk assessment questions below together with responses from the Authority's management.

Fraud risk assessment

Question	Management response
<p>Has the Authority assessed the risk of material misstatement in the financial statements due to fraud or error? What are the results of this process?</p>	<p>The financial statements are subject to internal quality assurance checks which are carried out by the Head of Finance and Strategic Finance Manager.</p> <p>The monthly review of Service Revenue and Capital budgets will identify any material risk of material misstatement.</p>
<p>What processes does the Authority have in place to identify and respond to risks of fraud?</p>	<p>All suspected cases of fraud, theft, corruption should be notified to Head of Finance or the Audit & Risk Manager.</p> <p>Anti Fraud & Corruption and Whistle Blowing Policies in place.</p>
<p>Have any specific fraud risks, or areas with a high risk of fraud, been identified and what has been done to mitigate these risks?</p>	<p>Investigations of suspected fraud, as a result of cases brought to the attention of the Head of Finance or Audit and Risk Manager, are carried out by the Internal Audit team.</p> <p>No Significant Fraud risk identified.</p> <p>Locations handling income, particularly in the form of cash, are more likely to be at risk of fraud. However, as noted above, these are not significant.</p>

Fraud risk assessment (continued)

Question	Management response
<p>Are internal controls, including segregation of duties, in place and operating effectively? If not, where are the risk areas and what mitigating actions have been taken?</p>	<p>Sound systems of internal control with roles and responsibilities are defined in various places such as the Constitution, Code of Financial Practice and Code of Procurement Practice. The Code of Procurement Practice was agreed by full Council in January 2015, and the Code of Financial Practice is currently being updated, this is planned to be reviewed by the Executive in March, with agreement by Council in April 2015. The role of Internal Audit provides assurance that the Council's Internal Controls are in place. Annually, the Audit & Risk Manager provides an opinion on the Council's control environment.</p> <p>Services controls e.g. segregation of duties of officers' to mitigate fraud, are in place to support the Council's Anti-Fraud and Corruption Strategy and Whistle Blowing Policy.</p> <p>There is a strong risk management culture, with Finance & Audit Scrutiny Committee actively involved in reviewing Service Risk Registers.</p>
<p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets) ?</p>	<p>None known.</p>
<p>Are there any areas where there is a potential for misreporting override of controls or inappropriate influence over the financial reporting process ?</p>	<p>None known.</p>
<p>How does the Finance and Audit Scrutiny Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control? What arrangements are in place to report fraud issues and risks to the Finance and Audit Scrutiny Committee?</p>	<p>The reporting of fraud issues to Finance & Audit Scrutiny Committee is made by various methods ; i) Investigation reports by the Audit and Risk Manager, as a result of the Whistleblowing Policy; ii) Reports by the Head of Finance; and iii) Annual Governance Statement report for Internal Control to mitigate fraud risk.</p>

Fraud risk assessment (continued)

Question	
<p>How does the Authority communicate and encourage ethical behaviour of its staff and contractors?</p>	<p>The updated code of conduct for members and employees outlines the Council's expectations for business practice and ethical behaviour.</p>
<p>How do you encourage staff to report their concerns about fraud? Have any significant issues been reported ?</p>	<p>Employees should be aware of the anti-fraud and corruption strategy, details are available on the Intranet and induction training for all new staff covers fraud and corruption awareness. The Audit & Risk Manager investigates all cases of suspected fraud.</p>
<p>Are you aware of any related party relationships or transactions that could give rise to risks of fraud ?</p>	<p>Most of the related party transactions that could give rise to potential fraud are those in which Councillors have a direct interest. Risks are mitigated by Councillors' declaration of interests and non-participation in debates. Officers are also expected to declare any potential interest or conflict. Tightened procedures now operate within Housing & Property Services.</p>
<p>Are you aware of any instances of actual, suspected or alleged fraud, either within the Authority as a whole or within specific departments since 1 April 2014 ?</p>	<p>No.</p>
<p>Are you aware of any whistleblower reports or reports under the Bribery Act since 1 April 2014 ? If so, how has the Finance and Audit and Scrutiny Committee responded to these ?</p>	<p>No</p>

Laws and regulations

Issue

Matters in relation to laws and regulations

ISA(UK&I)250 requires us to consider the impact of laws and regulations in an audit of the financial statements.

Management, with the oversight of the Finance and Audit Scrutiny Committee, is responsible for ensuring that the Authority's operations are conducted in accordance with laws and regulations including those that determine amounts in the financial statements.

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. As part of our risk assessment procedures we are required to make inquiries of management and the Finance and Audit Scrutiny Committee as to whether the entity is in compliance with laws and regulations. Where we become aware of information of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

Risk assessment questions have been set out below together with responses from management.

Impact of laws and regulations

Question	Management response
What arrangements does the Authority have in place to prevent and detect non-compliance with laws and regulations ?	<p>The Council has arrangements in place for legal advice to be provided by Warwickshire County Council.</p> <p>Employees are expected to keep themselves updated of laws and regulations related to their area of work.</p> <p>Suspected non-compliances with laws and regulations will be investigated.</p>
How does management gain assurance that all relevant laws and regulations have been complying with?	Through effective governance processes and review mechanisms such as internal audit. The Monitoring Officer will advise the Council's Corporate Management team and Councillors as appropriate.
How is the Finance and Audit Scrutiny Committee provided with assurance that all relevant laws and regulations have been complied with ?	Assurance of Statement which is reported to Finance & Audit Scrutiny Committee.
Have there been any instances of non-compliance or suspected non-compliance with laws and regulations since 1 April 2013, or earlier with an on-going impact on the Authority's 2013/14 financial statements ?	No.
What arrangements does the Authority have in place to identify, evaluate and account for litigation or claims ?	All potential insurance claims should be notified by officers to the Council's Insurance and Risk Officer.
Is there any actual or potential litigation or claims that would affect the financial statements ?	There are no material potential claims.

Impact of laws and regulations (continued)

Question	Management response
Have there been any reports from other regulatory bodies, such as HM Revenues and Customs which indicate non-compliance ?	No.

Going Concern

Issue

Matters in relation to going concern

ISA(UK&I)570 covers auditor responsibilities in the audit of financial statements relating to management's use of the going concern assumption in the financial statements.

The going concern assumption is a fundamental principle in the preparation of financial statements. Under this assumption entities are viewed as continuing in business for the foreseeable future. Assets and liabilities are recorded on the basis that the entity will be able to realise its assets and discharge its liabilities in the normal course of business.

Going concern considerations have been set out below and management has provided its response.

Going concern considerations

Question	Management response
Does the Authority have procedures in place to assess the Authority's ability to continue as a going concern ?	The Council maintains up to date five year financial projections for the General fund and a 50 year HRA Business Plan. These are constantly updated and periodically reported to members and officers. Projections are also held of future level of reserves. Alongside this, potential financial liabilities are monitored. Accordingly, the authority is able to assess any future surplus/deficit and its ability to continue as a going concern.
Is management aware of the existence of other events or conditions that may cast doubt on the Authority's ability to continue as a going concern ?	The financial projections, based on current assumptions show the Council needs to save over £1m on its revenue budget so as to be able to maintain existing services . Also, the Council needs to invest major sums in its corporate assets in future years so as to be able to ensure future service provision.
Are arrangements in place to report the going concern assessment to the Finance and Audit Scrutiny Committee ?	The financial projections and liabilities are reported to the Executive. These reports are scrutinised by the Finance & Audit Scrutiny Committee.
Are the financial assumptions in that report (e.g. future levels of income and expenditure) consistent with the Authority's Business Plan and the financial information provided to the Authority throughout the year ?	Yes, but assumptions will need to change over the year, as the MTFS is a living document. Any changes to assumptions are explained within the reports to Executive.
Are the implications of statutory or policy changes appropriately reflected in the Business Plan, financial forecasts and report on going concern ?	Yes. All known changes which impact upon the financial projections will be factored in.

Going concern considerations (continued)

Question	Management response
<p>Have there been any significant issues raised with the Finance and Audit Scrutiny Committee during the year which could cast doubts on the assumptions made ? (Examples include adverse comments raised by internal audit regarding financial performance or significant weaknesses in systems of financial control).</p>	<p>No. Recent favourable Internal Audit report on the Financial Planning gave Substantial Assurance.</p>
<p>Does a review of available financial information identify any adverse financial indicators including negative cash flow ? If so, what action is being taken in improve financial performance ?</p>	<p>No. see earlier comments on projected long term shortfall.</p>
<p>Does the Authority have sufficient staff in post, with the appropriate skills and experience, particularly at senior manager level, to ensure the delivery of the Authority's objectives ? If not, what action is being taken to obtain those skills ?</p>	<p>Whilst there have been absences during 2014/15 of Heads of Service, arrangements have been put in place to ensure services continue to be appropriately managed. These arrangements primarily entail CMT taking on more line management responsibilities.</p>

Related Parties

Issue

Matters in relation to Related Parties

Local Authorities are required to comply with IAS 24 and disclose transactions with entities/individuals that would be classed as related parties. These may include:

- entities that directly, or indirectly through one or more intermediaries, control, or are controlled by the authority (i.e. subsidiaries);
- associates;
- joint ventures;
- an entity that has an interest in the authority that gives it significant influence over the authority;
- key management personnel, and close members of the family of key management personnel, and
- post-employment benefit plans (pension fund) for the benefit of employees of the authority, or of any entity that is a related party of the authority.

A disclosure is required if a transaction (or series of transactions) is material on either side, i.e. if a transaction is immaterial from the Authority perspective but material from a related party viewpoint then the Authority must disclose it.

ISA (UK&I) 550 requires us to review your procedures for identifying related party transactions and obtain an understanding of the controls that you have established to identify such transactions. We will also carry out testing to ensure the related party transaction disclosures you make in the financial statements are complete and accurate.

Question

What controls does the Authority have in place to identify, account for and disclose related party transactions and relationships ?

Management response

Councillors and Councillors do not participate in decisions where they are a related party.
Annual accounts disclosures for related parties and transactions are reviewed for completeness by the General Fund Accountant.

Accounting estimates

Issue
<p>Matters in relation to accounting estimates</p> <p>Local Authorities apply appropriate estimates in the preparation of their financial statements. ISA (UK&I) 540 sets out requirements for auditing accounting estimates. The objective is to gain evidence that the accounting estimates are reasonable and the related disclosures are adequate.</p> <p>Under this standard we have to identify and assess the risks of material misstatement for accounting estimates by understanding how the Authority identifies the transactions, events and conditions that may give rise to the need for an accounting estimate.</p> <p>Accounting estimates are used when it is not possible to measure precisely a figure in the accounts. We need to be aware of all estimates that the Authority is using as part of its accounts preparation; these are detailed in appendix 1 to this report. The audit procedures we conduct on the accounting estimate will demonstrate that:</p> <ul style="list-style-type: none">• the estimate is reasonable; and• estimates have been calculated consistently with other accounting estimates within the financial statements. <p>We would ask the Finance and Audit Scrutiny Committee to satisfy itself that the arrangements for accounting estimates are adequate.</p>

Question	Management response
Are the management arrangements for the accounting estimates, as detailed in Appendix A reasonable ?	Yes. Where estimation is necessary, appropriate estimating methodology is utilised. Estimates will be prepared by those best qualified, e.g. WCC Pension Funds department to supply estimates relating to IAS 19 – Employee Benefits, assets professionally valued.
How is the Finance and Audit Scrutiny Committee provided with assurance that the arrangements for accounting estimates are adequate ?	Details of estimates disclosed in accounting policies within Accounts. Finance & Audit Scrutiny Committee consider this document initially when signed by the S151 Officer and ahead of signing off by the Council..

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Property valuations	Property valuations are made by the external valuer from the Valuation Office Agency. Heritage asset valuations will be made by external valuer.	Valuer notified of changes to the estate from the prior year	Use the external valuer (RICS qualified) from Valuation Office Agency for PPE. Use the external valuer for heritage assets.	Valuations are made in-line with the CIPFA Code of Practice guidance - reliance on expert	No
Estimated remaining useful lives of PPE	Assets are assigned to asset categories with appropriate asset lives.	Consistent asset lives applied to each asset category.	Use the external valuer (RICS qualified) from Valuation Office Agency	The useful lives of property are recorded in accordance with the recommendations of the external RICS qualified valuer.	No
Depreciation	Depreciation is provided for on property plant and equipment with a finite useful life on a straight-line basis	Consistent application of depreciation method across assets	No	The length of the life is determined at the point of acquisition or revaluation.	No

Appendix A Accounting Estimates (Continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Impairments	Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.	Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired.	Use the external valuer (RICS qualified) from Valuation Office Agency. Use the external valuer for Heritage Assets.	Valuations are made in-line with the CIPFA Code of Practice guidance - reliance on expert	No
Provision for doubtful debts	A provision is estimated using a proportion basis of an aged debt listing..	The finance team calculate the provision.	No	Consistent proportion used across debt.	No

Appendix A Accounting Estimates (Continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Measurement of Financial Instruments	Measurements are obtained from appropriate sources. The Authority follows the requirements of the CIPFA Code of Practice.	The financial instruments are measured by the Treasury Accountant and the accounts are reviewed by the Strategic Finance Manager .	No	The measurements are based upon the best information held at the current time and are provided by experts in their field.	No
Creditor accruals	Accruals are estimated by reviewing goods and services received prior to the end of the financial year for which an invoice has not been received.	The date of receipt of the goods and services is used in the estimation of the accrual.	No	The use of actual dates of receipt of goods and services gives a low degree of uncertainty.	No
Pension Fund Actuarial gains/losses	The actuarial gains and losses figures are calculated by the actuarial experts(Hymans Robertson) These figures are based on making % adjustments to the closing values of assets/liabilities.	For the LGPS the Authority responds to queries raised by the administering authority Warwickshire County Council.	The Authority are provided with an actuarial report by Hymans Robertson (LGPS) .	The nature of these figures forecasting into the future are based upon the best information held at the current time and are developed by experts in their field.	No

Appendix A Accounting Estimates (Continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
SERCOP overhead allocation	The accountants apportion central support costs to services based on appropriate bases.	All support service cost centres are allocated according to the agreed processes.	No	Appropriate bases are reviewed each year to ensure equitable.	No



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 Finance and Audit Scrutiny Committee 10 March 2015		Agenda Item No. 4
Title	Internal Audit Quarter 3 2014/15 Progress Report	
For further information about this report please contact	Richard Barr Tel: (01926) 456815 E Mail: richard.barr@warwickdc.gov.uk	
Service Area	Finance	
Wards of the District directly affected	Not applicable	
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006	No	
Date and meeting when issue was last considered and relevant minute number	Finance and Audit Scrutiny Committee – 2 December 2014	
Background Papers	Internal Audit Reports	

Contrary to the policy framework:	No
Contrary to the budgetary framework:	No
Key Decision?	No
Included within the Forward Plan? (If yes include reference number)	No
Equality & Sustainability Impact Assessment Undertaken	N/A: no direct service implications

Officer/Councillor Approval		
With regard to officer approval all reports <i>must</i> be approved by the report author's relevant director, Finance, Legal Services and the relevant Portfolio Holder(s).		
Officer Approval	Date	Name
Chief Executive / Deputy Chief Executive	19 Feb 2015	Chris Elliott
Section 151 Officer	19 Feb 2015	Mike Snow
Monitoring Officer	19 Feb 2015	Andrew Jones
Human Resources		
Finance	19 Feb 2015	As Section 151 Officer
Portfolio Holder	19 Feb 2015	Councillor Cross
Consultation and Community Engagement		
None other than consultation with members and officers listed above.		
Final Decision?	Yes	
Suggested next steps (if not final decision please set out below)		

1 **SUMMARY**

- 1.1 Report advises on progress in achieving the Internal Audit Plan 2014/15, summarises the audit work completed in the third quarter and provides assurance that action has been taken by managers in respect of the issues raised by Internal Audit.

2 **RECOMMENDATIONS**

- 2.1 That the report be noted and its contents be accepted or, where appropriate, acted upon.

3 **REASON FOR THE RECOMMENDATIONS**

- 3.1 Members have responsibility for corporate governance, of which internal audit forms a key part.

4 **ALTERNATIVE OPTIONS CONSIDERED**

- 4.1 This report is not concerned with recommending a particular option in preference to others so this section is not applicable.

5 **BUDGETARY FRAMEWORK**

- 5.1 Although there are no direct budgetary implications arising from this report, Internal Audit provides a view on all aspects of governance including that of the Budgetary Framework. An effective control framework ensures that the Authority manages its resources and achieves its objectives economically, efficiently and effectively.

6 **POLICY FRAMEWORK**

- 6.1 Although there are no direct policy implications, Internal Audit provides a view on all aspects of governance and will take into account the Council's policies.

7 **RISKS**

- 7.1 Internal Audit provides a view on all aspects of governance, including corporate and service arrangements for managing risks.
- 7.2 It is difficult to provide a commentary on risks as the report is concerned with the outcome of reviews by Internal Audit on other services. Having said that, there are clear risks to the Council in not dealing with the issues raised within the Internal Audit reports (these risks were highlighted within the reports). There is also an overarching risk associated with the Finance & Audit Scrutiny Committee not fulfilling its role properly e.g. not scrutinising this report robustly.

8 **ROLE AND RESPONSIBILITIES OF AUDIT COMMITTEES**

- 8.1 Guidance on the role and responsibilities of audit committees is available from a number of sources. That which relates to audit committees' relationship with internal audit and in particular the type and content of reports they should receive from internal audit is summarised in Appendix 1.

- 8.2 Essentially, the purpose of an audit committee is:
- To provide independent assurance of the associated control environment.
 - To provide independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment.
- 8.3 To help fulfil these responsibilities audit committees should review summary internal audit reports and the main issues arising, and seek assurance that action has been taken where necessary.
- 8.4 The following sections provide information to satisfy these requirements.

9 **PROGRESS AGAINST PLAN**

- 9.1 At the start of each year Members approve the Audit Plan setting out the audit assignments to be undertaken. An analysis of the progress made so far in completing the Audit Plan for 2014/15 is set out as Appendix 2.

10 **ASSURANCE**

- 10.1 Management is responsible for the system of internal control and should set in place policies and procedures to help ensure that the system is functioning correctly. On behalf of the Authority, Internal Audit review, appraise and report on the efficiency, effectiveness and economy of financial and other management controls.
- 10.2 Each audit report gives an overall opinion on the level of assurance provided by the controls within the area audited. The assurance bands are shown below:

Assurance Levels

Level of Assurance	Definition
Substantial Assurance	There is a sound system of control in place and compliance with the key controls.
Moderate Assurance	Whilst the system of control is broadly satisfactory, there are weaknesses in the system that leaves some risks not addressed together with non-compliance with some of the controls, including key ones.
Limited Assurance	The system of control is weak and there is non-compliance with the controls that do exist.

These definitions have been developed following extensive investigation of other organisations' practices (including commercial operations).

11 **INTERNAL AUDIT ASSIGNMENTS COMPLETED DURING QUARTER**

- 11.1 Seven audits were completed in the third quarter of 2014/15. Copies of all the reports issued during the quarter are available for viewing on the following hyper-link: [Reports](#).

- 11.2 The action plans accompanying all Internal Audit reports issued in the quarter are set out as Appendix 3. These detail the recommendations arising from the audits together with the management responses, including target implementation dates.
- 11.3 As can be seen, responses have been received from managers to all recommendations contained in audit reports issued during the last quarter.
- 11.4 Two of the audits completed during the quarter were awarded a lower than substantial assurance opinion. The audits were Payroll & Staff Expenses and Section 106 Agreements. The reports relating to these audits are set out as Appendix 4.

12 **IMPLEMENTATION OF RECOMMENDATIONS ISSUED PREVIOUSLY**

- 12.1 Managers are required to implement recommendations within the following timescales:
- (a) Recommendations involving controls assessed as high risk to be implemented within three months.
 - (b) Recommendations involving controls assessed as low or medium risk to be implemented within nine months.
- 12.2 The state of implementation of **low and medium risk** recommendations made in the fourth quarter of 2013/14 is set out as Appendix 5 to this report. There were no **high risk** recommendations issued in the second quarter of 2013/14.
- 12.3 As can be seen, responses have been received from all managers in order to provide the state of implementation of recommendations issued in earlier quarters.

13 **REVIEW**

- 13.1 Members are reminded that they can see any files produced by Internal Audit that may help to confirm the level of internal control of a service, function or activity that has been audited or that help to verify the performance of Internal Audit.

GUIDANCE ON THE ROLE AND RESPONSIBILITIES OF AUDIT COMMITTEES

Public Sector Internal Audit Standards 2013

Independence and Objectivity

The chief audit executive must...establish effective communication with, and have free and unfettered access to...the chair of the audit committee.

Glossary

Definition: Audit Committee

The governance group charged with independent assurance of the adequacy of the risk management framework, the internal control environment and the integrity of financial reporting.

Audit Committees: Practical guidance for Local Authorities (CIPFA)

Core Functions

Audit committees will:

... Review summary internal audit reports and the main issues arising, and seek assurance that action has been taken where necessary.

Suggested Audit Committee Terms of Reference

Audit Activity:

- To consider the Head of Internal Audit's and a summary of internal audit activity (actual and proposed) and the level of assurance it can give over the Council's corporate governance arrangements.
- To consider summaries of specific internal audit reports as requested.
- To consider a report from internal audit on agreed recommendations not implemented within a reasonable timescale.

Called to Account: The Role of Audit Committees in Local Government (Audit Commission)

Monitoring Audit Performance

Auditor/officer collaboration

Slow delivery and implementation of recommendations reduces the audit's impact and can allow fraud to flourish or service delivery to deteriorate. Audit committees can play a key role in ensuring that auditors and officers collaborate effectively. This can enable auditors' reports to be dovetailed into the relevant service committee cycles and ensure that officers respond promptly to completed audit reports.

Management response

An audit committee can ensure that officers consider these recommendations promptly, and act on them where auditors have raised valid concerns.

Implementation

Agreed recommendations arising from audit work need to be implemented. Councils should have a forum for considering the contribution of internal and external audit and for ensuring that audit is, in practice, adding value to corporate governance.

Audit committees can be a powerful vehicle for securing implementation of audit recommendations and thereby improve the operation and delivery of Council activities.

CIPFA Technical Information Service Online

Audit Reporting

Introduction

Internal auditors should produce periodic summary reports of internal audit's opinion and major findings.

The...report could also be issued to senior management of the organisation but should primarily be issued to the audit committee to report upon the soundness or otherwise of the organisation's internal control system. This report will form the conclusion of the work undertaken by internal audit during the period of the report. A summary of the scope of this internal work should also be included in the report.

Periodic Internal Audit Reports

Audit committees should not normally be provided with the full text of internal audit reports. Audit reports are mainly concerned with operational details while audit committees and members or non-executive directors should be concentrating on ensuring that the organisation's system of internal control is effective and that the strategic or corporate objectives are being achieved efficiently. Members or non-executive directors' interest in internal audit should normally be restricted to gaining an assurance that the organisation's systems of internal control are adequate and that where audit does not consider this to be the case that action is taken to ensure that any short comings are rectified promptly.

Audit committee members should not usually get involved in discussing individual internal audit findings or recommendations but should concentrate their attentions on the opinions internal audit express on the activities and systems they have reviewed. These opinions should be summarised and should provide a clear opinion on the overall quality of the organisation's internal control system and the general level of performance across the organisation. Members or non-executive directors should not be over concerned with adverse internal audit conclusions if reasonable recommendations suggested by internal audit have been accepted and that these have been promptly implemented.

