

Finance and Audit Scrutiny Committee

Tuesday 6 March 2018

A meeting of the Finance and Audit Scrutiny Committee will be held at the Town Hall, Royal Leamington Spa on Tuesday 6 March 2018 at 6.00pm.

Membership:

	Councillor Barrott (Chair)	
Councillor Cain		Councillor Illingworth
Councillor Davies		Councillor Margrave
Councillor Gallagher		Councillor Noone
Councillor Gifford		Councillor Quinney
Councillor Howe		Councillor Wright

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. Apologies and Substitutes

- (a) to receive apologies for absence from any Councillor who is unable to attend; and
- (b) 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.

3. **Minutes**

To confirm the minutes of the meeting held on 6 February 2018 **(To follow)**

Part B Audit Items

4. **External Audit**

To consider a report from External Auditors

5. **Internal Audit Quarter 3 2017/18 Progress Report**

To consider a report from Finance

6. **Internal Audit Strategic Plan 2018/19 – 2020/21 and Internal Audit Charter**

To consider a report from Finance

7. **Annual Governance Statement 2016/17 Action Plan: Review of Progress**

To consider a report from Finance

Part C – Scrutiny Items

8. **Review of the Assigning of Parent Company Guarantees and Other Types of Securities to Council Contracts**

To consider a report from Finance

9. **Review of Reserves**

To consider an update on Appendices 6a & 6b of the Executive Budget Report

10. **Comments from the Executive** **(To follow)**

To consider a report from Democratic Services

11. **Review of the Work Programme and Forward Plan**

To consider a report from Democratic Services

12. **Executive Agenda (Non Confidential Items and Reports) – Wednesday 7 March 2018**

To consider the 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.
(Circulated separately)**

13. **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 item by reason of the likely disclosure of exempt information within the paragraphs of Schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006.

14. **Executive Agenda (Confidential Items and Reports) – Wednesday 7 March 2018**

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)**

15. **External Audit Update – Confidential section – Appendices A & B**

To consider confidential appendices relating to Item 4 from the External Auditors

Agenda published Monday 26 February 2018

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

Telephone: 01926 456114

E-Mail: committee@warwickdc.gov.uk


For enquiries about specific reports, please contact the officers named in the reports

You can e-mail the members of the Committee at f&a@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) 456114 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 456114.

 Finance and Audit Scrutiny Committee 6 March 2018		Agenda Item No. 4
Title	External Audit	
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. Appendices A and B are confidential.	
Date and meeting when issue was last considered and relevant minute number	N/A	
Background Papers	External audit papers included as appendices	

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	23/2/2018	Andrew Jones
Head of Service	23/2/2018	Mike Snow
CMT	23/2/2018	
Section 151 Officer	23/2/2018	Mike Snow
Monitoring Officer	23/2/2018	Andrew Jones
Finance	23/2/2018	Jenny Clayton, Dave Leech, Andrea Wyatt
Portfolio Holder(s)	23/2/2018	Peter Whiting
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 This report brings to members' attention various matters from Grant Thornton, the Council's external auditors.

2. **Recommendations**

It is recommended that Finance and Audit Scrutiny Committee:-

- 2.1 Note the conclusion of the 2013/14, 2014/15 and 2015/16 audits.
- 2.2 Note the findings within the auditor's letters in respect of the objections to the 2013/14 accounts that in effect the Council had no case to answer with a considerable cost being incurred by the local taxpayer for no good reason.
- 2.3 Note the conclusion of the audit of the 2016/17 Benefits Subsidy.
- 2.4 Note the conclusion of the audit of the 2016/17 Pooling of Housing Capital Receipts return.
- 2.5 Agree the 2017/18 External Audit Plan and the supporting document, Informing the Risk Assessment.

3. **Reasons for the Recommendation**

3.1 **Conclusion of 2013/14, 2014/15 and 2015/16 audits**

Members will be aware that the auditors have not been able to conclude audits of the accounts since 2013/14. The reason for this was that the auditors had been unable to complete their consideration of two objections to the 2013/14 accounts. The auditors have now been able to complete their investigations and have duly responded to the objectors. In both cases the auditors have concluded that it would not be in the public interest for them to make a public interest report under Section 8 of the Audit Commission Act 1998.

- 3.2 The auditors have responded separately to the two objectors. Due to the detailed content of these letters, with much information which is of a personal nature, the Council's lawyers have confirmed the auditors' letters may be shared with Finance and Audit Scrutiny Committee, but this needs to be on a totally confidential basis. The Council's auditors also agree with this. Copies of the two letters are included as confidential Appendices A and B to this report, as item 15 on this agenda. Any discussion over the content of these appendices must be held in confidential session.
- 3.3 Within Appendix A, the auditor did make the recommendation that the Council should review the basis of its costs in liability order cases. The breakdown of the costs is regularly reviewed to ensure it is reasonable. In terms of procedure at Court, a copy to the breakdown is issued to Magistrates both when a complaint is made and summonses issued. On that basis the Magistrates do have opportunity to question how the costs have been arrived at.
- 3.4 An objection is still outstanding in respect of the 2016/17 Accounts. Consequently the auditors cannot conclude the audit for that year. However, final Audit Opinions have now been issued in respect of 2013/14, 2014/15 and 2015/16. These are included as Appendix C. The detail and basis for these

opinions does not present any new information above what has been previously reported to members in respect of the years in question.

3.5 Benefits Subsidy Audit

The auditors have completed the audit of the 2016/17 Housing Benefit Audit. Their letter in respect of this, Certification work for Warwick District Council for the year ended 31 March 2017, is included as Appendix D. Much testing is undertaken by officers and auditors as part of this audit, considering many samples. It will be noted from the letter:-

- The overall claim is over £29m, the amendments totalled £348.
- Some errors were identified that had no overall impact on the level of subsidy being claimed.

3.6 Due to the errors identified, the auditors were required to qualify the claim. As explained to members in previous years, nationally it is the exception for the Benefits Subsidy claim not to be qualified.

3.7 There were two outstanding issues in respect of the 2015/16 claim. The auditor had requested that testing of an additional 80 cases was undertaken. However the Council did not accept that the findings warranted additional testing and representation was made to the Department for Work and Pensions. On the 19th October 2017, formal notification was received, confirming no additional testing was necessary.

3.8 Pooling of Housing Capital Receipts

The Council is required to have the Pooling of Housing Capital Receipts Return audited; this deals with the receipts from Right to Buys. This audit was carried out by Grant Thornton. Their letter is included as Appendix E. From the letter it will be noted that the receipts were correctly allocated with the correct sum paid to the Government for the year.

3.9 2017/18 Audit of Accounts

The auditors have submitted the External Audit Plan for 2017/18. This is included as Appendix F. Members will note, in view of the requirement for the 2017/18 Audited Statement of Accounts to be signed off by 31 July 2018, that some audit work has already been undertaken, with more scheduled for March. Members are required to note the Plan and may wish to seek assurance from officers and auditors that all is being done to ensure the statutory requirement will be met.

3.10 Appendix G, Informing the Risk Assessment, has been produced by the external auditors, bringing together details of responses from officers. The document is to assist in the communication between members and the external auditors. Members should consider the document and make any observations to the auditors.

4. Policy Framework

4.1 Fit for the Future (FFF)

The FFF Strategy has 3 strands – People, Services and Money and each has an external and internal element to it. The table below illustrates the impact of this proposal if any in relation to the Council’s FFF Strategy.

FFF Strands		
People	Services	Money
External		
Health, Homes, Communities	Green, Clean, Safe	Infrastructure, Enterprise, Employment
<u>Intended outcomes:</u> Improved health for all Housing needs for all met Impressive cultural and sports activities Cohesive and active communities	<u>Intended outcomes:</u> Area has well looked after public spaces All communities have access to decent open space Improved air quality Low levels of crime and ASB	<u>Intended outcomes:</u> Dynamic and diverse local economy Vibrant town centres Improved performance/productivity of local economy Increased employment and income levels
Impacts of Proposal		
The Subsidy Benefits seeks to provide assurance that claimants are in receipt of the correct level of benefit.	No direct impact.	No direct impact.
Internal		
Effective Staff	Maintain or Improve Services	Firm Financial Footing over the Longer Term
<u>Intended outcomes:</u> All staff are properly trained All staff have the appropriate tools All staff are engaged, empowered and supported The right people are in the right job with the right skills and right behaviours	<u>Intended outcomes:</u> Focusing on our customers’ needs Continuously improve our processes Increase the digital provision of services	<u>Intended outcomes:</u> Better return/use of our assets Full Cost accounting Continued cost management Maximise income earning opportunities Seek best value for money
Impacts of Proposal		
No direct impact.	No direct impact.	The work provided by the Council’s external auditors should provide members with assurance that the Council’s finances are being properly managed and reported upon in accordance with statutory requirements.

4.2 Supporting Strategies

This report indirectly impacts upon all of the Council's strategies on the basis that they all require funding and for that funding to be properly managed. It is part of the role of the external auditors to confirm that the Council's finances are being properly managed.

4.3 Changes to Existing Policies

No changes to existing policies are proposed.

4.3 Impact Assessments

Not applicable.

5. Budgetary Framework

5.1 The additional work and costs incurred by the Council and auditors in respect of the Objections to the Accounts was substantial. The additional costs incurred by the Council, excluding officer time, were in the order of £25,000, most of which were legal costs. Additional fees charged by the external auditors amount to £13k to date, with a similar sum still expected to be paid. The Council will only be able to recover a small element of these costs.

5.2 The initial fee charged to the 2016/17 Benefits Subsidy was £6,400. However there is expected to be an additional sum due (c£2k) in respect of additional work undertaken. The fee for the Pooling Return was £3,000.

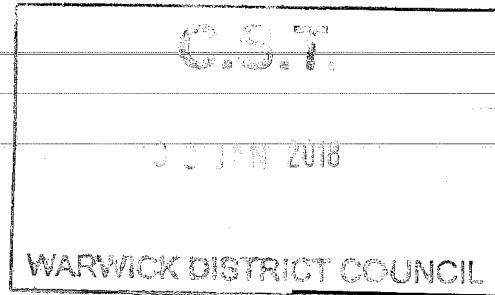
5.3 The fee charged for the 2017/18 Audit of the Accounts is £53,623, this being the same as for 2016/17. Members will note that if additional work is required by the auditors, this fee may increase.

6. Risks

The requirement for external auditors is part of the assurance framework under which all local authorities operate. 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.



Our ref:
Your ref:

Mike snow
Head of Finance
Warwick District Council
Riverside House
Milverton Hill
Leamington Spa
CV32 5HZ

Grant Thornton Contracts LLP
The Colmore Building
20 Colmore Circus
Birmingham
B4 6AT
T +44 (0)121 212 4000
F +44 (0)121 212 4014

29 January 2018

Dear Mike

Warwick District Council: Closure of the audits in relation to 2013/14, 2014/15 and 2015/16

Further to our previous audit opinions in respect of the financial statements for the years ending March 2014, March 2015 and March 2016 we are pleased to be able to advise you that we have now completed our consideration of the objections relating to 2013/14.

Certificates of completion are attached for the following year audits;

- 2013/14
- 2014/15
- 2015/16

Please publish these certificates on your website alongside the audited Statement of Accounts (which incorporates our auditor's report thereon). Please ensure that you do not reproduce the signature of the auditor in any electronic format for any other purpose.

Please note that Regulation 11 of The Accounts and Audit Regulations 2011 requires the Council to publish (which must include publication on its website) a notice of conclusion of the audit. This notice can now be issued in respect of the audit year 2013/14 and 2014/15. It should include a statement that the audit has been concluded and that the statement of accounts has been published and of the rights of inspection conferred on local government electors by section 14 of the 1998 Act.

Similarly Regulation 16(1) of The Accounts and Audit Regulations 2015 requires the Council to publish (which must include publication on its website) a notice of conclusion of the audit. This notice can now be issued in respect of 2015/16. It should include a statement that the audit has been concluded and that the statement of accounts has been published and of the rights of inspection conferred on local government electors by section 25 of the Act.

Please feel free to contact me if you like clarification on any point.

Yours sincerely



Grant Patterson
For Grant Thornton UK LLP

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WARWICK DISTRICT COUNCIL

Issue of audit opinion on the financial statements

In our audit report for the year ended 31 March 2014 issued on 29 September 2014 we reported that, in our opinion, the financial statements:

- gave a true and fair view of the financial position of Warwick District Council as at 31 March 2014 and of its expenditure and income for the year then ended; and
- had been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

Issue of value for money conclusion

In our audit report for the year ended 31 March 2014 issued on 29 September 2014 we reported that, in our opinion, in all significant respects, Warwick District Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2014.

Certificate

In our report dated 29 September 2014, we explained that we could not formally conclude the audit on that date until we had completed the work necessary to issue our assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack and our consideration of matters brought to our attention by local authority electors under Section 16 of the Audit Commission Act 1998. We issued our assurance statement on the consolidation pack on 30 September 2014 and have now completed our consideration of the matters brought to our attention by local electors.

No matters have come to our attention since that date that would have a material impact on the financial statements on which we gave an unqualified opinion and value for money conclusion

We certify that we have completed the audit of the financial statements of Warwick District Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Grant Patterson

Grant Patterson

Director

for and on behalf of Grant Thornton UK LLP, Appointed Auditor

The Colmore Building
20 Colmore Circus
Birmingham
B4 6AT

29 January 2018

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WARWICK DISTRICT COUNCIL**Issue of audit opinion on the financial statements**

In our audit report for the year ended 31 March 2015 issued on 29 September 2015 we reported that, in our opinion, the financial statements:

- gave a true and fair view of the financial position of Warwick District Council as at 31 March 2015 and of its expenditure and income for the year then ended; and
- had been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and applicable law.

Issue of value for money conclusion

In our audit report for the year ended 31 March 2015 issued on 29 September 2015 we reported that, in our opinion, in all significant respects, Warwick District Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2015.

Certificate

In our report dated 29 September 2015, we explained that we could not formally conclude the audit on that date until we had completed our consideration of matters brought to our attention by local authority electors under Section 16 of the Audit Commission Act 1998. We have now completed our consideration of these matters.

No matters have come to our attention since that date that would have a material impact on the financial statements on which we gave an unqualified opinion and value for money conclusion

We certify that we have completed the audit of the financial statements of Warwick District Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Grant Patterson

Grant Patterson

Director

for and on behalf of Grant Thornton UK LLP, Appointed Auditor

The Colmore Building
20 Colmore Circus
Birmingham
B4 6AT

29 January 2018

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WARWICK DISTRICT COUNCIL (the "Authority")**Issue of audit opinion on the financial statements**

In our audit report for the year ended 31 March 2016 issued on 26 September 2016 we reported that, in our opinion, the financial statements:

- present a true and fair view of the financial position of the Authority as at 31 March 2016 and of its expenditure and income for the year then ended; and
- had been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law.

Conclusion on the Authority's arrangements to secure value for money through economic, efficient and effective use of its resources

In our audit report for the year ended 31 March 2016 issued on 26 September 2016 we reported that, in our opinion, in all significant respects, the Authority had put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the year ending 31 March 2016.

Certificate

In our report dated 26 September 2016, we explained that we could not formally conclude the audit on that date until we had completed our consideration of objections brought to our attention in earlier years by local authority electors under Section 16 of the Audit Commission Act 1998. We have now completed our consideration of these objections.

No matters have come to our attention since that date that would have a material impact on the financial statements on which we gave an unqualified opinion and conclusion on the Authority's arrangements for securing value for money through economic, efficient and effective use of its resources.

We certify that we have completed the audit of the financial statements of the Authority in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office on behalf of the Comptroller and Auditor General.

Grant Patterson

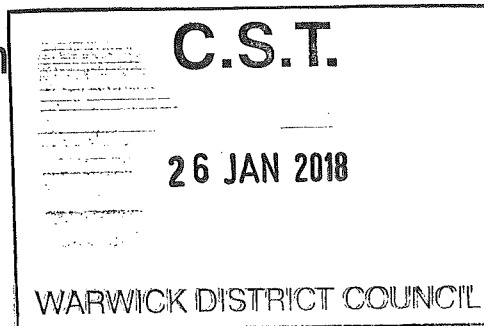
Grant Patterson

Director

for and on behalf of Grant Thornton UK LLP, Appointed Auditor

The Colmore Building
20 Colmore Circus
Birmingham
B4 6AT

29 January 2018



Head of Finance
Warwick District Council
Riverside House
Milverton Hill
Leamington Spa
CV32 5HZ

Grant Thornton UK LLP
The Colmore Building
20 Colmore Circus
Birmingham
B4 6AT
T +44 (0)121 212 4000
F +44 (0)121 212 4014

24 January 2018

Dear Mike

Certification work for Warwick District Council for year ended 31 March 2017

We are required to certify the Housing Benefit subsidy claim 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.

The Local Audit and Accountability Act 2014 gave the Secretary of State power to transfer Audit Commission responsibilities to other bodies. Public Sector Audit Appointments (PSAA) took on the transitional responsibilities for HB COUNT issued by the Audit Commission in February 2015.

We have certified the Housing Benefit subsidy claim for the financial year 2016/17 relating to subsidy claimed of £29,041,721. We identified a number of issues from our certification work and, as a result of the errors identified, the claim was amended and qualified, and we reported our findings to the DWP in our Qualification Letter dated 29 November 2017.

Further details of the matters we reported upon are set out in Appendix A. Those which we particularly wish to highlight for your attention are that there:

- were three errors from the extended testing that we carried out on this year's subsidy return which recurred from 2015/16, and
- three areas where new errors were identified as a result of the testing undertaken.

As required by the DWP, additional testing was performed in respect of the errors.

The DWP has already written to the Council in respect of the qualifications and asked the Council to consider undertaking further work on the rent allowance software reconciliation, where a difference of £3,688 was identified. Based on the trivial value involved officers intend to inform the DWP that no further work will be undertaken.

The indicative fee for 2016/17 for the Council was based on the final 2014/15 certification fees, reflecting the amount of work required to certify the Housing Benefit subsidy claim that year. The indicative scale fee set by PSAA for the Council for 2016/17 was £6,398. Due to the additional work required to address the issues we identified, we have discussed with officers an additional fee of £2,257, which is subject to confirmation from PSAA. This is set out in more detail in Appendix B.

Yours sincerely

Grant Thornton UK LLP

Appendix A - Details of claims and returns certified for 2016/17

Claim or return	Value	Amended?	Amendment value	Qualified?	Comments
Housing benefits subsidy claim	£29,041,721	Yes	£348	Yes	See below

Findings from certification of housing benefits subsidy claim

There were three errors that had also been identified in prior years, these were as follows;

- Four errors were identified in the way non HRA expenditure had been split across the cells. Due to the complexity of these claims, the authority had already made the decision to test 100% of these claims which resulted in a cell amendment being made.
- Testing of rent allowances identified an overpayment that was classified as eligible when it should have been LA error. Additional testing was undertaken in this area, however no impact on overall subsidy was identified. This was included within the Qualification Letter as required.
- Testing of rent rebates identified 1 case where the Council had incorrectly calculated a claimant's earnings and benefit was overpaid. In addition, 2 cases were also identified where information was input incorrectly into the benefit system from the payslip provided by the claimant. For these cases it was identified that the errors had no impact on the subsidy for one case, but for the other case benefit had been underpaid. This was included within the Qualification Letter as required.

Testing also identified three errors that had not been present in prior years, these were as follows;

- Our testing of rent allowances identified 1 case where the claimant had changed parish on 1 April 2017 as a result of the boundary changes. The system had picked this up as a change of address, and as a result created an overpayment when there should have been no change in benefits. Due to the nature of the error, appropriate testing was undertaken in this area to quantify the error and make the necessary adjustment to the claim.
- Our testing of rent allowances identified one case where the case had been correctly referred to the rent officer to assess the rent, however when the assessment was returned the case had not been updated on the system and therefore the rent had been incorrectly assessed. Due to the nature of the error, appropriate testing was undertaken in this area to quantify the error and make the necessary adjustment to the claim.
- Testing of rent allowances identified 1 case where earners hours had been incorrectly input into the system. This had no impact on subsidy, but was reported to the DWP as an observation as required.

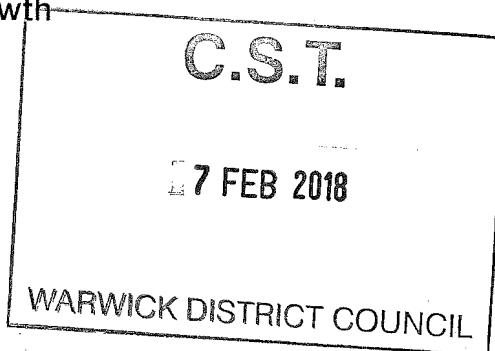


Grant Thornton

An instinct for growth™

Our ref:
Your ref:

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



Grant Thornton UK LLP
The Colmore Building
20 Colmore Circus
Birmingham
B4 6AT
T +44 (0)121 212 4000
F +44 (0)121 212 4014

Attn: Board of Directors

Geraldine Rowe
Department for Communities and Local Government
Third Floor
Fry Building
2 Marsham Street
London
SW1P 4DF

5 February 2018

Dear Sirs

Agreed-upon Procedure Report

Report of factual findings to the Responsible Finance Officer of Warwick District Council and Department of Communities and Local Government

We have performed the procedures agreed with you and enumerated below with respect to the requirements of our agreement.

Our engagement was undertaken in accordance with International Standards on Related Services 4400 'Engagements to Perform Agreed-Upon Procedures Regarding Financial Information' as published by the International Auditing and Assurance Standards board (IAASB) applicable to agreed-upon procedures engagements.

This report is provided pursuant to, and must be read in conjunction with, our engagement letter dated 9 January 2018 and is subject to the terms and limitations set out therein.

The procedures were performed solely for the purpose of assisting Warwick District Council (the 'Authority') fulfil their responsibilities to the Department of Communities and Local Government for preparing the annual Pooling of Housing Capital Receipts Return 2016PO6 entered onto LOGASNET for the year ended 31 March 2017. The Responsible Finance Officer is responsible for the preparation and submission of the annual Pooling of Housing Capital Receipts Return onto LOGASNET and for all corrections.

The procedures undertaken are summarised as follows:

1. We will obtain from the Responsible Finance Officer the return and quarterly 'Valuation' worksheets.

Sample size for all tests 2 to 7 below: Five items or 10% of the value of the items in the entry, whichever is the greater.

2. We will sample test that capital receipts have been reduced for the cost of buying back dwellings, as required by paragraph 3 of the Schedule to The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 SI 2003/3146 (as amended) in cells F102PO, F202PO, F302PO and F402PO of the return.
3. We will sample test by reference to prime documents that all Right to Buy ('RTB') (or equivalent) receipts received by the Authority in 2014-2015 and arising from sales made on or after 01 April 2012 are included correctly in cells F105PO, F205PO, F305PO and F405PO of the return.
4. We will sample test by reference to prime documents that all RTB (or equivalent) receipts received by the Authority in 2016-2017 and arising from sales made before 01 April 2012 have been included correctly in cells F106PO, F206PO, F306PO and F406PO of the return.
5. We will agree the entries of RTB (or equivalent) sales in cells F107PO, F207PO, F307PO and F407PO to support in the Authority's disposal records.
6. a) We will agree the entries in fields F112PO, F212PO, F312PO and F412PO to cell D35 in the relevant quarterly 'Valuation' worksheets.
6. b) We will sample test by reference to prime housing records that, for a sample of RTB disposals included in the quarterly 'input data' worksheet, have the archetypes, bedroom numbers, 1999 valuations and PFI status recorded correctly.
7. We will sample test by reference to prime housing records that, where the authority has incurred expenditure under a Section 11(6) agreement, the expenditure included in cell F524PO has been incurred on social housing projects as defined in Part 5 of that agreement. We report our findings below:

We report our findings below:

All tests were completed with no exceptions noted, other than for test 6a above where the entries in Fields F112PO, F212PO, F312PO and F412PO did not agree to the relevant quarterly 'Valuation' worksheets. The differences identified are as per the table below.

	Value from fields	Value from quarterly valuation	Difference
F112PO	514,793.14	518,911.48	4,118.34
F212PO	633,591.56	610,190.92	-23,400.64
F312PO	316,795.78	307,333.30	-9,462.48
F412PO	306,701.91	335,446.69	28,744.78
Total	1,771,882.39	1,771,882.39	0

Officers have explained that the differences have arisen because they identified during the final quarter of 2016/17 that the incorrect pre transfer inflation rate had been used in the previous quarterly returns. As a result, adjustments were made during quarter 4 to ensure that the final year end return was correct.

Because the above procedures do not constitute either an audit or a review made in accordance with International Standards on Auditing (UK) or International Standards on Review Engagements (UK and Ireland) 2410, we do not express any assurance.

Had we performed additional work or procedures or had we performed an audit or review of the financial statements in accordance with International Standards on Auditing (UK) or International Standards on Review Engagements (UK and Ireland) 2410, other matters might have come to our attention that would have been reported to you.

Our report is prepared solely for the confidential use of Warwick District Council and Department of Communities and Local Government and solely for the purpose set forth in the first paragraph of this report. Our report must not be recited or referred to in whole or in part in any other document. Our report must not be made available, copied or recited to any other party without our express written permission. Grant Thornton UK LLP neither owes nor accepts any duty to any other party and shall not be liable for any loss, damage or expense of whatsoever nature which is caused by other parties' reliance on our report.

Our audit work as the statutory auditors of the annual financial statements of Warwick District Council is carried out in accordance with our statutory obligations and is subject to separate terms and conditions. This engagement will not be treated as having any effect on our separate duties and responsibilities as Warwick District Council's external auditor.

Our audit report on the financial statements is issued solely to the Local Authority's members, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to Local Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Local Authority and Local Authority's members as a body, for our audit work, for our audit reports, or for the opinions we have formed.



GRANT THORNTON UK LLP
CHARTERED ACCOUNTANTS

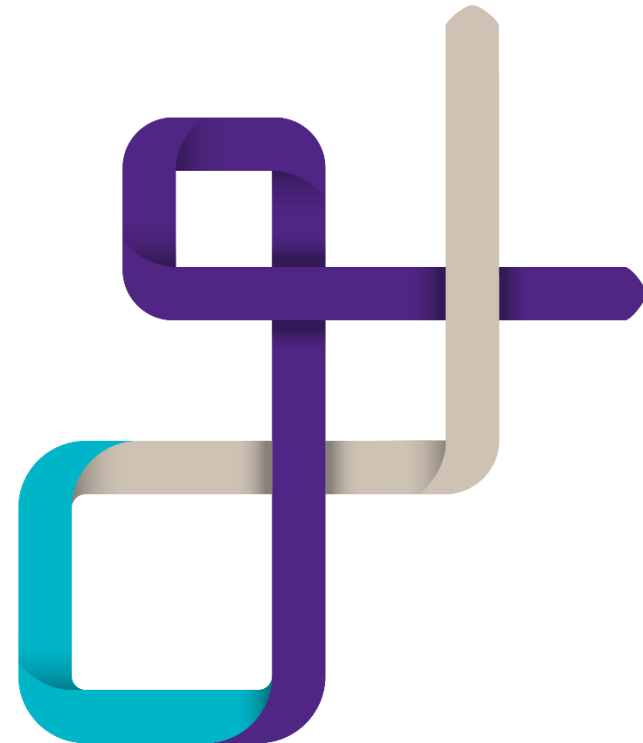
Birmingham
5 February 2018



External Audit Plan

Year ending 31 March 2018

Warwick District Council
6 March 2018



Contents



Your key Grant Thornton
team members are:

Grant Patterson

Director

T: +44 121 232 5296

E: grant.b.patterson@uk.gt.com

Helen Lillington

Manager

T: +44 121 232 5312

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

Section	Page
1. Introduction & headlines	3
2. Deep business understanding	4
3. Significant risks identified	5
4. Reasonably possible risks identified	8
5. Other matters	9
6. Materiality	10
7. Group audit scope and risk assessment	11
8. Matters discussed with management during the interim visit	12
9. Value for Money arrangements	14
10. Audit logistics, team & audit fees	15
11. Early close	16
12. Independence & non-audit services	17
Appendices	
A. Revised ISAs	
B. Detailed working paper requirements for interim	

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 planning 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.

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No.OC307742. Registered office: 30 Finsbury Square, London, EC2A 1AG. A list of members is available from our registered office. Grant Thornton UK LLP is authorised and regulated by the Financial Conduct Authority. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

Introduction & headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Warwick District Council ('the Council') for those charged with governance. We will report any updates or changes to our risk assessments arising from our interim audit visits as part of our 'Interim Progress Report'.

Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of Warwick District Council. We draw your attention to both of these documents on the [PSAA website](#).

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the:

- financial statements (including the Annual Governance Statement) that have been prepared by management with the oversight of those charged with governance (the Finance and Audit Scrutiny committee); and
- Value for Money arrangements in place at the Council for securing economy, efficiency and effectiveness in your use of resources.

The audit of the financial statements does not relieve management or the Finance and Audit Scrutiny Committee of your responsibilities. 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.

Our audit approach is based on a thorough understanding of the Council's business and is risk based.

Significant risks

Those risks requiring specific audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Management override of controls
- Valuation of the pension liability
- Valuation of property, plant and equipment, and
- Disclosure of accounting entries in relation to group accounts

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Materiality

We have determined planning materiality to be £1.2m (PY £1.3m), which equates to 2% of your forecast gross expenditure for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £60k (PY £63k).

Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money has not identified any significant VFM risks

Audit logistics

Our interim visits will take place in February and March and our final visits will take place in June and July. Our key deliverables are this Audit Plan and our Audit Findings Report.

Our fee for the audit will be no less than £53,623 (PY: £53,623) for the Council.

Independence

We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements

Deep business understanding

Changes to service delivery

Commercialisation

The scale of investment activity, has increased as local authorities seek to maximise income generation. These investments are often discharged through a company, partnership or other investment vehicle. Local authorities need to ensure that their commercial activities are presented appropriately, in compliance with the CIPFA Code of Practice and statutory framework, such as the Capital Finance Regulations. For Warwick District Council, this includes the joint venture with PSP Warwick LLP, where potential group accounting arrangements are required, and the engagement of two new fund managers to manage £6m of investment assets.

Devolution

The Cities and Local Government Devolution Act 2016 provides the legal framework for the implementation of devolution deals with combined authorities and other areas. While the Council continues to work in partnership with the County Council and other Local Authorities there are no current plans for any formal arrangements.

Changes to financial reporting requirements

Accounts and Audit Regulations 2015 (the Regulations)

The Department of Communities and Local Government (DCLG) is currently undertaking a review of the Regulations, which may be subject to change. The date for any proposed changes has yet to be confirmed, so it is not yet clear or whether they will apply to the 2017/18 financial statements.

Under the 2015 Regulations local authorities are required to publish their accounts along with the auditors opinion by 31 July 2018.

Changes to the CIPFA 2017/18 Accounting Code

CIPFA have introduced other minor changes to the 2017/18 Code which confirm the going concern basis for local authorities, and updates for Leases, Service Concession arrangements and financial instruments.

Housing Revenue Account (HRA)

DCLG has issued revised guidance on the calculation of the Item 8 Determination for 2017/18, which :

- extends transitional arrangements for reversing impairment charges and revaluation losses on dwelling assets and applies this principle to non-dwelling assets from 2017/18,
- confirms arrangements for charging depreciation to the HRA and permitting revaluation gains that reverse previous impairment and revaluation losses to be adjusted against the HRA.

Key challenges

Financial pressures

Historically the Council has a strong track record of delivering against its financial objectives, with a £0.5m surplus being achieved in 2016/17 against a £12m budget. The most recent budget monitoring reports for Councillors show a predicted £812k surplus at the end of 2017/18, with early work on the base budget for 2018/19 demonstrating a potential surplus of £39k. Work on the medium term financial plan has shown that savings of £385k are still to be identified over the period until 2022/23, however this compares favourably to other similar Councils.

Changes in finance team

The Council have benefited from a stable and experienced finance team in previous years, however the retirement of the capital accountant during 2016/17, and the retirement of the revenue accountant during 2017/18 will place increased demands on the remaining team during the financial accounts production and audit period. It is essential that interim staff are managed and supervised appropriately and that there is clear oversight and management of the final accounts to ensure that the earlier statutory deadline will be met.

Our response

- We will consider your arrangements for managing and reporting your financial resources as part of our work in reaching our Value for Money conclusion.
- We will consider whether your financial position leads to uncertainty about the going concern assumption and will review any related disclosures in the financial statements.
- We will keep you informed of changes to the Regulations and any associated changes to financial reporting or public inspection requirements for 2017/18 through on-going discussions and invitations to our technical update workshops.
- As part of our opinion on your financial statements, we will consider whether your financial statements reflect the financial reporting changes in the 2017/18 CIPFA Code, revised Item 8 guidance for the HRA and the impact of impairment assessments and the adequacy of provisions in relation to essential work on high rise buildings.
- As part of our ongoing planning and work with the Council we have held a detailed 'wash-up' session with officers to identify areas where they could improve their processes and eliminate the issues experienced last year. In addition, we have provided detailed working paper requirements for the interim visit to help officers ensure that work is completed as early as possible. This is included at Appendix B. We will report back to both the Head of Finance and members where slippages in the work programme are identified.

Significant risks identified

Significant risks are defined by professional standards as risks that, in the judgement of the auditor, require special audit consideration because they have a higher risk of material misstatement. Such risks often relate to significant non-routine transactions and judgmental matters. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<p>The revenue cycle includes fraudulent transactions</p>	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. 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 the 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 <p>Therefore we do not consider this to be a significant risk for Warwick District Council.</p>
<p>Management over-ride of controls</p>	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. Management over-ride of controls is a risk requiring special audit consideration.</p>	<p>We will:</p> <ul style="list-style-type: none"> • gain an understanding of the accounting estimates, judgements applied and decisions made by management and consider their reasonableness • obtain a full listing of journal entries, identify and test unusual journal entries for appropriateness • evaluate the rationale for any changes in accounting policies or significant unusual transactions.

Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<p>Valuation of property, plant and equipment</p>	<p>The Council revalues its land and buildings on an quinquennial basis to ensure that carrying value is not materially different from fair value. This represents a significant estimate by management in the financial statements.</p> <p>We identified the valuation of land and buildings revaluations and impairments as a risk requiring special audit consideration.</p>	<p>Tests to be performed on valuation of revaluations and any associated impairments include:</p> <ul style="list-style-type: none"> Review of management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work Consideration of the competence, expertise and objectivity of any management experts used. Review and challenge of the information used by the valuer to ensure it is robust and consistent with our understanding. Testing of revaluations made during the year to ensure they are input correctly into the Council's asset register Evaluation of the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value.
<p>Valuation of pension fund net liability</p>	<p>The Council's pension fund asset and liability as reflected in its balance sheet represent a significant estimate in the financial statements.</p> <p>We identified the valuation of the pension fund net liability as a risk requiring special audit consideration.</p>	<p>We will:</p> <ul style="list-style-type: none"> Identify the controls put in place by management to ensure that the pension fund liability is not materially misstated. We will also assess whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement Evaluate the competence, expertise and objectivity of the actuary who carried out your pension fund valuation. We will gain an understanding of the basis on which the valuation is carried out Undertake procedures to confirm the reasonableness of the actuarial assumptions made. Check the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary

Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Disclosure of entries in relation to Group Accounting.	<p>The Council have advised us that Group Accounts are likely to be necessary for the first time in 2017/18, however they are yet to produce a group account assessment and form a judgement on whether these additional disclosures are required.</p> <p>Given the judgements, estimates and likely disclosures required in this first year of implementation we have identified this as a risk requiring special audit consideration.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Review the assessment made by officers and supporting evidence provided • Where estimates have been used, we will review management's processes and assumptions for the formulation of those estimates • Where third party information has been used, we will consider the arrangements the Council has in place to assure itself that the information provided is robust • If group accounts are required, we will review the disclosure made within the financial statements and the basis of those disclosures.

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings Report in July 2018.

Reasonably possible risks identified

Reasonably possible risks (RPRs) are, in the auditor's judgment, other risk areas which the auditor has identified as an area where the likelihood of material misstatement cannot be reduced to remote, without the need for gaining an understanding of the associated control environment, along with the performance of an appropriate level of substantive work. The risk of misstatement for an RPR is lower than that for a significant risk, and they are not considered to be areas that are highly judgmental, or unusual in relation to the day to day activities of the business.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Employee remuneration	<p>Payroll expenditure represents a significant percentage (43%) of the Council's operating expenses.</p> <p>As the payroll expenditure comes from a number of individual transactions there is a risk that payroll expenditure in the accounts could be understated. We therefore identified completeness of payroll expenses as a risk requiring particular audit attention</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate the Council's accounting policy for recognition of payroll expenditure for appropriateness; • gain an understanding of the Council's system for accounting for payroll expenditure and evaluate the design of the associated controls; • obtain year-end payroll reconciliation and ensure amount in accounts can be reconciled to ledger and through to payroll reports • agree payroll related accruals to supporting documents and review any estimates for reasonableness • perform substantive analytical review procedures
Operating expenses	<p>Non-pay expenses on other goods and services also represents a significant percentage of the Council's operating expenses. Management uses judgement to estimate accruals of un-invoiced costs.</p> <p>We identified completeness of non- pay expenses as a risk requiring particular audit attention:</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate the Council's accounting policy for recognition of non-pay expenditure for appropriateness; • gain an understanding of the Council's system for accounting for non-pay expenditure and evaluate the design of the associated controls; • review the accruals process and the controls management have put in place • obtain a listing from the cash book of non-pay payments made in April and test on a sample basis to ensure that they have been charged to the appropriate year
Level two investments	<p>The Council have invested a total of £6m with two investment managers during 2017/18. The Council have currently classified these investments as Level two investments, which means that the fund manager uses valuation techniques to determine the fair value of the investment and that these techniques use inputs that are based significantly on observable market data.</p> <p>We identified the valuation of these investments as a risk requiring particular audit attention.</p>	<p>We will</p> <ul style="list-style-type: none"> • evaluate the Council's accounting policy for recognition of level two investments for appropriateness; • gain an understanding of the Council's system for accounting for level two investments and evaluate the design of the associated controls; • review the qualifications of the fund managers as experts to value these investments at year end and gain an understanding of how the valuation of these investments has been reached; • review the nature and basis of estimated values and consider what assurance management has over the year end valuations provided for these types of investments.

Other matters

Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with the guidance issued and consistent with our knowledge of the Council.
- We will read your Narrative Statement and check that it is consistent with the financial statements on which we give an opinion and that the disclosures included in it are in line with the requirements of the CIPFA Code of Practice.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under the Act and the Code, as and when required, including:
 - giving electors the opportunity to raise questions about your 2017/18 financial statements, consider and decide upon any objections received in relation to the 2017/18 financial statements;
 - issue of a report in the public interest; and
 - making a written recommendation to the Council, copied to the Secretary of State.
- We certify completion of our audit.

Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

Going concern

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK) 570). We will review management's assessment of the going concern assumption and evaluate the disclosures in the financial statements.

Materiality

The concept of materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality for planning purposes

We propose to calculate financial statement materiality based on a proportion of the gross expenditure of the Council for the financial year. In the prior year we used the same benchmark. We have determined planning materiality (the financial statements materiality determined at the planning stage of the audit) to be £1.2m (PY £1.3m), which equates to 2% of your forecast gross expenditure for the year. We design our procedures to detect errors in specific accounts at a lower level of precision.