If, however, major internal control weaknesses are discovered these should be reported to the audit committee as this may indicate general weaknesses in the management of the section or the department concerned. Audit findings that appear to show a common thread of similar weaknesses throughout the organisation should also be reported to the audit committee.

INTERNAL AUDIT PROGRESS 2014/15: QUARTER 3**ANALYSIS OF PERFORMANCE****Time Spent: Audit Plan – Planned Vs Actual**

ACTIVITY	ANNUAL ALLOCATION (DAYS)	PROFILE ALLOCATION (DAYS)	ACTUAL TO DATE (DAYS)	VARIATION (DAYS)
<u>Planned Audit Work</u>	288.0	216.0	215.0	+1.0
<u>Other Time</u>				
Sundry audit advice	22.0	16.5	20.9	-4.4
Special investigations (e.g. Fraud/Irregularities)	30.0	22.5	3.2	+19.3
Corporate and departmental Initiatives	39.0	29.3	27.7	+1.6
Non-chargeable activities	114.0	85.5	94.6	-9.1
Leave and other absences	116.0	87.0	94.6	-7.6
<i>Total Other Time</i>	321.0	240.8	241.0	-0.2
<i>Total Time</i>	609.0	456.8	456.0	+0.8

Time spent: Assignments Completed – Planned Vs Actual

AUDIT ASSIGNMENT	PLAN (DAYS)	TIME TAKEN (DAYS)	UNDER (+) / OVER (-)
Corporate Governance	5.0	6.0	-1.0
Payroll and Staff Expenses	13.0	16.0	-3.0
Section 106 Agreements	10.0	13.7	-3.7
Licensing Services	10.0	11.5	-1.5
Flood Risk Management	10.0	12.0	-2.0
Administration of Housing Benefit & Council Tax Reduction	Contracted-out audit		
Treasury Management	Contracted-out audit		

Explanation of variances where greater than 20% (unless within 2 days):

Payroll and Staff Expenses: Overspend due to the large amount of findings and the additional work that was required to get to the bottom of some of the issues.

Section 106 Agreements: Original allocation was a 'best guess' of the time that would be required. Also, follow-up work required following discussion of draft report.

Completion of Audit Plan: Target Vs Actual

NO. OF AUDITS PER AUDIT PLAN	PROFILED TARGET COMPLETION		ACTUAL NO. COMPLETED TO DATE		VARIATION	
	NO.	%	NO.	%	NO.	%
34	20	60.0	19	55.9	-1	-5.0

**SUMMARY OF RECOMMENDATIONS AND MANAGEMENT RESPONSES FROM INTERNAL AUDIT REPORTS
ISSUED QUARTER 3, 2014/15**

Report Reference	Recommendation	Risk Rating¹	Responsible Officer	Management Response and Target Implementation Date
Corporate Governance Services – 7 October 2014				
<p>The examination questioned:</p> <ul style="list-style-type: none"> a) Are Executive resolutions being implemented as intended in a timely manner? b) Are there any procedures in Service Areas to monitor the implementation of decisions? c) What is the scale of the issue and are there any general or soft controls to ensure that resolutions are implemented? d) Do the results of sample testing indicate that decisions are not being implemented and so formal monitoring is required? <p>The work involved selecting a sample of Executive resolutions made since April 2013 and then checking to ensure that they had been implemented. In most cases this involved some form of evidence but in some cases reliance was placed on assurances from senior managers. Some Heads of Service were asked, by e mail, for their views on the subject and how they ensured that Executive resolutions were dealt with fully and in a timely manner.</p> <p>The audit suggests that member decisions are being implemented although not always in a timely manner. It noted that the introduction of a formal monitoring system is a management decision that should be based on risk, cost, increases in workload and the improvement in overall governance.</p>				

¹ Risk Ratings are defined as follows:

- High: Issue of significant importance requiring urgent attention.
- Medium: Issue of moderate importance requiring prompt attention.
- Low: Issue of minor importance requiring attention.

Report Reference	Recommendation	Risk Rating¹	Responsible Officer	Management Response and Target Implementation Date
Payroll and Staff Expenses – 19 December 2014				
4.1.3	The establishment on the HRMS system should be reviewed and updated to ensure that it reflects the current agreed structure of the council.	Medium	Senior HR Officer (SF)	This is being addressed as part of the project to move the HR and Payroll database to Coventry. March 2015.
4.1.3	The quarterly reports to managers should be reinstated to enable managers to review their staffing lists.	Medium	Senior HR Officer (SF)	As above.
4.1.5	The HR Handbook should be reviewed to ensure that all details are still relevant.	Low	Senior HR Officer (EP)	This work is already in progress. April 2015.
4.1.9	Proforma email forms should be created for changes to permanent payroll information to ensure that all relevant information is received at the same time.	Low	HR Transactional Payroll Project Manager	This will be picked up as part of the rollout of Manager Self Service. July 2015.
4.1.9	The authorised signatory list should be amended to include details of which officers can send through the email notifications.	Medium	HR Transactional Payroll Project Manager	This will be automatic when self-service is rolled out. July 2015.
4.4.3	Checks should be undertaken to ensure that all documents have been saved correctly following scanning onto FORTIS.	Low	HR Transactional Payroll Project Manager	Staff are going to attend a training course on the use of FORTIS. Double checking is not, however, deemed to be cost effective. March 2015.

Report Reference	Recommendation	Risk Rating¹	Responsible Officer	Management Response and Target Implementation Date
4.4.6	Checks should be undertaken following any changes to pay rates to ensure that all affected elements on the system have been updated.	Medium	HR Transactional Payroll Project Manager	Payroll staff will review pay elements every time there is a pay award where these elements are fixed amounts as opposed to being linked to an employee's hourly rate. January 2015.
4.5.7	A formal decision should be made as to whether the shortfall in monies recovered in respect of the car loan interest payments should be pursued with the ex-employee.	Low	HR Manager	It has been decided to write off this amount in the circumstances. Immediate.
4.6.2	An independent review of the 'update own record' report should be reinstated.	Medium	HR Transactional Payroll Project Manager	The reports are created monthly already. These will be scrutinised by the HR Manager on a monthly basis and signed off or investigated further as deemed appropriate. Immediate.
4.10.10	All manual calculations should be checked by another member of Payroll staff.	Low	HR Transactional Payroll Project Manager	The recommendation will be complied with. Immediate.
Section 106 Agreements – 14 January 2015				
4.2.9	A standard list of consultees should be drawn up for major applications.	Low	Development Team Leader	Agreed. The recommended action will be complied with. End Feb 2015.

Report Reference	Recommendation	Risk Rating¹	Responsible Officer	Management Response and Target Implementation Date
4.2.11	Evidence should be obtained to support all requests for s106 contributions for each individual application as appropriate.	Medium	Development Team Leader	Agreed. The recommended action will be complied with. End Feb 2015.
4.2.14	Consultees should be formally made aware of the outcome of relevant applications including in relation to any contributions that are to be paid to them.	Low	Development Team Leader	Agreed. The recommended action will be complied with. End Feb 2015.
4.3.6	A sealed copy of the relevant s106 agreement should be obtained.	Low	Development Manager (in conjunction with Legal Services)	Agreed. The recommended action will be complied with. End Feb 2015.
4.4.9	The planned monitoring processes set out should be put in place as a key priority.	High	Development Manager & Enforcement Manager	Agreed. The course of action is included in the Development Services draft Improvement Plan. In view of the complexity of the project, the Development Manager will advise Internal Audit should any issues come to light which may affect the completion date. End Feb 2015.
Licensing Services – 20 January 2015				
4.5.13	The Licensing Team should liaise with NDR to arrange access to council held Rateable Value data.	Medium	Regulatory Manager	NDR access to be arranged.

Report Reference	Recommendation	Risk Rating¹	Responsible Officer	Management Response and Target Implementation Date
4.5.13	When RVs are available the current bandings for premises licences should be compared.	Medium	Regulatory Manager	Work will be undertaken annually or upon receipt of a new or variation of an existing application.
4.5.13	Access should be arranged to Valuation Office schedules of changes to the Valuation List. They should be assessed regularly for any possible changes to premises bandings.	Medium	Regulatory Manager	Access to valuations list to be arranged. Frequency of access to be determined.
Flood Risk Management – 27 November 2014				
4.7.4	The Procurement Team should be contacted for advice on market testing the work currently undertaken by Wilkinsons.	Medium	Environmental Sustainability Manager	Tender documents to be prepared in January in readiness for awarding a new contract on 1 April 2015. 1 April 2015.
4.8.9	Invoices for work undertaken for WCC should be raised at regular intervals on predetermined dates.	Medium	Environmental Sustainability Manager	HCP Business Support Officer to raise annual invoice at start of the year 1 April 2015.
4.8.9	Invoices should be raised in advance and not in arrears in accordance with the Code of Financial Practice.	Medium	Environmental Sustainability Manager	Area Engineers to provide HCP Business Support Officer with relevant and timely information. 1 April 2015.
4.9.4	The situation with income from the County for Highways Culvert maintenance in 2013/14 should be investigated and reported as part of the corporate budget monitoring process.	Medium	Environmental Sustainability Manager	ESM to discuss with WCC. 31 January 2015.

Report Reference	Recommendation	Risk Rating ¹	Responsible Officer	Management Response and Target Implementation Date
4.9.4	As part of ongoing monthly budget monitoring any significant variations should be investigated and reported so that action can be taken as appropriate.	Medium	Environmental Sustainability Manager	ESM to action. 1 January 2015.

Administration of Housing Benefit & Council Tax Reduction – 13 November 2014

The audit reviewed the controls in place over the processes for making payments and reclaiming and stopping overpayments. The approach to the audit was to ascertain and evaluate the controls in place by applying the CIPFA Control Matrices for these subsystems on the Housing Benefits and Council Tax Reduction System. These comprise Internal Control Questionnaires (ICQs) that are completed following a discussion with the main audit contact and are designed to identify any control weaknesses. These are followed by the completion of a set of compliance tests that are linked to the ICQs.

There is a phased approach to the audit of Housing Benefits and Council Tax Reduction System with the aim being to cover all of the modules over a three year cycle. On this occasion the payment and overpayments modules were audited.

Controls in these two modules were examined under the following areas:

Payments:

- Policies and procedures
- Payments including those to landlords
- Checks and reconciliations
- Performance
- Security of data

Overpayments:

- Policies and procedures
- Identification and calculation
- Recording and notification
- Recovery
- Reduction and write off
- Performance
- Security of data

In respect of the areas examined the audit found that there are sound systems and procedures in place to manage Housing Benefits and Council Tax Reduction.

Report Reference	Recommendation	Risk Rating ¹	Responsible Officer	Management Response and Target Implementation Date
Treasury Management – 4 December 2014				
3.1.1	The daily procedure notes should be updated to reflect current practices, with the manual being updated to include current documentation.	Low	Principal Accountant (Capital & Treasury Management)	The daily procedure notes will be updated as soon as possible. March 2015.
3.11.1	A quarterly detailed reconciliation between Treasury Management investment spreadsheet records per counterparty/money market fund should be prepared and signed off as correct.	Medium	Principal Accountant (Capital & Treasury Management)	Quarterly detailed reconciliations will be performed and signed off at the end of each quarter beginning December 2014. January 2015.
3.11.1	The above reconciliation should detail any incorrect transaction values requiring journal adjustment between principal and interest received, with the objective of ensuring that the financial reporting to Executive is facilitated.	Medium	Principal Accountant (Capital & Treasury Management)	Any adjustments revealed during the quarterly reconciliations will be journaled on completion of the reconciliation in order to ensure that TOTAL is kept up to date. January 2015.

**AUDIT REPORTS WITH MODERATE OR LOW LEVEL OF ASSURANCE
ISSUED QUARTER 3 2014/15**

Payroll & Staff Expenses – 19 December 2014

1. Background

- 1.1 Warwick District Council uses the Oracle Human Resources Management System (HRMS) hosted by Warwickshire County Council for the processing of payroll functions. HRMS was developed in 2003/04 by the County and a number of partner organisations. Warwick District Council uses both the payroll and HR related functions within HRMS.
- 1.2 Staff costs account for a high percentage of expenditure, therefore it is important for there to be effective controls in place. Over 800 individuals have been paid during the current financial year, covering over 900 assignments (with some individuals having up to four different assignments), including permanent staff, casual staff and Councillors.
- 1.3 The core payroll duties are undertaken by members of staff in the Payroll team within HR. All staff are now paid by BACS on the monthly payroll, with the weekly payments having been terminated a number of years ago.

2. Scope and Objectives of the Audit

- 2.1 There is currently a project underway looking at how the payroll function will be operated in the future, covering issues such as self-service and whether the council continues to use the HRMS system hosted by the county council. As this project is still ongoing, however, it is the current processes that have been examined.
- 2.2 An extensive examination has been undertaken using the CIPFA systems-based control evaluation models. This entailed completion of Internal Control Questionnaires (ICQs) and testing of controls in accordance with evaluation programmes. Detailed testing was performed to confirm that controls identified have operated, with documentary evidence being obtained where possible, although some reliance has had to be placed on verbal discussions with relevant staff, including Payroll Officers and other HR staff.
- 2.3 The controls covered fall under the following main headings:
- Starters
 - Deductions
 - Variations to pay

- Leavers and transfers
- Payments
- Reconciliations
- Security of data
- Travel and subsistence
- Members' allowances

2.4 A set of 'general' questions was also included in the matrices. Some specific tests were not performed as they were either considered not relevant to the operations at the council or are covered under separate audits.

3. Findings

3.1 General Issues

3.1.1 At the time of the previous audit, the establishment was being maintained on a standalone system (Snowdrop). The use of this system has now been discontinued, however, with the establishment now being held on the HRMS system. As the establishment is on the same system as the payroll, there is no need for reconciliation between the two records, as staff cannot be paid by payroll if they do not have an assigned post.

3.1.2 It was flagged up during the course of the audit, however, that there are issues with maintaining the establishment at the moment. The HR Transactional Payroll Project Manager (PPM) highlighted that there was a lack of expertise in maintaining the establishment hierarchy on HRMS and also on setting up new posts. As a result, a number of posts are being set up as temporary posts on the system.

3.1.3 This has also impacted upon the checks that used to be performed by managers. In the past, HR would provide managers with quarterly establishment lists for their service areas to confirm that they were correct. These lists are no longer produced, however, as it is known that they are incorrect.

Risk

Errors go unnoticed.

Recommendations

The establishment on the HRMS system should be reviewed and updated to ensure that it reflects the current agreed structure of the council.

The quarterly reports to managers should be reinstated to enable managers to review their staffing lists.

3.1.4 The Code of Financial Practice indicates that all relevant staff-related payments, including those to Members, are made under the arrangements approved and controlled by the Head of Finance, with Senior Managers having a duty to ensure that all relevant issues relating to staff in their area are dealt with immediately and with regard to the Personnel (HR) Handbook.

3.1.5 The HR handbook contains some of the more detailed documents and procedures, although this needs to be updated as some items are no longer relevant (e.g. the honorarium guidance still makes reference to the 'purple book' and makes distinctions for craft and manual workers).

Risk

Staff and managers deal with HR and payroll issues incorrectly.

Recommendation

The HR Handbook should be reviewed to ensure that all details are still relevant.

3.1.6 Checklists are in place for certain tasks performed by Payroll and HR staff and various guidance notes for different tasks, along with a 'basic instructions' document, are held on the 'Payments' area of the network. Some of the guidance documents are quite old, although the basic instructions document was found to include recent amendments (e.g. details regarding changes to the national minimum and living wages and changes to processes following the incorporation of the Payroll team into the HR service area).

3.1.7 In the past, forms were received by Payroll to authorise amendments to the payroll (either permanent changes such as new starters or temporary changes such as monthly mileage claims), and these were required to be authorised by an authorised signatory.

3.1.8 Whilst some of the forms are retained at present for the temporary changes, some of the permanent changes are now notified to Payroll and HR by email. This process was agreed at the time of the previous audit following discussions between Internal Audit, Payments and HR. The agreement, however, was that all of the relevant details should still be included on the emails and these emails should only be accepted from authorised staff.

3.1.9 As part of the testing covered under other areas in this report, it was noted that the information is often received in a piecemeal fashion and, whilst authorised signatory lists are being maintained, they do not cover who these emails can be received from.

Risk

Unauthorised and inaccurate amendments to permanent payroll information.

Recommendations

Proforma email forms should be created for changes to permanent payroll information to ensure that all relevant information is received at the same time.

The authorised signatory list should be amended to include details of which officers can send through the email notifications.

3.2 Starters

- 3.2.1 A sample of staff that had recently been employed by the council was reviewed to ensure that the process of entering them onto the payroll had been undertaken appropriately.
- 3.2.2 The testing identified the issues as highlighted above (see 3.1.9). Following receipt of the information, however, testing confirmed that the process was operating effectively, with starter's checklists being in place for each new starter sampled and the employee being correctly set up on HRMS.

3.3 Deductions

- 3.3.1 All voluntary deductions require authorisation from the employee concerned. This authorisation is then retained in the electronic personal file for the relevant employee (now on FORTIS).
- 3.3.2 A sample of twenty voluntary deductions selected at random from payroll information extracted from HRMS was tested to ensure that there was appropriate documentary evidence held on the employee's file. This was found to be the case in all but one instance.
- 3.3.3 In this instance, the individual concerned confirmed that authorisation would have been given and that it may have been actioned whilst he was working at the county council (although employed by this council). Whilst this finding suggests that there has been a minor non-compliance with the control, it is acknowledged that an employee would be likely to have queried any unauthorised deductions from their pay.
- 3.3.4 The deductions extract was also interrogated to ascertain whether there were any positive amounts. One such instance was identified and an appropriate explanation was provided by the Payroll Officer.
- 3.3.5 When the deductions are made from the employees pay, the monies are placed into holding accounts on the TOTAL system. Testing was undertaken to ensure that the deductions were subsequently being paid over to the relevant creditors. This test proved satisfactory.

3.4 Variations to Pay

- 3.4.1 The 'variations' tested covered a whole range of different amendments to staff pay, from timesheets being submitted by casual staff to overtime claims, sick and maternity pay to honoraria and permanent pay awards.
- 3.4.2 Testing of timesheets was undertaken to ensure that the forms had been appropriately completed, that they had been signed appropriately by both the employee and by an authorising officer and that they had been annotated in some way to identify that they had been input to HRMS for payment.

3.4.3 Authorised timesheets were found in the majority of cases. Copies of timesheets could not, however, be found on FORTIS for one sampled individual in May 2014. Upon further investigation, it was noted that timesheets covering 17 individuals, including the sampled employee, were missing (all records for 15 staff members and some timesheets from two others at the start and end of the 'batch').

Risk

Queries cannot be resolved.

Recommendation

Checks should be undertaken to ensure that all documents have been saved correctly following scanning onto FORTIS.

4.4.4 Similar testing was undertaken in relation to overtime claims. All forms were found to have been appropriately signed and authorised. During the course of the testing, it was necessary to work out what hourly rates were being paid, so that payments could be related to the individual overtime claim forms. The testing confirmed that staff were generally being paid at the correct rates.

3.4.5 One issue was noted, however, that affected two sampled staff members: They are paid overtime at a certain point on the salary scale (SCP35). When their payments were checked, however, it was identified that the hourly rate paid did not agree to the correct hourly rate for the pay scale. Upon further investigation it was identified that the overtime element had not been increased in line with the latest pay award (one percent increase in April 2013). The Payroll Officer checked with the county council (as the system supplier) and it was highlighted that they hadn't been made aware of the need to change the relevant 'element'.

3.4.6 The element was updated during the course of the audit and reports were run to identify all relevant payments against the element identified. This identified payments to other staff outside of the sample chosen. These underpayments have now been processed on the system, with amendments being paid to the affected staff as part of the December payroll.

Risk

Incorrect staff payments.

Recommendation

Checks should be undertaken following any changes to pay rates to ensure that all affected elements on the system have been updated.

3.4.7 Where staff members had received sick pay, testing was undertaken to ensure that they had appeared as appropriate on the weekly absence returns. All payments were found to be appropriately supported.

- 3.4.8 Payments in respect of maternity leave were checked back to appropriate documentation and testing was also undertaken to ensure that the relevant rates of pay had been applied at the different stages of maternity leave and that statutory maternity pay (SMP) had been reclaimed as appropriate from HMRC. Again, this test proved satisfactory.
- 3.4.9 Honoraria payments had been made to eighteen individuals during the current financial year and a sample of payments were examined to ensure that appropriate authorisation had been received. Authorisation from the Chief Executive to make the payment was, eventually, found in each case, although copy documents had not been scanned against the correct individual in two of the sampled cases. The recommendation recorded against 3.4.3 is, therefore, also relevant in this case.
- 3.4.10 As there has not been any inflationary pay award made this year, the only pay rises received were as a result of changes to the minimum and living wages, incremental pay awards and establishment changes following restructures etc.
- 3.4.11 Incremental pay rises are automatically awarded, unless Payroll are informed otherwise. Reports are run in April and October showing the increments that have been 'awarded'.
- 3.4.12 Details of employees that were receiving payments against pay scales affected by the changes to the minimum wage were obtained and HRMS was reviewed for a sample of relevant staff to ensure that the change had been processed. The testing confirmed that the change had been processed appropriately.

3.5 Leavers and Transfers

- 3.5.1 A sample of staff who had left the employment of the council was chosen to ensure that the cessation of their employment had been appropriately processed on the payroll system.
- 3.5.2 The same types of issues were identified as had been noted during the starters testing (i.e. the piecemeal receipt of information and the lack of information as to who can authorise the notification – see 3.1.9). One piece of information that was often not retained was any detail of whether the employee had any leave owed either to them or by them.
- 3.5.3 Based on the information held, it was confirmed that all payments had ceased on the correct dates, P45s had been issued as appropriate and the Warwickshire County Council Pensions team had been informed in the relevant cases.
- 3.5.4 One of the sample had an outstanding amount to pay on a car loan. Paperwork was held to show that the employee had agreed for the loan to be settled from her redundancy pay.

- 3.5.5 The documentation on FORTIS showed how much of the principal sum was outstanding and this had been deducted from the final pay due to the employee. No evidence could be found, however, that showed how the outstanding interest amount had been calculated. It was suggested that the Principal Accountant (Revenue) may have assisted in arriving at this figure, but he could not recall having provided the figure.
- 3.5.6 Upon review of the information, he produced a figure which had appeared on the paperwork held by Payroll, but this was higher than the amount that had actually been deducted, leading to a potential shortfall in recovery of £147.42.
- 3.5.7 Due to the fact that the employee has left on redundancy grounds and that they would have been under the assumption that the car loan had been settled, it is considered by Internal Audit that this shortfall should not be recovered. It is up to management, however, to make this decision.

Risk

Loss of monies owed.

Recommendation

A formal decision should be made as to whether the shortfall in monies recovered in respect of the car loan interest payments should be pursued with the ex-employee.

- 3.5.8 No detailed testing was considered necessary for transfers, as they are dealt with in a similar manner to starters, with the associated issues being present in the one case that was reviewed.

3.6 Payments

- 3.6.1 When undertaking the monthly payroll runs, staff use checklists to ensure that all stages of the payroll process are completed and documented. A number of reports are produced at various stages of the process, including those to highlight where staff pay varies significantly (by more than fifteen percent) from one month to the next and to identify if Payroll and HR staff have made any changes to their own records.
- 3.6.2 The reports showing changes to a staff member's own record used to be checked by someone independent of the Payroll staff. No such independent check has been undertaken, however, following Payroll's move to the HR service area.