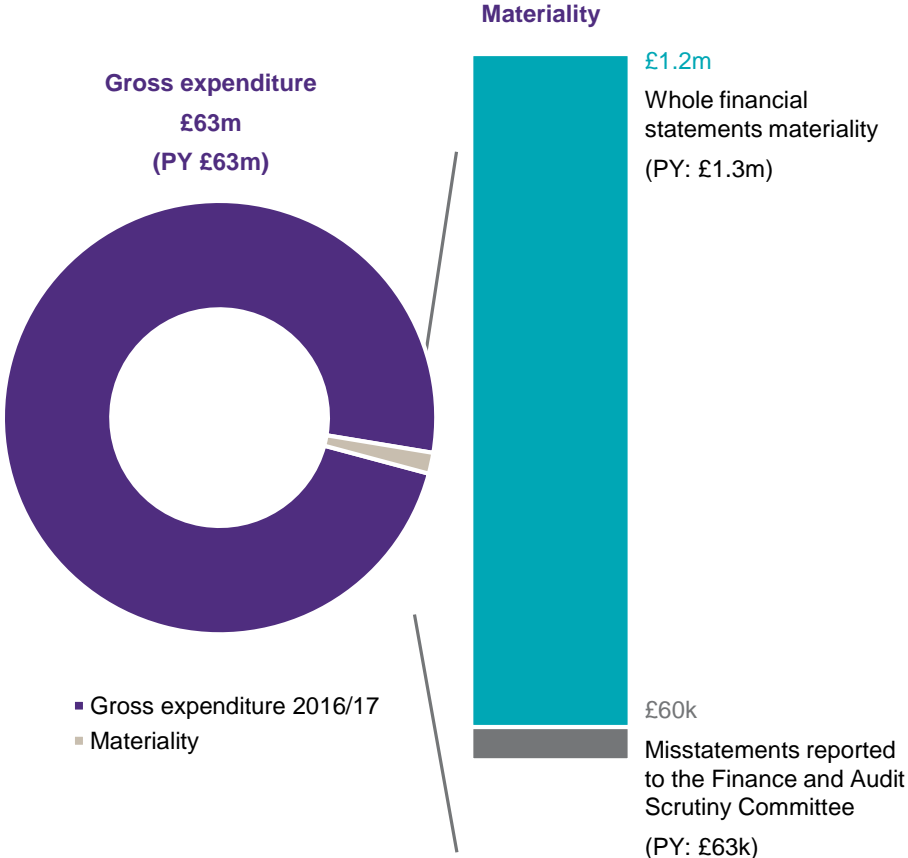
We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

ISA (UK and Ireland) 320 also requires auditors to determine separate, lower, materiality levels where there are 'particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users'. We have decided to have a lower level of materiality for £100k for the disclosure of senior manager salaries and allowances in the remuneration disclosures due to the public interest in these disclosures and the statutory requirement for these to be made.

Matters we will report to the Finance and Audit Scrutiny Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Finance and Audit Scrutiny Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £60k (PY £63k).

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Finance and Audit Scrutiny Committee to assist it in fulfilling its governance responsibilities.



Group audit scope and risk assessment

In accordance with ISA (UK) 600, as group auditor we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

To date officers have highlighted that it may be necessary to produce group accounts in respect of PSP Warwick LLP, however they are yet to provide a detailed assessment and therefore it has not been possible to complete our planning in this area. We have requested that officers consider this area as a matter of urgency, as the impact of the assessment could lead to additional work in both the preparation and audit of the financial statements. If group accounts are required, officers will need to engage with PSP Warwick LLP to ensure that the appropriate information is available within the required reporting schedule, so that draft accounts can be produced by the statutory deadline of the 31 May 2018.

Matters discussed with management during the interim visit

As per the timeline agreed with management on page 15 we have already completed on interim audit visit. Prior to the visit we held discussions with officers and agreed the work that would be undertaken in both the audit visit in February and that planned for March. The table below highlights the key areas and actions required.

Matter	Commentary
1. Working papers	<p>The working papers required for our February interim visit were discussed in detail and agreed with the Strategic Finance Manager during early January (this has been reproduced at Appendix B). Of the 15 areas agreed, there were 5 areas where working papers were either not provided, or the initial working paper provided contained insufficient detail to enable the audit team to commence the work. These have been discussed with the relevant officer while the audit team have been on site. For clarity, the key areas are set out below;</p> <ul style="list-style-type: none"> • Group accounts – While an assessment has been completed, the information provided doesn't clearly demonstrate whether group accounts are required. This is considered in further detail below. • Welfare benefits – It has been agreed between officers and auditors for this work to be carried out in March. • Information relating to the consideration and selection of the Level 2 investment manager • Detailed instructions sent to the valuer. This is considered in further detail below. • A working paper setting out the documented processes and controls for providing information to the pension fund and the actuary. This is considered in further detail below. <p>Following on from our 2016/17 Audit Findings Report we agreed that the Council would introduce a level of quality assurance (QA) prior to providing them to the audit team. A good working paper enables a suitably experienced individual to be able to re-perform the work and understand the judgements and conclusions made. In many cases a simple narrative paragraph with embedded evidence would improve the working papers provided. When providing audit evidence we would anticipate that source documentation is provided, in most cases a screen print of the ledger or an email trail is not sufficient. It is also key that where questions are asked these are responded to in full. Due to a lack of resources in the finance team the QA was not possible, which has contributed to the level of missing working papers and the quality of information provided.</p> <p>Action</p> <p>Completing as much audit work as possible at interim is key to both the Council and us meeting the early close deadline. We can hopefully get back up to pace in our March visit. In order for this to be achieved:</p> <ul style="list-style-type: none"> • The Strategic Finance Manager should ensure she has discussed our March audit visit requirements with the rest of the finance team and assured herself that all members are clear on the working papers expected and their content. • The audit team will continue to ensure that all requests for evidence are easy to understand and highlight the purpose of our request. Where queries are raised over what is required we will deal with these promptly and with flexibility if required. • The Head of Finance should ensure that the Council's arrangements will enable all of the outstanding working papers to be prepared, appropriately quality assured and made available for our March interim audit visit.
2. Group accounts	<p>Officers have completed an assessment of the arrangement, however there are some unresolved issues around the reliability and understandability of the data provided by PSP. Until these are resolved there remains a lack of clarity around whether group accounts are required for the current financial year. Given the potential additional work that will be required at year end if group accounts are needed this should be resolved as soon as possible to not place the achievement of the earlier deadline at risk.</p>

Matters discussed with management during the interim visit

Matter	Commentary
3. Instructions to the valuer	<p>The Council uses an external valuer to value its properties. This is a significant estimate in the accounts and it is key that instructions to the valuer are clear and well documented, so that they have the necessary information to be able to accurately value the properties on behalf of the Council so that they meet the requirements of proper accounting practice. Our review of the documentation to date, for both the rolling program of valuations and for investment properties has not identified any formal instructions, just various trails of email communication.</p> <p>Action</p> <ul style="list-style-type: none"> Officers should ensure that the final working papers provided clearly demonstrate the instructions to the valuer on what to value, that it meets the Code requirements and the format of the response required. We have requested that this is now included in the working papers for the March audit visit. Details of the information provided to the valuer should also be included, along with a narrative explaining the source of this information. Again, we have requested that this is now included in the working papers for the March audit visit. There should be clear challenge by officers on the information and assumptions provided from the valuer, to ensure that it is in line with expectations and any significant variances followed up. This was included as a recommendation in our Audit Findings Report last year.
4. Information provided to the actuary	<p>Pension liabilities are a key estimate in the accounts. We are working with officers in finance to understand the arrangements for providing information to the actuary, as these have changed from the prior year. It is key that officers understand what information has been provided to the actuary on their behalf by the pension fund, and there is evidence that this information has been considered accurate and appropriate by Warwick District Council. Again there should be clear challenge on the information provided by the actuary, particularly where the results are different from expectations. This was included as a recommendation in our Audit Findings Report last year.</p>

Value for Money arrangements

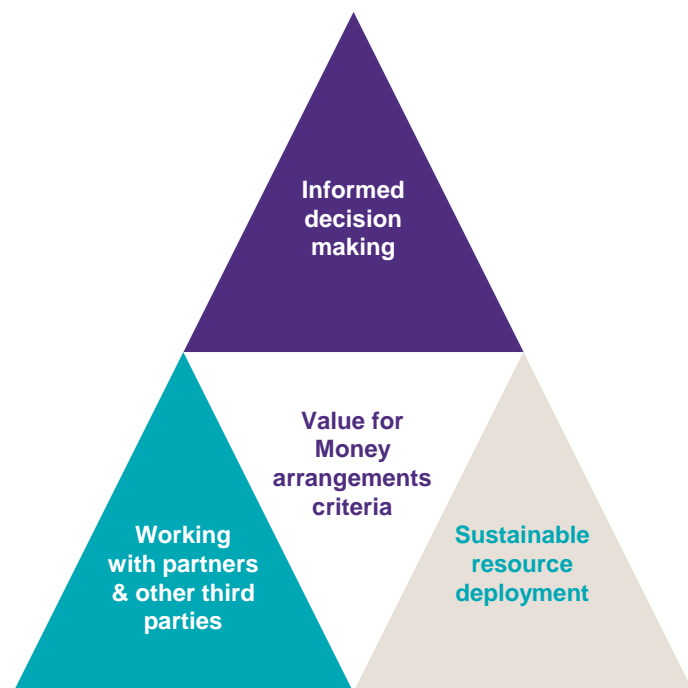
Background to our VFM approach

The NAO issued its guidance for auditors on Value for Money work for 2017/18 in November 2017. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has proper arrangements in place.

The guidance identifies one single criterion for auditors to evaluate:

“In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.”

This is supported by three sub-criteria, as set out below:



Significant VFM risks

We have carried out an initial risk assessment based on the NAO's guidance. In our initial risk assessment, we consider :

- our cumulative knowledge of the Council, including work performed in previous years in respect of the VfM conclusion and the opinion on the financial statements;
- any illustrative significant risks identified and communicated by the NAO in its supporting Information;
- any other evidence which we consider necessary to conclude on your arrangements.

The purpose of the risk assessment is to identify those risks requiring specific audit consideration and procedures, to address the likelihood that proper arrangements are not in place at the Council to deliver value for money.

We have not identified any significant risks from our initial risk assessment. We will continue our review of your arrangements, including reviewing your Annual Governance Statement, before we issue our auditor's report.

Audit logistics, team & audit fees



Grant Patterson

Engagement Lead

Grant's role will be to lead our relationship with you. He will take overall responsibility for the delivery of a high quality audit, meeting the highest professional standards and adding value to the Council.



Helen Lillington

Manager

Helen's role will be to be a key contact with the Head of Finance and the Finance and Audit and Scrutiny Committee.

Audit fees

The planned audit fees are no less than £53,623 (PY: £53,623) for the financial statements audit. Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited Fees in respect of other grant work, such as reasonable assurance reports, are shown under 'Fees for other services'.

In setting your fee, we have assumed that the scope of the audit, and the Council and its activities, do not significantly change.

Our requirements

To ensure the audit is delivered on time and to avoid any additional fees, we have detailed our expectations and requirements in the following section 'Early Close'. If the requirements detailed overleaf are not met, we reserve the right to postpone our audit visit and charge fees to reimburse us for any additional costs incurred.

Early close

Meeting the early close timeframe

Bringing forward the statutory date for publication of audited local government accounts to 31 July this year, across the whole sector, is a significant challenge for local authorities and auditors alike. For authorities, the time available to prepare the accounts is curtailed, while, as auditors we have a shorter period to complete our work and face an even more significant peak in our workload than previously.

We have carefully planned how we can make the best use of the resources available to us during the final accounts period. As well as increasing the overall level of resources available to deliver audits, we have focused on:

- bringing forward as much work as possible to interim audits
- starting work on final accounts audits as early as possible, by agreeing which authorities will have accounts prepared significantly before the end of May
- seeking further efficiencies in the way we carry out our audits
- working with you to agree detailed plans to make the audits run smoothly, including early agreement of audit dates, working paper and data requirements and early discussions on potentially contentious items.

We are satisfied that, if all these plans are implemented, we will be able to complete your audit and those of our other local government clients in sufficient time to meet the earlier deadline.

Client responsibilities

Where individual clients do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other clients. We will therefore conduct audits in line with the timetable set out in audit plans (as detailed on page 13). Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit by the statutory deadline. Such audits are unlikely to be re-started until very close to, or after the statutory deadline. In addition, it is highly likely that these audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit or additional audit fees being incurred, you need to ensure that you:

- produce draft financial statements of good quality by the deadline you have agreed with us, including all notes, the narrative report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

In return, we will ensure that:

- the audit runs smoothly with the minimum disruption to your staff
- you are kept informed of progress through the use of an issues tracker and weekly meetings during the audit
- we are available to discuss issues with you prior to and during your preparation of the financial statements.

Independence & non-audit services

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons. relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

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 Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2016 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council.

Non-audit services

The following non-audit services were identified.

Service	Fees £	Threats	Safeguards
Audit related			
Certification of Housing capital receipts grant (relating to 2016/17 transactions, however the work will be completed during the 2017/18 financial year)	3,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £3,000 in comparison to the total fee for the audit of £53,623 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors mitigate the perceived self-interest threat to an acceptable level.

[The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

None of the services provided are subject to contingent fees.

Appendices

A. Revised ISAs

B. Detailed working paper requirements for interim

Appendix A: Revised ISAs

Detailed below is a summary of the key changes impacting the auditor's report for audits of financial statement for periods commencing on or after 17 June 2016.

Section of the auditor's report	Description of the requirements
Conclusions relating to going concern	<p>We will be required to conclude and report whether:</p> <ul style="list-style-type: none"> • The directors use of the going concern basis of accounting is appropriate • The directors have disclosed identified material uncertainties that may cast significant doubt about the Council's ability to continue as a going concern.
Material uncertainty related to going concern	<p>We will need to include a brief description of the events or conditions identified that may cast significant doubt on the Council's ability to continue as a going concern when a material uncertainty has been identified and adequately disclosed in the financial statements.</p> <p>Going concern material uncertainties are no longer reported in an Emphasis of Matter section in our audit report.</p>
Other information	<p>We will be required to include a section on other information which includes:</p> <ul style="list-style-type: none"> • Responsibilities of management and auditors regarding other information • A statement that the opinion on the financial statements does not cover the other information unless required by law or regulation • Reporting inconsistencies or misstatements where identified
Additional responsibilities for directors and the auditor	<p>We will be required to include the respective responsibilities for directors and us, as auditors, regarding going concern.</p>
Format of the report	<p>The opinion section appears first followed by the basis of opinion section.</p>

Appendix B: Detailed working paper requirements for interim

Introduction

To assist the Council as part of faster close we have produced this interim working paper requirements document. The purpose of the document is to help ensure that as much early work is completed by both officers and the audit team as possible, therefore reducing the pressure on the final accounts process and to provide an indication of any potential risks to the statutory deadline of the 31st July.

This document sets out the working papers required during both the February and March interim visit and has been agreed with officers. Our Audit Plan, assumes you will complete this information and present it for audit in line with the agreed timetable. Your co-operation with this is greatly appreciated and we look forward to working with you during the forthcoming audit.

Working papers and co-ordination

The list attached describes the working papers required at each stage of the interim audit. This list has been discussed in detail with the Strategic Finance Manager, who will be responsible for ensuring that the working papers are provided for audit in line with the timetable agreed.

We would ask that:

- All working papers are provided electronically and are ready prior to the commencement of each audit visit
- The individuals responsible for preparing the working papers are identified and notified of the dates of the audit visit. Where officers are not available during the visit, the audit team should be notified as part of the hand-over of working papers.
- All working papers provided should be subject to review by another officer to ensure they are fit for purpose. There should be clear evidence of this review on the working paper.

We have agreed that the Strategic Finance Manager will act as the key contact for the audit team this year providing continuity given the various changes that are taking place within the finance team.

Where sample testing is required, we will select the items within the sample on the first day of the visit. We will then provide the Strategic Finance Manager with the items in the sample and a list of the supporting information required. A 3 day turnaround time for this information is considered appropriate, meaning that all sample supporting information could be reviewed and closed while the audit team are on site.

We will schedule a meeting with the Strategic Finance Manager at the end of each interim visit, to discuss progress, and report our findings back to the Head of Finance. Where necessary we will report significant issues to the Audit and Finance Scrutiny Committee via way of an update report.

Key contacts for queries

Any queries regarding the information requested should be directed in the first instance to Helen Lillington.

February visit - 12-16 February

	Item	Prepared by	Reviewed by	File reference
1	<p>Group Accounts</p> <p>Documented consideration of whether there are material group entities that require consolidation, including supporting documentation for judgements made, including any estimates. If group accounts required, details of how consolidation will be undertaken and draft disclosures.</p>			
2	<p>Opening Balances</p> <p>2016/17 closing TB and 2017/18 opening TB to be provided, with explanations for any differences.</p>			
3	<p>Journals</p> <p>Complete listing of journals to be provided from the beginning of the year, up until the end of January. In addition we will need to undertake a walkthrough of the journals process, and will need time arranged in the appropriate officer's diary for the on site visit to enable this to be undertaken. JC to advise on a suitable time for walkthrough.</p>			
4	<p>Grant Revenues</p> <p>Listing of grants for the 2017/18 year. Agreements, notifications and relevant correspondence for all items of £700k.</p>			
5	<p>Accruals Process</p> <p>Working paper that sets out the accruals process for year end and how this has been communicated.</p>			
6	<p>Other Revenues</p> <p>Provide a breakdown (down to individual transaction level) of all fees and charges income up to M9/M10 for a sample to be selected.</p>			

February visit continued

	Item	Prepared by	Reviewed by	File reference
7	<p>Employee remuneration</p> <p>Provide monthly gross pay reports and monthly FTE staff number reports. This information to be provided for all months from April 2016 to January 2017.</p> <p>Provided working papers for draft exit packages note and supporting information up to the end of January.</p>			
8	<p>Operating Expenditure</p> <p>Provide a breakdown (down to individual transaction level) of all operating expenditure up to M9/M10 for a sample to be selected for testing.</p>			
9	<p>Council Tax</p> <p>Agree precept amounts to correspondence from third parties.</p> <p>Evidence of income receipt up to M9/M10 as appropriate.</p> <p>Council tax setting meeting minutes confirming council tax debit from 2017/18.</p>			
10	<p>Welfare benefits</p> <p>Module 2 uprating checklist with screenshots confirming correct parameters from the system.</p> <p>Payments listing up to the end of January to be provided to enable a sample of payments to be selected and tested.</p> <p>Module 4 and 5 (if available at interim) we will provide these to the client as soon as they are available.</p>			
11	<p>Debt</p> <p>Working paper to be provided showing current level of debt held by the authority, agreed to PWLB letters. PWLB letters to be embedded within the working paper as confirmation of balance held to date. The working paper provided should provide details of any new debt that is likely to be taken out in year.</p>			

February visit continued

	Item	Prepared by	Reviewed by	File reference
12	<p>Investments</p> <p>For the two new equity investments, we understand that you have appointed two new fund managers, and that you are seeking to rely on them as management experts for the purposes of valuation. As a result, we will need to undertake a walkthrough of the method of valuation, but also review the work you have undertaken as an authority to assure yourself that the experts appointed are appropriate, and how this will be updated on a regular basis. Including how control reports will be considered. A working paper to be provided detailing the due diligence undertaken, and documenting the controls in place over valuation.</p>			
13	<p>PPE</p> <p>Breakdown of additions at invoice level to month 9 for a sample to be selected for testing.</p> <p>Breakdown of disposals at invoice level to month 9 for a sample to be selected for testing.</p> <p>Instructions provided to the value to undertake work in the year, including detailed list of assets to be valued, valuation techniques to be applied, details of any known factors which could impact on the valuation (where all assets within a class have not been valued please ensure these are included for consideration to ensure the carrying value and fair value are not materially different).</p> <p>Working paper to be provided that demonstrates the approach to impairment.</p>			
14	<p>Leases</p> <p>Schedule of leases and copies of lease agreements for leases above £700k. Where the value is below £700k, copies of the ledger to support the value is all that is required as no further work will be undertaken as these are below our testing threshold.</p>			
15	<p>Pensions</p> <p>Evidence of data provided to the actuary.</p> <p>Documented processes and controls for providing information to the pension fund and actuary.</p>			

March visit - 26-30 March

	Item	Prepared by	Reviewed by	File reference
1	<p>Accounting Policies</p> <p>Revised accounting policies for 2017 to be provided. The skeleton 2017 accounting policies should include a clear narrative for any policies that have changed or are in addition to those reviewed last year.</p>			
2	<p>Critical Judgement Note</p> <p>A draft critical judgements note for 2017 to be provided, along with supporting information for the judgements made.</p>			
3	<p>Going Concern</p> <p>Working paper demonstrating management's consideration of going concern. This should include detailed cashflow forecasting that goes beyond July 2019.</p>			
4	<p>Journals</p> <p>Top up testing of journals. Complete listing to be provided for February journals.</p>			
5	<p>Related party transactions</p> <p>Working paper to demonstrate consideration of likely RPT, copies of most up to date register of interests and gifts and hospitality register.</p>			
6	<p>Investments</p> <p>Working paper to be provided which details all investments that will be held at year end, along with the contact details and method for gaining auditor confirmation at year end. This working paper should also confirm that the Council have put in place appropriate letters of authorisation to allow us to gain independent confirmation at year end.</p>			

March visit continued

	Item	Prepared by	Reviewed by	File reference
7	Provisions Working paper detailing likely provisions at year end and the rationale for the provisions.			
8	Narrative report Provide draft narrative report, with embedded supporting documentation.			
9	Skeleton accounts Skeleton accounts to be provided, along with detailed client review against the disclosure checklist, highlighting any areas on the checklist that are not applicable and why.			
10	AGS Draft AGS to be provided, along with supporting working papers.			