Risk

Fraudulent amendment of an officer's own pay.

Recommendation

An independent review of the 'update own record' report should be reinstated.

3.6.3 Other reports detail the actual payments to be made to each staff member and this is then summarised to show the total amounts being paid by BACS (originally Bankers' Automated Clearing Services). This used to also show payments made by other methods (e.g. cheques), but this is no longer relevant as all employees are now paid by BACS.

3.6.4 The total payments made by BACS were checked to the transmission reports and then to the bank statements received. This confirmed that the payments were being made appropriately, as per the information input onto the HRMS system.

3.7 Reconciliations

3.7.1 As highlighted above, the HRMS system is now used for both payroll and HR and, therefore, includes the establishment, so there is no need to reconcile the two records, although there have been issues raised (see 3.1.2 & 3 above).

3.7.2 Reconciliations are performed on a monthly basis between the figures that are paid by Payroll against each 'element' and the related control codes on the TOTAL financial ledger system. Spreadsheets were viewed which highlighted that the reconciliations had been performed each month.

3.8 Security of Data

3.8.1 The council's Data Handling Policy (which is a sub-policy of the Information Security and Conduct Policy) includes general details regarding information classification and the principles that must be adhered to. It does not, however, mention specific systems. The PPM was unsure if the data held had been specifically classified or whether this was required.

3.8.2 This had also been raised during the previous audit but, due to the departure of relevant staff, it is not clear whether this had been addressed. The PPM highlighted, however, that he was looking into the general areas of data retention as part of his project, so this would be covered.

3.8.3 Payroll staff were not aware if there was a formally documented business continuity plan for processing the payroll, although advised that a plan of sorts was in place. Data could be transferred to the county council for processing (as the system is hosted by them) or it could be run from their homes as they both have homeworking capability. The only part of the process that cannot be done from elsewhere is the BACS payment, as specific terminals are required. They also advised that if the paperwork (e.g. travel claims) could not be processed, everyone would be paid either their basic salary or the same as they had been paid in the previous month.

3.8.4 Relevant records relating to payroll information (such as taxation details, birth certificates, pension details etc.) are stored on FORTIS.

Access to the system is restricted with only limited, relevant, staff having access.

- 3.8.5 Access to the system is secured via the network log-in details as opposed to usernames and passwords for the specific piece of software.

3.9 Travel and Subsistence

- 3.9.1 Samples of travel and expenses claims submitted were checked to ensure that appropriately detailed 'official' claim forms were being submitted which had been appropriately signed by the claimant, an authorising officer and a member of Payroll staff upon input, that the claims were being submitted in a timely manner and that the payments were accurate based on these claims. This test did not highlight any issues.

- 3.9.2 One issue was noted in that one of the sampled travel claims included a number of journeys of very short distances (including a one mile round trip). The nature of the journeys was queried with the Head of Service who had authorised the claim. He was unsure why these journeys would have necessitated the use of a vehicle and agreed that future claims would be given closer scrutiny and would be queried as appropriate. No specific recommendation is to be raised in this report, as Payroll staff had processed an authorised travel claim appropriately.

3.10 Members' Allowances

- 3.10.1 Members are entitled to re-claim travel and subsistence costs incurred in performing their official duties. They are also able to claim an allowance for the provision of broadband internet.

- 3.10.2 As with the travel and expenses claims for staff, testing was undertaken to ensure that payments made related to appropriately submitted claims which were on official forms, which had been appropriately signed by the claimant, an authorising officer and a member of Payroll staff upon input, that the claims were being submitted in a timely manner and that the payments were accurate based on these claims. Checks were also undertaken to ensure that the claims were for official, approved duties.

- 3.10.3 One of them claims reviewed had been submitted on an old form. This included claims for meetings for which no specific reasons were recorded. The Democratic Service Manager and Deputy Monitoring Officer advised that Members are now being asked to confirm which part of the scheme the meetings fall under where it is not apparent. All other claims were relevant and timely.

- 3.10.4 Payments for broadband expenses were not generally supported by claim forms, unless there had been a change in the amount being claimed. This is the normal practice.

- 3.10.5 A sample of allowance payments (both basic and special responsibility allowances) was also reviewed to ensure that the payments were being made appropriately, and ensuring that Members were actually entitled to the payments (i.e. they were serving on the relevant committees at the time of the payment).
- 3.10.6 It was confirmed that all payments were made to current Members, who filled the relevant roles where special responsibility payments had been made. Sampled payments to two councillors in respect of special responsibility allowances were, however, incorrect.
- 3.10.7 In one instance, an incorrect calculation was made with regards to how much a Member should have been paid in 2013/14 when he took over as Chair of one of the committees. This figure has also been erroneously carried forward into payments made in 2014/15 resulting in a total underpayment of £609.84.
- 3.10.8 In the other instance an overpayment had already been identified and monthly deductions should have been taken from the Member for three months to recover this. The deductions had, however, erroneously continued for a further three months resulting in an underpayment of £182.67.
- 3.10.9 These issues were flagged with the Payroll staff during the course of the audit. They then checked all other special responsibility payments and identified a further three Members who had been underpaid. All of the identified underpayments have now been processed on the system, with amendments being paid to the affected Members as part of the December payroll.
- 3.10.10 Where changes to special allowances had occurred during a financial year, manual calculations had been undertaken to work out how much the Member should be paid each month. The sampled documents did not generally include any evidence of the calculations being checked by the other Payroll staff member.

Risk

Incorrect payments may be made.

Recommendation

All manual calculations should be checked by another member of Payroll staff.

4. Summary & Conclusion

- 4.1 Following our review, we are able to give a **MODERATE** degree of assurance that the systems and controls in place in respect of Payroll & Staff Expenses are appropriate and are working effectively.
- 4.2 A number of issues were identified during the course of the audit relating to:

- The maintenance of the establishment hierarchy on HRMS and management reviews of their establishment.
- The currency of information on the HR Handbook.
- The lack of checking as to whether the notification of changes to permanent payroll information are being received from authorised staff and the piecemeal receipt of such information.
- Missing documents on FORTIS.
- Errors in payments to staff and Members.
- A lack of independent checks on reports detailing instances of staff members updating their own records.

5. Management Action

- 5.1 Recommendations to address the issues raised are reproduced in the Action Plan for management response.
- 5.2 It may be that some of the actions will be superseded following the outcome of the current payroll review project. Some of the issues raised may, however, still be relevant no matter what future direction is taken, or the points may need to be noted to ensure that they are addressed if the payroll and the establishment are migrated to another system.

Section 106 Agreements – 14 January 2015

1. Background

- 1.1 The Government's Planning Advisory Service highlights that "planning obligations under Section 106 of the Town and Country Planning Act 1990, commonly known as s106 agreements, are a mechanism which make a development proposal acceptable in planning terms, that would not otherwise be acceptable. They are focused on site specific mitigation of the impact of development."
- 1.2 As well as the 'full' s106 agreements, Unilateral Undertakings can also be entered into under the Act, although these are just agreed by the developers and the relevant parties, with the council not being required to sign up to them.

2. Scope and Objectives of the Audit

- 2.1 The audit was undertaken to test the management and financial controls in place.

2.2 In terms of scope, the audit covered the following areas:

- Development identification
- Consultation
- Agreements
- Monitoring
- Financial control.

2.3 The audit programme identified the expected controls. The control objectives examined were:

- Developments which should give rise to S106 agreements are appropriately identified.
- All relevant elements are appropriately included within the agreements.
- Justification is available where S106 agreements are not entered into on viability grounds.
- Agreements are enforceable.
- Agreements ensure developments fit in with the emerging local plan.
- The council is aware when relevant milestones are reached in the development.
- Monies received are accounted for as appropriate.
- Communities benefit as intended from the monies received.

3. Findings

3.1 Development Identification

3.1.1 The Development Manager (DM) and the Development Team Leader (DTL) advised that developments that may be subject to requests for s106 contributions are identified through the application of criteria set out by the relevant statutory organisations.

3.1.2 As a general rule, it is anticipated that most 'major applications' (e.g. large scale housing developments) will require s106 contributions, due to the additional demands that will be placed on infrastructure and services. In most cases early discussions will be held with developers, including at the pre-application stage, in order to expedite the process.

3.2 Consultation

3.2.1 Consultation is undertaken as part of the processing of all planning applications, regardless of whether s106 contributions will ultimately be required. The organisations and individuals consulted will vary, however, depending on the type of application.

3.2.2 The DTL highlighted that the starting point for determining the consultees for planning applications is the National Planning Practice Guidance which sets out the circumstances in which specific organisations are to be consulted.

- 3.2.3 The consultees for each application are identified when the application is plotted on the GIS system via Acolaid. The GIS Manager advised that when the application is being plotted, relevant constraints on the system would be pulled through based on the layers that had been selected and these had generally been set some time ago, although the DM indicated that they would be updated as and when criteria change.
- 3.2.4 The Administration Support Manager (ASM) and the DTL advised that some of the consultees identified by the system may not need to be consulted, depending on the nature of the specific applications, and they would, therefore, be removed. Others may also be added from the drop down lists available on Acolaid based on the nature of the development proposal and any additional constraints arising from its location.
- 3.2.5 It was also highlighted that some individuals and bodies are made aware of all applications received on a weekly basis in order that they can determine whether they wish to respond on specific cases. The ASM provided details of the weekly list recipients which are set up as Outlook contact groups. The weekly list is also available on the council's website.
- 3.2.6 During discussions with one of the Senior Planning Officers (SPO) regarding sampled applications (see testing details below), he advised that some consultees may not respond, depending on the scale of the application. For example, NHS bodies may not respond to the smaller 'major' applications if the scale of the development will not have major implications on their services and there are no relevant issues or requirements that they wish to raise.
- 3.2.7 Testing was undertaken on a sample of major applications, that had been approved during 2014, to check whether all relevant consultees were being given the opportunity to comment on the applications and, where relevant, whether their responses and any subsequent negotiations were being appropriately reflected in the s106 agreements reached.
- 3.2.8 As suggested during the discussions prior to the testing, the number of individuals / organisations consulted on each application, as per the consultation screen on Acolaid for each application, varied considerably, as did the actual consultees. Other potential consultees were covered by the weekly lists, so would have been aware of the applications and were able to respond should they have wished.
- 3.2.9 Whilst it is understandable that there will be some differences, it was not clear why different consultees were included on the lists where similar developments were sampled (i.e. the applications that related to large housing developments). The DTL explained that in the cases identified, different consultees had been included on the lists because of additional consultations over and above the statutory consultees. However, Internal Audit suggest that a standard approach could be adopted to ensure that relevant parties are given the same chance to respond to each application.

Risk**Relevant bodies are unable to secure relevant contributions.****Recommendation****A standard list of consultees should be drawn up for major applications.**

- 3.2.10 In the two cases where formal s106 agreements were required, evidence was generally in place to show that the requests received were being included in the agreements, or there was correspondence held relating to why certain items were not included. There were, however, some anomalies, with some items being included in agreements which were not supported by responses included on IDOX. The DTL explained that this can occasionally arise where consultation responses have not been received but where it is known that a requirement is to be included in an agreement, for example in relation to the provision of open space.
- 3.2.11 The SPO advised that some sections do not always respond to individual applications, but have standard responses in place. Individual responses, however, should be received to provide justification for each relevant case, as they need to be able to confirm that the requests are compliant with the regulations set out in relation to the Community Infrastructure Levy (CIL).

Risk**Challenges to s106 agreements.****Recommendation****Evidence should be obtained to support all requests for s106 contributions for each individual application as appropriate.**

- 3.2.12 One of the applications reviewed did not lead to a s106 agreement because the scheme would not have been viable if contributions had been required. The developer submitted an assessment to set out their viability case and this was appropriately confirmed by an independent consultant.
- 3.2.13 During discussions with the SPO, it was identified that consultees that had asked for contributions would not be formally advised as to whether this had been agreed (e.g. if a viability assessment had been submitted which led to no agreements being entered into on viability grounds).
- 3.2.14 Separate discussions on financial controls (see 3.5 below) with the Green Space Team Leader (GSTL) also flagged this as an issue, as he highlighted that he was not aware whether to expect any contributions. (NB this is relevant to contributions secured by condition as well as those included within s106 agreements.)

Risk**Relevant parties are unable to undertake appropriate budgetary planning.**

Recommendation

Consultees should be formally made aware of the outcome of relevant applications including in relation to any contributions that are to be paid to them.

3.3 Agreements

- 3.3.1 The Senior Solicitor at Warwickshire Legal Services advised that agreements will be either be drawn up by the developer's solicitors or will be drafted by Legal Services. His colleague also advised that no 'model' document is maintained, but standard clauses are used, and these include a specific section on the legal basis of the agreements. This section makes reference to the relevant Acts and the appropriate sections therein.
- 3.3.2 The Senior Solicitor also indicated that any draft documents would be reviewed to ensure that any amendments were acceptable, although these would not generally affect the legal basis sections.
- 3.3.3 Where planning applications are to be subject to s106 agreements, the applications have to be decided by Planning Committee, as the council will be a signatory to the agreements reached. In the two relevant sampled cases, the applications had been appropriately reported to the committee.
- 3.3.4 The testing also checked to ensure that the applications had been appropriately signed and sealed. Copies of documents were held in one instance containing all of the relevant signatures and seals. In the other case, the copies held only contained the signatures of the owner and developer and did not bear the seals of the relevant councils.
- 3.3.5 The Land Charges Officer (LCO) advised that Legal Services now generally get the different parties to sign / seal different copies (counterpart agreements) and then send through all relevant copies. These have the same effect as a single copy with all of the signatures and are legally enforceable.
- 3.3.6 In the one case where all signatories were evident, these were covered on three separate copies of the agreement held by the LCO (awaiting scanning prior to be placed in the document store). In the other case, two copies were held in the document store containing the abovementioned signatures, but it was not clear if the sealed copies of this agreement had ever been provided.

Risk

Agreements are not enforceable.

Recommendation

A sealed copy of the relevant s106 agreement should be obtained.

- 3.3.7 The DM advised that, on the whole, the agreements reflect the infrastructure needs related to the new developments and this would

generally be the case no matter which local plan was being worked to. The approval of the applications themselves (as opposed to the agreements being reached) is where the main impact of the emerging plan is highlighted, although the agreements are obviously forward looking and will aim to support the plan as it moves forward.

3.4 Monitoring

- 3.4.1 The DM advised at the outset of the audit that the monitoring process is not currently functioning appropriately. He highlighted that plans are in place, however, to remedy this and subsequently provided a copy of a draft service improvement plan which included this commitment. As a result, it was agreed that it would not be of benefit to undertake full testing of the process, but a sample application was chosen to ascertain how the process will work when the planned processes are adopted.
- 3.4.2 At the time of the audit testing, an immediate issue was noted in that Development Management staff were not able to provide a list of 'active' s106 agreements in order for a sample agreement to be chosen.
- 3.4.3 A list of a sample of potentially relevant applications was subsequently provided and a sample application was chosen from this list (W/11/0074), although the process described was more generic, with little specific reference being made to the chosen application.
- 3.4.4 The DM advised that the Enforcement team; the new Major Sites Monitoring Officer; and the Information and Improvement Officer will be at the forefront of monitoring. A spreadsheet will be maintained, listing all s106 requirements along with the key dates and thresholds and an early version of this spreadsheet was provided to Internal Audit after the audit testing. Monitoring files will also be in place, with reminders being set up to prompt for action to be taken.
- 3.4.5 Ongoing monitoring including, regular liaison with relevant partners at other organisations, staff within WDC (e.g. Building Control and Planning Policy staff) and the developers, will be undertaken to identify whether a development has commenced and, if so, the stage that the development has reached and whether the requirements of the s106 agreement have been triggered and/or received.
- 3.4.6 The DM highlighted that a monitoring system would be set up using Acolaid to ensure that the requirements of s106 agreements are rigorously monitored and followed up, making more effective use of systems already in place. In that respect, the DM also highlighted that the ability to give system access to other relevant bodies, including Warwickshire County Council in particular, is being investigated to allow them to play an integral role in the monitoring process.
- 3.4.7 Following completion of the audit, Development Management staff have been instructed to start inputting the agreements onto Acolaid, in order for this monitoring to be undertaken.

3.4.8 He also suggested that the possibility of setting up a webpage was being looked into, detailing the stage that each relevant development has reached along with the requirements of the associated s106 agreement. This is to be progressed once the spreadsheet has been established. It is intended that the webpage will enable members of the public and other interested parties to access this information and understand the position in relation to each agreement.

3.4.9 It is considered by Internal Audit that the processes set out above should allow for appropriate monitoring to be performed when supported by relevant site visits etc. A general recommendation in relation to this issue is included, and it is suggested that this area will be re-examined in a follow-up audit to be included in the audit plan for 2015/16, allowing time for the processes to be set up.

Risk

The terms of the s106 agreements are not adhered to by developers.

Recommendation

The planned monitoring processes set out should be put in place as a key priority.

3.4.10 Whilst the DM was aware that the current monitoring situation was not acceptable, the planned processes highlighted above are intended to overcome that. He also suggested that he took assurance from others, such as Warwickshire County Council and the Strategic Housing Team (in respect of affordable housing provision), that contributions are being made.

3.4.11 He also highlighted that s106 contributions are now being included in relevant applications relating to major housing developments towards the costs of monitoring the developments.

3.5 Financial Control

3.5.1 The Assistant Accountant (AA) for Development Services advised that monies received in respect of s106 agreements are often originally coded to the main Development Control – Fees and Charges code or the capital receipt codes and are then transferred by journal to the relevant cost centre.

3.5.2 One of the main types of receipts at the council is for open space contributions. The GSTL advised that he is not generally aware of when the monies are received and will only find out upon receipt of spreadsheets from the Principal Accountant (Capital) which are received on, roughly, a quarterly basis. He highlighted that these spreadsheets cover both monies secured via s106 agreements and those arising from standard conditions included in other planning applications (see recommendation at 3.2.14 above).

- 3.5.3 The AA also highlighted that the first monitoring contribution (as highlighted at 3.4.11 above) had been received and this had been transferred from the main fees and charges code to the Planning Policy cost centre.
- 3.5.4 Due to the lack of monitoring information available, no specific sample testing was possible to ensure that monies were being received as appropriate in line with the agreements in place.
- 3.5.5 Where contributions are due to other bodies, e.g. Warwickshire County Council who receive the significant proportion of s106 monies, the DM advised that most contributions will be paid by the developers directly to them, whereas some may come in to us first.
- 4.5.6 One such payment made during the current financial year was identified on the capital receipts code (re a highways contribution) and this was subsequently paid across to Warwickshire County Council as appropriate.
- 3.5.7 The DM advised that, as with the monitoring of developments to ensure contributions are received, there is currently no monitoring being performed to ensure that monies are being used as intended by the various infrastructure providers.
- 3.5.8 As the s106 agreements identify the purposes for which contributions are required, there is, therefore, an ability to monitor this. The DM advised that a key element of the forthcoming monitoring programme will be the monitoring of the use of funds for the purposes identified.

4. Summary & Conclusion

- 4.1 Following our review, in overall terms we are able to give a **MODERATE** degree of assurance that the systems and controls in place in respect of Section 106 Agreements are appropriate and are working effectively.
- 4.2 The procedures in place for entering into the agreements are generally sound and the issues raised in relation to this area only generate a small number of recommendations.
- 4.3 Internal Audit have concerns that there are no formal controls operating at present with regards to the monitoring of the agreements once they have been entered into and this may, ordinarily, lead to an overall limited level of assurance being given. The Development Manager has, however, set out the processes that are to be introduced to address these issues and, consequently, it is considered that the assurance can be increased.
- 4.4 It is proposed that a follow-up audit on the monitoring aspects will be undertaken in the next financial year to ensure that the proposals have been implemented.

5. Management Action

5.1 Recommendations to address the issues raised are reproduced in the Action Plan for management response.

CURRENT IMPLEMENTATION POSITION FOR LOW AND MEDIUM RISK RECOMMENDATIONS
ISSUED IN QUARTER 4 2013/14

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE	CURRENT STATE OF IMPLEMENTATION PER MANAGER
Conservation – 13 March 2014		
<p>The Conservation Grants page on the WDC website should be enhanced to include information about the types of grants available, the eligible properties, the amount of the grant and the conditions.</p>	<p><i>Principal Architect / Planner:</i> Improve information on the website for potential applicants to make it clear the amount of grant available. End of May 2014.</p>	<p>A revised web page has been submitted giving more information, which reflects the decisions taken by the Grants Working Party in January 2015. Additional explanatory information is also available on the Grant Inquiry Forms which are linked to the webpage</p>
<p>All relevant paperwork relating to the payment of a grant should be retained on file for future reference.</p>	<p><i>Principal Architect / Planner:</i> Ensure clear audit trail by introducing a new electronic system. End of September 2014.</p>	<p>This work has commenced as part of the electronic delivery of the grant scheme. Some training has been given by Acolaid into the use of the existing planning system for grant work. Historic paper records are being reduced for electronic storage.</p>
<p>Other members of staff in Development Services should receive a basic knowledge of the land charges system in order to be able to provide cover.</p>	<p><i>Head of Development Services:</i> Further staff trained on Land Charges in Development Management Administration. End of September 2014.</p>	<p>Three members of staff are now able to carry out land charges searches. Recommendation implemented.</p>

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE	CURRENT STATE OF IMPLEMENTATION PER MANAGER
Housing Rent Collection – 25 March 2014		
<p>The procedures and guidance notes held by Housing and Property Services should be reviewed periodically and updated by a nominated officer. This should be evidenced by the inclusion of a version control table.</p> <p>Additionally, the Rent Arrears Officer should ensure that the arrears workflow schedule is kept up to date.</p>	<p><i>Business Support Manager:</i> The procedure notes will be reviewed on an annual basis. 30 September 2014.</p> <p><i>Senior Income Recovery Officer:</i> The Senior Income Recovery Officer carries out fortnightly audits on each Rent Arrears Officer weekly workflow and tasks to ensure that all have been completed. Implemented.</p>	<p>On-going: Procedures for business-critical functions within the Business Administration area are documented and available. In summer 2015 all procedures will undergo a rigorous efficiency review and where necessary be updated and implemented with proper version controls (both within the team and using the on-line systems User Guide Library). The Business Administration Manager and newly appointed Service Improvement Manager are liaising to plan the development of a wider library of H&PS procedures and guidance notes</p> <p>No further response required.</p>

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE	CURRENT STATE OF IMPLEMENTATION PER MANAGER
<p>The Business Support Manager should ensure that the annual declaration forms are completed annually by all relevant staff.</p> <p>Additionally, the spreadsheet containing the names of staff, who have completed the form, should be saved and stored on a shared drive, to ensure that it can be readily available for inspection at any time.</p>	<p><i>Business Support Manager:</i></p> <p>The annual declaration forms will be issued annually and a central record maintained on the shared drive.</p> <p>30 June 2014.</p>	<p>Implemented: Last done in April 2014 plus any new employees since last review.</p> <p>Spreadsheet available (password protected) I:\fina\Declarations of Interest\Declaration of Interest 2014.xls</p> <p>Next review and check planned in for April 2015.</p>
<p>The Code of Financial Practice and the Scheme of Delegation should be amended to include the correct authorisation limits for write offs.</p>	<p><i>Business Support Manager:</i></p> <p>The write off authorisation limits have been amended to reflect the Code of Financial Practice and the Scheme of Delegation.</p> <p>Completed.</p>	<p>No further response required.</p>

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE	CURRENT STATE OF IMPLEMENTATION PER MANAGER
Data Protection – 18 February 2014		
<p>The Data Protection Staff Guidelines should be reviewed with consideration given to cross-referencing to other relevant policies and legislative/regulatory relationships.</p>	<p><i>Democratic Services Manager:</i> The purpose of the Audit was to independently establish a base position and highlight the areas of weakness prior to a review of the current arrangements being undertaken. The review is to be completed with assistance from WCC Legal Services and a first meeting has been arranged for 24 February 2014.</p> <p>The review had been agreed as part of the Service Area Plan for Democratic Services because this area of work had not been looked at in detail since 2011.</p> <p>The recommendations are all accepted and will now be built into the review. July 2014.</p>	<p>Draft guidance by Democratic Services Manager produced and being checked with ICT Manager. View to passing to Audit and WCC for agreement by middle of February 2015.</p>
<p>Following review, the Data Protection Staff Guidelines published electronically on the Intranet and incorporated within policies to be released on implementation of the awareness management software solution.</p>	<p><i>Democratic Services Manager:</i> As above. July 2014.</p>	<p>The intention is to roll out the new policies as part of the introduction of the new intranet. However some information will be circulated before this via “how we do it here” (meta compliance), most likely in March 2015.</p>

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE	CURRENT STATE OF IMPLEMENTATION PER MANAGER
<p>An awareness survey should be commissioned to gauge understanding of Data Protection matters among those staff handling personal data.</p>	<p><i>Democratic Services Manager:</i> There was recognition of the need to improve understanding of the skills and provide evidence of training in this area. Therefore as part of the e-learning review a system has been purchased "meta compliance" which will be able to provide independent verification of staff skills and knowledge and develop these. It should be noted that this tool will also be used for other key corporate training. Awaiting confirmation of implementation date from HR.</p>	<p>The intention is to roll out the new policies as part of the introduction of the new intranet. However some information will be circulated before this via "how we do it here" (meta compliance), most likely in March 2015.</p>
<p>A review of personal data collection arrangements should be undertaken across the Council to identify instances where fair processing notices are not provided to proper standard at the point of collection and institute remedial action taken where required.</p>	<p><i>Democratic Services Manager:</i> This is agreed and will be built into the review as per recommendation 1. July 2014.</p>	<p>The intention is to undertake this as the new awareness and training starts in line with the emerging new guidance and policies.</p>
<p>A review of systematic data sharing should be undertaken across the Council to gauge compliance with the Information Commissioner's Code of Practice and recommend formal data sharing agreements where not already applied.</p>	<p><i>Democratic Services Manager:</i> This is agreed and will be built into the review as per recommendation 1. July 2014.</p>	<p>A central register has now been established and some agreements are now stored within it. However this needs to be promoted and communicated to all employees.</p>

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE	CURRENT STATE OF IMPLEMENTATION PER MANAGER
<p>The Data Protection Policy should be updated to reflect systematic data sharing with other organisations and how it is managed.</p>	<p><i>Democratic Services Manager:</i> This is agreed and will be built into the review as per recommendation 1. April 2014.</p>	<p>Draft guidance by Democratic Services Manager produced and being checked with ICT Manager. View to passing to Audit and WCC for agreement by middle of February 2015.</p>
<p>A framework for active monitoring of compliance with Data Protection legislation and good practice should be established with consideration given to reconstituting a network of Service Area representatives.</p>	<p><i>Democratic Services Manager:</i> This is agreed and will be built into the review as per recommendation 1. July 2014.</p>	<p>Consideration of how best to achieve this is being undertaken such as using channels already available of SMT, Senior Officers and Staff voice.</p>

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE	CURRENT STATE OF IMPLEMENTATION PER MANAGER
Media Services – 27 March 2014		
<p>The functions provided by Media Services should be benchmarked against other local authorities' arrangements to confirm that the current organisation of media and printing services is effective and provides value for money.</p>	<p><i>Media Services Manager:</i> Experience when undertaking a review of the service has shown that obtaining useful comparisons from a benchmarking exercise is difficult. Other authorities work and structure their media service differently. Few have print frameworks in place and departments can source their own print with little or no consultation with their print team. The EU print framework WDC has in place demonstrates efficiency and savings. The Communications audit is planned for 14/15 perhaps as a result of that we could look again at the benefits of Benchmarking. March 2015.</p>	<p>No further response required.</p>

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE	CURRENT STATE OF IMPLEMENTATION PER MANAGER
<p>In order to properly gauge customer satisfaction and identify any areas for improvement, formal feedback should be obtained from service users through 'end-of-job' surveys or in a more general way through annual surveys, like those used by ICT.</p>	<p><i>Media Services Manager:</i> Agreed – we will look to do this by the end of the year. December 2014.</p>	<p>Delivery notes were created for each job and when the job is collected the customer signs the paper and has an opportunity to leave a comment about the work & service. We have had in the last 6 months only two comments, both positive. No jobs have gone missing either which used to happen with people collecting jobs on behalf of other people and forgetting about them. Also no-one has been able to take part of a job from another customer which used to happen with brochures. This has now stopped due to us changing storage areas. Overall service improvement.</p>

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE	CURRENT STATE OF IMPLEMENTATION PER MANAGER
Housing Environmental Functions – 10 March 2014		
<p>Forecasts of future resource demands for HMO licensing should be incorporated in the service plans and appropriate budget provisions made to enable early preparation for upsurges of licence renewals due.</p>	<p><i>Head of Housing and Property Services:</i> Recommendation accepted. Sept 2014 and built into the Service redesign proposals.</p>	<p>Ongoing: The service redesign has now been implemented and a review of the HMO licence programme is underway. This will enable us to understand demand peaks and troughs and consider options for smoothing the profile out, including offering applicants the option to relicence early, amending future renewal dates and reorganising staff members workload during period of high demand to ensure that the workload can be managed appropriately.</p>
Town Hall Lettings – 19 March 2014		
<p>Whenever management deems it appropriate, payment in full in advance or a sizeable deposit should be considered for high value lettings.</p>	<p><i>Theatre and Town Hall Manager:</i> To be implemented at the point of agreement between the venue and hirer. Assessment of risk made by Deputy Manager or General Manager. 20 March 2014.</p>	<p>The recommendations from the Town Hall Lettings audit were implemented immediately. The RSC&TH bookings software tracks payments and is able to flag payment dates in advance automatically. Payment terms are included in hire agreements.</p>

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE	CURRENT STATE OF IMPLEMENTATION PER MANAGER
<p>Invoices for Town Hall lettings should be produced on a regular basis and at least monthly.</p>	<p><i>Theatre and Town Hall Manager:</i> Recharges for commercial hires to be completed on a Monday for the previous week. Internal, WDC recharges to be passed to our Accountant on the first Monday of every month for processing. 24 March 2014.</p>	<p>As above- recommendation were implemented immediately. Internal recharges are processed on the first Monday of the following month. Commercial hires / settlements are invoiced weekly.</p>
<p>The insurance implications of Town Hall lettings should be discussed with the Insurance and Risk Officer and procedural changes introduced as appropriate.</p>	<p><i>Theatre and Town Hall Manager:</i> Meeting to be arranged and any action points or alterations of contracts to be implemented. 30 April 2014.</p>	<p>Meeting has taken place and the WDC Insurance Officer had provided additional cover on our policy for those hirers who are unable to source adequate insurance. Evidence of insurance was already a requirement for the confirmation of hires (included in hire agreement).</p>

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE	CURRENT STATE OF IMPLEMENTATION PER MANAGER
<p>The rental for the use of office space at the Town Hall by Warwick University should be collected using the periodic income feature of the debtors system.</p>	<p><i>Business Support Manager:</i> Clarification to be sought from contract services as to the terms of the latest lease renewal and then the charges set up on debtors system. 30 April 2014.</p>	<p>The Estates Manager confirmed in April 2014 that the current lease had only another 1.5 years to run until September 2015. Therefore a periodic invoice was not set up and the invoice for the rental has been raised by the Business Support Manager on the 1st day of each quarter as stipulated in the lease, which will continue to be done in April and July 2015. Should the lease be extended/renewed then the Estates Manager will issue the instruction to raise a periodic invoice as per the standard procedure for leases</p>
<p>Markets and Mops – 31 March 2014</p>		
<p>Formal meetings should be held to discuss / review invoice figures at appropriate stages of the year, in line with the (current) contract, with the FS Team being made aware of the correct figures to be used on the invoices in a timely manner.</p>	<p><i>Business Manager (Town Centre):</i> A formal meeting is to be held during September / October to review stall counts and set next year costs. September / October (annually).</p>	<p>Formal meeting took place. As contract was due to finish in Jan 2015 no changes were made to stall hire costs. Through a tender process a new contractor has been appointed, and are due to commence contract on 1 Feb.</p>

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE	CURRENT STATE OF IMPLEMENTATION PER MANAGER
<p>The fee setting process should be adhered to (i.e. fees to be agreed for the production of the October Executive report for the following year), with notes to the report highlighting that these will be implemented from April, not January as stated in the report (unless agreed differently in the new contract).</p>	<p><i>Business Manager (Town Centre):</i> As above for future years. September / October.</p>	<p>Meetings between WDC and the new contractor have been set, and any raise in stall fees will feature in the October Exec report, in order to change in the following April.</p>
<p>If new fees are being agreed to come into effect from April 2014, an update report should be presented to Executive as appropriate.</p>	<p><i>Business Manager (Town Centre):</i> A meeting with Sketts is already set for 3 April to review this year's fees and an Executive report will follow. Immediate.</p>	<p>Concluded and Exec report postponed.</p>
<p>Formal monitoring should be undertaken to ascertain the number of stalls in place at markets held.</p>	<p><i>Business Manager (Town Centre):</i> Quarterly spot checks to be undertaken by relevant Town Development Officers. A monthly spreadsheet is to be supplied by Sketts showing stall numbers. First check to be made by end of June 2014. Spreadsheet in place by end of April 2014.</p>	<p>Quarterly checks by WDC staff have been ongoing, and the contractor has been providing monthly figures. This will be replicated with the new contractor.</p>

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE	CURRENT STATE OF IMPLEMENTATION PER MANAGER
Annual reminders should be set up to ensure that updated insurance cover details are received from the market operator upon expiry of the certificates provided.	<i>Business Manager (Town Centre):</i> The need to supply insurance details will be covered in the new tender, and reminders will be set thereafter. Immediate.	Reminders set. Insurance documents required as part of tender process also.
Insurance documentation is obtained in respect of all rides operated at the Mop fairs.	<i>Events Managers:</i> Insurance documentation will be obtained for future Mop Fairs. October 2014.	Insurance documents are obtained from event organiser – Tommy Wilson/Showmans Guild that covers the whole event. ADIPS/Safety Certificate obtained from each ride attending the Mop. Insurance Officer attends Safety Advisory groups where such issues are discussed and is aware.
Street Cleansing – 31 March 2014		
The schedules spreadsheet should be reviewed to ensure that it reflects the current agreement.	<i>Senior Contract Officer:</i> Changes to the contract can come from a variety of sources. A new process will be put in place to document how those changes are taken account of in the contract. September 2014.	We currently are reviewing the schedules and coinciding with the New Ranger role making contractual changes which will be completed ready for 1 st April, 2015.
A full review should be undertaken between the variation orders approved and the amounts charged to ascertain if any payment amendments need to be processed.	<i>Senior Contract Officer:</i> Variations are to be controlled via the Senior Contract Officer, who is also responsible for the contract payments. April 2014.	All Variation Orders are completed by the Contract Officer covering the area concerned but these are then cross checked by the Contract Administrator who then signs the order.

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE	CURRENT STATE OF IMPLEMENTATION PER MANAGER
All future invoices should be checked appropriately against approved variation orders, with any discrepancies being rectified.	<i>Senior Contract Officer:</i> Checks will be made as part of the monthly claim and payment. April 2014.	Checks are carried out when monthly invoice is received. Only Variation Orders with official WDC Number will be accepted. Contractor told not to carry out extra work unless this is issued.
Staff are reminded of the need to ensure that an appropriate level of detail is recorded on Flare so that anyone else reviewing the case can ascertain exactly what has been done to resolve the issue.	<i>Senior Contract Officer:</i> This is a training issue for the Area Officers and contractors to ensure the appropriate level of detail is being recorded. Internal training will be arranged as appropriate. April 2014.	This work is ongoing and has been brought up in regular 1 to 1's with the Contract Officers. This will continue on a regular basis to ensure compliance.
A review should be performed of the categorisation and reporting arrangements on Flare to make it useful to the service.	<i>Senior Contract Officer:</i> This is a training issue for the Area Officers and contractors to ensure the appropriate level of detail is being recorded. Internal training will be arranged as appropriate. April 2014.	Due to a recent Service Area restructure a review of categorising will be carried out shortly.
The need for consistency in the classification of calls received should be highlighted to relevant staff.	<i>Senior Contract Officer:</i> Classification of a complaint / enquiry / request for service can be difficult as they are open to interpretation. However, the issue will be highlighted. April 2014.	The issue was highlighted to relevant Business Support staff but due to a recent restructure this will be highlighted again.

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE	CURRENT STATE OF IMPLEMENTATION PER MANAGER
<p>The contractor should be asked to provide evidence that they hold professional indemnity insurance in line with the contract conditions. Annual reminders should also be set up to ensure that updated copies are received upon expiry of the certificates provided.</p>	<p><i>Senior Contract Officer:</i> Up to date insurance certificates will be obtained from the street cleansing contractor. June 2014.</p>	<p>All information has been provided and has been calendared so this information will be provided on an annual basis.</p>
<p>Grounds Maintenance – 31 March 2014</p>		
<p>A formal process should be established for notifying the Senior Contract Officer of any changes to the contract specification that are agreed by other officers.</p>	<p><i>Senior Contract Officer:</i> Changes to the contract can come from a variety of sources. A new process will be put in place to document how those changes are taken account of in the contract. September 2014.</p>	<p>Currently the Green Space Development Officer Simon Richardson agrees any changes to the Contract Specification and notifies the Contract Administrator and contractor with official information/variation orders.</p>
<p>Formal, authorised, variation orders should be maintained for changes to the grounds maintenance contract.</p>	<p><i>Senior Contract Officer:</i> Variations are to be controlled via the Senior Contract Officer, who is also responsible for the contract payments. April 2014.</p>	<p>Checks are carried out when monthly invoice is received. Only Variation Orders with official WDC Number will be accepted. Contractor told not to carry out extra work unless this is issued.</p>
<p>Checks should be undertaken to confirm that the invoices submitted relating to the hours worked by attendants etc. are accurate.</p>	<p><i>Senior Contract Officer:</i> Checks will be made as part of the monthly claim and payment. April 2014.</p>	<p>Checks are carried out when monthly invoice is received.</p>

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE	CURRENT STATE OF IMPLEMENTATION PER MANAGER
<p>Staff should be reminded of the need to ensure that an appropriate level of detail is recorded on Flare so that anyone else reviewing the case can ascertain exactly what has been done to resolve the issue.</p>	<p><i>Senior Contract Officer:</i> This is a training issue for the Area Officers and contractors to ensure the appropriate level of detail is being recorded. Internal training will be arranged as appropriate. April 2014.</p>	<p>This work is ongoing and has been brought up in regular 1 to 1's with the Contract Officers. This will continue on a regular basis to ensure compliance.</p>
<p>A review should be performed of the categorisation and reporting arrangements on Flare to make it useful to the service.</p>	<p><i>Senior Contract Officer:</i> This is a training issue for the Area Officers and contractors to ensure the appropriate level of detail is being recorded. Internal training will be arranged as appropriate. April 2014.</p>	<p>Due to a recent Service Area restructure a review of categorising will be carried out shortly.</p>
<p>The need for consistency in the classification of calls received should be highlighted to relevant staff.</p>	<p><i>Senior Contract Officer:</i> Classification of a complaint / enquiry / request for service can be difficult as they are open to interpretation. However, the issue will be highlighted. June 2014.</p>	<p>The issue was highlighted to relevant Business Support staff but due to a recent restructure this will be highlighted again.</p>
<p>Contract Officers should receive appropriate training to allow them to identify whether the work performed under the contract is in line with the agreed specification.</p>	<p><i>Senior Contract Officer:</i> This is a training issue focusing on any areas of the contract that they are unfamiliar with. Internal training will be arranged as appropriate. May 2014.</p>	<p>This is ongoing and has been brought up in regular 1 to 1's with the Contract Officers. The CO's are spending time with the Green Space Development Team on a regular basis to continue to gain the necessary knowledge and further training courses will also be undertaken.</p>

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE	CURRENT STATE OF IMPLEMENTATION PER MANAGER
Budgets for the relevant codes are set in line with the figures agreed in the contract.	<p><i>Senior Contract Officer:</i> To be checked monthly as part of the contract payment process. April 2014.</p>	At the start of the financial year all orders for the forthcoming year are inputted onto TOTAL so we can measure the relevant codes on a monthly basis when we receive the relevant invoice from the contractor.
The contractor should be contacted to ask for copies of current insurance certificates to ensure that cover is still held. Annual reminders should also be set up to ensure that updated copies are received upon expiry of the certificates provided.	<p><i>Senior Contract Officer:</i> Up to date insurance certificates will be obtained from the grounds maintenance contractor. April 2014.</p>	All information has been provided and has been calendared so this information will be provided on an annual basis.

INTERNAL AUDIT REPORT

TO: Deputy Chief Executive (AJ) **SUBJECT:** Corporate Governance
CC Chief Executive **MY REF:** JK/CG
Head of Finance
FROM: Audit and Risk Manager **DATE:** 07 October 2014

1 INTRODUCTION

- 1.1 As part of the 2014/2015 Audit Plan, an examination of the council's corporate governance arrangements has recently been completed.
- 1.2 The purpose of this report is to outline the approach to the work and to present the findings and conclusions arising.

2 SCOPE AND OBJECTIVES OF THE AUDIT

- 2.1 In the absence of any requests to examine specific aspects of corporate governance it was decided to focus on what has become an almost standing item in the Significant Governance Issues in the Annual Governance Statement (AGS) and that is the development of a system to monitor the implementation of council decisions. Accordingly the examination questioned:
- a) Are Executive resolutions being implemented as intended in a timely manner?
 - b) Are there any procedures in Service Areas to monitor the implementation of decisions?
 - c) What is the scale of the issue and are there any general or soft controls to ensure that resolutions are implemented?
 - d) Do the results of sample testing indicate that decisions are not being implemented and so formal monitoring is required?

3 APPROACH

- 3.1 The work involved selecting a sample of Executive resolutions made since April 2013 and then checking to ensure that they had been implemented. In most cases this involved some form of evidence but in some cases reliance was placed on assurances from senior managers.

3.2 Some Heads of Service were asked, by e mail, for their views on the subject and how they ensured that Executive resolutions were dealt with fully and in a timely manner.

4 BACKGROUND

4.1 The production of an Annual Governance Statement (AGS) is a statutory requirement for local authorities.

4.2 The AGS should include the following information:

- Scope of Responsibility
- The purpose of the governance framework
- A description of the governance framework and the key elements of the systems and processes that comprise the authority's governance arrangements
- Review of effectiveness
- Significant governance issues – including an outline of the actions taken, or proposed, to deal with any significant governance issues identified.

4.3 This particular issue has featured in the AGS for the last three years.

5 FINDINGS

5.1 Sample of resolutions selected

5.1.1 As Executive is the council's main decision making body only their minutes were used to select a sample. Given that only resolutions requiring some further action were of interest it was necessary to select from April 2013 onwards as recent resolutions would be likely to remain as yet unactioned.

5.1.2 Details of the sample selected are attached as Appendix 1. It will be seen that not all of the points in each resolution were checked for implementation. The emphasis was on those points that were more specific and required some form of action, follow up or report back. Wider, more general resolutions, such as the council participates in "X", were not considered.

5.1.3 A sample of 15 resolutions was selected due in part to the brevity of the audit and the time needed to check the implementation action and in part to the fact that quite a number of Executive resolutions end with the words "noted", "approved", "supported" or "accepted" thus hindering the selection of a worthwhile sample.

5.1.4 It will be seen from the appendix that, generally speaking, Executive resolutions are being implemented although not always in a timely or ideal way. Sometimes the fault may lie with the decision or the wording of the minute e.g. follow up reports or completions of any actions are not always given a deadline leaving Services Areas open to claiming that an outstanding item is going to be dealt with.

5.1.5 Although not examined specifically there was nothing to indicate from speaking to officers that any form of monitoring of decisions was in place.

5.2 **Arrangements within Service Areas to monitor Executive decisions**

5.2.1 As part of the overall question of whether a formal monitoring system is required it was decided to gauge the views of Heads of Service on the issue and at the same time enquire of the arrangements in their own service areas for ensuring that Executive resolutions are implemented.

5.2.2 Five Heads of Service were asked –

Do you think that this issue is worthy of pursuit? Would resolutions made by Executive ever be ignored or not fully implemented? and

What do you do to ensure that any resolutions affecting your service area are dealt with fully in a timely manner?

5.2.3 One Head of Service responded directly commenting that in normal circumstances a formal monitoring system is probably not necessary. There could be issues if officers rely on the recommendations in a report rather than the formal minute and if decisions are made directly by council rather than Executive.

5.2.4 The Head of Neighbourhood Services suggested that Service Heads could pick up the questions at the next Alt SMT meeting and come back with a single response. Although this was far from ideal, in the absence of any other responses this was agreed. When a response is received it will be forwarded to addressees.

5.3 **Scale of the issue and controls in place**

5.3.1 The AGS does not give any indication if there is a problem with member decisions not being implemented but that aside a formal monitoring system would bring about an improvement in the council's overall governance arrangements. The question must be, though, is a system warranted given a) the number of decisions made requiring action or report back and b) the absence of any evidence that decisions are not being implemented?

5.3.2 As mentioned earlier, when trawling through Executive minutes, it was evident, but not quantified, how few resolutions require some form of action or report back and many of them are just noted or approved. There are not hundreds of decisions every year so keeping track of them shouldn't be that problematic.

5.3.3 There are some general or "soft" controls in place that would encourage those responsible to implement any decisions delegated to them. These include –

The public nature of committee reports and minutes enables virtually anybody, should they wish, to track council business and decision making and ask questions.

Members themselves will be aware of decisions they have taken and that sometimes they are expecting some form of follow up or report back.

Other service areas will often have an interest in and be affected by decisions and will be querying implementation e.g. Finance, Internal Audit.

5.3.4 Instinctively it is hard to imagine that any officer or service area will, for whatever reasons, simply choose not to implement a decision in the hope that nobody will notice. The evidence is there for all to see and it cannot be erased.

5.4 **Is a formal monitoring system required?**

5.4.1 Based on the sample selected and the indication that decisions are being implemented, the fact that there are not a great number of decisions to monitor and there is no evidence to suggest that decisions are not being implemented then the answer would be "No".

5.4.2 If, however, a system is in place that can be introduced easily without increasing workload and any cost is bearable then the answer would be "Yes" as overall governance arrangements would be improved.

5.4.3 As things currently stand the risk of decisions not being implemented is low. Their relatively small number and their public nature mean that they are not difficult to monitor.