Informing the audit risk assessment for Warwick District Council

Year ended 31 March 2018

Grant Patterson
Director
T 0121 232 5296
E grant.b.patterson@uk.gt.com

Helen Lillington
Audit Manager
T 0121 232 5312
E helen.m.lillington@uk.gt.com

Georgia Beirne
Audit In Charge
T 0121 232 5197
E georgia.beirne@uk.gt.com

Contents

Section	Page
Purpose	3
Fraud	4
Fraud Risk Assessment	5
Laws and Regulations	8
Impact of Laws and Regulations	9
Going Concern	11
Going Concern Considerations	13
Related Parties	14
Accounting Estimates	15
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 updated Code of Procurement Practice was agreed by full Council in April 2017, and the updated Code of Financial Practice in April 2016. 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	
How does the Authority communicate and encourage ethical behaviour of its staff and contractors?	The updated code of conduct for members and employees outlines the Council's expectations for business practice and ethical behaviour.
How do you encourage staff to report their concerns about fraud? Have any significant issues been reported ?	Employees should be aware of the anti-fraud and corruption strategy and Whistle Blowing Policy, 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.
Are you aware of any related party relationships or transactions that could give rise to risks of fraud ?	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. Senior Managers complete an annual Related Party Declaration. Officers and other individuals involved in tender processes over £50k are required to sign a declaration of interests and will not participate if any potential conflict.
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 2017 ?	No.
Are you aware of any whistleblower reports or reports under the Bribery Act since 1 April 2017 ? If so, how has the Finance and Audit and Scrutiny Committee responded to these ?	No.

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?	<p>Through effective governance processes and review mechanisms such as internal audit.</p> <p>The Monitoring Officer will advise the Council's Corporate Management team and Councillors as appropriate.</p>
How is the Finance and Audit Scrutiny Committee provided with assurance that all relevant laws and regulations have been complied with ?	<p>Service Assurance Statements from each Service Area inform the Annual Governance Statement which is reported to Finance and Audit Scrutiny Committee.</p>
Have there been any instances of non-compliance or suspected non-compliance with laws and regulations since 1 April 2017, or earlier with an on-going impact on the Authority's 2017/18 financial statements ?	<p>No.</p>
What arrangements does the Authority have in place to identify, evaluate and account for litigation or claims ?	<p>All potential insurance claims should be notified by officers to the Council's Insurance and Risk Officer.</p>
Is there any actual or potential litigation or claims that would affect the financial statements ?	<p>There are no material potential claims.</p>

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 (January 2018), based on current assumptions show the Council needs to find additional savings of circa £500k on its revenue budget so as to be able to maintain existing services . The most recent projections show that savings plans are in place for a significant proportion of this, however these savings still need to be delivered. 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>Sufficient staff in post with the appropriate skills and experience.</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

Officers 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. Officers and other individuals involved in tender processes over £50k are required to sign declaration of interests and will not participate if any potential conflict.

Accounting estimates

Issue

Matters in relation to accounting estimates

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.

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.

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:

- the estimate is reasonable; and
- estimates have been calculated consistently with other accounting estimates within the financial statements.

We would ask the Finance and Audit Scrutiny Committee to satisfy itself that the arrangements for accounting estimates are adequate.

Question

Are the management arrangements for the accounting estimates, as detailed in Appendix A reasonable ?

Management response

Yes. Where estimation is necessary, appropriate estimating methodology is utilised. Estimates will be prepared by those best qualified, e.g. Pension Fund Actuary to supply estimates relating to IAS 19 – Employee Benefits, assets are professionally valued.

Accounting estimates cont..

Question	Management response
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 prior to sign off by the Head of Finance.

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 Carter Jonas. Significant Heritage Assets valued by external valuer. Minor valuations provided by Art Gallery & Museum staff.	Valuer notified of changes to the estate from the prior year	Use the external valuer (RICS qualified) from Carter Jonas for PPE. Significant Heritage Assets valued by external valuer. Minor valuations provided by Art Gallery & Museum staff.	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 Carter Jonas	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 Carter Jonas. Reliance on Art Gallery & Museum staff to assess whether or not a Heritage Asset needs to be impaired. If necessary, revised valuation will be provided by suitably qualified person.	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

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?
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
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



 Finance and Audit Scrutiny Committee 6 March 2018		Agenda Item No. 5
Title	Internal Audit Quarter 3 2017/18 Progress Report	
For further information about this report please contact	Richard Barr Tel: (01926) 456815 E Mail: richard.barr@warwickdc.gov.uk	
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 – 28 November 2017	
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 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	14 Feb 2018	Chris Elliott
Head of Service	14 Feb 2018	Mike Snow
SMT	14 Feb 2018	SMT
Section 151 Officer	14 Feb 2018	As Head of Service
Monitoring Officer	14 Feb 2018	Andrew Jones
Finance	14 Feb 2018	As Section 151 Officer
Portfolio Holder	14 Feb 2018	Councillor Whiting
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 2017/18, 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 **Policy Framework**

4.1 **Fit for the Future (FFF)**

The Council's FFF Strategy is designed to deliver the District's Vision of making it a Great Place to Live, Work and Visit. With those objectives the FFF Strategy contains several Key projects.

The FFF Strategy has 3 strands – People, Services and Money and each has an external and internal element to it. The table below illustrates the impact of this proposal if any in relation to the Council's FFF Strategy.

FFF Strands		
People	Services	Money
External		
Health, Homes, Communities	Green, Clean, Safe	Infrastructure, Enterprise, Employment
<u>Intended outcomes:</u> Improved health for all Housing needs for all met Impressive cultural and sports activities Cohesive and active communities.	<u>Intended outcomes:</u> Area has well looked after public spaces All communities have access to decent open space Improved air quality Low levels of crime and ASB.	<u>Intended outcomes:</u> Dynamic and diverse local economy Vibrant town centres Improved performance/productivity of local economy Increased employment and income levels.
Impacts of Proposal		
Although there are no direct policy implications, internal audit is an essential part of corporate governance and will be a major factor in shaping the Policy Framework and Council policies.		
Internal		
Effective Staff	Maintain or Improve Services	Firm Financial Footing over the Longer Term
<u>Intended outcomes:</u> All staff are properly	<u>Intended outcomes:</u> Focusing on our	<u>Intended outcomes:</u> Better return/use of our

<p>trained All staff have the appropriate tools All staff are engaged, empowered and supported The right people are in the right job with the right skills and right behaviours.</p>	<p>customers' needs Continuously improve our processes Increase the digital provision of services.</p>	<p>assets Full Cost accounting Continued cost management Maximise income earning opportunities Seek best value for money.</p>
Impacts of Proposal		
<p>Although there are no direct policy implications, internal audit is an essential part of corporate governance and will be a major factor in shaping the Policy Framework and Council policies.</p>		

4.2 **Supporting Strategies**

Each strand of the FFF Strategy has several supporting strategies but description of these is not relevant for the purposes of this report.

4.3 **Changes to Existing Policies**

This section is not applicable.

4.4 **Impact Assessments**

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 impractical 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 **Alternative Options Considered**

8.1 This section is not applicable.

9 **Role and Responsibilities of Audit Committees**

9.1 Finance and Audit Scrutiny Committee is operating, in effect, as an audit committee in the context of receiving and acting upon this report. 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.

9.2 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.

9.3 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.

9.4 The following sections provide information to satisfy these requirements.

10 **Progress against Plan**

10.1 At the start of each year Members approve the Audit Plan setting out the audit assignments to be undertaken. An analysis of progress in completing the Audit Plan for 2017/18 is set out as Appendix 2.

11 **Assurance**

11.1 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.

11.2 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, some controls are weak or non-existent and there is non-compliance with several controls.
Limited Assurance	The system of control is generally 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).

12 **Internal Audit Assignments Completed During Quarter**

- 12.1 Seven audits were completed in the third quarter of 2017/18. Copies of all the reports issued during the quarter are available for viewing on the online agenda for the meeting.
- 12.2 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.
- 12.3 As can be seen, responses have been received from managers to all recommendations contained in audit reports issued during the quarter in question.
- 12.4 Two audits completed in the quarter were awarded a lower than substantial assurance opinion. These were in respect of the Events Management audit and the Energy Management audit. In line with procedure the reports relating to these audits are set out as Appendix 4 for specific scrutiny.

13 **Implementation of Recommendations Issued Previously**

- 13.1 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.
- 13.2 The state of implementation of **low and medium risk** recommendations made in the **fourth quarter of 2016/17** is set out in Appendix 5 to this report. There were no **high risk** recommendations issued in the **second quarter of 2017/18** so none is included in this appendix.
- 13.3 As can be seen, responses have been received from all managers in order to provide the state of implementation of recommendations issued in this earlier quarter.

14 **Review**

- 14.1 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 report 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 2017/18: 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>	278.0	208.5	188.3	+20.2
<u>Other Time</u>				
Sundry audit advice	25.0	18.8	15.6	+3.2
Special investigations (e.g. Fraud/Irregularities)	20.0	15.0	0.0	+15.0
Corporate and departmental Initiatives	35.0	26.2	30.5	-4.3
Non-chargeable activities	112.0	84.0	92.2	-8.2
Leave and other absences	102.0	76.5	100.1	-23.6
<i>Total Other Time</i>	294.0	220.5	238.4	-17.9
<i>Total Time</i>	572.0	429.0	426.7	+2.3

Time spent: Assignments Completed – Planned Vs Actual

AUDIT ASSIGNMENT	PLAN (DAYS)	TIME TAKEN (DAYS)	UNDER (+) / OVER (-)
Corporate Governance: Organisational Culture	12.0	13.8	-1.8
Collection of National Non-domestic Rates	10.0	11.8	-1.8
Media Services	11.0	10.4	+0.6
Income Receipting and Document Management	10.0	10.2	-0.2
Events Management	10.0	12.2	-2.2
Licensing Services	10.0	9.7	+0.3
Energy Management	10.0	11.2	-1.2

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

Events Management: Large number of issues identified.

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.	%
38	21	55.0	18	47.4	-3	-14.2

SUMMARY OF RECOMMENDATIONS AND MANAGEMENT RESPONSES FROM INTERNAL AUDIT REPORTS
ISSUED QUARTER 3, 2017/18

Report Reference	Recommendation	Risk Rating¹	Responsible Officer	Management Response and Target Implementation Date (TID)
Corporate Governance: Organisational Culture – 9 January 2018				
No recommendations resulting from review.				
Collection of National Non-Domestic Rates – 2 November 2017				
4.4.6	NNDR write-offs greater than £1,000 should be authorised by the Head of Finance or his representative.	Medium	Head of Finance / Exchequer Manager	We are to undergo an internal review of our write-off arrangements and document a new policy as the existing arrangements are no longer appropriate in terms of the different levels of authorisation that now occur and the amounts involved. TID: January 2018
Media Services – 8 November 2017				
No recommendations resulting from review.				
Income Receipting and Document Management – 4 October 2017				
No recommendations resulting from review.				

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 Rating ¹	Responsible Officer	Management Response and Target Implementation Date (TID)
Events Management – 31 January 2018				
4.2.2	On completion of the next extension or re-let of the two market contracts (whichever is the sooner), procedures should ensure that the both agreements are properly executed and signed originals duly lodged in the Document Store.	Low	James Deville, Business Support Team Leader	This will be completed when it is necessary as determined by the expiry of the current contract. TID: October 2019.
4.2.6(1)	A retrospective review of stallholder statistics from the start of the general markets contract should be instituted to determine and recover the shortfall of income to the Council to date.	Medium	James Deville, Business Support Team Leader	I will undertake this review in due course to assess if income has been lost, and if appropriate whether it can be retrieved. TID: End of Q1 2018.
4.2.6(2)	Measures should be taken to ensure that meetings with the contractor incorporate a review at least six-monthly to set the ongoing monthly instalment amounts to be billed in accordance with the general markets contract.	Medium	James Deville, Business Support Team Leader	The meetings already incorporate a review of stallholder numbers, but I will ensure that a record is kept, and that the stallholder numbers is reflected in what we charge the contractor. TID: End of Q1 2018.
4.2.6(3)	Missing periodic returns on weekly stallholder numbers should be re-requested from the contractor. Procedures should ensure that all returns are submitted promptly by the contractor and retained for reference.	Medium	James Deville, Business Support Team Leader	I will ensure that these numbers are kept and updated, and that the evidence of these is kept. TID: End of Q1 2018.

Report Reference	Recommendation	Risk Rating¹	Responsible Officer	Management Response and Target Implementation Date (TID)
4.2.6(4)	Periodic officer spot-checks on stallholder numbers should be undertaken and results logged.	Medium	James Deville, Business Support Team Leader	I will ensure that a system is put in place to ensure that spot checks are completed going forward. TID: In place for end of Q1 2018.
4.3.6(1)	The status of the Operational Agreement as a true 'licence' document should be clarified with the aid of legal advice.	Medium	James Deville, Business Support Team Leader	I will speak to legal to assess what the status is of the documents that relate to the Mop. TID: Q2 2018.
4.3.6(2)	An update on the management of Mop Fairs should be reported to Members, including deviations from the 2014 Executive resolution.	Medium	James Deville, Business Support Team Leader	I will assess any deviations that have been made from the 2014 Executive resolution, and update management. TID: End of Q2 2018
4.3.6(3)	Any proposal to extend the opening time beyond 10.00pm on any Mop day in 2018 or 2019 should be submitted for Executive approval.	Medium	James Deville, Business Support Team Leader	We have no plans to extend the opening time, but will ensure that the Operator only opens within the set hours. TID: Oct 2018.
4.3.6(4)	Unless formally withdrawn in the meantime, the approved changes to the Mop licence under the 2014 Executive resolution should be revisited as part of the re-letting process for the Operational Agreement covering Mop Fairs in 2020 and beyond.	Medium	James Deville, Business Support Team Leader	Any changes that are required to the 2014 Executive resolution will be revisited as part of the re-letting process. TID: Oct 2019.

Report Reference	Recommendation	Risk Rating¹	Responsible Officer	Management Response and Target Implementation Date (TID)
4.3.9	Procedures should ensure that the financial security provisions of the Operational Agreement for the Mop Fairs (Clause 12) are complied with and retrievable copies kept of any bonds.	Low	James Deville, Business Support Team Leader	I will address any issues around the deposit or bond by Mop 2018. TID: Oct 2018.
4.4.10 (1)	The Markets Policy should be revised to:- <ul style="list-style-type: none"> • update (or remove) the market operator contact details; • clarify the distinction between notice requirements under Section 37 and the Council rights of prohibition under Food Act 1984; • reinforce the one-month period of notice required under Section 37 and liability to summary conviction for an offence if flouted. 	Low	James Deville, Business Support Team Leader	I will ensure that these points are addressed with regards to the details and distinctions made within the Markets Policy, and correct these where applicable. TID: End of Q2 2018.
4.4.10 (2)	Appropriate publicity should be initiated for the Markets Policy following revision, including publication on the Council's website.	Low	James Deville, Business Support Team Leader	I will ensure that the marketing of the District's Markets Policy is appropriate. TID: Q2 2018.
4.5.4	An update to the Scheme of Delegation should be sought to the effect that authority to determine applications for markets and exercise the Council's rights of prohibition under Part III of the Food Act 1984 are delegated to the Head Development Services.	Low	James Deville, Business Support Team Leader	I shall seek an update to the Scheme of Delegation. TID: Q2 2018.

Report Reference	Recommendation	Risk Rating¹	Responsible Officer	Management Response and Target Implementation Date (TID)
Licensing Services – 7 December 2017				
4.2.2	Policy documents should be reviewed to ensure that they remain current.	Low	Licensing Team Leader / Regulatory Manager	Licensing Act 2003, Gambling Act 2005, Taxi Handbook and Street Trading Policies are all due to be formally reviewed in 2019. TID: 2019 All other policies will be reviewed accordingly. TID: July 2018
4.5.12	Whilst physical income is still accepted, Reception and CST should be issued with reminders about the relevant coding of income.	Low	Licensing Team Leader	Reception and CST have been issued with Fee Information for 2018 that includes the licence name, fee and cost centre it should be allocated against. Conversations have taken place with Finance about improving the PARIS system, which is used for receipting income. TID: Complete but also on-going.
Energy Management – 11 December 2017				
4.2.3	A procurement process compliant with the Code of Procurement Practice should be undertaken for the supply of biomass fuel.	Medium	Contract Administrator M&E (IR)	Revised contract arrangements, that are fully procurement compliant, will be in place by 31 March 2018. TID: April 2018
4.2.4	The contract register should be updated to reflect the existence of the Gazprom contract document.	Low	Contract Administrator M&E (IR)	A copy of the contract has been scanned and retained by Assets and the contract register up dated. TID: Complete.

Report Reference	Recommendation	Risk Rating¹	Responsible Officer	Management Response and Target Implementation Date (TID)
4.3.2	The Harbury Lane Sports Pavilion should be connected to the building management system.	Low	Contract Administrator M&E (RJ)	We are currently obtaining quotes to assess if it will be cost effective to get the pavilion connected. A new Wi Fi connection would be required for the remote location. TID: April 2018
4.3.6	Training should be obtained by the Contract Administrators to ensure best use of the building management system is made.	Medium	Interim Asset Manager	Training has been booked for both CA's scheduled for end of January 2018. TID: February 2018
4.4.3	Actual meter readings should be taken and provided wherever possible.	Low	Business Administration Manager	Procedures are being developed to ensure that meter readings are captured. TID: April 2018
4.4.16	Correct recharges should be raised for the leaseholders of the flats at St Margaret's Shopping Centre.	Low	Business Administration Manager	Bill payments have been moved to the correct cost centre and charges recorded to be apportioned to the leaseholders. TID: Completed.
4.4.20	A formal sign up document should be implemented for Sayer Court that includes details of energy charges.	Low	Sustaining Tenancies Manager	Legal Services have been contacted for advice. TID: April 2018.