6 CONCLUSION

6.1 The sample of decisions examined suggests that member decisions are being implemented although not always in a timely manner. Non implementation is not an issue.

6.2 The introduction of a formal monitoring system is a management decision that should be based on risk, cost, increases in workload and the improvement in overall governance.

Richard Barr
Audit and Risk Manager

TO: Head of Health and Community Protection

C.C.: Chief Executive
Deputy Chief Executive (AJ)
Head of Finance
Environmental Sustainability Manager
Civil Contingencies Officer

SUBJECT: Flood Risk Management

REF: JK/JW/FRM

FROM: Audit and Risk Manager

DATE: 27 November 2014

1. Introduction

- 1.1 As part of the 2014/15 Audit Plan an audit has recently been completed on the systems and procedures in place to manage the risk of flooding.
- 1.2 This report outlines the approach to the audit and presents the findings and conclusions arising.

2. Scope and objectives of the audit

- 2.1 The audit was undertaken in order to establish and test the controls in place over managing the risk of flooding.
- 2.2 The audit programme identified the controls that were expected to be in place and the possible risks arising from the absence of controls.
- 2.3 The control objectives examined were as follows:
 - a) There are appropriate management, structural and operational procedures in place to deal with the risk of flooding.
 - b) The council's legal obligations are being complied with.
 - c) All watercourses on council land are identified, recorded and maintained.
 - d) Proposed developments in the district are referred to Health and Community Protection (H&CP) for comment on flood risk implications.
 - e) Work is ordered in accordance with the Code of Procurement Practice.

- f) Work carried out for Warwickshire County Council (WCC) is covered by a formal agreement.
- g) Corporate budgetary control procedures are being followed.
- h) The risks associated with the service are identified, recorded and managed.

3. Background

- 3.1 The council has plans in place to deal with the possibility of all manner of peacetime emergencies and as necessary plans will be formulated to address new threats that arise eg Avian Flu.
- 3.2 Historically, emergency situations have occurred as a result of extreme weather and flooding. As this has happened on a number of occasions, most memorably Easter 1998 and summer 2007, and as there are no certainties about climate change, there is every chance that major flooding will occur again at time in the future.
- 3.3 The consequences of flooding for householders and for council properties and services are such that responding to flooding and mitigating the risk of flooding are very high on the council's agenda.
- 3.4 Dealing with the consequences of flooding can impact on all service areas. The overall responsibility for planning for the possibility and responding if it happens and mitigating the risk on an ongoing basis lies with Health and Community Protection and specifically Environmental Sustainability.
- 3.5 Estimated expenditure on mitigation work, flood alleviation, in 2014/15 is £138,200. Expenditure on civil contingencies, which includes flooding but also planning for and responding to all emergencies, is estimated to be £110,500.

4. Findings

- 4.1 In overall terms the audit drew the conclusion that there are sound controls, systems and procedures in place to manage the risk of flooding. There are some areas where control and compliance can be improved and these will be detailed below.
- 4.2 In terms of the controls objectives listed at 2.3 the findings are as follows:

4.3 Appropriate management structure and procedures

- 4.3.1 Responsibility for civil contingencies and for flood alleviation was previously exercised by Engineers and then incorporated into Community Protection. Following a recent restructure both currently sit in Environmental Sustainability in H & C P.

- 4.3.2 The Environmental Sustainability Manager is responsible for both aspects of flood risk management: the more strategic side that is Civil Contingencies and the ongoing maintenance works and advisory side that is Flood Alleviation
- 4.3.3 Consequently the mitigation of flood risk, responding to emergencies and working with relevant agencies feature prominently in the H&PC Service Delivery Plan and in the job descriptions for the Civil Contingencies Officer and Area Engineers.
- 4.3.4 Civil Contingencies was considered as part of the audit but not in any detail as both Emergency Planning and Business Continuity Management are the subjects of audits in their own right.
- 4.3.5 All Services Areas will have plans in place to deal with the aftermath of flooding, as it affects their own functions and services, and will have identified and recorded the corresponding risks. These plans will feed into the Emergency Planning process and so were not examined as part of the audit.

4.4 Legal obligations are complied with

- 4.4.1 There are numerous Acts of Parliament and reports that have some reference to local authorities' responsibilities in respect of land, water and flooding and that influence the type of work undertaken. They include the Civil Contingencies Act 2004 (CCA), the Land Drainage Act 1991(LDA) as amended, the Flood and Water Management Act 2010 (FWMA) and the Pitt Review.
- 4.4.2 The CCA places a number of duties on local authorities which can be summarised as planning for emergencies. Areas covered are risk assessments, liaising and sharing information with other organisations and creating and testing emergency plans to name but a few. Warwick District Council has an Emergency Plan and also a Flood Defence Plan in place.
- 4.4.3 The LDA requires that owners of watercourses must maintain them in a condition that allows the free flow of water through them. In the council's case all of the streams and brooks flowing through council land are inspected and maintained on a programmed basis. Any exceptional works that are required outside of the schedule will be dealt with. The council has powers of enforcement and prosecution if owners of other watercourses fail to carry out their duties under the LDA.
- 4.4.4 The FWMA created the concept of a Lead Local Flood Authority (LLFA), in the council's case it is WCC, who are responsible for developing and maintaining a Local Flood Risk Management Strategy (LFRMS) for Warwickshire. In summary the Act has partnership working as a key theme together with the delivery of effective joined up management of flood risk avoiding duplication.

4.4.5 Following the floods of summer 2007 which devastated parts of the country and claimed 13 lives Sir Michael Pitt was asked to carry out a review of the country's flood defences. His report contained 92 proposals. Some of them were aimed directly at district and county councils and they influence the work undertaken in both civil contingencies and flood alleviation.

4.5 All watercourses are identified and maintained

4.5.1 All watercourses on council owned land are recorded and referenced on detailed maps, together with the details of trash screens ie metal grids that stop large debris and junk entering underground watercourses ie culverts.

4.5.2 These maps are held by H&CP and the contractor carrying out the inspection and maintenance work. At the beginning of the year a detailed schedule is prepared and sent to the contractor listing precise details of which watercourses and screens need to be maintained and when the work needs to be carried out.

4.5.3 As part of the process the contractor provides before and after photographs of the trash screens that have been maintained.

4.6 Advice on proposed developments

4.6.1 As part of the planning process a list of planning applications validated each week is sent to H&PC for observation and comment on any flood risk implications. This will cover not only the location of the proposed development in relation to a flood zone but also the design and construction of a proposed development and how that might increase the risk of flooding.

4.6.2 Evidence was produced of responses to individual applications that demonstrated a very thorough, detailed and comprehensive approach to the enquiries.

4.7 Work ordered complies with the Code of Procurement Practice

4.7.1 Work to WDC watercourses, WCC watercourses (covered at 4.8) and to WDC pumping stations is carried out by Wilkinson Environmental and has been the case for many years. There is no contract in place and it is unknown if there ever was one.

4.7.2 The net amount paid to Wilkinsons in 2013/14 was £41,131 which far exceeds the Procurement Code threshold of £20,000 above which contracts should be advertised and market tested.

4.7.3 Failing to market test work raises doubts about value and leaves the council open to criticism and possible challenge.

4.7.4 As mentioned earlier, responsibility for flood risk management has only relatively recently transferred to H & C P where it was soon

recognised that the work undertaken by Wilkinsons needed to be market tested. Work has been undertaken in readiness for inviting tenders and entering into a contract. The Procurement Team will need to be contacted for advice on the mechanics of the process and the best way to proceed.

Risks

Failing to invite tenders for work means that the value of the current arrangement cannot be demonstrated.

The council could be falling foul of EU procurement directives and open to challenge.

Recommendation

The Procurement Team should be contacted for advice on market testing the work currently undertaken by Wilkinsons.

4.8 There is an agreement in place for work undertaken for the County Council

- 4.8.1 Following the demise of the Highways Agency Agreement, Warwick District Council no longer maintained WCC watercourses and screens. This proved to be problematic on occasion so as a result of some pressure by the former Head of Engineering it was agreed that Warwick District Council would undertake the work as before and recharge the County.
- 4.8.2 It wasn't clear if there was a formal document in place to evidence this arrangement but there was on file a copy of a draft agreement from 2004 setting out in broad terms how the agreement would operate.
- 4.8.3 More recently the County's agreement to have the work undertaken at the price quoted is governed by an exchange of emails. For 2014/15 the value of the agreement is £18,419 which comprises around £12,400 for work undertaken by the contractor and £6,000 for the council's administrative costs.
- 4.8.4 While the arrangement is not ideal the risk is seen as being low as if WCC wanted to make other arrangements then WDC would no longer order the work.
- 4.8.5 Although the draft agreement seen states that WCC will pay one twelfth of the amount due on 25th of each month in reality the council raises two invoices every six months (the total cost is split between two budget holders). The raising of invoices is erratic and confusing.
- 4.8.6 So far this year only one invoice for £2,686.08 from a total for the year of £18,418.66 has been invoiced. In 2013/14 (when four invoices should have been raised) there were eight invoices raised.

Two were cancelled but six were raised, paid and allocated to 2013/14.

- 4.8.7 It looks as though the invoices for the second stage payment were raised twice. The invoices raised on 28 March 2014 clearly state 2013/14 but also state "first stage payment". It must be assumed that they were duplicates raised in error and that WCC perceived them as being the first payments for 2014/15, always assuming that WCC haven't paid them twice in error.
- 4.8.8 No convincing explanation has been forthcoming but the bottom line is that income for 2013/14 on that particular cost centre is overstated by £9,209.93.
- 4.8.9 Again the recent transfer of staff from Community Protection to H & C P is having a bearing on the situation as invoices were raised by them and not in line with H & C P financial controls. In future invoices will be channelled through the Business Support Officer who will be responsible for ensuring that they are raised on a timely basis. For information it is said that WCC are hampering the raising of debtor invoices by insisting that their purchase order number appears on the invoice and then adopting a tardy approach in supplying it.

Risks

Lack of control over raising invoices means they may be raised late, not at all, or, as in this case, allocated to the wrong year.

Raising invoices twice creates an impression of an inefficient organisation.

Raising invoices in arrears increases the possibility of delayed payment and is at odds with the Code of Financial Practice.

Recommendations

Invoices for work undertaken for WCC should be raised at regular intervals on predetermined dates.

Invoices should be raised in advance and not in arrears in accordance with the Code of Financial Practice.

4.9 Budgetary control is observed

- 4.9.1 Budgetary control procedures are less evidential these days and more likely to take the form of face to face discussion around key areas and known problem areas.
- 4.9.2 Assurance was provided by both the Environmental Sustainability Manager and by accountants in Finance that regular budget monitoring does take place.

- 4.9.3 Despite that assurance there was no convincing explanation forthcoming as to why, in 2013/14, there was income of £28,000 in the WCC Highway Culvert Maintenance budget against an estimate of £14,000 and no enquiries were made or action taken. (See 4.8.7)
- 4.9.4 It would seem likely that income for 2014/15 will suffer a shortfall as a result.

Risk

Incorrectly allocating income can result in overstatements and corresponding shortfalls in the council's accounts.

Inadequate budgetary control can result in significant variations going undetected

Recommendations

The situation with income from the County for Highways Culvert maintenance in 2013/14 should be investigated and reported as part of the corporate budget monitoring process.

As part of ongoing monthly budget monitoring any significant variations should be investigated and reported so that action can be taken as appropriate.

4.10 Risks are identified and managed

- 4.10.1 Most risk registers contain a number of references to flooding as it can impact on service delivery, ICT services and office accommodation across the council.
- 4.10.2 The H&CP risk register contains the usual generic risks as above and specific references to emergency situations and the Emergency Plan and also flood alleviation.

5. Conclusion

- 5.1 The audit identified some areas where control could be improved but concluded that there are sound systems and procedures in place to manage the risk of flooding.
- 5.2 The audit can therefore give a **SUBSTANTIAL** level of assurance that the systems and procedures in place are appropriate and working effectively.

Richard Barr
Audit and Risk Manager

INTERNAL AUDIT REPORT



FROM: Audit and Risk Manager **SUBJECT:** Internal Audit of Housing Benefit and Council Tax Reduction (Payments and Overpayments sub-systems)

TO: Head of Finance **REF:** SC/BEN

C.C. Chief Executive **DATE:** 13 November 2014
Benefits and Fraud Manager

1 Introduction

- 1.1 As part of the 2014/2015 Audit Plan an audit was undertaken recently on the systems and procedures in place to manage certain aspects of the Housing Benefit and Council Tax Reduction System.
- 1.2 This report outlines the approach to the audit and presents the findings and conclusions arising.

2 Scope and Objectives of the Audit

- 2.1 The audit reviewed the controls in place over the processes for making payments and reclaiming and stopping overpayments. The approach to the audit was to ascertain and evaluate the controls in place by applying the CIPFA Control Matrices for these subsystems on the Housing Benefits and Council Tax Reduction System. These basically comprise internal control questionnaires which are completed following a discussion with the main audit contact and are designed to identify any control weaknesses. These are followed by the completion of a set of compliance tests that are linked to the ICQs.
- 2.2 There is a phased approach to the audit of Housing Benefits and Council Tax Reduction System with the aim being to cover all of the modules over a three year cycle. On this occasion the payment and overpayments modules were applied.
- 2.3 The expected controls under these two modules are categorised into the following areas:

Payments:

- Policies and procedures
- Payments including those to landlords
- Checks and reconciliations
- Performance
- Security of data

Overpayments:

- Policies and procedures
- Identification and calculation
- Recording and notification
- Recovery
- Reduction and write off
- Performance
- Security of data

2.4 On the 29th September 2014 the Council was notified that Universal Credit will be rolled out to all jobcentres and Local Authorities from February 2015. This is part of the Government benefits reform programme and will meet the aim of simplification of the benefits system as new claims to legacy benefits will close from 2016 with migration to Universal Credit to follow thereafter.

3 Background

3.1 The management of Housing Benefits and Council Tax Reduction System is undertaken by staff in the Benefits Division of Finance. There are currently 16 staff equating to 13 fte.

3.2 The Council expenditure on Housing Benefit is £31 million which is funded by grant. In addition the Council receives £653k as grant subsidy to operate the Housing Benefits service.

3.3 The Council Tax Reduction Scheme costs approx. £7 million in 2014/15 with Warwick District Council's share being approx. 10%. The remainder is shared across the other precepting bodies, most significantly the County Council and Police.

3.4 Housing Benefits and Council Tax Reduction transactions are processed through the "Civica" system. This has changed little in recent years and, coupled with fairly settled, knowledgeable and experienced staff, a stable working environment exists.

4 Findings

4.1 Based on the examination of the aspects of Housing Benefits and Council Tax Reduction referred to above the audit found that there are sound systems and procedures in place to manage Housing Benefits and Council Tax Reduction. This is consistent with previous audits where there are either no recommendations or there are recommendations of a relatively minor nature.

4.2 The findings are summarised below under the headings:

- Policies and procedures
- Data security
- Checks and reconciliations
- Payments

- Overpayments

4.3 Policies and Procedures

- 4.3.1 The Council's own guidance such as the Financial Code of Practice etc. are all available to staff on the Council intranet (WaSP – Warwick Staff Portal). It was confirmed that legislative guidance is held by the Benefits and Fraud Manager such as the Statutory Instrument 2006 No.2013 – Social Security – The Housing Benefits Regulations 2006, which came into force on the 6th March 2006. This is the main legislation for Housing Benefits.
- 4.3.2 The service has a subscription to a Housing Benefit information website (hbinfo.org). An internet search established that the latest benefits circular issued was A15/2014, which was published on the 24th September 2014. Testing confirmed that circular A15/2014 is available on the hbinfo.org website.
- 4.3.3 The Benefits and Fraud team have and plan to continue to work with Rugby Borough Council on sharing training costs, although it is offered to all District and Borough Councils within Warwick, through the periodic Head of Benefits meetings.
- 4.3.4 From the training record and discussion it was established that recent training included:
- Claimants from overseas: 2 staff – Jan 2014
 - Refresher training Claimants from overseas: All staff – April 2014
 - Debt advice for non-debt advisors: CAB – Dec 2013
 - Universal Credit: All staff – Sept 2013
 - Data Protection: Senior Assessment Officers - Jan 2014

4.4 Data security

- 4.4.1 This aspect of the audit is covered periodically during audits of the Civica application controls and reviews of Information Governance and Data Protection so it was not examined in detail.
- 4.4.2 Discussion and observation determined that security of hard copy data is not an issue as, as apart from current working documents, virtually all data is held electronically within Civica.
- 4.4.3 It was confirmed that benefits staff sign an accessing data protocol which includes a confidentiality clause and also a declaration of interest clause. The declaration of interest confirms they have no financial interest in any Housing Benefit matter at Warwick District Council either as a claimant or a landlord.

4.5 Checks and reconciliations

- 4.5.1 Daily reconciliations are undertaken on the Council Tax benefits awarded and that posted on the Council Tax system. All current cases are run

once budgets are agreed and the precepts are known as in that way those entitled to Council Tax benefit have it shown on their 2014/15 Council Tax bills. Testing confirmed that the transactions within the two systems reconcile at the date of this review with a value of £6,551,067.21.

- 4.5.2 There is a similar reconciliation on the Housing Benefit paid out and transferred to Council Rent Accounts. Testing confirmed that the transactions within the two systems reconcile at the date of this review with a value of £7,021,659.10.
- 4.5.3 The third element of the reconciliation is the value of payments made to third parties; both claimants and landlords. Testing confirmed that the transactions posted within the "Civica" system match the payments created export file. These reconciled at the date of this audit review with a value of £9,444,102.63.
- 4.5.5 It was established that the Systems Office undertakes these reconciliations and this provides effective segregation of duties from the Benefits Team who assess and maintain the records that generate the payments due.

4.6 Payments

- 4.6.1 The number of cheques processed is now approximately 40 per month and this is reducing and only in very exceptional cases would a new claim be added as a cheque payment. There have been no new claims paid by cheque set up in 2014/15.
- 4.6.2 No payments are made in respect of Council Tax reduction, the Reduction is a posting on the individual's Council Tax account. Sample testing confirmed that Council Tax Reduction claims had only been made in accordance with the approved policy and the Reduction had been correctly transferred to the Council Tax system.
- 4.6.3 Since 7th April 2008 direct payments to Landlords are only made in certain circumstances and the majority of claims are paid direct to the claimant. Housing benefit claims paid to the Landlord pre 2008 are still paid direct to the landlord. Sample testing confirmed payment had only been made direct to landlords in the appropriate circumstances, e.g. the tenant was over 8 weeks in arrears.
- 4.6.4 All benefits correspondence, whether to claimant or landlord, contain the contact details of the Council's contact centre, which is the initial single point of contact across the Council's services. All correspondence contains a detailed note on notification of change of circumstances which may affect a claimant's eligibility.

4.7 Overpayments

- 4.7.1 There is a clear strategy to minimise overpayments:

- There is clear change of circumstances wording
- Change of circumstances can easily be reported by phone (Call Centre), e-mail or personal visit to the Office
- Claims are suspended if evidence is required
- There is an urgent workstream queue on the "Civica" system, with Customer Services (the Call Centre) and the Document Management Centre (the Post Room) having been trained in what should go in the urgent work queue examples include change of address.

There is effective liaison with landlords (these are mostly social landlords as very few new landlords are added with claimants being paid direct now).

- 4.7.2 Where possible overpayment recovery is taken from current claims payments in weekly instalments if a valid claim is still being paid. If there is no longer a valid claim a debtors account is raised for immediate repayment and the chasing of the debt is then the responsibility of the Accounts Receivable team.
- 4.7.3 Council Tax benefit recovery is posted back to the Council Tax account and that would be subject to standard recovery action in accordance with standard Council Tax recovery arrangements.
- 4.7.4 Debt recovery on the Accounts Receivable system and through the Council Tax system are dealt with by the Recovery Team within Exchequer and they have no involvement in any debt write-off.
- 4.7.5 A sample of recoveries was tested and this confirmed that recovery of the sum due was in progress through:
- instalment payment from benefit in payments
 - raising of a debtors account

5 Conclusion

- 5.1 Based on the aspects that were examined the audit concluded that there are sound systems and procedures in place to manage the Council's Housing Benefits and Council Tax Reduction functions.
- 5.2 The audit can therefore give a **SUBSTANTIAL** level of assurance that the systems and procedures in place are appropriate and working effectively.

Richard Barr
Audit and Risk Manager

TO: Head of Health and
Community Protection

SUBJECT: Licensing Services

C.C. Chief Executive
Deputy Chief Executive (AJ)
Head of Finance
Regulatory Manager
Democratic Services Manager

REF: JK/JB/LIC

FROM: Audit and Risk Manager

DATE: 20 January 2015

1. Introduction

- 1.1 As part of the 2014/15 Audit Plan an audit has recently been completed on the systems and procedures in place to manage the council's Licensing Service.
- 1.2 This report outlines the approach to the audit and presents the findings and conclusions arising.

2. Scope and Objectives of the Audit

- 2.1 The audit was undertaken in order to establish and test the controls in place over the management of licensing.
- 2.2 The audit programme identified the controls that were expected to be in place and the possible risks arising from the absence of those controls.
- 2.3 The control objectives examined were as follows:
- a) A consistent approach is applied to processing applications and managing licences.
 - b) All individuals, premises and activities requiring a licence are identified.
 - c) The correct licence fee is being charged.
 - d) Discretionary licence fees are set at an appropriate level.
 - e) Enforcement of conditions is exercised through inspection and monitoring.
 - f) Licensing information and the licensing system are secure from unauthorised access.

g) Risks associated with the service are managed.

3. Background

- 3.1 The Licensing Team is based within the Regulatory Division of Health and Community Protection. The team is responsible for issuing and managing a wide range of licences with the highest profile being premises licences and licences relating to hackney carriage and private hire vehicles.
- 3.2 Until comparatively recently licensing sat within the Community Protection Service Area and was the responsibility of the former Licensing Services Manager. His departure, the merger of Environmental Health and Community Protection and a number of changes and new appointments to the Licensing Team have meant that the service is in something of a developmental and transitional phase.
- 3.3 The team, under the leadership of the Regulatory Manager, is continuing to issue and manage licences as before and at the same time reviewing all of the existing practices and procedures with a view to identifying improvements and rectifying any shortcomings.
- 3.4 The estimated expenditure on Licensing and Regulation in 2014/15 is £311,900 with income being estimated at £304,400.
- 3.5 The subject of the audit is Licensing Services but the fairly fixed nature of the expenditure i.e. employee costs, administration costs and support services meant that the focus of the audit was on issuing and managing licences.
- 3.6 A small number of licences, mainly relating to animal welfare, are issued by the Safer Communities Division and not examined as part of this audit.

4. Findings

- 4.1 In overall terms the audit concluded that there are sound systems and procedures in place to manage Licensing and that there is a clear intention to improve them. There were some areas where control could be improved but in the main these have already been identified by the team.
- 4.2 In terms of the control objectives listed at 2.3 the findings are as follows:
- 4.3 **A consistent approach is applied**
- 4.3.1 As most of the licences dealt with have been issued for many years, and premises licences have been issued since 2005, it is not surprising that systems and procedures have developed and been standardised.