**AUDIT REPORTS WITH MODERATE OR LOW LEVEL OF ASSURANCE
ISSUED QUARTER 3 2017/18**

Events Management – 30 January 2018

1 Introduction

- 1.1 In accordance with the Audit Plan for 2017/18, an examination of the above subject area has been completed recently and this report is intended to present the findings and conclusions for information and action where appropriate.
- 1.2 Wherever possible, results obtained have been discussed with the staff involved in the various procedures examined and their views are incorporated, where appropriate, in any recommendations made. My thanks are extended to all concerned for the help and co-operation received during the audit.

2 Background

- 2.1 This was the first audit to be undertaken following a revised audit planning approach whereby events management would be considered holistically, while also absorbing the management of markets and Mop fairs into the assignment scope.
- 2.2 This revised approach was influenced in particular by Executive endorsement in 2013 of a revised delivery model for events across the District. While the principles and aspirations behind the model are still seen as relevant, the structural changes that the model entailed have since been effectively reversed as a result of a subsequent service redesign by removing the split roles between Cultural Services and Development Services.
- 2.3 This culminated in a new structure (implemented in 2016) whereby the role of events management is concentrated within Development Services with Cultural Services acting essentially as consultees, mainly for events using Council parks and public open spaces as venues.
- 2.4 In the wake of the service redesign, a review project led by the Policy and Projects Manager (referred to hereafter as the Events Review) was initiated with a Terms of Reference based on four broad phases:
- Phase 1: Agree priority outcomes
 - Phase 2: Data and intelligence collection
 - Phase 3: Identification of issues, opportunities and potential improvements
 - Phase 4: Preparation of report and recommendations.
- 2.5 A briefing note outlining terms of reference, progress to date and issues emerging was considered by the Overview and Scrutiny Committee in August 2017.

2.6 Phases 1 to 2 had been completed at the commencement of the audit as had the part of Phase 3 in terms of the identification of issues. At the time of this report, it has been advised that consultations with stakeholders on perceived opportunities and potential for improvement have been completed and the outcomes will feed into Phase 4.

3 **Scope and Objectives of the Audit**

3.1 The audit examination was undertaken for the purpose of reporting a level of assurance on the adequacy of structures and processes for managing events economically, efficiently and effectively in accordance with relevant legislation and corporate policies/strategies.

3.2 The examination was formed of an evidential risk-based overview of those structures and processes in the context of the following themes:

- strategies and policies
- roles and responsibilities
- programming events over short and medium term
- managing individual events
- events costs
- feedback and reporting (periodic and individual events).

3.3 The examination was solely concerned with event management and support roles of the Policy and Development Team in Development Services (Policy and Projects). This excluded from the scope of the audit:

- indoor events, irrespective of whether they are organised by the Council or use Council premises;
- outdoor events on land that is not Council-owned and not public open space except where support from the Team is required (e.g. to institute temporary road closures).

3.4 In the light of findings from the Markets and Mops audit reported in 2014, along with key developments since, a revisit of these two areas was incorporated into the audit scope and the findings are considered separately in the Report (Sections 4.2 and 4.3 respectively).

3.5 The findings are based on consultation and discussion with key contacts and examination and analysis of relevant documentation and records including computerised data where appropriate. The principal contact for the audit was to be James Deville, Business Support Team Leader.

3.6 In the event most consultation in the course of the audit was with David Butler (Business Support Manager) as it dealt mainly with areas of policy and developments on markets and Mop fairs preceding the current role structure.

4 **Findings**

4.1 **Recommendations from previous report**

4.1.1 The current position in respect of the recommendations from the audit

reported in March 2014 is as follows:

Recommendation	Management Response	Current Status
<p>1 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. <i>(Low risk)</i></p>	<p>A formal meeting is to be held during September / October to review stall counts and set next year costs.</p>	<p>Since the letting of new general District market contract in 2015, this contract compliance process has evidently been neglected. Discussed further in 4.2.4 below.</p>
<p>2 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). <i>(Low risk)</i></p>	<p>This will continue for future years.</p>	<p>Local details of current stallholder fees being charged were found to match the approved Fees and Charges schedule effective from the correct date.</p>
<p>3 If new fees are being agreed to come into effect from April 2014, an update report should be presented to Executive as appropriate. <i>(Low risk)</i></p>	<p>A meeting with Sketts is already set for 3 April to review this year's fees and an Executive report will follow.</p>	<p>As 1. above</p>
<p>4 Formal monitoring should be undertaken to ascertain the number of stalls in place at markets held. <i>(Medium risk)</i></p>	<p>Quarterly spot checks to be undertaken by relevant Town Development Officers. A monthly spreadsheet is to be supplied by (the market operator) showing stall numbers.</p>	<p>This has now become the responsibility of a designated Business Support and Events Officer following restructuring. There was no evidence from the review that such checks are being undertaken, indicating another element of contract management being neglected. Discussed further in 4.2.4 below.</p>
<p>5 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>(Low risk)</i></p>	<p>The need to supply insurance details will be covered in the new tender, and reminders will be set thereafter.</p>	<p>Up to date proof of requisite insurance cover for the market operators was confirmed.</p>

<p>6 Insurance documentation is obtained in respect of all rides operated at the Mop fairs. (<i>Medium risk</i>)</p>	<p>Insurance documentation will be obtained for future Mop Fairs.</p>	<p>It was advised that, under the Operational Agreement effective from 2014, the liability insurance for the appointed Fair operator covers all rides.</p>
--	---	--

4.2 **Markets Re-visit**

- 4.2.1 Contracts are still in place with external providers to manage the Council's markets. At the relet process in 2014, what had been up to then one contract has now been split into 2 'lots':
- general market contract from February 2015 for 3 years with a provision for a 2-year extension;
 - seasonal Leamington Sunday markets contract from July 2015 for 3 years with provision for a 2-year extension.

- 4.2.2 The contracts are with separate providers (the latter having held the previous combined contract). In reviewing the contract agreements, no signed original of the latter of the two above contracts could be located.

Risk

Difficulties are encountered in case of dispute.

Recommendation

On completion of the next extension or relet of the two market contracts (whichever is the sooner), procedures should ensure that the both agreements are properly executed and signed originals duly lodged in the Document Store.

- 4.2.3 Council income for the seasonal contract is set at a fixed annual sum for which debtor invoices are raised. For the general market contracts the banded formulaic structure from the previous contract has been retained.
- 4.2.4 The audit findings indicate that key processes for determining income due to the Council for invoicing have been neglected since the start of the current general market contract. This is particularly illustrated by:
- the monthly instalments invoiced not having changed since the start of the contract;
 - an absence of quarterly market stall returns from late 2016;
 - no evidence of Council officer spot checks found;
 - no evidence found of the six-monthly reviews to set invoicing amounts, despite clear increases in the numbers of stallholders.
- 4.2.5 It is estimated that the Council received in the region of £2,500 less than was due under the contract in the 2016/17 financial year and is on course for a similar shortfall in the current year.

Risks

- (1) The shortfall in income received to date will not be recovered;**
- (2) Shortfalls in income will continue due to under-billing.**

Recommendations

- (1) A retrospective review of stallholder statistics from the start of the general markets contract should be instituted to determine and recover the shortfall of income to the Council to date.**
- (2) Six-monthly meetings with the contractor should be instituted and maintained in accordance with the general markets contract to set the ongoing monthly instalment amounts to be billed.**
- (3) Formal periodic returns on weekly stallholder numbers should be re-instituted in accordance with the general markets contract.**
- (4) Periodic officer spot-checks on stallholder numbers should be undertaken and results logged.**

4.3 Mop Fairs Re-visit

- 4.3.1 The review of the Mop Fairs referred to in the previous report culminated in a report to the Executive in September 2014 recommending a list of additional provisions to the Mop Licence when it was to come up for renewal. The Executive approval is seen effectively crystallising policy direction on the future running of the Mops with clear reference to the 'licence' as the instrument of the Council's direction and operation along with the entire list of additions.
- 4.3.2 All available evidence and staff recollections of what happened since indicate a transformation of approach to foster a more collaborative partnership with the Mop operator, but at the same time sidelining the Executive resolution.
- 4.3.3 The instrument that was adopted from 2015 is entitled 'Operational Agreement' and various features indicate this to be a departure from a 'licence' in favour of a service contract. In addition, several of the approved provisions for the expected licence renewal have not transferred over to the agreement.
- 4.3.4 Most of these were matters of finer detail with no significant implications, along with one that was aspirational that had been implemented on a trial basis without success. However, there were two provisions relating to potentially sensitive issues:
 - prohibition on 'giving' of live animals as well as existing prohibition on 'selling';
 - Mop Fairs to close no later than 10.00pm on each day.
- 4.3.5 The Mop closure times are not specified in the Agreement which states that they are to be detailed in the respective event day licences. Such day licences are standard for Council-supported supported events and are issued as standard text confirmatory letters by Shared Legal Services. The 2017 licence for the Mop is no exception and includes no mention of closure times, an omission that raises particular concern as it emerged that 2017 Mop Fair was permitted by officer consent to remain open to 10.30 and 11.00 respectively on certain days.

4.3.6 The inevitable conclusions from this are that:

- there was a failure to implement fully the 2014 Executive resolution requiring certain licensing conditions to be put into effect including one with significant implications for residents of properties in and around the Mop area;
- officers have acted contrary to policy direction from the Executive and without proper authority by permitting the 2017 Mop to remain open beyond 10pm.
- officers may have acted contrary to policy direction from the Executive and without proper authority by not maintaining the 'licence' instrument for outsourcing the running of Mop Fairs.

Risks

- (1) Failure to implement Executive-approved policy and perpetuation of officer actions contrary to such Policy.**
- (2) Unauthorised extensions of opening hours for the Mop Fairs are repeated under the current Agreement.**

Recommendations

- (1) The status of the Operational Agreement as a true 'licence' document should be clarified with the aid of legal advice.**
- (2) An update on the management of Mop Fairs should be reported to the Executive, including deviations from the 2014 Executive resolution.**
- (3) Any proposal to extend the opening time beyond 10.00pm on any Mop day in 2018 or 2019 should be submitted for Executive approval.**
- (4) Unless formally withdrawn in the meantime, the approved changes to the Mop licence under the 2014 Executive resolution should be revisited as part of the re-letting process for the Operational Agreement covering Mop Fairs in 2020 and beyond.**

4.3.7 Further observations signify a relaxation of some of the formalities under the Operational Agreement considered onerous and disproportionate in context. One such example relates to costs incurred by the Council to be reimbursed by the operator.

4.3.8 The provisions on classification of recoverable costs have not changed from the previous licence, neither have provisions requiring advance payments on account and production 'cost accounts' and 'cost certificates'. In practice the whole recharge is rendered as one annual invoice based on a summary from the operator which, considering the levels of recharge (between £7,000 and £8,000 per annum), is supported as a more proportionate approach.

4.3.9 The Agreement provides for the option of an annual returnable fixed-sum deposit or a performance bond to be provided by the operator. In discussions it was advised that the latter had been opted for, but this could not be verified as a copy of the bond could not be found.

Risk

The Council's redress in case of non-performance under the Operational Agreement is impaired.

Recommendation

Procedures should ensure that the financial security provisions of the Operational Agreement for the Mop Fairs (Clause 12) are complied with and retrievable copies kept of any bonds.

4.3.10 The key provisions for management of risk and insurance requirements were found to be adhered to.

4.4 Strategies and Policies

4.4.1 Running and supporting events are very much knitted into the roles of local authorities. In strategic terms they are seen as being an important component among various initiatives aimed at meeting authorities' social, environmental and economic objectives. In the case of Warwick District, these objectives are mainly enshrined in the Council's Prosperity Agenda.

4.4.2 In considering the legislative framework that has to be taken into account in the running of events, a large list of statutes, regulations and regulatory guideline papers emerge dealing with a range of areas including:

- general safety
- equipment safety
- equality
- protection of vulnerable persons
- compulsory insurance
- temporary closure of public highways
- environmental protection
- food hygiene
- alcohol sales
- market and street trading

4.4.3 There is no adopted policy document for events management overall, although the Council did adopt a Markets Policy in 2012. It is clear that the rolling out of an Events Policy has been considered (evidenced in a Portfolio Holder Update report from March 2017), although discussions during the audit have indicated the focus to be moving away from a policy document towards clearer and tighter management standards.

4.4.4 Appreciation of the legislative framework is seen as supporting this approach.

4.4.5 In adopting the Markets Policy in 2012, the Council also expressly invoked additional legislation to supplement the existing legal framework establishing the Council's rights to hold markets and rights of prohibition against the setting up of markets by other parties.

4.4.6 The Markets Policy does not currently appear to be publicised in any way – no copy could be found on the Council's website and there was no evidence of the Policy being referred to in recent interventions on proposed markets by

external parties.

- 4.4.7 In the way that the Policy is framed, the key provisions of the additional legislation invoked, Section 37 of the Local Government (Miscellaneous Provisions) Act 1982, appear to have been played down. These are:
- requirement of at least one month's notice to the Council of intention to hold a temporary market of car boot sale within the District;
 - holding a temporary market of car boot sale within the District without such notice constituting an offence subject to a fine.
- 4.4.8 From discussions, there is no recollection of any known instance of such an offence being committed in the District and recent interventions in evidence have made no mention of the Section 37 provisions. These instead invoked the Council's rights under Warwick Charter.
- 4.4.9 Another flaw perceived in the Policy is wording that implies that invoking Section 37 has reinforced the Council's pre-existing powers of prohibition, when it has actually had no effect in this regard. By that token, downplaying the notice and default offence provisions has to be seen as defeating the object of invoking Section 37 in the first place.
- 4.4.10 It is seen as in the Council's best interest that the notice requirement and offence provision of Section 37 are reinforced in any future interventions on markets and car boots planned by external parties.

Risk

Offences are committed under Section 37 through lack of awareness or perception of the Council as unwilling enforce expressly invoked statutory provisions.

Recommendations

(1) The Markets Policy should be revised to:-

- **update (or remove) the market operator contact details;**
- **clarify the distinction between notice requirements under Section 37 and the Council rights of prohibition under Food Act 1984;**
- **reinforce the one-month period of notice required under Section 37 and liability to summary conviction for an offence if flouted.**

(2) Appropriate publicity should be initiated for the Markets Policy following revision, including publication on the Council's website.

- 4.4.11 In a related observation, it was noted that provisions of the Warwick Charter effectively give the Council powers of prohibition on markets that extend into areas of Stratford-upon-Avon District and Solihull Metropolitan Borough. There is no indication of this being monitored or enforced outside the District in recent memory, and use of such powers nowadays can be justifiably seen as having no place in an embedded culture of collaborative joined-up working.

4.4.12 It is noted that a revised Street Trading Policy came into force in September 2016, partly aimed at removing barriers to competitive trading at short events.

4.5 **Roles and Responsibilities**

4.5.1 Under the current officer structure, the events management role is placed within the Policy and Development Team reporting to the Policy and Projects Manager, Development Services. The Business Manager post at the head of the Team oversees events management as part of a wider 'strategic delivery' role.

4.5.2 The events management function is exercised by a Business Support Team Leader (reporting to the Business Manager) and three Business Support and Event Officers. The job descriptions for the two post levels are essentially similar on events management responsibilities, but with expected distinctions between ground level operation and higher level oversight and monitoring.

4.5.3 The oversight role in terms of the market contracts and Mop Fairs are alluded to in the Team Leader job description. A generic job description is in place for the three Business Support and Event Officer posts which does not specifically mention the market contracts and Mop Fairs, although one of the post holders has been designated as lead officer for these.

4.5.4 Review of the job descriptions in the context of markets raised another concern in relation to the Markets Policy. Neither the Policy itself nor the Executive resolution approving it provided for delegation of authority to exercise the Council's powers of prohibition. No provision could be found in the Scheme of Delegation and nothing in the job descriptions affirms any decision-making role.

Risk

Officer decisions to exercise the Council's powers of prohibition against holding markets under the Warwick Charter or the Food Act 1984 are unauthorised.

Recommendation

An update to the Scheme of Delegation should be sought to the effect that authority to determine applications for markets and exercise the Council's rights of prohibition under Part III of the Food Act 1984 are delegated to the Head Development Services.

4.5.5 In common with many other local authority areas, Warwick District is served by a multi-agency Safety Advisory Group. The constitution, role and remit are outlined on the Councils' website and linked Terms of Reference. These are generally in line with HSE literature on the roles and constitutions of groups of this nature.

4.5.6 Evidence seen confirms meetings of the Group being held monthly.

4.6 **Programming Events**

4.6.1 The review looked briefly at means by which forward projection of events is

achieved to facilitate the effective management of resources. This was found in an Excel spreadsheet model maintained by the Business Support Team Leader.

- 4.6.2 The model timespans two consecutive years and incorporates various criteria to facilitate an equitable distribution of lead officer assignments to the Business Support and Events Officers. Additionally, a form of risk-based assessment on each event produces a level code from 1 to 3 which determines what minimum follow-up documentation is required, extent of meetings required and whether the Safety Advisory Group should be involved.

4.7. **Managing Individual Events**

- 4.7.1 While effective management and support of events relies to a large degree on skills, training and experience, it has been recognised that standard forms, guidance and procedural direction have a part to play.
- 4.7.2 This is reflected in a suite of standard forms and guidance documents, many of which date from before the officer restructure but have since undergone some refinements. A recent addition referred to in the Events Review documentation is a process flowchart for internal officer guidance and direction.
- 4.7.3 A review of documentation was undertaken on an indicative sample of events over the last six months. This generally confirmed that the key document requirements and formalities were met in accordance with the level codes ascribed and peripheral formalities verified where applicable (e.g. temporary event notices, traffic management plans, road closure orders, etc.). There were isolated incidences of particular documents not found but this is attributed to obscure file location or retention failure rather than non-compliance.
- 4.7.4 It has been advised that the electronic file organisation for events is itself under review to better ensure completeness of documentation and improve ease of retrieval.

4.8 **Event Costs**

- 4.8.1 With event costs featuring prominently in the Events Review and outcome details provided, the audit examination was limited to an overview of financial data with some cross-referencing to the indicative sample where possible.
- 4.8.2 With the officer restructure came the inevitable budgetary realignment, in this case setting up a new 'Events Management' cost centre mid-year in 2016/17. This is populated with a considerable range of subjective heading allocations, especially under the 'Supplies and Services' umbrella which has to absorb the third party charges incurred in supporting events.
- 4.8.3 There has been some discussion during the audit on concerns arising from the Events Review on future levels of support that the Council can input to events. A look at budget outturn for both the previous and current financial years has shown good reason for concern.
- 4.8.4 Clearly the budgets have proved unequal to the levels of supported event

activity in both years with significant overspends in evidence.

- 4.8.5 In the current year especially, supplies and service expenditure is on course to overspend by as much as £20,000 on the revised budget of £65,200, and this is after an in-year injection of £20,000 presumably to cover cost commitments on the Womens' Cycle Tour event.
- 4.8.6 Generally, organisers of supported events are only expected to pay the Council (where applicable):
- fees for use of Council land or public open space (set under the Fees and Charges regime);
 - reimbursement of costs incurred for repair to damage of amenities caused by the events;
 - ancillary charges (e.g. temporary event notices, street trading/ collection consents).
- 4.8.7 The overall level of income arising from the above is small in the context of event costs and did not warrant any detailed review.
- 4.8.8 There are fundamental questions to consider on the nature and extent of future support of events and it is assumed from discussions that these will feature in the reported outcomes of the Events Review.