- 4.3.2 The procedures for receiving and processing all types of applications are recorded and effectively form a procedures manual. These would enable members of the team who do not normally process applications to do so if necessary. As with most regular processes staff familiarity with them will mean that the manual is rarely referred to.
- 4.3.3 The procedures manual was compiled under the previous Licensing regime and while the content is still relevant it is in the process of being reviewed and updated as part of the complete review of the service.
- 4.3.4 Included in the manual is reference to the Scheme of Delegation and there is evidence of delegation of the licensing powers of the Head of Community Protection to the Licensing Services Manager and officers in the Licensing Team. The scheme was last approved in June 2013 which is prior to the creation of the current structure.
- 4.3.5 Clearly the Scheme of Delegation cannot be revised and reapproved for every single change in responsibility but the current responsibility needs to be reflected the next time that the scheme is reviewed.
- 4.3.6 In terms of consistency of information available to applicants and the processes to follow the Licensing pages on the WDC website contain everything that an applicant would need to know. There is a vast amount of information available and all application forms can be downloaded or printed.
- 4.3.7 In addition to information available to applicants there is also a search facility for members of the public in the form of a licence register whereby basic details on licence holders and licence conditions can be viewed.
- 4.3.8 Again as part of the review of the service the currency, content and user friendliness of the web pages are set to be reviewed.

4.4 **All people, premises etc. are identified**

- 4.4.1 As with any "system" requiring the compilation of data concerning individuals or premises the measures to do that will have been decided many years ago. Once the initial work has been completed, thereafter it is a question of confirming its accuracy and ensuring that all necessary changes are actioned.
- 4.4.2 In terms of ensuring that there is no unlicensed activity reliance is placed on internal sources such as Planning and the Food Team and liaison with external bodies such as the Police and Trading Standards.
- 4.4.3 The regular enforcement and compliance activity, the Licensing Team's general knowledge of the area and articles or advertisements in the local media all contribute to identifying any new businesses or changes in ownership.

- 4.4.4 Whenever a licence covers an activity including trade and profit there is always a self-policing element. Licence holders can be relied on to report any competitors operating illegally.
- 4.5 **The correct licence fee is being charged**
- 4.5.1 In general terms the control here is that fees are published in the budget book and on the website and applicants and the Licensing Team are familiar with them. It is extremely unlikely that an incorrect fee will be submitted and that a licence will be issued on that basis.
- 4.5.2 In terms of the audit check the cost centre codes for the various licences were examined on TOTAL to ensure that the entries complied with the approved fees.
- 4.5.3 In respect of premises licences the situation is less straightforward than the other fees in that they are based on the Rateable Value of the premises. There are five bands covering the range from zero to £125,001 and above. The Rateable Value of the premises will be in one of the five bands and that will determine the initial fee and the annual charge.
- 4.5.4 Enquiries concerning how this particular aspect was controlled were met by a slightly hazy response and the comment that the team was aware of the potential for error here and that all RVs were being verified to ensure that the correct fee was being applied.
- 4.5.5 The scope for error mainly stems from processing a licence when the RV is not known e.g. a new build or a property undergoing alterations and from being aware of other changes in RVs throughout the year e.g. appeals.
- 4.5.6 A sample of 25 premises was selected from data supplied by NDR and checked against data supplied by the FS Team on the charges being invoiced. There were four anomalies, three of which were in the council's favour.
- 4.5.7 In addition a further five premises was selected from data on invoicing where it was evident that there was no Billing Authority (NDR) reference and so the chance of an error was much higher. In these five cases there were three anomalies all in the applicant's favour.
- 4.5.8 In the sample of 25 revealing four anomalies, three of those anomalies were the result of changes in RVs. On the basis that most premises licences are probably issued to long established businesses or buildings where the RV probably hasn't changed it is considered that most premises will be in the right band.
- 4.5.9 As the bandings for premises licence fees will have been set by the previous Licensing regime and the current Licensing Team want to ensure the accuracy of the data and therefore the billing it would be prudent to confirm all of the bandings.

- 4.5.10 There are several hundred premises licences so to check them all at the same time would be a huge task. The job could be undertaken over time to coincide with the issue of the invoice for the annual fee – these are issued throughout the year, not all at the same time.
- 4.5.11 To facilitate the task and to ensure that the Licensing Team are able to monitor the banding of premises they should have access to the council's NDR system which contains the latest and most reliable RV data. Currently they access the Valuation Office (VO) website.
- 4.5.12 As an alternative to having access to the NDR system, if this is not possible for any reason, NDR should be able to supply details of all the current RVs, possibly filtered to include only properties that would require a premises licence.
- 4.5.13 When a situation is reached where all bandings have been verified it will then be a case of maintaining the accuracy. NDR receive weekly notifications from the VO in the form of schedules of changes to the Valuation List. These are filed electronically and access can be granted to the Licensing Team.

Risks

Inaccurate RV data may result in premises being placed in the wrong banding and revenue may be lost.

There may be damage to the council's reputation.

Recommendations

The Licensing Team should liaise with NDR to arrange access to council held Rateable Value data.

When RVs are available the current bandings for premises licences should be compared.

Access should be arranged to Valuation Office schedules of changes to the Valuation List. They should be assessed regularly for any possible changes to premises bandings.

- 4.6 **Discretionary fees are at an appropriate level**
- 4.6.1 Certain licence fees, premises for example, are established by the Government. Other fees, notably all of those relating to hackney carriage and private hire activity are discretionary and are set by the council.
- 4.6.2 Discretionary fees are reviewed and usually revised each year as part of the fees and charges review that is part of the budget setting process. Often this "review" will simply be an inflationary increase.

- 4.6.3 There has been a significant change recently to the calculation of discretionary licence fees as a result of EU legislation. Local Authorities should not be seen to make a surplus from issuing discretionary licences and should break even over a three year period. Failure to do so would leave them open to challenge.
- 4.6.4 This has necessitated a significant amount of work for the Licensing Team in identifying and costing every single component of processing, issuing and managing certain licences.
- 4.6.5 The outcome can be seen in the changes to discretionary licence fees approved by Executive in October and coming into force on 2nd January 2015.

4.7 **Enforcement of conditions is exercised**

- 4.7.1 Enforcement or compliance checks on licence conditions are carried out on both a scheduled and responsive basis. Compliance issues are often identified during the business of Multi Agency team meetings.
- 4.7.2 For vehicles there are regular checks carried out for the council by garages as part of the MOT process and in addition vehicles have to be presented for inspection at other times of the year.
- 4.7.3 Checks on other aspects of vehicle activity such as use of taxi ranks and using the correct meter tariffs are undertaken by the Licencing Team.
- 4.7.4 Checks on premises are carried out on a planned basis. Members of the Licensing Team conduct compliance visits and on occasion they are accompanied by a representative of the Police or Trading Standards.
- 4.7.5 Plans are in place to move the inspection of premises onto a risk based frequency similar to that used by the Food Safety Team.

4.8 **Licensing information and the system are secure**

- 4.8.1 The management system for Licensing is the one used by the rest of Health and Community Protection, Civica, commonly known as Flare.
- 4.8.2 Access to the system is restricted in the usual way by the granting of access privileges and the issue of IDs and passwords.
- 4.8.3 Virtually all supporting information for licences is scanned into Flare and then confidentially disposed or returned if necessary.
- 4.8.4 The exception to this are the files relating to premises licences. These are held in unlocked filing cabinets close to the Licensing Team's office area. They contain personal data such as names, addresses, telephone numbers and examples of signatures. The files are easily

accessible but the risk of any fraudulent activity resulting is extremely low.

4.8.5 Measures are in place to prune all of these files in order to identify any redundant paperwork and then to scan the remainder to secure electronic filing.

4.9 **Risk management**

4.9.1 The Licensing Service is exposed to the generic risks facing all services – staffing shortages, system and communication failure, accommodation, lack of resources.

4.9.2 Service specific risks will relate to staff safety, poor management of the licensing process and inappropriate fee setting.

4.9.3 All of the above are identified, recorded and allocated in the Health and Community Protection risk register.

5. **Conclusion**

5.1 The audit identified some areas where control could be improved but most of these are being addressed and so concluded that the systems and procedures in place to manage the Licensing Service are sound.

5.2 The audit can therefore give a **SUBSTANTIAL** level of assurance that the systems and procedures in place are appropriate and working effectively.

Richard Barr
Audit and Risk Manager

INTERNAL AUDIT REPORT

FROM: Audit and Risk Manager
TO: Chief Executive
C.C. Head of Finance
HR Manager
HR Transactional Payroll
Project Manager

SUBJECT: Payroll & Staff Expenses
DATE: 19 December 2014

1. Introduction

- 1.1 In accordance with the Audit Plan for 2014/15, an examination of the above subject area has been undertaken and this report presents the findings and conclusions drawn from the audit for information and action where appropriate. This topic was last audited in December 2010.
- 1.2 Wherever possible, findings have been discussed with the staff involved in the procedures examined and their views are incorporated, where appropriate, into the report. My thanks are extended to all concerned for the help and cooperation received during the audit.

2. Background

- 2.1 Warwick District Council uses the Oracle Human Resources Management System (HRMS) hosted by Warwickshire County Council for the processing of payroll functions. HRMS was developed in 2003/04 by the County and a number of partner organisations. Warwick District Council uses both the payroll and HR related functions within HRMS.
- 2.2 Staff costs account for a high percentage of expenditure, therefore it is important for there to be effective controls in place. Over 800 individuals have been paid during the current financial year, covering over 900 assignments (with some individuals having up to four different assignments), including permanent staff, casual staff and Councillors.
- 2.3 The core payroll duties are undertaken by members of staff in the Payroll team within HR. All staff are now paid by BACS on the monthly payroll, with the weekly payments having been terminated a number of years ago.

3. Scope and Objectives of the Audit

- 3.1 There is currently a project underway looking at how the payroll function will be operated in the future, covering issues such as self-service and whether the council continues to use the HRMS system hosted by the county council. However, as this project is still ongoing, it is the current processes that have been examined.
- 3.2 An extensive examination has been undertaken using the CIPFA systems-based control evaluation models. This entailed completion of Internal

Control Questionnaires (ICQs) and testing of controls in accordance with evaluation programmes. Detailed testing was performed to confirm that controls identified have operated, with documentary evidence being obtained where possible, although some reliance has had to be placed on verbal discussions with relevant staff, including Payroll Officers and other HR staff.

3.3 The controls covered fall under the following main headings:

- Starters
- Deductions
- Variations to pay
- Leavers and transfers
- Payments
- Reconciliations
- Security of data
- Travel and subsistence
- Members' allowances

3.4 A set of 'general' questions was also included in the matrices. Some specific tests were not performed as they were either considered not relevant to the operations at the council or are covered under separate audits.

4. Findings

4.1 General Issues

- 4.1.1 At the time of the previous audit, the establishment was being maintained on a standalone system (Snowdrop). However, the use of this system has now been discontinued, with the establishment now being held on the HRMS system. As the establishment is on the same system as the payroll, there is no need for reconciliation between the two records, as staff cannot be paid by payroll if they do not have an assigned post.
- 4.1.2 However, it was flagged up during the course of the audit that there are issues with maintaining the establishment at the moment. The HR Transactional Payroll Project Manager (PPM) highlighted that there was a lack of expertise in maintaining the establishment hierarchy on HRMS and also on setting up new posts. As a result, a number of posts are being set up as temporary posts on the system.
- 4.1.3 This has also impacted upon the checks that used to be performed by managers. In the past, HR would provide managers with quarterly establishment lists for their service areas to confirm that they were correct. However, these lists are no longer produced as it is known that they are incorrect.

Risk

Errors go unnoticed.

Recommendations

The establishment on the HRMS system should be reviewed and updated to ensure that it reflects the current agreed structure of the council.

The quarterly reports to managers should be reinstated to enable managers to review their staffing lists.

- 4.1.4 The Code of Financial Practice indicates that all relevant staff-related payments, including those to Members, are made under the arrangements approved and controlled by the Head of Finance, with Senior Managers having a duty to ensure that all relevant issues relating to staff in their area are dealt with immediately and with regard to the Personnel (HR) Handbook.

- 4.1.5 The HR handbook contains some of the more detailed documents and procedures, although this needs to be updated as some items are no longer relevant (e.g. the honorarium guidance still makes reference to the 'purple book' and makes distinctions for craft and manual workers).

Risk

Staff and managers deal with HR and payroll issues incorrectly.

Recommendation

The HR Handbook should be reviewed to ensure that all details are still relevant.

- 4.1.6 Checklists are in place for certain tasks performed by Payroll and HR staff and various guidance notes for different tasks, along with a 'basic instructions' document, are held on the 'Payments' area of the network. Some of the guidance documents are quite old, although the basic instructions document was found to include recent amendments (e.g. details regarding changes to the national minimum and living wages and changes to processes following the incorporation of the Payroll team into the HR service area).
- 4.1.7 In the past, forms were received by Payroll to authorise amendments to the payroll (either permanent changes such as new starters or temporary changes such as monthly mileage claims), and these were required to be authorised by an authorised signatory.
- 4.1.8 Whilst some of the forms are retained at present for the temporary changes, some of the permanent changes are now notified to Payroll and HR by email. This process was agreed at the time of the previous audit following discussions between Internal Audit, Payments and HR. However, the agreement was that all of the relevant details should still be included on the emails and these emails should only be accepted from authorised staff.
- 4.1.9 As part of the testing covered under other areas in this report, it was noted that the information is often received in a piecemeal fashion and, whilst authorised signatory lists are being maintained, they do not cover who these emails can be received from.

Risk

Unauthorised and inaccurate amendments to permanent payroll information.

Recommendations

Proforma email forms should be created for changes to permanent payroll information to ensure that all relevant information is received at the same time.

The authorised signatory list should be amended to include details of which officers can send through the email notifications.

4.2 Starters

- 4.2.1 A sample of staff that had recently been employed by the council was reviewed to ensure that the process of entering them onto the payroll had been undertaken appropriately.
- 4.2.2 The testing identified the issues as highlighted above (see 4.1.9). However, following receipt of the information, testing confirmed that the process was operating effectively, with starter's checklists being in place for each new starter sampled and the employee being correctly set up on HRMS.

4.3 Deductions

- 4.3.1 All voluntary deductions require authorisation from the employee concerned. This authorisation is then retained in the electronic personal file for the relevant employee (now on FORTIS).
- 4.3.2 A sample of twenty voluntary deductions selected at random from payroll information extracted from HRMS was tested to ensure that there was appropriate documentary evidence held on the employee's file. This was found to be the case in all but one instance.
- 4.3.3 In this instance, the individual concerned confirmed that authorisation would have been given and that it may have been actioned whilst he was working at the county council (although employed by this council). Whilst this finding suggests that there has been a minor non-compliance with the control, it is acknowledged that an employee would be likely to have queried any unauthorised deductions from their pay.
- 4.3.4 The deductions extract was also interrogated to ascertain whether there were any positive amounts. One such instance was identified and an appropriate explanation was provided by the Payroll Officer.
- 4.3.5 When the deductions are made from the employees pay, the monies are placed into holding accounts on the TOTAL system. Testing was undertaken to ensure that the deductions were subsequently being paid over to the relevant creditors. This test proved satisfactory.

4.4 Variations to Pay

- 4.4.1 The 'variations' tested covered a whole range of different amendments to staff pay, from timesheets being submitted by casual staff to overtime claims, sick and maternity pay to honoraria and permanent pay awards.
- 4.4.2 Testing of timesheets was undertaken to ensure that the forms had been appropriately completed, that they had been signed appropriately by both the employee and by an authorising officer and that they had been annotated in some way to identify that they had been input to HRMS for payment.
- 4.4.3 Authorised timesheets were found in the majority of cases. However, copies of timesheets could not be found on FORTIS for one sampled individual in May 2014. Upon further investigation, it was noted that timesheets covering 17 individuals, including the sampled employee, were missing (all records for 15 staff members and some timesheets from two others at the start and end of the 'batch').

Risk

Queries cannot be resolved.

Recommendation

Checks should be undertaken to ensure that all documents have been saved correctly following scanning onto FORTIS.

- 4.4.4 Similar testing was undertaken in relation to overtime claims. All forms were found to have been appropriately signed and authorised. During the course of the testing, it was necessary to work out what hourly rates were being paid, so that payments could be related to the individual overtime claim forms. The testing confirmed that staff were generally being paid at the correct rates.
- 4.4.5 However, one issue was noted that affected two sampled staff members. They are paid overtime at a certain point on the salary scale (SCP35). However, when their payments were checked, it was identified that the hourly rate paid did not agree to the correct hourly rate for the pay scale. Upon further investigation it was identified that the overtime element had not been increased in line with the latest pay award (one percent increase in April 2013). The Payroll Officer checked with the county council (as the system supplier) and it was highlighted that they hadn't been made aware of the need to change the relevant 'element'.
- 4.4.6 The element was updated during the course of the audit and reports were run to identify all relevant payments against the element identified. This identified payments to other staff outside of the sample chosen. These underpayments have now been processed on the system, with amendments being paid to the affected staff as part of the December payroll.

Risk

Incorrect staff payments.

Recommendation

Checks should be undertaken following any changes to pay rates to ensure that all affected elements on the system have been updated.

- 4.4.7 Where staff members had received sick pay, testing was undertaken to ensure that they had appeared as appropriate on the weekly absence returns. All payments were found to be appropriately supported.
- 4.4.8 Payments in respect of maternity leave were checked back to appropriate documentation and testing was also undertaken to ensure that the relevant rates of pay had been applied at the different stages of maternity leave and that statutory maternity pay (SMP) had been reclaimed as appropriate from HMRC. Again, this test proved satisfactory.
- 4.4.9 Honoraria payments had been made to eighteen individuals during the current financial year and a sample of payments were examined to ensure that appropriate authorisation had been received. Authorisation from the Chief Executive to make the payment was, eventually, found in each case, although copy documents had not been scanned against the correct individual in two of the sampled cases. The recommendation recorded against 4.4.3 is, therefore, also relevant in this case.
- 4.4.10 As there has not been any inflationary pay award made this year, the only pay rises received were as a result of changes to the minimum and living

wages, incremental pay awards and establishment changes following restructures etc.

- 4.4.11 Incremental pay rises are automatically awarded, unless Payroll are informed otherwise. Reports are run in April and October showing the increments that have been 'awarded'.
- 4.4.12 Details of employees that were receiving payments against pay scales affected by the changes to the minimum wage were obtained and HRMS was reviewed for a sample of relevant staff to ensure that the change had been processed. The testing confirmed that the change had been processed appropriately.

4.5 Leavers and Transfers

- 4.5.1 A sample of staff who had left the employment of the council was chosen to ensure that the cessation of their employment had been appropriately processed on the payroll system.
- 4.5.2 The same types of issues were identified as had been noted during the starters testing (i.e. the piecemeal receipt of information and the lack of information as to who can authorise the notification – see 4.1.9). One piece of information that was often not retained was any detail of whether the employee had any leave owed either to them or by them.
- 4.5.3 Based on the information held, it was confirmed that all payments had ceased on the correct dates, P45s had been issued as appropriate and the Warwickshire County Council Pensions team had been informed in the relevant cases.
- 4.5.4 One of the sample had an outstanding amount to pay on a car loan. Paperwork was held to show that the employee had agreed for the loan to be settled from her redundancy pay.
- 4.5.5 The documentation on FORTIS showed how much of the principal sum was outstanding and this had been deducted from the final pay due to the employee. However, no evidence could be found that showed how the outstanding interest amount had been calculated. It was suggested that the Principal Accountant (Revenue) may have assisted in arriving at this figure, but he could not recall having provided the figure.
- 4.5.6 Upon review of the information, he produced a figure which had appeared on the paperwork held by Payroll, but this was higher than the amount that had actually been deducted, leading to a potential shortfall in recovery of £147.42.
- 4.5.7 Due to the fact that the employee has left on redundancy grounds and that they would have been under the assumption that the car loan had been settled, it is considered by Internal Audit that this shortfall should not be recovered. However, it is up to management to make this decision.

Risk

Loss of monies owed.

Recommendation

A formal decision should be made as to whether the shortfall in monies recovered in respect of the car loan interest payments should be pursued with the ex-employee.

4.5.8 No detailed testing was considered necessary for transfers, as they are dealt with in a similar manner to starters, with the associated issues being present in the one case that was reviewed.

4.6 Payments

4.6.1 When undertaking the monthly payroll runs, staff use checklists to ensure that all stages of the payroll process are completed and documented. A number of reports are produced at various stages of the process, including those to highlight where staff pay varies significantly (by more than fifteen percent) from one month to the next and to identify if Payroll and HR staff have made any changes to their own records.

4.6.2 The reports showing changes to a staff member's own record used to be checked by someone independent of the Payroll staff. However, no such independent check has been undertaken following Payroll's move to the HR service area.

Risk

Fraudulent amendment of an officer's own pay.

Recommendation

An independent review of the 'update own record' report should be reinstated.

4.6.3 Other reports detail the actual payments to be made to each staff member and this is then summarised to show the total amounts being paid by BACS (originally Bankers' Automated Clearing Services). This used to also show payments made by other methods (e.g. cheques), but this is no longer relevant as all employees are now paid by BACS.

4.6.4 The total payments made by BACS were checked to the transmission reports and then to the bank statements received. This confirmed that the payments were being made appropriately, as per the information input onto the HRMS system.

4.7 Reconciliations

4.7.1 As highlighted above, the HRMS system is now used for both payroll and HR and, therefore, includes the establishment, so there is no need to reconcile the two records, although there have been issues raised (see 4.1.2 & 3 above).

4.7.2 Reconciliations are performed on a monthly basis between the figures that are paid by Payroll against each 'element' and the related control codes on the TOTAL financial ledger system. Spreadsheets were viewed which highlighted that the reconciliations had been performed each month.

4.8 Security of Data

4.8.1 The council's Data Handling Policy (which is a sub-policy of the Information Security and Conduct Policy) includes general details regarding information classification and the principles that must be adhered to. However, it does not mention specific systems. The PPM was unsure if the data held had been specifically classified or whether this was required.

4.8.2 This had also been raised during the previous audit but, due to the departure of relevant staff, it is not clear whether this had been addressed. However, the PPM highlighted that he was looking into the general areas of data retention as part of his project, so this would be covered.

4.8.3 Payroll staff were not aware if there was a formally documented business continuity plan for processing the payroll, although advised that a plan of sorts was in place. Data could be transferred to the county council for processing (as the system is hosted by them) or it could be run from their homes as they both have homeworking capability. The only part of the process that cannot be done from elsewhere is the BACS payment, as specific terminals are required. They also advised that if the paperwork (e.g. travel claims) could not be processed, everyone would be paid either their basic salary or the same as they had been paid in the previous month.

4.8.4 Relevant records relating to payroll information (such as taxation details, birth certificates, pension details etc.) are stored on FORTIS. Access to the system is restricted with only limited, relevant, staff having access.

4.8.5 Access to the system is secured via the network log-in details as opposed to usernames and passwords for the specific piece of software.

4.9 Travel and Subsistence

4.9.1 Samples of travel and expenses claims submitted were checked to ensure that appropriately detailed 'official' claim forms were being submitted which had been appropriately signed by the claimant, an authorising officer and a member of Payroll staff upon input, that the claims were being submitted in a timely manner and that the payments were accurate based on these claims. This test did not highlight any issues.

4.9.2 One issue was noted in that one of the sampled travel claims included a number of journeys of very short distances (including a one mile round trip). The nature of the journeys was queried with the Head of Service who had authorised the claim. He was unsure why these journeys would have necessitated the use of a vehicle and agreed that future claims would be given closer scrutiny and would be queried as appropriate. No specific recommendation is to be raised in this report, as Payroll staff had processed an authorised travel claim appropriately.

4.10 Members' Allowances

- 4.10.1 Members are entitled to re-claim travel and subsistence costs incurred in performing their official duties. They are also able to claim an allowance for the provision of broadband internet.
- 4.10.2 As with the travel and expenses claims for staff, testing was undertaken to ensure that payments made related to appropriately submitted claims which were on official forms, which had been appropriately signed by the claimant, an authorising officer and a member of Payroll staff upon input, that the claims were being submitted in a timely manner and that the payments were accurate based on these claims. Checks were also undertaken to ensure that the claims were for official, approved duties.
- 4.10.3 One of them claims reviewed had been submitted on an old form. This included claims for meetings for which no specific reasons were recorded. The Democratic Service Manager and Deputy Monitoring Officer advised that Members are now being asked to confirm which part of the scheme the meetings fall under where it is not apparent. All other claims were relevant and timely.
- 4.10.4 Payments for broadband expenses were not generally supported by claim forms, unless there had been a change in the amount being claimed. This is the normal practice.
- 4.10.5 A sample of allowance payments (both basic and special responsibility allowances) was also reviewed to ensure that the payments were being made appropriately, and ensuring that Members were actually entitled to the payments (i.e. they were serving on the relevant committees at the time of the payment).
- 4.10.6 It was confirmed that all payments were made to current Members, who filled the relevant roles where special responsibility payments had been made. However, sampled payments to two councillors in respect of special responsibility allowances were incorrect.
- 4.10.7 In one instance, an incorrect calculation was made with regards to how much a Member should have been paid in 2013/14 when he took over as Chair of one of the committees. This figure has also been erroneously carried forward into payments made in 2014/15 resulting in a total underpayment of £609.84.
- 4.10.8 In the other instance an overpayment had already been identified and monthly deductions should have been taken from the Member for three months to recover this. However, the deductions had erroneously continued for a further three months resulting in an underpayment of £182.67.
- 4.10.9 These issues were flagged with the Payroll staff during the course of the audit. They then checked all other special responsibility payments and identified a further three Members who had been underpaid. All of the identified underpayments have now been processed on the system, with amendments being paid to the affected Members as part of the December payroll.

4.10.10 Where changes to special allowances had occurred during a financial year, manual calculations had been undertaken to work out how much the Member should be paid each month. The sampled documents did not generally include any evidence of the calculations being checked by the other Payroll staff member.

Risk

Incorrect payments may be made.

Recommendation

All manual calculations should be checked by another member of Payroll staff.

5. Summary & Conclusion

5.1 Following our review, we are able to give a MODERATE degree of assurance that the systems and controls in place in respect of Payroll & Staff Expenses are appropriate and are working effectively.

5.2 A number of issues were identified during the course of the audit relating to:

- The maintenance of the establishment hierarchy on HRMS and management reviews of their establishment.
- The currency of information on the HR Handbook.
- The lack of checking as to whether the notification of changes to permanent payroll information are being received from authorised staff and the piecemeal receipt of such information.
- Missing documents on FORTIS.
- Errors in payments to staff and Members.
- A lack of independent checks on reports detailing instances of staff members updating their own records.

6. Management Action

6.1 The recommendations arising above are reproduced in the attached Action Plan (Appendix A) for management attention.

6.2 It may be that some of the actions will be superseded following the outcome of the current payroll review project. However, some of the issues raised may still be relevant no matter what future direction is taken, or the points may need to be noted to ensure that they are addressed if the payroll and the establishment are migrated to another system.

Richard Barr
Audit and Risk Manager



INTERNAL AUDIT REPORT

FROM: Audit and Risk Manager
TO: Head of Development Services
C.C. Chief Executive
Deputy Chief Executive (BH)
Head of Finance
Development Manager

SUBJECT: Section 106 Agreements
DATE: 14 January 2015

1. Introduction

- 1.1 In accordance with the Audit Plan for 2014/15, an examination of the above subject area has been undertaken and this report presents the findings and conclusions drawn from the audit for information and action where appropriate. This is the first time that the topic has been audited.
- 1.2 Wherever possible, findings have been discussed with the staff involved in the procedures examined and their views are incorporated, where appropriate, into the report. My thanks are extended to all concerned for the help and cooperation received during the audit.

2. Background

- 2.1 The Government's Planning Advisory Service highlights that "planning obligations under Section 106 of the Town and Country Planning Act 1990, commonly known as s106 agreements, are a mechanism which make a development proposal acceptable in planning terms, that would not otherwise be acceptable. They are focused on site specific mitigation of the impact of development."
- 2.2 As well as the 'full' s106 agreements, Unilateral Undertakings can also be entered into under the Act, although these are just agreed by the developers and the relevant parties, with the council not being required to sign up to them.

3. Scope and Objectives of the Audit

- 3.1 The audit was undertaken to test the management and financial controls in place.
- 3.2 In terms of scope, the audit covered the following areas:
- Development identification
 - Consultation
 - Agreements
 - Monitoring
 - Financial control.

3.3 The audit programme identified the expected controls. The control objectives examined were:

- Developments which should give rise to S106 agreements are appropriately identified.
- All relevant elements are appropriately included within the agreements.
- Justification is available where S106 agreements are not entered into on viability grounds.
- Agreements are enforceable.
- Agreements ensure developments fit in with the emerging local plan.
- The council is aware when relevant milestones are reached in the development.
- Monies received are accounted for as appropriate.
- Communities benefit as intended from the monies received.

4. Findings

4.1 Development Identification

- 4.1.1 The Development Manager (DM) and the Development Team Leader (DTL) advised that developments that may be subject to requests for s106 contributions are identified through the application of criteria set out by the relevant statutory organisations.
- 4.1.2 As a general rule, it is anticipated that most 'major applications' (e.g. large scale housing developments) will require s106 contributions, due to the additional demands that will be placed on infrastructure and services. In most cases early discussions will be held with developers, including at the pre-application stage, in order to expedite the process.

4.2 Consultation

- 4.2.1 Consultation is undertaken as part of the processing of all planning applications, regardless of whether s106 contributions will ultimately be required. However, the organisations and individuals consulted will vary depending on the type of application.
- 4.2.2 The DTL highlighted that the starting point for determining the consultees for planning applications is the National Planning Practice Guidance which sets out the circumstances in which specific organisations are to be consulted.
- 4.2.3 The consultees for each application are identified when the application is plotted on the GIS system via Acolaid. The GIS Manager advised that when the application is being plotted, relevant constraints on the system would be pulled through based on the layers that had been selected and these had generally been set some time ago, although the DM indicated that they would be updated as and when criteria change.
- 4.2.4 The Administration Support Manager (ASM) and the DTL advised that some of the consultees identified by the system may not need to be consulted, depending on the nature of the specific applications, and they would, therefore, be removed. Others may also be added from the drop down lists available on Acolaid based on the nature of the development proposal and any additional constraints arising from its location.
- 4.2.5 It was also highlighted that some individuals and bodies are made aware of all applications received on a weekly basis in order that they can determine whether they wish to respond on specific cases. The ASM provided details of the weekly list recipients which are set up as Outlook contact groups. The weekly list is also available on the council's website.
- 4.2.6 During discussions with one of the Senior Planning Officers (SPO) regarding sampled applications (see testing details below), he advised that some consultees may not respond, depending on the scale of the application. For example, NHS bodies may not respond to the smaller 'major' applications if the scale of the development will not have major implications on their services and there are no relevant issues or requirements that they wish to raise.

- 4.2.7 Testing was undertaken on a sample of major applications, that had been approved during 2014, to check whether all relevant consultees were being given the opportunity to comment on the applications and, where relevant, whether their responses and any subsequent negotiations were being appropriately reflected in the s106 agreements reached.
- 4.2.8 As suggested during the discussions prior to the testing, the number of individuals / organisations consulted on each application, as per the consultation screen on Acolaid for each application, varied considerably, as did the actual consultees. Other potential consultees were covered by the weekly lists, so would have been aware of the applications and were able to respond should they have wished.
- 4.2.9 Whilst it is understandable that there will be some differences, it was not clear why different consultees were included on the lists where similar developments were sampled (i.e. the applications that related to large housing developments). The DTL explained that in the cases identified, different consultees had been included on the lists because of additional consultations over and above the statutory consultees. However, Internal Audit suggest that a standard approach could be adopted to ensure that relevant parties are given the same chance to respond to each application.

Risk

Relevant bodies are unable to secure relevant contributions.

Recommendation

A standard list of consultees should be drawn up for major applications.

- 4.2.10 In the two cases where formal s106 agreements were required, evidence was generally in place to show that the requests received were being included in the agreements, or there was correspondence held relating to why certain items were not included. However, there were some anomalies with some items being included in agreements which were not supported by responses included on IDOX. The DTL explained that this can occasionally arise where consultation responses have not been received but where it is known that a requirement is to be included in an agreement, for example in relation to the provision of open space.
- 4.2.11 The SPO advised that some sections do not always respond to individual applications, but have standard responses in place. However, individual responses should be received to provide justification for each relevant case, as they need to be able to confirm that the requests are compliant with the regulations set out in relation to the Community Infrastructure Levy (CIL).

Risk

Challenges to s106 agreements.

Recommendation

Evidence should be obtained to support all requests for s106 contributions for each individual application as appropriate.

- 4.2.12 One of the applications reviewed did not lead to a s106 agreement because the scheme would not have been viable if contributions had been required.

The developer submitted an assessment to set out their viability case and this was appropriately confirmed by an independent consultant.

- 4.2.13 During discussions with the SPO, it was identified that consultees that had asked for contributions would not be formally advised as to whether this had been agreed (e.g. if a viability assessment had been submitted which led to no agreements being entered into on viability grounds).
- 4.2.14 Separate discussions on financial controls (see 4.5 below) with the Green Space Team Leader (GSTL) also flagged this as an issue, as he highlighted that he was not aware whether to expect any contributions. (NB this is relevant to contributions secured by condition as well as those included within s106 agreements.)

Risk

Relevant parties are unable to undertake appropriate budgetary planning.

Recommendation

Consultees should be formally made aware of the outcome of relevant applications including in relation to any contributions that are to be paid to them.

4.3 Agreements

- 4.3.1 The Senior Solicitor at Warwickshire Legal Services advised that agreements will be either be drawn up by the developer's solicitors or will be drafted by Legal Services. His colleague also advised that no 'model' document is maintained, but standard clauses are used, and these include a specific section on the legal basis of the agreements. This section makes reference to the relevant Acts and the appropriate sections therein.
- 4.3.2 The Senior Solicitor also indicated that any draft documents would be reviewed to ensure that any amendments were acceptable, although these would not generally affect the legal basis sections.
- 4.3.3 Where planning applications are to be subject to s106 agreements, the applications have to be decided by Planning Committee, as the council will be a signatory to the agreements reached. In the two relevant sampled cases, the applications had been appropriately reported to the committee.
- 4.3.4 The testing also checked to ensure that the applications had been appropriately signed and sealed. Copies of documents were held in one instance containing all of the relevant signatures and seals. In the other case, the copies held only contained the signatures of the owner and developer and did not bear the seals of the relevant councils.
- 4.3.5 The Land Charges Officer (LCO) advised that Legal Services now generally get the different parties to sign / seal different copies (counterpart agreements) and then send through all relevant copies. These have the same effect as a single copy with all of the signatures and are legally enforceable.
- 4.3.6 In the one case where all signatories were evident, these were covered on three separate copies of the agreement held by the LCO (awaiting scanning prior to be placed in the document store). In the other case, two copies were

held in the document store containing the abovementioned signatures, but it was not clear if the sealed copies of this agreement had ever been provided.

Risk

Agreements are not enforceable.

Recommendation

A sealed copy of the relevant s106 agreement should be obtained.

4.3.7 The DM advised that, on the whole, the agreements reflect the infrastructure needs related to the new developments and this would generally be the case no matter which local plan was being worked to. The approval of the applications themselves (as opposed to the agreements being reached) is where the main impact of the emerging plan is highlighted, although the agreements are obviously forward looking and will aim to support the plan as it moves forward.

4.4 Monitoring

4.4.1 The DM advised at the outset of the audit that the monitoring process is not currently functioning appropriately. However, he highlighted that plans are in place to remedy this and subsequently provided a copy of a draft service improvement plan which included this commitment. As a result, it was agreed that it would not be of benefit to undertake full testing of the process, but a sample application was chosen to ascertain how the process will work when the planned processes are adopted.

4.4.2 At the time of the audit testing, an immediate issue was noted in that Development Management staff were not able to provide a list of 'active' s106 agreements in order for a sample agreement to be chosen.

4.4.3 A list of a sample of potentially relevant applications was subsequently provided and a sample application was chosen from this list (W/11/0074), although the process described was more generic, with little specific reference being made to the chosen application.

4.4.4 The DM advised that the Enforcement team; the new Major Sites Monitoring Officer; and the Information and Improvement Officer will be at the forefront of monitoring. A spreadsheet will be maintained, listing all s106 requirements along with the key dates and thresholds and an early version of this spreadsheet was provided to Internal Audit after the audit testing. Monitoring files will also be in place, with reminders being set up to prompt for action to be taken.

4.4.5 Ongoing monitoring including, regular liaison with relevant partners at other organisations, staff within WDC (e.g. Building Control and Planning Policy staff) and the developers, will be undertaken to identify whether a development has commenced and, if so, the stage that the development has reached and whether the requirements of the s106 agreement have been triggered and/or received.

4.4.6 The DM highlighted that a monitoring system would be set up using Acolaid to ensure that the requirements of s106 agreements are rigorously monitored and followed up, making more effective use of systems already in place. In

that respect, the DM also highlighted that the ability to give system access to other relevant bodies, including Warwickshire County Council in particular, is being investigated to allow them to play an integral role in the monitoring process.

- 4.4.7 Following completion of the audit, Development Management staff have been instructed to start inputting the agreements onto Acolaid, in order for this monitoring to be undertaken.
- 4.4.8 He also suggested that the possibility of setting up a webpage was being looked into, detailing the stage that each relevant development has reached along with the requirements of the associated s106 agreement. This is to be progressed once the spreadsheet has been established. It is intended that the webpage will enable members of the public and other interested parties to access this information and understand the position in relation to each agreement.
- 4.4.9 It is considered by Internal Audit that the processes set out above should allow for appropriate monitoring to be performed when supported by relevant site visits etc. A general recommendation in relation to this issue is included, and it is suggested that this area will be re-examined in a follow-up audit to be included in the audit plan for 2015/16, allowing time for the processes to be set up.

Risk

The terms of the s106 agreements are not adhered to by developers.

Recommendation

The planned monitoring processes set out should be put in place as a key priority.

- 4.4.10 Whilst the DM was aware that the current monitoring situation was not acceptable, the planned processes highlighted above are intended to overcome that. He also suggested that he took assurance from others, such as Warwickshire County Council and the Strategic Housing Team (in respect of affordable housing provision), that contributions are being made.
- 4.4.11 He also highlighted that s106 contributions are now being included in relevant applications relating to major housing developments towards the costs of monitoring the developments.

4.5 Financial Control

- 4.5.1 The Assistant Accountant (AA) for Development Services advised that monies received in respect of s106 agreements are often originally coded to the main Development Control – Fees and Charges code or the capital receipt codes and are then transferred by journal to the relevant cost centre.
- 4.5.2 One of the main types of receipts at the council is for open space contributions. The GSTL advised that he is not generally aware of when the monies are received and will only find out upon receipt of spreadsheets from the Principal Accountant (Capital) which are received on, roughly, a quarterly basis. He highlighted that these spreadsheets cover both monies secured via

s106 agreements and those arising from standard conditions included in other planning applications (see recommendation at 4.2.14 above).

- 4.5.3 The AA also highlighted that the first monitoring contribution (as highlighted at 4.4.11 above) had been received and this had been transferred from the main fees and charges code to the Planning Policy cost centre.
- 4.5.4 Due to the lack of monitoring information available, no specific sample testing was possible to ensure that monies were being received as appropriate in line with the agreements in place.
- 4.5.5 Where contributions are due to other bodies, e.g. Warwickshire County Council who receive the significant proportion of s106 monies, the DM advised that most contributions will be paid by the developers directly to them, whereas some may come in to us first.
- 4.5.6 One such payment made during the current financial year was identified on the capital receipts code (re a highways contribution) and this was subsequently paid across to Warwickshire County Council as appropriate.
- 4.5.7 The DM advised that, as with the monitoring of developments to ensure contributions are received, there is currently no monitoring being performed to ensure that monies are being used as intended by the various infrastructure providers.
- 4.5.8 As the s106 agreements identify the purposes for which contributions are required, there is, therefore, an ability to monitor this. The DM advised that a key element of the forthcoming monitoring programme will be the monitoring of the use of funds for the purposes identified.

5. Summary & Conclusion

- 5.1 Following our review, in overall terms we are able to give a MODERATE degree of assurance that the systems and controls in place in respect of Section 106 Agreements are appropriate and are working effectively.
- 5.2 The procedures in place for entering into the agreements are generally sound and the issues raised in relation to this area only generate a small number of recommendations.
- 5.3 Internal Audit have concerns that there are no formal controls operating at present with regards to the monitoring of the agreements once they have been entered into and this may, ordinarily, lead to an overall limited level of assurance being given. However, the Development Manager has set out the processes that are to be introduced to address these issues and, as a result, it is considered that the assurance can be increased.
- 5.4 It is proposed that a follow-up audit on the monitoring aspects will be undertaken in the next financial year to ensure that the proposals have been implemented.

6. Management Action

- 6.1 The recommendations arising above are reproduced in the attached Action Plan (Appendix A) for management attention.

Richard Barr
Audit and Risk Manager

FROM: Audit and Risk Manager **SUBJECT:** Treasury Management
TO: Head of Finance **DATE:** 4 December 2014
C.C. Chief Executive
Strategic Finance Manager
Principal Accountant:
Treasury Management
Assistant Accountant:
Treasury Management

1 Introduction

- 1.1 As part of the 2014/2015 plan, an audit was undertaken recently on the procedures and controls in place to manage Treasury Management.
- 1.2 At the time of the audit there was £55.6m invested in a range of short term investments and long term capital borrowings of £136.2m.
- 1.3 My thanks are extended to all members of staff for the help and co-operation received during the audit.
- 1.4 This report outlines the approach to the audit and presents the findings and conclusions arising.

2 Scope and Objectives of the Audit

- 2.1 The approach to the audit was to ascertain, evaluate and test the processes and controls in place by applying the CIPFA Control Matrices for the sub-systems on Treasury Management. The CIPFA Control Matrices comprise internal control questionnaires which are a series of compliance tests that are linked to the ICQs and designed to identify any control weaknesses.
- 2.2 Detailed tests have been completed to test that controls are in place for all 13 CIPFA Control Matrices for Treasury Management.
- 2.3 The expected controls under these modules are categorised into the following areas:
 - (1) Policies and procedures
 - (2) Staffing
 - (3) Risk management
 - (4) Cash-flow
 - (5) Lending
 - (6) Borrowing
 - (7) Capital investment
 - (8) Payments
 - (9) External service providers
 - (10) Fraud prevention

- (11) Records and reconciliations
- (12) Monitoring and reporting
- (13) Security of data

3 Findings

3.1 Policies and Procedures

- 3.1.1 The departmental Treasury Management daily procedure notes were last updated in February 2013. Roger Wyton, Principal Accountant, has agreed to update the procedure notes during December 2014.

Risk

Any new staff, or staff covering for absences, will not have accurate procedure notes to refer to that ensure that activities are undertaken correctly.

Recommendation

The daily procedure notes should be updated to reflect current practices, with the manual being updated to include current documentation.

- 3.1.2 The annual Treasury Management Strategy Plan, as approved by the Executive and Council in March 2014, is well supported by the set of 12 generic Treasury Management Procedures.

3.2 Staffing

- 3.2.1 The staffing arrangements for Treasury Management was considered and deemed to be suitable.
- 3.2.2 In 2014, staff attended seminars run by sector specialist Capita (Sector) to enhance their personal development.

3.3 Risk Management

- 3.3.1 Audit review confirmed that risks e.g. liquidity of treasury investment, as identified in the Treasury Management Practices, are managed by adopting strict rules based on counter party credit ratings. The lending list of potential counter parties with maximum limits for investments is regularly reviewed as a result of receiving updated credit ratings from Capita (Sector) on a daily and weekly basis.

3.4 Cash Flow

- 3.4.1 Audit testing confirmed that the daily cash flow controls were compliant with the following guidance:
 - 'Treasury Management Practice 4 Approved Instruments, Methods and Techniques'
 - 'Treasury Management Practice 8 Cash Flow Management' and
 - Procedure notes for daily treasury management duties.

3.5 Lending

- 3.5.1 Treasury Management Procedure 1 (Risk Management) and Treasury Management Procedure 4 (Approved Instruments, Methods and Techniques), were compliance-tested for 2014/15 investments.
- 3.5.2 Audit testing for a sample of 10 investments confirmed that the investments were consistent with the 2014/15 annual investment strategy Fitch credit ratings for counter parties.
- 3.5.3 The sample of 10 investments were also compliant with the prescribed type of investments and pound sterling lending limits for counter parties.
- 3.5.4 All 10 investments tested per Treasury Management records were verified to investment transaction documentation and extracts from the Total General Ledger. This confirmed that the procedures and authorisation controls had been complied with.
- 3.5.5 Audit testing confirmed that a regular review of money market percentage interest rates for short and medium term investments is completed to evaluate and make investment decisions.
- 3.5.6 A sample of 2 investments with maturity dates up to the date of audit confirmed that the principal and correct interest receivable was returned to the Council.

3.6 Borrowing

- 3.6.1 The 2014/15 annual Treasury Management Strategy outlined the authorisation limit of £166.1m and operational boundary limit of £151.1m.
- 3.6.2 At the date of audit the Public Works Loan Board capital borrowings of £136.2m is within the borrowing limits per the 2014/15 annual Treasury Management Strategy.
- 3.6.3 The procedure and authorisation controls for payment of the £2.4m PWLB interest payable as at 30th September 2014 were complied with.
- 3.6.4 The £2.4m PWLB interest payment was verified as paid on 29th September 2014 and was agreed to the Total General Ledger.

3.7 Capital Investment

- 3.7.1 Review of the PWLB capital borrowings of £136.2m is confirmed to buy out the Department of Communities and Local Government interest in receiving subsidy from the Housing Revenue Account and not to finance capital projects.

3.8 Payments

- 3.8.1 Audit testing for a sample of 10 confirmed that the procedures, evidenced source documentation for investment payments, segregation of staff responsibilities and authorisation controls per the daily procedure notes for making investment payments using HSBCnet are operating effectively.

3.9 External Service Providers

3.9.1 The performance of Capita (Sector) Treasury Management specialist by giving advice and issuing of credit rating reports is ultimately measurable by the performance of the in house Treasury Investments compared to the LIBID Benchmark (London Inter Bank Bid Rate). The 2013/14 in house performance was higher than the LIBID Benchmark.

3.9.2 A procurement enquiry using the ESPO Dealing Direct Framework to Capita (Sector) for the period 6th January 2015 to 5th January 2018 has been sent.

3.10 Fraud and Prevention

3.10.1 Audit review confirmed that the Council's Anti Fraud and Corruption Strategy, Employee Code of Conduct and Treasury Management Procedure for Money Laundering are in place and available to all staff.