4.9 **Feedback and Review**

- 4.9.1 This has been indicated in discussions as an area to be developed.
- 4.9.2 Evidence has been seen from the events sample test of post-event feedback from event organisers and of some elements of 'lessons learned' on recurring events to feed into the following year.
- 4.9.3 There is no evidence, however, of the above feeding into a review and reporting process in such a way as to measure elements such customer satisfaction and achievements in contributing to the Council's aims and objectives. The Service Plan currently contains no customer measures specific to events management.
- 4.9.4 It is indicated from discussions and the terms of reference of the Events Review that a process will be developed along the above lines, therefore no formal recommendation is seen as warranted.

5 **Conclusions**

- 5.1 With the Events Review still to run its full course at the time of this report, the events service remains in a transitional state from the perspective of review of the structures and processes.
- 5.2 In terms of day-to-day roles and procedures overall, the findings show a robust foundation for an effective management system to deliver the aims of the events service.

5.3 Conversely, issues emerging from re-examination of the markets and Mop Fairs are seen as a significant qualifying factor in determining the overall level of assurance. In this regard, we are able to give a MODERATE degree of assurance that the systems and controls in place for managing events are working effectively.

5.4 The assurance bands are shown below:

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, some controls are weak or non-existent and there is non-compliance with several controls.
Limited Assurance	The system of control is generally weak and there is non-compliance with the controls that do exist.

6 Management Action

6.1 The recommendations arising above are reproduced in the Action Plan for management attention.

Energy Management – 11 December 2017

1 Introduction

1.1 In accordance with the Audit Plan for 2017/18, 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 2012.

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 budget for the current financial year for energy supplies is £915,400, broken down as:

	£
Electricity	663,000
Gas	143,500
LPG	78,900
Biomass	15,000
Fuel Oil	15,000

- 2.2 Biomass is currently used in three properties (Oakley Wood Crematorium, Tannery Court, and Sayer Court), with LPG only used at the Crematorium, and fuel oil being used at Jubilee House.
- 2.3 The audit was undertaken during a period of transition, with Asset Management having recently moved from the old Housing & Property service area into the Chief Executive's Office.
- 2.4 The Interim Asset Manager (IAM) in post at the start of the audit moved to a different role and was replaced by a new interim member of staff. In addition, the Energy Manager had been off work since December 2016 resulting in the interim management arrangements being deployed for the staff reporting to the post.

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:
- Energy supply procurement
 - Management of energy usage
 - Bill payments and recharges
 - Compliance with legislation.
- 3.3 The control objectives examined were:
- The Council has compliant contracts in place for the supply of energy
 - Energy usage in Council buildings is appropriately monitored and managed
 - New Council buildings are energy efficient
 - The council does not become subject to debt recovery procedures
 - Payments and recharges **can be** appropriately apportioned
 - Payments and recharges **are** appropriately apportioned
 - The Council complies with applicable legislation.

4 **Findings**

4.1 **Recommendations from Previous Report**

- 4.1.1 The report relating to the previous audit of this topic, undertaken in December 2012, did not include any recommendations.

4.2 **Energy Supply Procurement**

- 4.2.1 The Council currently has formal contracts in place for four of the energy supplies referred to above. However, the (original) IAM advised that there is a need for the 'regularisation' of the procurement for the supply of biomass fuels.

4.2.2 The Council has spent approximately £32,000 with the current supplier (Forest Fuels) since the start of the 2016/17 financial year, with a further £19,000 having been spent with the previous supplier, MWF, at the start of that period.

4.2.3 This would suggest a contract value over the £50,000 threshold set out within the Code of Procurement Practice for which competitive tenders are required. The IAM suggested that there is a framework that the Council can use and this was being looked into.

Risk

The Code of Procurement Practice has not been followed for the procurement of biomass fuel.

Recommendation

A procurement process compliant with the Code of Procurement Practice should be undertaken for the supply of biomass fuel.

4.2.4 Upon review of the contract register, it was suggested that there is no copy held of the gas supply contract in place with Gazprom. The IAM advised that this had been let prior to him being in the AM role, so was unaware of what had happened in this instance. However, it subsequently transpired that an electronic copy of the document is held.

Risk

Staff may be unaware of the existence of relevant documentation.

Recommendation

The contract register should be updated to reflect the existence of the Gazprom contract document.

4.3 Management of Energy Usage

4.3.1 The Contract Administrator (M&E) (CA) provided an overview of the building management system that is in use at the Council (Trend 963). This covers various properties although he highlighted that the Harbury Lane Sports Pavilion wasn't currently connected.

4.3.2 This allows the potential for energy to be wasted if users forget to switch things off when they leave.

Risk

Energy may be wasted.

Recommendation

The Harbury Lane Sports Pavilion should be connected to the building management system.

- 4.3.3 The system is fairly prescriptive and is, in effect, a programmable timer with thermostat control which allows specific settings to be input (e.g. the times that the buildings are operational). The settings for some buildings will rarely be changed, but others (such as the Royal Spa Centre and Town Hall) will be amended on a monthly basis to take account of any events that are taking place. In these instances timetables are provided by the building 'managers'.
- 4.3.4 The system also sends emails that flag if any issues have occurred (e.g. boiler breakdown), although the CA suggested that it is sometimes not easy to interpret all of the emails that are received. Some meter readings are also available on the system although no specific use is made of this information.
- 4.3.5 However, there is nothing in the way of data monitoring which would allow for energy efficiency to be measured / improved. That being said, the CA suggested that the full capabilities of the system are not used and, as he had only received limited training on the use of the system, he was unaware of whether there was something that could be extracted.
- 4.3.6 He advised that he was briefly shown how to use the system but has had no formal training as such and, to the best of his knowledge, there are no procedure notes. He suggested, however, that Sertec (who provide some of the related equipment) will provide assistance when required.

Risk

Energy usage may not be optimised.

Recommendation

Training should be obtained by the Contract Administrators to ensure best use of the building management system is made.

- 4.3.7 In terms of new Council buildings it has been confirmed that energy efficiency is being appropriately considered.
- 4.3.8 The Project Manager advised that the Council is aiming to ensure that the new HQ building will obtain a BREEAM (Building Research Establishment Environmental Assessment Method) rating of 'Very Good' and this will become part of the design and build contract.
- 4.3.9 The leisure centre refurbishments have also taken energy efficiency into account. The Project Officer highlighted that planning conditions were included and provided reports which showed how these conditions had been satisfied.
- 4.3.10 The IAM advised that Sayer Court had been built to the standards contained within the Code for Sustainable Homes. However, due to the departure of the previous AM and the Energy Manager currently being out of the business, he was unable to confirm whether the suggested assessments had been undertaken.

4.4 **Bill Payments & Recharges**

- 4.4.1 The Business Administration Manager (BAM) advised that all bills are processed for payment when they are received and are passed to the FS Team for inclusion in the normal payment runs.
- 4.4.2 A sample of bills from the contracted suppliers was selected and all bills were found to have been paid in a timely manner.
- 4.4.3 The sample was also reviewed to ascertain whether the bills were based on actual or estimated meter readings. This highlighted that a number of bills were based on estimates.

Risk

Incorrect payments may be made.

Recommendation

Actual meter readings should be taken and provided wherever possible.

- 4.4.4 The BAM advised that, where estimates were being used, the bills would be reviewed to ensure that they seemed reasonable and if anything odd was noted the CAs would be asked to go to the property to ascertain whether there were any problems and to take an actual reading.
- 4.4.5 Recharges are processed for a number of different housing tenants and leaseholders. Some are direct recharges (e.g. Sayer Court), whereas others are recharged as part of their service charges with the bills calculated based on previous energy usage.
- 4.4.6 The meter readings for Sayer Court are taken remotely with recharges being based on the actual figures recorded. The figures are imported into spreadsheets that are used as the source for the mail merge used to create the individual bills.
- 4.4.7 Some of the residents pay by direct debit, with a set amount being paid each month for six months before the position (under or over payment) is reviewed and a new figure arrived at, with others paying on a monthly basis.
- 4.4.8 Upon review of the sample monthly bills provided it was noted that a number of tenants had outstanding debts. The BAM advised that these cases were raised with the Housing Support team who would deal with the tenants.
- 4.4.9 The Business Administration Assistant (BAA) advised that electricity costs are recharged to leaseholders in blocks with communal electricity usage, with the figures being included in their service charges.
- 4.4.10 The bills for the year are included in monthly spreadsheets, with a summary spreadsheet being pulled together when the service charges are to be calculated. These figures are then included on the overall service charges

spreadsheet to calculate the individual recharges. Further testing of these service charges was not performed as a separate audit of Leaseholder Service Charges is undertaken.

- 4.4.11 Similarly, the billing processes for the golf course and catering contractors, who are recharged for their energy usage, has been covered in audits undertaken during 2016/17 and recommendations were made accordingly.
- 4.4.12 However, it is worth noting that £17,900 had been written off in relation to the golf course electricity charges due to an ongoing dispute over the readings. However, invoices are now being raised on a quarterly basis for electricity recharges as appropriate.
- 4.4.13 Upon review of spreadsheets provided detailing bills paid to the electricity supplier, a number of other properties were identified for which the Council was paying for energy despite tenants being in the properties.
- 4.4.14 The LAMP building in Adelaide Road is currently not recharged for their energy usage. The Estates Manager (EM) advised that this is a historical position. However, a new lease is being entered into which will make energy bills the tenant's responsibility.
- 4.4.15 The Council is also charged for electricity used at St Margaret's Shopping Centre in Whitnash. The EM initially advised that the supply related to housing properties, so the BAM was queried as to whether any recharges were made to the relevant leaseholders.
- 4.4.16 The BAM advised that Active H shows these as corporate shops, hence the charges were going to the Shop Maintenance code on TOTAL. Following the production of the draft report, the BAM was able to confirm that there is a communal supply to the flats.

Risk

The Council may not receive all income due.

Recommendation

Correct recharges should be raised for the leaseholders of the flats at St Margaret's Shopping Centre.

- 4.4.17 For Housing properties where the Council is not responsible for the energy charges the tenants are informed of the processes as part of the tenancy sign up.
- 4.4.18 The Allocations Officer (AO) provided copies of the sign-up sheets for the standard tenancies and for the Very Sheltered Schemes (VSSs). The standard tenancy form highlights that British Gas provides the gas and electricity for the properties and gives details as to how to contact them with regards to setting up accounts.
- 4.4.19 The VSS document does not go into the same level of detail but the AO advised that the tenant would be advised of the inclusion of any energy charges (including the communal aspects) as part of the sign up process.

4.4.20 However, there is currently no documentation for Sayer Court where the Council pays the bills initially and then recharges the tenants based on the readings taken. This was due to the fact that staff were unsure what the process was to be when the tenants moved in to the new properties.

Risk

The Council may not receive all income due.

Recommendation

A formal sign up document should be implemented for Sayer Court that includes details of energy charges.

4.4.21 The EM advised that there is a standard clause in the leases for non-operational properties which covers the need for the lessee to 'pay bear and discharge all existing and future rates taxes water charges assessments and outgoings' which effectively covers the payment of utility bills directly. There is also a further safeguard in the leases which states that the lessee will 'reimburse to the Lessor the cost of all electricity consumed by the Lessee on the demised premises'.

4.4.22 In terms of internal recharges, the BAA advised that the majority of the invoices received, with the exception of Gazprom, are building specific and the associated orders are raised with the relevant cost codes included directly, rather than having to be recharged. These have historically been raised on a monthly basis (after the receipt of the invoice) although attempts are being made to raise annual orders.

4.4.23 All properties are covered on one Gazprom invoice each month (although supporting sheets provided the details for each property) and, once paid, the BAA prepares a journal spreadsheet which is provided to Accountancy so that the charges can be allocated appropriately.

4.5 Compliance with Legislation

4.5.1 The IAM advised that he has recently undertaken a review to ascertain whether DEC's (Display Energy Certificates) are in place for relevant Council buildings and has visited each building to confirm the details. The details had been recorded in a spreadsheet which was provided to Internal Audit.

4.5.2 This highlighted that the certificates have not been in place or are out of date in the majority of cases. However, the IAM advised that a contractor has now been appointed to undertake the work to ensure that the Council becomes compliant in this regard.

4.5.3 A subsequent query was raised following receipt of an email from the new Sustainability Officer regarding the absence from the list of the Council's sheltered schemes and whether DEC's would be required.

4.5.4 The IAM was unsure whether they would be required or whether EPC's (Energy Performance Certificates) would be needed instead. As a result, the contractor had been asked to investigate whether these were relevant and

action would be undertaken accordingly.

- 4.5.5 The IAM highlighted that, following the abovementioned reviews, advisory reports will be obtained from the contractor and relevant works will be included in the work plans for each building. However, where previous advisory reports were thought to be in place (as per the spreadsheet), these could not be located.
- 4.5.6 The Council also need to comply with the Heat Network (Metering & Billing) Regulations 2014. Evidence was provided which confirmed that the Council had submitted relevant notifications to the National Measurement & Regulation Office.
- 4.5.7 As part of the regulations, the Council was expected to install meters or 'cost allocators' unless the Council could prove that it is not cost effective or technically feasible to do so. However, the IAM advised that, with the exception of Sayer Court, this had not been implemented at relevant properties.
- 4.5.8 This was largely due to the on-line assessment tool being taken down and guidance being given that assessments regarding cost effectiveness of the required works should not be undertaken until the new tool became available.
- 4.5.9 The IAM provided evidence that tenders had been sought from companies to review the cost effectiveness elements of any works required and this would be taken forward when appropriate.

5 **Conclusions**

- 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 Energy Management are appropriate and are working effectively.
- 5.2 The assurance bands are shown below:

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, some controls are weak or non-existent and there is non-compliance with several controls.
Limited Assurance	The system of control is generally weak and there is non-compliance with controls that do exist.

- 5.3 A number of issues were identified:
- Biomass fuel supply is not compliant with the Code of Procurement Practice.
 - The contract register does not reflect the existence of the Gazprom contract.

- The Harbury Lane Sports Pavilion is not connected to the building management system.
- The best use of the building management system may not be being made as staff have not received training.
- A number of bills are based on estimated usage.
- Recharges to leaseholders are required for energy usage at St Margaret's Shopping Centre.
- Documentation was not in place to formally advise tenants of Sayer Court that they are responsible for energy usage charges.
- A number of DECs are out of date or are not in place, although action is being taken to address this.

5.4 Whilst a moderate assurance level has been given it is acknowledged that staff in post have had to pick up a number of new tasks and have already taken action to address a number of issues identified.

6 **Management Action**

6.1 The recommendations arising above are reproduced in the Action Plan for management attention.

CURRENT IMPLEMENTATION POSITION FOR LOW AND MEDIUM RISK RECOMMENDATIONS
ISSUED IN QUARTER 4 2016/17

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE (PID)	CURRENT STATE OF IMPLEMENTATION PER MANAGER
ICT Disaster Recovery and Business Continuity – 27 March 2017		
<p>The Business Application Supplier Strategy and the Staff Absence Strategy should be confirmed as current and the review date noted in the document.</p>	<p><i>ICT Services Manager:</i> These have now been reviewed and updated. PID: Completed.</p>	<p>Recommendation implemented. No further response required.</p>
<p>A strategy for continued operations in terms of alternative locations and/or equipment should be established.</p>	<p><i>CMT / Deputy Chief Executive (AJ):</i> Options for delivering “continued operations” to be developed and considered with the objective of agreeing a solution within the next six months. PID: September 2017.</p>	<p>We are exploring moving a number of frontline services; email; web and telephony to cloud-based solutions which will remove the property-based dependency.</p> <p>We are looking at ensuring our satellite offices can operate independently of the corporate network.</p> <p>We are looking at changing how the Wide Area Network (WAN) is configured. The current ‘star’ configuration requires a physical corporate hub (HQ) to exist. A modern ‘MPLS’ network would negate this and would facilitate routing to an alternative location.</p> <p>We can also extend our off-site presence at the Aston Disaster Recovery centre and the cost of this is covered by business interruption insurance.</p>

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE (PID)	CURRENT STATE OF IMPLEMENTATION PER MANAGER
ICT Change Management and Testing – 22 March 2017		
Management should update the 'ICT Services – Change Management Policy'.	<i>Applications Support Manager:</i> The ICT Services – Change Management Policy has been updated to reflect the current practices, including changes in the use of the new service desk system. PID: Completed.	Recommendation implemented. No further response required.

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE (PID)	CURRENT STATE OF IMPLEMENTATION PER MANAGER
ICT Change Management and Testing – 22 March 2017 (Continued)		
<p>Management should standardise and enforce the documentation of approval through the use of custom fields in the system.</p>	<p><i>Applications Support Manager:</i> While accepting the recommendation, Management does not believe that the Service Desk custom fields will provide an adequate method to enforce authorisation. Instead, Management will explore the Change Advisory Board functionality within the Service Desk system. PID: 30 September 2017.</p>	<p>ICT Management explored the Change Advisory Board functionality within the Service Desk system; it did not, however, meet the needs of this audit recommendation. Instead, the Service Desk system itself has been amended to provide the Application Support Team with an automated method to capture authorisation from the System Owner (and some information about the testing completed) before changes are made to a Business Application's LIVE Environment. The process originally seen by Audit was to send out a Software Acceptance Certificate that required signing off by the testers and System Owner. The document was pretty much a tick box exercise for all concerned. The new process requires the ICT Application Support Analyst to issue an email to the System Owner directly from the Service Desk system using a pre-defined template. The System Owner's response is emailed directly back to the ICT Helpdesk and automatically attached to the Change Request before the Analyst can take any further appropriate action. This new process has been live since 09.10.17 and is working effectively for all parties.</p>

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE (PID)	CURRENT STATE OF IMPLEMENTATION PER MANAGER
Business Applications: TOTAL Financial Management – 22 March 2017		
<p>Management should investigate options around updating the version of TOTAL and plan/schedule the required upgrade to the system.</p>	<p><i>Principal Accountant (Systems):</i> Resources have put aside to deal with the Scanning project on TOTAL. The project has had three different consultants from TOTALMOBILE, with the latest having to correct errors made by the first one. TOTALMOBILE's client managers are aware of this and the delay caused by the company's errors (up to nine months delay). They have agreed to continue to support our current version until we upgrade in early 2018. The upgrade is a project within the Finance Service Plan for 2017/18 PID: January 2018.</p>	<p>Upgraded 19th December 2017 to a version that Totalmobile will support for some time to come. The scanning project (separate to the Upgrade) is likely to conclude in the Spring. This will change the way WDC operates and potentially introduce efficiency savings.</p>
<p>Management should obtain and review the agreement to ensure that it is up-to-date, reflects current arrangements and meets Council requirements.</p>	<p><i>Principal Accountant (Systems):</i> Agreed. The System Owner has some documentation that was passed over by the Financial Services Manager. This will be raised at the next meeting with the TOTALMOBILE client manager. PID: July 2017.</p>	<p>Following a corporate instruction to lodge the contract in the deed store, the document could not be found. Detective work by Accountancy and Procurement found it and both sections are satisfied that it is up-to-date, reflects current arrangements and meets Council requirements.</p>

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE (PID)	CURRENT STATE OF IMPLEMENTATION PER MANAGER
The accounts should be reviewed and any generic accounts replaced with named individual accounts for those requiring access.	<p><i>Finance Admin Manager / Senior Finance Administration Officer:</i></p> <p>These user accounts have been de-activated for a long while now and were only used in the Train module by the IT trainer (post no longer exists). PID: Not applicable.</p>	No further response required.
Management should investigate methods of identifying and reviewing access levels of staff changing roles, such as via reporting from HR.	<p><i>Finance Admin Manager / Senior Finance Administration Officer:</i></p> <p>HR has asked ICT to provide the details of movers when they provide information on starters and leavers. PID: June 2017.</p>	Finance Admin Manager and Senior Finance Administration Officer are now provided with an automated email from IT as to when someone leaves WDC and additionally HR provide them also with details of Starters and Leavers on a month basis (via email).
Patching and Firmware Updates – 28 March 2017		
Management should update the 'ICT Patch Management Policy' and review at least annually to ensure it remains current and valid.	<p><i>ICT Services Manager:</i></p> <p>Accepted. As mentioned in the report, the policy was due for an update due to recent changes and this has been completed. No further action required. PID: Complete.</p>	Recommendation implemented. No further response required.

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE (PID)	CURRENT STATE OF IMPLEMENTATION PER MANAGER
Patching and Firmware Updates – 28 March 2017 (Continued)		
<p>The patches in question should be reviewed to ensure that any risk is being mitigated or addressed by the patching regime.</p>	<p><i>ICT Services Manager:</i> Without enormous resource it is impossible to be 100% patch compliant at any given point in time. Microsoft alone release on average 50 security patches a month which need to be deployed to over 700 devices. This means there are 35,000 patch deployments to be monitored each month. A 5% failure could result in 1,750 patches requiring investigation, which is clearly impractical to undertake without a dedicated team. Furthermore, when we have investigated missing patches they have often been superseded by new patches which we have subsequently applied or the patch was not relevant. Therefore, as this audit indicates, the Council needs to rely on the fact that we have a robust mechanism in place for patching and accepts that there will be some failures. To support this ICT takes a more holistic approach which involves monitoring and identifying machines which are not being patched. This approach has been discussed with and accepted by Internal Audit. PID: Complete.</p>	<p>No further response required.</p>

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE (PID)	CURRENT STATE OF IMPLEMENTATION PER MANAGER
<p>Management should address or seek to mitigate risks posed by the remaining missing patches.</p>	<p><i>ICT Services Manager:</i> Many of the same issues above apply to this recommendation. However, given that this snapshot was taken 6 months ago, it is highly unlikely that many of the missing patches will remain valid. The practicalities of this position have been accepted by PSN in the past. However, ICT will naturally undertake whatever actions PSN recommend and require to remain PSN compliant. PID: Complete.</p>	<p>Recommendation implemented. No further response required.</p>
<p>Recruitment and Selection, Terms and Conditions – 8 March 2017</p>		
<p>Relevant policy documents should be reviewed to ensure that they are still accurate, with a review of electronic links being performed to ensure that they point to the correct documents.</p>	<p><i>HR Manager:</i> As part of the ongoing review of Policies these documents will now be prioritised as part of the HR Forward Plan. We are working with the new Social Media Officer to review the HR Intranet site and ensure that accessibility and search are robust for staff and managers. PID: End Sept 2017.</p>	<p>The Recruitment and Selection policy has been reviewed and is fully compliant with all links to further documents being fully operational and available via our WDC intranet.</p>

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE (PID)	CURRENT STATE OF IMPLEMENTATION PER MANAGER
<p>Recruiting managers should be instructed to provide evidence of the short-listing process and the interview- scoring to HR.</p>	<p><i>HR Manager:</i> To include as part of the HR support guidance. HR support team to follow up with Recruiting Manager pre- interview and post recruitment to ensure shortlisting information is filed. PID: End May 2017.</p>	<p>The HR and Payroll Support Team work with all recruiting managers and ensure recruitment shortlisting documents are completed and sent to HR after the interview process. The HR Support team have added 'shortlisting information required' to the pre-employment checklist to ensure managers are made aware that shortlisting documents are returned following the recruitment process.</p>
<p>Golf Course (Contract Management) – 31 March 2017</p>		
<p>A decision should be taken as to whether Mack should be recharged for the utilities used between April 2015 and the time that the quarterly billing commences. If so, an invoice should be raised as soon as possible to cover this period.</p>	<p><i>Deputy Chief Executive / Head of Cultural Services:</i> The readings required to raise the further invoice are available but, until the discussions with Mack are concluded regarding the previous utilities invoice, it is not considered appropriate to raise another invoice. Once this has been resolved the issue will be revisited. PID: September 2017.</p>	<p>The utility costs were settled as part of the negotiation for the deposit of soil from the excavations at the leisure centre to the golf course.</p>

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE (PID)	CURRENT STATE OF IMPLEMENTATION PER MANAGER
<p>The existence of the signed parent guarantee document should be confirmed and, if this cannot be found, the guarantees should be sought from the contractor as soon as possible.</p>	<p><i>Deputy Chief Executive / Head of Cultural Services:</i> Will be addressed as part of the discussions with Mack and a signed PCG will be filed with the Lease and Agreement as soon as complete. PID: September 2017.</p>	<p>The Parent Company Guarantee has been found to offer no security as the company providing the guarantee now has no assets. This issue will be addressed by CMT so that future contracts put mitigation in place to address the risk.</p>
<p>The contractor should be asked to provide evidence that they hold professional liability insurance as required by the contract. If it is found that this is not in place they should be advised to take it out.</p>	<p><i>Sport and Leisure Contracts Manager:</i> Agreed. The contractor will be approached to provide evidence of the professional liability insurance. PID: May 2017.</p>	<p>The golf Course is now closed and the staff have been made redundant. Due to this development the professional liability Insurance is no longer relevant.</p>
<p>Mack should be advised to stop insuring the buildings and should be charged for the insurance provided by the Council as set out in the lease.</p>	<p><i>Sports & Leisure Contract Manager:</i> Agreed. Mack will be advised to cancel their insurance and that they will be recharged in accordance with the lease. PID: Immediate.</p>	<p>This action has now been completed.</p>
<p>Catering Concessions – 31 March 2017</p>		
<p>The budget figure for the Jephson's Brasserie commission income should be reviewed to ensure that it reflects true income levels in future years.</p>	<p><i>Arts Manager:</i> The budgetary figures for the contract will be reviewed and adjusted accordingly by the Arts Manager during the first quarter of 2017/18 as part of the established budget monitoring process. PID: 31 July 2017.</p>	<p>The budgetary figures for the contract are now reviewed and adjusted on a quarterly basis.</p>

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE (PID)	CURRENT STATE OF IMPLEMENTATION PER MANAGER
Ad-hoc checks should be performed of the sales figures provided by Kudos.	<p><i>Arts Manager:</i></p> <p>Ad-hoc checks of the sales figures will be scheduled and put in place from 1st April 2017. It has already been agreed with Kudos as part of this audit that they will provide WDC with the information required.</p> <p>PID: 30 November 2017.</p>	Ad-hoc checks are performed on the sales figures provided by Kudos (on a quarterly basis).
Building Control – 31 January 2017		
The procedure manual should be updated to reflect current working processes.	<p><i>Head of Consortium & Business Support Manager:</i></p> <p>The Business Support Manager is to process the admin section of the manual. However, as they are currently short staffed in Admin team, the document will be disseminated amongst the group and collated.</p> <p>It was noted that the document was last visited in 2007.</p> <p>PID: March 2018.</p>	<p>The Admin section of the manual is completed.</p> <p>The procedure manual is in draft form and due to be completed by end of March 2018.</p>

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE (PID)	CURRENT STATE OF IMPLEMENTATION PER MANAGER
<p>Staff should be reminded of the correct procedures to undertake regarding the processing of applications, including the completion of relevant fields on Acolaid, the retention of relevant documentation and the need for timely processing.</p>	<p><i>Head of Consortium, Principal Building Consultants & Business Support Manager:</i></p> <ol style="list-style-type: none"> 1. April 2017. Retraining identified for all officers within the group on Acolaid and IDOX procedures. It is noted that new staff work remotely alongside ex Rugby and Daventry staff who are new to the system. PID: June 2017. 2. New applications to be processed within 48 hours and this will be monitored by the Principal Building Consultants. PID: January 2018. 	<ol style="list-style-type: none"> 1. All staff have now since been re-trained by the deadline. 2. Applications are now processed within 48 hrs completed Jan 2018. <p>Both actions are therefore completed.</p>
<p>Sample case monitoring should be undertaken by senior staff to ensure that applications are being appropriately processed, with the system being completed accurately.</p>	<p><i>Head of Consortium:</i></p> <p>Sample testing will be undertaken from all three areas across the group, namely Daventry, Rugby and Warwick areas. PID: Quarterly basis. April 2017.</p>	<p>This project has been implemented by Business Support Manager on a quarterly basis, since April 2017, so action now completed.</p>


RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE (PID)	CURRENT STATE OF IMPLEMENTATION PER MANAGER
<p>The figures included in the budget for consultants' fees and the recharges to others should be reviewed and amended accordingly.</p>	<p><i>Head of Consortium & Business Support Manager:</i> The figure for consultants' fees has now been reduced. The recharges figure has also been amended, although this is still below the anticipated actual figure so this will be discussed with the Assistant Accountant. Staff are also advised of the financial status of the service at monthly meetings. PID: April 2017.</p>	<p>This item was actioned and completed April 2017.</p>
<p>An annual financial statement should be produced and published.</p>	<p><i>Head of Consortium, Business Support Manager & Assistant Accountant:</i> It is noted that other authorities are including the figures in their main accounting statements and this may be the approach we also take to be consistent. However, the issue of how and where the information is published will be discussed and agreed with the Board. PID: April 2017.</p>	<p>This item was actioned and completed April 2017.</p>
<p>The fee parameter table in Acolaid should be updated to include the correct figures.</p>	<p><i>Head of Consortium & Business Support Manager:</i> The fee table has now been reviewed and updated during a scheduled meeting with IDOX. PID: Completed.</p>	<p>Recommendation implemented. No further response required.</p>

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE (PID)	CURRENT STATE OF IMPLEMENTATION PER MANAGER
Conservation & Design – 13 February 2017		
<p>The GIS Team should be made aware of all changes to conservation areas and listed buildings in a timely manner.</p>	<p><i>Principal Conservation & Design Officer, GIS Manager, and Planning Administration Manager:</i></p> <p>Historic England has amended their procedures so that the Warwick District Council GIS Manager, and Planning Administration Manager, are automatically informed when alterations are made to the national list.</p> <p>PID: Completed.</p>	<p>Recommendation implemented. No further response required.</p>
Crime and Disorder – 9 January 2017		
<p>Consideration should be given to including a section on crime and disorder implications in (all or selected) committee reports.</p>	<p><i>Safer Communities Manager & Democratic Service Manager / Deputy Monitoring Officer:</i></p> <p>Discussions to be held with Committee Services to review.</p> <p>PID: Immediate.</p>	<p>This was one of two recommendations not delivered in a 96-point improvement action plan following a Section 17 Review (Crime & Disorder Act-1998). The decision at the time was not to include it in committee reports. It would require extensive training for Councillors and officers and we do not have the resource to review these comments on every committee report.</p>
<p>The YouTube video, regarding the priorities of the SWCSP, should be updated to include recent statistics.</p>	<p><i>Safer Communities Manager:</i></p> <p>The video cannot be updated. A comment is to be placed on the website to demonstrate the priorities remain the same.</p> <p>PID: Immediate.</p>	<p>The website will be updated again following the meeting of the South Warwickshire Community Safety Partnership (SWCSP) on January 25th when priorities for 2018/19 will be agreed.</p>

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE (PID)	CURRENT STATE OF IMPLEMENTATION PER MANAGER
A link to the video should be included on the relevant pages of the WDC website.	<i>Safer Communities Manager:</i> The link to the video has been checked and updated. PID: Completed.	Recommendation implemented. No further response required.
The Community Safety page of the council's website should be updated to show the latest crime figures.	<i>Safer Communities Manager:</i> The figures have been updated on the website. PID: Completed.	Recommendation implemented. No further response required.
Lettings and Void Control – 31 March 2017		
Procedure notes should be drawn up for the housing allocation process.	<i>Housing Advice and Allocations Manager:</i> Procedure notes for the allocations process will be drafted. PID: July 2017	This is still outstanding. The allocations officers have started to compile a procedure document. I have asked the officers to complete this by 31 March 2018.
Staff should be reminded of the need to ensure that all documents are scanned to the correct network files.	<i>Housing Advice and Allocations Manager:</i> Email sent 30/3/2017. PID: Completed.	Recommendation implemented. No further response required.

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE (PID)	CURRENT STATE OF IMPLEMENTATION PER MANAGER
<p>Consideration should be given to limiting the number of offers that HomeChoice applicants can refuse following successful bids for properties.</p>	<p><i>Housing Advice and Allocations Manager:</i> This will be considered as part of the Homechoice 2016 Review. PID: November 2017</p>	<p>This action has been completed. The following recommendation went to Executive on 4 January 2018 and was accepted: <i>"It is therefore proposed that an applicant should be suspended from bidding for a period of three months if they have refused three offers of suitable accommodation that they have placed bids on in any six month period. The intention would be to provide some deterrent to frivolous bidding while recognising that, in a choice-based system, applicants should be able to bid for, but subsequently refuse, properties. A more serious sanction is not therefore considered appropriate."</i> It will be incorporated into the revised Homechoice policy document.</p>
<p>Open Spaces – 31 March 2017</p>		
<p>Review of the Green Space Strategy and refresh of the Green Space Action Plan should be scheduled on the Forward Plan at an appropriate juncture.</p>	<p><i>Head of Neighbourhood Services / Green Space Team Leader:</i> Agree with recommendation. PID: October 2017.</p>	<p>A report will be taken to March 2018 Executive, setting out progress against the Green Space Action Plan, and the open spaces to be included in the 2018/19 programme.</p>

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE (PID)	CURRENT STATE OF IMPLEMENTATION PER MANAGER
<p>The role of the Green Space Development Group should be clarified by documented terms of reference including a timeframe for report back to Executive and/or Scrutiny Committee as appropriate.</p>	<p>Head of Neighbourhood Services / Green Space Team Leader: Agree with recommendation. To be developed, presented and discussed at the next Green Space Development Group meeting. PID: June 2017.</p>	<p>This item is being actioned and to be completed by end of March 2018. The Green Space Developed Group will consider the 2018/19 programme and the longer term issues relating to the Green Space Strategy.</p>
<p>Project tracking procedures should be implemented to ensure that issues likely to impact significantly on the project timetable or lead to cost escalations are promptly logged with explanations and actions taken.</p>	<p><i>Head of Neighbourhood Services / Green Space Team Leader:</i> Agree with recommendation. PID: From now onwards.</p>	<p>Green space projects are tracked using highlight reports, which will identify any significant variances to project costs or delivery time scales. Progress will also be discussed as part of the scheduled 1 to 1s and team meetings in the Green Space Team.</p>
<p>Project timetables and cost allocations should be updated as and when they change during each project.</p>	<p><i>Head of Neighbourhood Services / Green Space Team Leader:</i> Agree with recommendation. PID: From now onwards.</p>	<p>As above.</p>
<p>A completion report should be implemented for each project to be signed off by the Green Space Team Leader and Head of Neighbourhood Services.</p>	<p><i>Head of Neighbourhood Services / Green Space Team Leader:</i> Agree with recommendation. PID: From now onwards.</p>	<p>Completion reports are established for all those included with the Green Space Action Plan and are signed off when all elements of the project have been completed to the required standard.</p>

 Finance and Audit Scrutiny Committee 6 March 2018		Agenda Item No. <h1 style="text-align: center;">6</h1>
Title	Internal Audit Strategic Plan 2018/19 – 2020/21 and Internal Audit Charter	
For further information about this report please contact	Richard Barr Tel: (01926) 456815 email: 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 – 4 April 2017	
Background Papers	Internal Audit risk assessment file; SMT minutes	

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	14 Feb 2018	Chris Elliott
Head of Service	14 Feb 2018	Mike Snow
SMT	14 Feb 2018	SMT
Section 151 Officer	14 Feb 2018	As Head of Service
Monitoring Officer	14 Feb 2018	Andrew Jones
Finance	14 Feb 2018	As Section 151 Officer
Portfolio Holder	14 Feb 2018	Councillor Whiting
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 The report presents the Internal Audit Strategic Plan 2018/19 – 2020/21 and the Internal Audit Charter for consideration and approval.

2 Recommendation

- 2.1 That Members consider and approve the Internal Audit Strategic Plan 2018/19 – 2020/21 and the Internal Audit Charter.

3 Reason for the Recommendation

- 3.1 The Internal Audit Strategic Plan is an important element in providing the required independent and objective opinion to the organisation on its control environment, in fulfilment of statutory duties.
- 3.2 The compilation of the Internal Audit Charter is a requirement of the Public Sector Internal Audit Standards.

4 Policy Framework

4.1 Fit for the Future (FFF)

The Council's FFF Strategy is designed to deliver the District's Vision of making it a Great Place to Live, Work and Visit. With those objectives the FFF Strategy contains several Key projects.

The FFF Strategy has 3 strands – People, Services and Money and each has an external and internal element to it. The table below illustrates the impact of this proposal if any in relation to the Council's FFF Strategy.

FFF Strands		
People	Services	Money
External		
Health, Homes, Communities	Green, Clean, Safe	Infrastructure, Enterprise, Employment
<u>Intended outcomes:</u> Improved health for all Housing needs for all met Impressive cultural and sports activities Cohesive and active communities.	<u>Intended outcomes:</u> Area has well looked after public spaces All communities have access to decent open space Improved air quality Low levels of crime and ASB.	<u>Intended outcomes:</u> Dynamic and diverse local economy Vibrant town centres Improved performance/productivity of local economy Increased employment and income levels.
Impacts of Proposal		
Although there are no direct policy implications, internal audit is an essential part of corporate governance and will be a major factor in shaping the Policy Framework and Council policies.		
Internal		
Effective Staff	Maintain or Improve Services	Firm Financial Footing over the Longer Term
<u>Intended outcomes:</u>	<u>Intended outcomes:</u>	<u>Intended outcomes:</u>

All staff are properly trained All staff have the appropriate tools All staff are engaged, empowered and supported The right people are in the right job with the right skills and right behaviours.	Focusing on our customers' needs Continuously improve our processes Increase the digital provision of services.	Better return/use of our assets Full Cost accounting Continued cost management Maximise income earning opportunities Seek best value for money.
Impacts of Proposal		
Although there are no direct policy implications, internal audit is an essential part of corporate governance and will be a major factor in shaping the Policy Framework and Council policies.		

4.2 **Supporting Strategies**

Each strand of the FFF Strategy has several supporting strategies but description of these is not relevant for the purposes of this report.

4.3 **Changes to Existing Policies**

This section is not applicable.

4.4 **Impact Assessments**

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.

8 **Alternative Options Considered**

8.1 This section is not applicable.

9 **Internal Audit Strategic Plan**

9.1 Internal Audit provides an independent opinion to the organisation on the control environment by evaluating its effectiveness in achieving the

organisation's objectives. It examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.

9.2 The Internal Audit Strategic Plan 2018/19 to 2020/21 comprising the planned reviews over this period is set out as the first Appendix to this report.

9.3 The Audit Plan is organised as follows:

Risk-based coverage

Coverage for core activities that traditionally require Internal Audit input for assurance on financial probity and regularity

Other internal audit coverage

9.4 The audits set out in the first year of the Plan are carried out throughout the year with timings (start dates) agreed with managers on individual audits, usually at the beginning of the year.

9.5 The Internal Audit Charter for delivering this assurance is also included and is set out as Appendix 2.

10 **Formulation of the Plan**

10.1 To produce the audit plan, the following has been taken into consideration:

The strategic objectives of the organisation and the specific risks associated with those objectives;

the content of risk registers and assurance frameworks to understand the risks faced, and the controls that the organisation places reliance on to manage those risks;

areas of concern or previous requests for coverage from management and the Finance & Audit Scrutiny Committee;

areas where the External Auditors will wish to place reliance on the testing performed by Internal Audit;

other sources of assurance available to the organisation e.g. inspections, peer reviews, accreditations;

any recent significant changes within the organisation and its operations;

regulatory requirements for internal audit coverage;

emerging issues, including any additional risks that do not appear on the risk profile but may merit internal audit coverage;

the timing for each internal audit review to maximise the benefit of assurance provided; and

the results of previous internal audit coverage.

10.2 In recent years we have strengthened our risk-based approach by placing greater reliance on the risk registers to identify priority areas. An exercise to link the audit plan to the risk registers also highlighted some new areas that required audit coverage. A good example of this was climate change where an audit of the Authority's preparations for responding to climate change was identified. We have continued that approach for this year.