3.11 Records and Reconciliations

3.11.1 Upon audit review of the monthly/quarterly reconciliation between i) the Treasury Management control records for pound sterling capital principal and pound sterling bank interest received/receivable and ii) the pound sterling balances in the Total General Ledger, it was found that neither the reconciliation performed by the Accountancy Assistant nor the subsequent review by the Principal Accountant is evidenced.

Risk

Reconciliation controls are deferred to year end and the investments are substantially different to those held during the year.

Recommendation

A quarterly detailed reconciliation between Treasury Management investment spreadsheet records per counterparty/money market fund should be prepared and signed off as correct.

The reconciliation should detail any incorrect transaction values requiring journal adjustment between principal and interest received, with the objective of ensuring that the financial reporting to Executive is facilitated.

3.12 Monitoring and Reporting

3.12.1 Audit review of monitoring and reporting confirmed that the annual and half yearly monitoring and reporting to the Finance and Audit Scrutiny Committee has taken place.

3.13 Security of Data

3.13.1 Audit review of the Treasury Management records concludes that the records are securely managed.

4 Conclusion

- 4.1 Following our review we are able to give a SUBSTANTIAL degree of assurance that the systems and controls in place surrounding the Treasury Management activities of the Council are appropriate and are working effectively.
- 4.2 Relatively minor issues were noted in respect of the updating of procedure notes and evidencing of a regular reconciliation process.

5 Management Action

- 5.1 Recommendations arising above are reproduced in the attached Action Plan (Appendix A) for management attention.

Richard Barr
Audit and Risk Manager



Title	Comments from the Executive
For further information about this report please contact	Amy Carnall Committee Services Officer 01926 456114 committee@warwickdc.gov.uk
Service Area	Civic & Committee Services
Wards of the District directly affected	N/A
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006	No
Date and meeting when issue was last considered and relevant minute number	N/A
Background Papers	

Contrary to the policy framework:	No
Contrary to the budgetary framework:	No
Key Decision?	No
Included within the Forward Plan? (If yes include reference number)	No

Officer/Councillor Approval		
With regard to officer approval all reports <i>must</i> be approved by the report authors relevant director, Finance, Legal Services and the relevant Portfolio Holder(s).		
Officer Approval	Date	Name
Deputy Chief Executive		
Chief Executive		
CMT		
Section 151 Officer		
Legal		
Finance		
Portfolio Holders		

Consultation Undertaken	
N/A	
Final Decision?	Yes
Suggested next steps (if not final decision please set out below)	

1. Summary

- 1.1 This report summarises the Executive's response to comments given by the Finance & Audit Scrutiny Committee on reports submitted to the Executive on 14 January 2015.

2. Recommendation

- 2.1 That the responses made by the Executive be noted.

3. Reasons for the Recommendation

- 3.1 This report is produced to create a dialogue between the Executive and the Finance & Audit Scrutiny Committee, ensuring that the Scrutiny Committee is formally made aware of the Executive's responses.

4. Alternative Options Considered

- 4.1 The Committee receives and notes the minutes of the Executive instead.

5. Budgetary Framework

- 5.1 There is no impact on the budgetary framework. This is for the Committee's information only.

6. Policy Framework

- 6.1 The work carried out by the Committee helps the Council to improve in line with its priority to manage services openly, efficiently and effectively.

7. Background

- 7.1 As part of the scrutiny process, the Committee no longer considers the whole of the Executive agenda.
- 7.2 Councillors are emailed at the time of the publication of the Executive and Scrutiny Committee agendas, asking them to contact Committee Services by 9.00 am on the day of the Scrutiny Committee, to advise which Executive items they wish the Scrutiny Committee to pass comment on and the reasons why.
- 7.3 As a result, at its meeting on 13 January 2015, the Finance & Audit Scrutiny Committee considered the items detailed in the appendices. The responses which the Executive gave are also shown.

Responses from the meeting of the Executive held on 11 February 2015 to the Finance and Audit Scrutiny Committee's comments

Item no	4	Title	Treasury Management Strategy Plan for 2015/2016
Scrutiny Comment	The Finance & Audit Scrutiny Committee supported the recommendations in the report.		
Executive Response	No comment from the Executive.		
Item no	5	Title	Budget 2015/16 and Council Tax – General Fund Revenue and Capital
Scrutiny Comment	<p>The Finance & Audit Scrutiny Committee noted the additional recommendation 2.25 and the supporting letter from the LEP.</p> <p>Recommendation 2.9 should read 'confirmed' New Homes Bonus allocation, not provisional.</p> <p>Paragraph 3.2.1, bullet point 4 – Members requested that the wording be amended to provide clarity around the swimming teachers for new lessons. The paragraph gives the impression of negativity when in fact that although there is a cost to provide extra resources based on demand, there will be an increase in income that will offset.</p> <p>In addition, bullet point 5 should read National Living wage, not Minimum.</p> <p>Additional recommendation 2.25 –</p> <p>Members do not support the request for £20k at the moment because the request has been provided at the last minute & they felt that they were unable to make a decision due to the late receipt of this recommendation and felt there was not enough information provided. They felt that the Leader could have updated the committee on the work of the LEP and perhaps clarify this recommendation as he had given O&S an update earlier in the evening.</p> <p>Members therefore recommended: That the Executive does not recommend recommendation 2.25 to Council until members receive further information in order to make an informed decision</p>		
Executive Response	<p>The Executive accepted the comments from Finance and Audit Scrutiny Committee regarding recommendation 2.9 and 3.2.1. as set out in its comments.</p> <p>The Executive did not accept the recommendation from Finance & Audit Scrutiny Committee regarding the funding to the LEP because the Council had to match fund the cash grant from Government of £500,000. This £20,000 also supported the operation of the Economic Prosperity Board, of which the Council was an integral part, and the funds would</p>		

		also assist in the administering of the ESIF programme. Executive noted that a number of senior officers were involved in influencing this work and that all local authorities were working well together in partnership to achieve major improvements to the residents' and business community in our sub region and felt there should be no delay to the provision of the funding which could cause any doubt regarding our commitment to these operations.	
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Item no	6	Title	Housing Revenue Account (HRA) Budget 2015/16 and Housing Rents
Scrutiny Comment	The Finance & Audit Scrutiny Committee supported the recommendations in the report.		
Executive Response	No comment from the Executive.		
Item no	7	Title	Heating, Lighting and Water Charges 2015/16 – Council Tenants
Scrutiny Comment	The Finance & Audit Scrutiny Committee supported the recommendations in the report.		
Executive Response	No comment from the Executive.		

Item no	10	Title	Exemption to the Code of Procurement Practice – Extension of Aids & Adaptations Building Works Contract
Scrutiny Comment	The Finance and Audit Scrutiny Committee supported the recommendations in the report.		
Executive Response	No comment from the Executive.		

Item no	11	Title	Disposal of WDC owned land at Station Approach in Royal Leamington Spa
Scrutiny Comment	The Finance and Audit Scrutiny Committee supported the recommendations in the report.		
Executive Response	No comment from the Executive.		

 Finance & Audit Scrutiny Committee - 11 February 2015		Agenda Item No. <h1 style="text-align: center;">6</h1>
Title	Review of the Work Programme & Forward Plan	
For further information about this report please contact	Amy Carnall Committee Services Officer 01926 456114 or committee@warwickdc.gov.uk	
Wards of the District directly affected	n/a	
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?	No	
Date and meeting when issue was last considered and relevant minute number	n/a	
Background Papers	n/a	

Contrary to the policy framework:	No
Contrary to the budgetary framework:	No
Key Decision?	No
Included within the Forward Plan? (If yes include reference number)	n/a
Equality & Sustainability Impact Assessment Undertaken	n/a

Officer/Councillor Approval		
Officer Approval	Date	Name
Deputy Chief Executive		
Head of Service		
CMT		
Section 151 Officer		
Monitoring Officer		
Finance		
Portfolio Holder(s)		
Consultation & Community Engagement		
n/a		
Final Decision?		Yes
Suggested next steps (if not final decision please set out below)		

1. Summary

- 1.1 This report informs the Committee of its work programme for 2014/15 (Appendix 1) and the current Forward Plan (Appendix 2).

2. Recommendation

- 2.1 Members consider the work programme and agree any changes as appropriate.
- 2.2 The Committee to; identify any Executive items on the Forward Plan which it wishes to have an input before the Executive makes its decision; and to nominate a Member to investigate that future decision and report back to the Committee.

3. Reasons for the Recommendation

- 3.1 The work programme should be updated at each meeting to accurately reflect the workload of the Committee.
- 3.2 If the Committee has an interest in a future decision to be made by the Executive it is within the Committee's remit to feed into the process.
- 3.3 The Forward Plan is the Executive's future work programme. If any non-Executive Member or Members highlight items which are to be taken by the Executive which they would like to be involved in, those Members can then provide useful background to the Committee when the report is submitted to the Executive and when the Committee passes comment on it.

4. Policy Framework

- 4.1 The work carried out by the Committee helps the Council to improve in line with its priority to manage services openly, efficiently and effectively.

5. Budgetary Framework

- 5.1 All work for the Committee has to be carried out within existing resources. Therefore, there is a limit to the time available that officers will have to assist Members, so the Committee may wish to prioritise areas of investigation.

6. Risks

- 6.1 This Committee contributes to the effective minimisation of risk by fulfilling its duties in a timely manner and scrutinising the work undertaken by the Executive.

7. Alternative Option(s) Considered

- 7.1 The only alternative option is not to undertake this aspect of the overview and scrutiny function.

8. Background

- 8.1 The five main roles of overview and scrutiny in local government are: holding to account; performance management; policy review; policy development; and external scrutiny.

- 8.2 The pre-decision scrutiny of Executive decisions falls within the role of 'holding to account'. To feed into the pre-decision scrutiny of Executive decisions, the Committee needs to examine the Council's Forward Plan and identify items which it would like to have an impact upon.
- 8.3 The Council's Forward Plan is published on a monthly basis and sets out the key decisions to be taken by the Council in the next twelve months. The Council only has a statutory duty to publish key decisions to be taken in the next four months. However, the Forward Plan was expanded to a twelve month period to give a clearer picture of how and when the Council will be making important decisions.
- 8.4 A key decision is a decision which has a significant impact or effect on two or more wards and/or a budgetary effect of £50,000 or more.
- 8.5 The Forward Plan also identifies non-key decisions to be made by the Council in the next twelve months, and the Committee, if it wishes, may also pre-scrutinise these decisions.
- 8.6 The Committee should be mindful that any work it wishes to undertake would need to be undertaken without the need to change the timescales as set out within the Forward Plan. The Committee may wish to give greater consideration to the reports in Section 2 of Appendix 1, to maximise the time available for Members to input into the process.
- 8.7 Members are advised that two of the Audit Items previously programmed in for the February 2015 have been moved to the March meeting. These are both items that are being compiled by Grant Thornton, the Council's external auditors, and officers are awaiting further updates from them.

Finance and Audit Scrutiny Committee Work Programme 2014/15

10 March 2015

Audit Items

1	Internal Audit Quarterly Report Quarter 3 2014/15	Report	Richard Barr	Quarterly report
2	2014/15 Audit Opinion Plan	Report	Mike Snow / EA	Annual report
3	External Audit Certification of Claims and Returns	Report	Mike Snow	External Audit Annual report
4	Auditing Standards	Report	Mike Snow	Annual report

No scheduled scrutiny items

8 April 2015

Audit Items

1	Housing & Property Services Risk Register Review	Report	Richard Barr	Approved Executive 11.01.12 minute 115
2	Internal Audit Strategic Plan 2015/16 – 2017/18 and Internal Audit Charter	Report	Richard Barr	Annual report

Scrutiny Items

2	End of Term Report	Report	Peter Dixon / Chair	Annual report
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To be arranged

Contract register reviews to be considered alongside Service Risk Registers. Chairman and officers to discuss format – agreed 25 March 2014 (minute 174) / 7 May 2014 (minute 197)

Presentation on Disabled Adaptations – agreed 11 December 2012 (minute 97, Executive item 5)

Contracts Registers Reviews 2015/16 & 2016/17

June 2015 – Development Services

August 2015 - Neighbourhood Services

November 2015 - Finance

February 2016 - Chief Executives

June 2016 - Health & Community Protection

Service Risk Register Reviews 2015/16

July 2015 – Cultural Services

October 2015 – Development Services



FORWARD PLAN

Forward Plan March 2015 to June 2015

COUNCILLOR ANDREW MOBBS
LEADER OF THE EXECUTIVE

The Forward Plan is a list of all the Key Decisions which will be taken by the Executive or its Committees in the next four months. The Warwick District Council definition of a key decision is: - a decision which has a significant impact or effect on two or more wards and/or a budgetary effect of £50,000 or more.

Whilst the majority of the Executive's business at the meetings listed in this Forward Plan will be open to the public and media organisations to attend, there will inevitably be some business to be considered that contains, for example, confidential, commercially sensitive or personal information.

This is formal notice under the Local Authorities (Executive Arrangements)(Meetings and Access to Information)(England) Regulations 2012 that part of the Executive meeting listed in this Forward Plan will be held in private. This is because the agenda and reports for the meeting will contain exempt information under Part 1 of Schedule 12A to the Local Government Act 1972 (as amended) and that the public interest in withholding the information outweighs the public interest in disclosing it. Those items which are proposed to be considered in private are marked as such along with the reason for the exclusion in the list below.

If you would like to make representations or comments on any of the topics listed below, including the confidentiality of any document, you can write to the contact officer, as shown below, at Riverside House, Milverton Hill, Royal Leamington Spa, Warwickshire, CV32 5HZ. Alternatively you can phone the contact officer on (01926) 353362. If your comments are to be referred to in the report to the Executive or Committee they will need to be with the officer 7 working days before the publication of the agenda. You can, however, make comments or representations up to the date of the meeting, which will be reported orally at the meeting. The Forward Plan will be updated monthly and you should check to see the progress of the report you are interested in.

Section 1 – The Forward Plan March 2015 to June 2015

Topic and Reference	Purpose of report	If requested by Executive –date, decision & minute no.	Date of Executive, Committee or Council meeting	Publication Date of Agendas	Contact Officer & Portfolio Holder	External Consultees/ Consultation Method/ Background Papers
March 2015						
Procurement Strategy and Action Plan (Ref 667)	To consider the Procurement Strategy and Action Plan		Executive – 11 th March 2015	2 March 2015	Susan Simmonds Cllr Cross	
Financial Code of Practice (Ref 668)	To seek Member approval for the updated Code of Financial Practice		Executive – 11 th March 2015	2 March 2015	Jenny Clayton Cllr Cross	
Regeneration in Lillington (Ref 672)	To consider opportunities linked with the development of land through the Local Plan and at Crown Way		Executive – 11 th March 2015	2 March 2015	Phil Clarke Andy Jones Cllr Vincett	Warwickshire County Council Owners of land at Red House Farm, Lillington
Homelessness Strategy (673)	To approve the Council's Homeless Strategy		Executive – 11 th March 2014	2 March 2015	Ken Bruno Cllr Norman Vincett	Housing Sounding Board

Playing Pitch Strategy (Ref 655)	To adopt the strategy for the District (Moved reason 3 Waiting for further information from another body)		Executive – 11th Feb 2015 Executive – 11 th March 2015	2 February 2015 2 March 2015	Rose Winship Dan Robinson Cllr Gallagher Cllr Hammon	National Governing Bodies of Sport Surveys, interviews, workshops
Council House Building (Ref 608 & 675)	To consider a report on the options for delivery of Council House Building		Executive – 11 th March 2015	2 March 2015	Andy Thompson Cllr Vincett	
Housing Advisory Group (Ref 615 & 656)	To propose the working arrangements for the Housing Advisory Group (Moved February- Reason 6)		Executive – 11th Feb 2015 Executive – 11 th March 2015	2 February 2015 2 March 2015	Abigail Hay Cllr Norman Vincett	Constitution Working Group. Council Motion 25 th June 2014 Council Report 19 th November 2014 – Response to Council Motion
Review of SEV Policy (Ref 677)	To consider a report from the SEV Task & Finish Group proposing amendments to the Council's SEV Policy		Executive 11 February 2015	2 February 2015	Amy Carnall Cllr Rhead	
W2 Revised Agreement (Ref 646)	To approve a revised agreement with the Waterloo Housing Group Moved from December (Reason 3)		Executive 3 December 2014 Executive – 11th Feb	2 February 2015	Andrew Thompson Cllr Vincett	

			2015			
Corporate Property PPM 2015-16 (Ref 678)	To approve the corporate property planned and preventative maintenance programme for 2015-16		Executive 11 th March 2015	2 March 2015	Matt Jones Cllr Vincett	
Housing & Property Services – Tier III Redesign (Ref 679)	To agree budgets for Redundancy and Pension Payments It is intended that this report will be Confidential by virtue of the information relating to the financial or business affairs of any particular person (including the authority holding that information)		Executive 11 th March 2015	2 March 2015	Matt Jones Cllr Vincett	
Electrical Maintenance Contract (Ref 680)	To approve an exemption to the Code of Procurement Practice		Executive 11 March 2015	2 March 2015	Mark Perkins Cllr Vincett	
HRA Business Plan Review (Ref 684)	To approve a revised HRA Business Plan for 2015/16 to 2061/62		Executive 11 March 2015	2 March 2015	Andy Thompson Cllr Vincett	
Gypsies and Travellers (Ref 685)	To provide an update on the progress of the Development Plan Document to allocate sites in Warwick District		Executive 11 March 2015	2 March 2015	Lorna Coldicott Cllr Caborn	
Proposed Creative Quarter	To develop a set of principles and parameters to underpin a regeneration scheme.		Executive 11 March 2015	2 March 2015	Duncan Elliott/Bill Hunt	

(Ref 648)	It is intended that this report will be Confidential by virtue of the information relating to the financial or business affairs of any particular person (including the authority holding that information				Cllr Hammon	
April 2015						
Social Mobility Fund (Ref 686)	To approve the submission of a bid for the Social Mobility Fund		Executive 9 April 2015	27 March 2015	Abigail Hay Cllr Vincett	
Payroll Review (Ref 689)	To request approval of working arrangements moving forwards		Executive 9 April 2015	27 March 2015	Tracy Dolphin Cllr Mobbs	Executive – 12/2014
Review of Smoking Policy (Ref 690)	To approve changes to the policy already agreed by Employment Committee and Health Scrutiny		Executive 9 April 2015	27 March 2015	Richard Hall Cllr Coker	Employment Committee – 27 th Jan 2015 Health Scrutiny Sub-Committee – 15 th Dec 2014
May 2015						
June 2015						
Tenants Incentive Grant Scheme (Ref 687)	To approve a revised Policy				Jacky Oughton Cllr Norman Vincett	

Section 2 Key decisions which are anticipated to be considered by the Council between June 2015 and October 2015

Topic and Reference	Purpose of report	If requested by Executive –date, decision & minute no.	Date of Executive, Committee or Council meeting	Publication Date of Agendas	Contact Officer & Portfolio Holder	External Consultees/ Consultation Method/ Background Papers
July 2015						
Final Accounts (Ref 669)	To report on the Council’s outturn position for both revenue and capital				Marcus Miskinis Cllr Cross	
Housing Allocations Policy (Ref 607)	To approve a new housing allocations policy (Moved reason 1 Portfolio Holder has deferred the consideration of the report due to Purdah)		Executive 5 November 2014 Executive 9 April 2014	27 October 2014 27 March 2015	Ken Bruno Cllr Vincett	Housing Strategy 2014 – 2017
August 2015						
September 2015						
Leisure Development Programme (Ref 688)	To seek approval on the next stage of the programme on investment and management options		30 September 2015		Rose Winship Cllr Mrs Gallagher	Background Exec 05/11/14

October 2015						
Supporting People Grant Changes (Ref 674)	To provide an update on the outcome of the Supporting People Funding consultation and its effect on Warwick District (Moved Reason 2- Waiting for further information from a Government Agency)		Executive 11th February 2015	2 February 2015	Jacky Oughton Cllr Vincett	
November 2015						
December 2015						
Private sector housing grants policy (Ref 658)	To propose a revised policy for the allocation of grant funding for private residents		Executive – 11 th March 2015	2 March 2015	Abigail Hay Cllr Norman Vincett	TBC

TO BE CONFIRMED						
Topic and Reference	Purpose of report	History of Committee Dates & Reason code for deferment	Contact Officer & Portfolio Holder	Expansion on Reasons for Deferment	External Consultees/ Consultation Method/ Background Papers	Request for attendance by Committee
Health Strategy (Ref 576)	To update members on the formulation of the Council's Health Strategy, following the return of Public Health to local authorities (Moved March 14 Reason 3)	Executive 12 March 2014 TBC	Rob Chapleo Cllr Coker	The strategy will need to take into account the approach of the new administration and County Health & Wellbeing Strategy		
Asset Management Plan (Ref 642)	To report on the activities planned for the current financial year to deliver the asset strategy. (Moved Reason 6 Seeking further clarification on implications of report)		5 November 2014 Executive 14th Jan 2015	5 February 2015	Bill Hunt Cllr Hammon	
5 year Action plan for Warwick's Town Centre Management Group (Ref 653)	To consider a 5 year action plan for Warwick Town		Executive 11th Feb 2015	2 February 2015	Nicki Curwood Cllr Hammon	Warwick businesses Warwick Town Council Town Centre Management Group

Asset Management Strategy (Ref 641)	To propose an Asset Management Strategy for all the Council's buildings and land holdings. (Moved Reason 6 Seeking further clarification on implications of report)		5 November 2014 Executive th October 2015	5 February 2015	Bill Hunt Cllr Hammon	
Cleaning Services (Ref 659)	To approve a revised way of delivering the Cleaning Services to Council buildings. Moved from January – Reason 5 – pending further legal advice on implications of report		14th Jan 2015 Executive 11th March 2015	2 February 2015 2 March 2015	Jacky Oughton Cllr Vincett	
Destination Management Plan (Ref 681)	To receive a report from Economic Development and Regeneration		Executive 11 March 2015	2 March 2015	Joe Baconnet Cllr Hammon	

Section 3 – Items which are anticipated to be considered by the Executive but are NOT key decisions

Topic and Reference	Purpose of report	If requested by Executive – date, decision & minute no.	Date of Executive, Committee or Council meeting	Publication Date of Agendas	Contact Officer & Portfolio Holder	External Consultees/ Consultation Method/ Background Papers
March 2015						
April 2015						
Review of Significant Business Risk Register (Ref 671)	To inform Members of the Significant Risks to the Council		April 2015		Richard Barr Cllr Cross	
Update to Scheme of Delegation (Ref 682)	To amend the Scheme of Delegation to reflect recent service area changes		April 2015		Amy Carnall Cllr Mobbs	
Update to Call in Procedure Rules (Ref 683)	To proposed amendments to the Call In Procedure Rules following review by the Constitution Working Party		April 2015		Amy Carnall Cllr Mobbs	
May 2015						
June 2015						
July 2015						
August 2015						

September 2015						

Delayed reports:

If a report is late, officers will establish the reason(s) for the delay from the list below and these will be included within the plan above:

1. Portfolio Holder has deferred the consideration of the report
2. Waiting for further information from a Government Agency
3. Waiting for further information from another body
4. New information received requires revision to report
5. Seeking further clarification on implications of report.

Details of all the Council's committees, Councillors and agenda papers are available via our website www.warwickdc.gov.uk/committees

The forward plan is also available, on request, in large print on request, by telephoning (01926) 353362