10.3 An earlier draft of the Strategic Plan was issued to CMT and Service Area Managers for their views.

10.4 Views were sought on a number of aspects, including:

- ∇ The amounts of time allocated to the various proposed assignments;
- ∇ whether anything important has been missed;
- ∇ whether any planned assignments should be excluded (because, for example, the function is considered very low risk or because the function is no longer performed);
- ∇ whether any risk profiles had changed significantly in the last 12 months.

10.5 Service Area Managers were requested to share the draft Plan as widely as possible within their service areas and to feed back comments to Internal Audit so that a revised Plan could be presented to SMT.

10.6 A further draft of the Plan, following its presentation and discussion at SMT, is attached.

STRATEGIC AUDIT PLAN 1ST APRIL 2018 TO 31ST MARCH 2021

APPENDIX 1

RISK-BASED COVERAGE

This section comprises the auditable areas mapped to the Council's key risks as represented in the Significant Business Risk Register

Assignment Name	Risk Description	Assignment Objective	Year Last Audited	Assurance Rating Last Audit	2018-19 (Days)	2019-20	2020-21
Corporate Governance	Risk of corporate governance arrangements not maintained effectively.	Evaluate and report on effectiveness of overarching structures, procedures and monitoring arrangements with reference to relevant standards.	2017-18	Not classified	5	✓	✓
Performance Management	Fit for the Future Change Programme not managed appropriately/effectively Risk of sustained service quality reduction.	Evaluate the effectiveness of corporate framework for managing performance in relation to the Council's priority objectives.	2015-16	Substantial	7		
Emergency Planning & Business Continuity Management	Risk of a major incident not responded to effectively.	Evaluate the adequacy of arrangements in place to secure effective Council response to civil emergency incidents in accordance with its statutory duties.	2017-18	To be advised			✓
Partnership Working	Risk of partnerships not delivering stated objectives.	To evaluate the Council's framework for managing its partnerships to ensure effective governance aligned to the Council's legitimate interests, objectives and priorities.	2014-15	Substantial	12		
Human Resources Management	Risk of staff not developed effectively.	To ascertain whether there are adequate controls in place to ensure that structures and processes in place at the council for the management of its workforce are working appropriately.	2016-17	Substantial		✓	
ICT Strategies and Policies	Risk of ineffective utilisation of information and communications technology.	To consider the appropriateness of the revised documents and whether they are fit for purpose.	2015-16	Substantial			To be advised
Housing Investment/Maintenance Programmes	Risk of failing to provide, protect and maintain Council-owned property.	To ensure that capital monies available for Housing Improvement are appropriately allocated and that programmed maintenance works are sufficient to ensure that Council dwellings are kept in a good state of repair.	2015-16	Substantial	16		
Housing Stock Asset Management	Risk of failing to provide, protect and maintain Council-owned property.	Appraisal of systems for effective management of the portfolio including maintenance of proper records, asset utilisation, and progressing relevant provisions of Asset Management Plan (excludes rent accounting - covered as separate assignment).	2015-16	Substantial	10		
Corporate Property and Portfolio Management	Risk of failing to provide, protect and maintain Council-owned property.	Report a level of assurance on the adequacy of structures and processes in place to manage the non-Housing property portfolio economically, efficiently and effectively.	2016-17	Moderate	12		
Corporate Procurement	Risk of improper procurement practices and legislative requirements not being complied with. Risk of major contractor going into administration or deciding to withdraw from the contract.	Report a level of assurance on the adequacy of controls in place to ensure that the Council's procurement activity accords with best practice and complies with legislation.	2016-17	Substantial		✓	
Information Governance	Risk of not complying with key legislation or legal requirements, including failure to protect data.	Assurance review of the information governance arrangement in light of the legislation changes in 2018 and to include information asset policies, ownership, categorisation, and sharing.	2017-18	Limited	2		✓

STRATEGIC AUDIT PLAN 1ST APRIL 2018 TO 31ST MARCH 2021

RISK-BASED COVERAGE

This section comprises the auditable areas mapped to the Council's key risks as represented in the Significant Business Risk Register

Assignment Name	Risk Description	Assignment Objective	Year Last Audited	Assurance Rating Last Audit	2018-19 (Days)	2019-20	2020-21
Sustainability and Climate Change	Risk of climate change challenges not responded to effectively.	Report a level of assurance on the adequacy of systems in place to manage the risks emanating from climate change and deal with impacts with minimum possible disruption to services.	2017-18	To be advised			
Financial Strategy, Planning and Budgetary Control	Risk of not investigating potential income sources. Risk of insufficient finance to enable the council to meet its objectives (including insufficient reduction in operational costs). Risk of additional financial liabilities.	Report a level of assurance on the adequacy of controls in place for financial planning and budgetary control to ensure that the Council's operations and key objectives continue to be sufficiently resourced.	2016-17	Substantial		✓	
Cyber Security	Risk of failure to protect information assets from a malicious cyber attack	An assurance review of the level of control to offset the ongoing risk of cyber-attack, including an assessment against the guidelines in the Cyber Essentials Scheme (CES)	2017-18	To be advised	To be advised		
TOTAL DAYS					64		

STRATEGIC AUDIT PLAN 1ST APRIL 2018 TO 31ST MARCH 2021

CORE SYSTEMS COVERAGE

This section comprises core activities that traditionally require Internal Audit input for assurance on financial probity and regularity.

Assignment Name	Assignment Objective	Year Last Audited	Assurance Rating Last Audit	2018-19 (Days)	2019-20	2020-21
Administration of Housing Benefit & Council Tax Reduction	Report a level of assurance on the adequacy of the systems in place for the determination of entitlement to housing benefit and council tax reduction, award, payment, accounting and processing of statutory returns.	2017-18	Substantial	10	✓	✓
Council Tax	Report a level of assurance on adequacy of systems for compiling and maintaining local valuation list, assessing liability, billing, collection, enforcement and granting of reliefs.	2017-18	To be advised	10	✓	✓
National Non-Domestic Rates	Report a level of assurance on adequacy of systems for compiling and maintaining local valuation list, assessing liability, billing, collection, enforcement and granting of reliefs.	2017-18	Substantial	10	✓	✓
Housing Rent Collection	Report a level of assurance on the adequacy of systems for rent setting, collection and accounting of rents due and control of arrears.	2017-18	Substantial			✓
Housing Repairs and Maintenance	Appraise adequacy of systems for commissioning and paying for responsive repair work to domestic HRA properties.	2016-17	Substantial		✓	
Main Accounting System	Report a level of assurance on the adequacy of controls for ensuring complete and accurate accounting of all financial transactions and timely production of final accounts in accordance with statutory and regulatory requirements.	2016-17	Substantial		✓	
Payment of Creditors	Appraise adequacy of systems for ensuring only bona fide creditors and transactions properly accounted for (includes control of cheques used to pay creditors and rent allowances).	2015-16	Substantial	12		
Payroll and Staff Expenses	Appraise adequacy of systems for ensuring that only bona fide employees and Members are paid according to entitlement, and that all payments, deductions, etc. are properly discharged and accounted for.	2015-16	Substantial	13		
Sundry Debtors	Appraise adequacy of systems for ensuring correct raising of invoices, proper accounting for invoices and cash received in payment thereof and effective recovery of arrears.	2015-16	Substantial		✓	
Treasury Management	Appraise and report on the adequacy of controls in place to address the key risks in carrying out treasury management activities.	2016-17	Substantial		✓	
				TOTAL DAYS	55	

STRATEGIC AUDIT PLAN 1ST APRIL 2018 TO 31ST MARCH 2021

OTHER INTERNAL AUDIT COVERAGE

This section covers the auditable areas other than those linked with the Significant Business Risk Register or classified as core systems. The decision to audit these areas is primarily influenced by the Service Risk Registers, but further areas are identified through an internal audit needs assessments process and IS/IT audit needs assessments commissioned from approved external contractors.

Client Name	Assignment Name	Assignment Objective	Risk Register Source	Year Last Audited	Assurance Rating Last Audit	2018-19 (Days)	2019-20	2020-21
ICT Services	ICT Business Continuity/Disaster Recovery	The review will consider the Council's business continuity plans in place and the supporting ITDR arrangements to ensure they are properly co-ordinated and fit for purpose. The review will include the arrangement with the business continuity provider.	IT Audit Needs Assessment	2016-17	Substantial			See Note 1
ICT Services	Infrastructure Security and Resilience	An assurance review of the continued security and resilience of the ICT network infrastructure during / after the relocation planned for 2019. Added to this review may be an element of ensuring the best use is being made of the available technologies.	IT Audit Needs Assessment	2014-15	Substantial		✓	
ICT Services	Software Licensing	Report a level of assurance on the effectiveness of processes to ensure compliance with licensing conditions for software installed on all Council devices in a manner that delivers value for money.	IT Audit Needs Assessment	2014-15	Substantial			See Note 1
ICT Services	ICT Change Management and Testing	To report a level of assurance on the key controls in place for managing changes to ICT systems owned by the Council.	IT Audit Needs Assessment	2016-17	Substantial			See Note 1
ICT Services	Data Security	Assess processes and procedures for securing data, considering in particular management of data protection risks from loss/theft of equipment.	IT Audit Needs Assessment	2015-16	Substantial			See Note 1
ICT Services	Patching and Firmware Updates	Assess whether an adequate patch management policy is in place and is applied consistently.	IT Audit Needs Assessment	2016-17	Substantial			See Note 1
ICT Services	Public Services Network	Review to monitor progress and identify risks to achievement of target compliance date.	IT Audit Needs Assessment	2015-16	Substantial			See Note 1
ICT Services	Remote Access	An assurance review to evaluate the security controls and data integrity arrangements for staff using remote technology	IT Audit Needs Assessment	2017-18	To be advised			See Note 1
ICT Services	System Ownership and Management	An assurance review of system administration and user account management for (key) business systems to ensure robust access controls, information (security) management, upgrade and licensing methodologies.	IT Audit Needs Assessment	None recent		7		
ICT Services	Information Systems Policies	An assurance review of the continued relevance of the key information systems and security policies and the understanding of them and adherence to them in the operational areas of the Council.	IT Audit Needs Assessment	None recent			✓	
ICT Services	Cloud Applications	An assurance review to assess the risks known to exist as a result of the increased use of cloud technologies within the Council along with controls in place.	IT Audit Needs Assessment	None			✓	
ICT Services	Database Security	An assurance review to ensure that database system administration processes are sound and that	IT Audit Needs Assessment	None recent		7		
Chief Executive	Recruitment and Selection, Terms and Conditions	adequate logical security settings have been implemented on the live server database environment.	Service Risk Register	2016-17	Substantial		✓	
Chief Executive	Corporate Training	Appraisal of Council-wide processes for assessing and funding training needs and measuring the effectiveness of training to meet performance objectives and IIP requirements.	Service Risk Register	2017-18	Substantial			✓
Chief Executive	Employee Absence Management	Report a level of assurance on the adequacy of structures and processes to support effective absence management across the Council.	Service Risk Register	2015-16	Substantial	9		

Notes:

1. To be determined based on next update of IT Audit Needs Assessment (expected early 2020).

STRATEGIC AUDIT PLAN 1ST APRIL 2018 TO 31ST MARCH 2021

OTHER INTERNAL AUDIT COVERAGE

This section covers the auditable areas other than those linked with the Significant Business Risk Register or classified as core systems. The decision to audit these areas is primarily influenced by the Service Risk Registers, but further areas are identified through an internal audit needs assessments process and IS/IT audit needs assessments commissioned from approved external contractors.

Client Name	Assignment Name	Assignment Objective	Risk Register Source	Year Last Audited	Assurance Rating Last Audit	2018-19 (Days)	2019-20	2020-21
Chief Executive	Communications	To report a level of assurance on the adequacy of the corporate framework for managing internal and external communications to ensure conformity with relevant standards and effectiveness in support of the Council's priority objectives.	Service Risk Register	2017-18	To be advised			✓
Chief Executive	Media Services	Report a level of assurance on the adequacy of structures and processes of the Media Services Team in discharging its roles economically, efficiently and effectively in accordance with relevant legislation and corporate policies/strategies.	Service Risk Register	2017-18	Substantial			✓
Democratic Services & Corporate Support	Committee Services	Report a level of assurance on the adequacy of systems of control operating to support the Council's democratic processes economically, efficiently and effectively.	Service Risk Register	2017-18	Substantial			✓
Democratic Services & Corporate Support	Electoral Registration	Report a level of assurance on the adequacy of structures and processes to maintain economically, efficiently and effectively a complete, accurate and up-to-date Electoral Register in accordance with relevant legislation and standards.	Service Risk Register	2015-16	Substantial	10		
Democratic Services & Corporate Support	Local Elections	Report a level of assurance on the adequacy of structures and processes in place to ensure that local elections are administered economically, efficiently and effectively in compliance with relevant legislation and regulatory provisions.	Service Risk Register	2015-16	Substantial		✓	
Democratic Services & Corporate Support	Income Receipting and Document Management	Report a level of assurance on structures and processes to secure economic, efficient and effective collection of income and document management support.	Service Risk Register	2017-18	Substantial	To be determined in light of impact of Digital Transformation agenda		
Deputy Chief Executive	Shared Legal Services	To ensure that the Council has appropriate controls in place to secure economic, efficient and effective delivery of legal services under the shared services agreement with Warwickshire County Council (WCC).	Service Risk Register	2017-18	Substantial			✓
Finance	Customer Access Facilities	Evaluate management systems for operating and developing facilities for customer interaction with the Council to meet relevant availability, accessibility and take-up objectives.	Service Risk Register	2015-16	Moderate	14		
Finance	Business Applications - TOTAL Financial Management	Assess the adequacy of key IT controls in place for the TOTAL Financials application to maintain the confidentiality, integrity and availability of data stored and processed within the system.	IT Audit Needs Assessment	2016-17	Substantial			See Note 1
Finance	Business Applications - PARIS Income Management	Provide a level of assurance over the key IT controls in place for the PARIS Income Management IT application to maintain the confidentiality, integrity and availability of data stored and processed within the system.	IT Audit Needs Assessment	2017-18	To be advised			See Note 1
Finance	Business Applications - Civica OPENRevenues	Assess the adequacy of key IT controls in place for the Civica OPENRevenues applications to maintain the confidentiality, integrity and availability of data stored and processed within the system.	IT Audit Needs Assessment	2015-16	Substantial	10		
Finance	Banking Arrangements	Assess arrangements to secure economy, efficiency and effectiveness of the banking services to the Council, prompt and correct posting of transactions and secure and reliable on-line transacting.	Internal Audit Needs Assessment	2017-18	Moderate			✓
Finance	Rural and Urban Capital Improvement Scheme	Report a level of assurance on the adequacy of controls in place to ensure that RUCIS grant funding is awarded and deployed in adherence to the approved scheme.	Internal Audit Needs Assessment	2017-18	Substantial			✓
Finance	Insurances	To review the purchase of Council's insurance cover to ensure that it is appropriate, compliant with legislation and competitive. To examine the basis for the allocation of costs and the contingency arrangements in place.	Service Risk Register	2015-16	Substantial	10		

Notes:

1. To be determined based on next update of IT Audit Needs Assessment (expected early 2020).

STRATEGIC AUDIT PLAN 1ST APRIL 2018 TO 31ST MARCH 2021

OTHER INTERNAL AUDIT COVERAGE

This section covers the auditable areas other than those linked with the Significant Business Risk Register or classified as core systems. The decision to audit these areas is primarily influenced by the Service Risk Registers, but further areas are identified through an internal audit needs assessments process and IS/IT audit needs assessments commissioned from approved external contractors.

Client Name	Assignment Name	Assignment Objective	Risk Register Source	Year Last Audited	Assurance Rating Last Audit	2018-19 (Days)	2019-20	2020-21
Finance	VAT Accounting	Report a level of assurance on the adequacy of controls in place to ensure that VAT is accounted for completely and correctly and that claims arising are processed promptly.	Service Risk Register	2016-17	Substantial		✓	
Finance	Purchasing Cards	Verify that deployment and use of purchasing cards is authorised, reasonable and in compliance with the Code of Procurement Practice and relevant specific instructions.	Recommendation from senior management	2017-18	To be advised			✓
Finance	Financial Systems Interfaces	An evaluation of the efficiency and effectiveness of the interface files provided by various applications into the finance system.	IT Audit Needs Assessment	None recent		6		
Assets	Corporate Properties Repair and Maintenance	Assess the adequacy of controls to maintain the Council's non-housing property assets in proper state of repair, including planning, procurement and work management processes.	Service Risk Register	2017-18	To be advised			✓
Assets	Energy Management	To ascertain whether there are adequate controls in place to ensure that the energy requirements of the council are met via economic, efficient and effective procurement and consumption of all forms of energy resources and ensuring compliance with leg'n	Service Risk Register	2017-18	Moderate			✓
Assets	Asbestos Management	Report a level of assurance on the adequacy of structures and processes in place manage asbestos in accordance with the Council's statutory duties and other relevant legislation.	Internal Audit Needs Assessment	2016-17	Moderate	10		
Housing Services	Business Applications - MIS Housing and Corporate Property	Report a level of assurance on the adequacy of key IT controls in place for the MIS ActiveH housing management application to maintain the confidentiality, integrity and availability of data stored and processed within the system.	IT Audit Needs Assessment	2016-17	Substantial			See Note 1
Housing Services	Homelessness and Housing Advice	Appraisal of systems to ensure compliance with statutory/regulatory/policy requirements, achievement of relevant performance objectives and integrity of financial transactions.	Service Risk Register	2014-15	Substantial	11		
Housing Services	Affordable Housing Development Programme	Appraisal of systems in place for implementation of Programme, monitoring adherence to relevant policies, management of funding, partnership working and performance review/reporting.	Service Risk Register	2016-17	Substantial		✓	
Housing Services	Private Sector Housing Regulation	To ensure that the Council has appropriate controls in place to deliver the functions of the team in an economic, efficient, and effective manner.	Service Risk Register	2017-18	Substantial			✓
Housing Services	Lettings and Void Control	To ascertain whether there are adequate controls in place for the effective administration of residential property letting.	Service Risk Register	2016-17	Substantial		✓	
Housing Services	Estate Management	Review of the management of the function and an assessment of the efficiency and effectiveness of the service.	Service Risk Register	2015-16	Substantial	8		
Housing Services	Right to Buy	Appraise the adequacy of the arrangement in place to ensure compliance with legislation, efficient and effective processing of applications and adherence to the associated conditions.	Internal Audit Needs Assessment	2016-17	Substantial		✓	
Housing Services	Leaseholder Service Charges	Verify that arrangements for setting, levying and collection of leaseholder service charges are adequate to ensure compliance with legislation, inclusion of all chargeable persons and effective recovery of applicable service and management costs.	Service Risk Register	2015-16	Substantial	8		
Housing Services	Housing Related Support Services	Appraisal of management systems for operating support services including sheltered/very sheltered schemes, Warwick Response and floating support services.	Service Risk Register	2017-18	To be advised			✓

Notes:

1. To be determined based on next update of IT Audit Needs Assessment (expected early 2020).

STRATEGIC AUDIT PLAN 1ST APRIL 2018 TO 31ST MARCH 2021

OTHER INTERNAL AUDIT COVERAGE

This section covers the auditable areas other than those linked with the Significant Business Risk Register or classified as core systems. The decision to audit these areas is primarily influenced by the Service Risk Registers, but further areas are identified through an internal audit needs assessments process and IS/IT audit needs assessments commissioned from approved external contractors.

Client Name	Assignment Name	Assignment Objective	Risk Register Source	Year Last Audited	Assurance Rating Last Audit	2018-19 (Days)	2019-20	2020-21
Housing Services	Highways Functions	Assess adequacy of systems to ensure compliance with statutory requirements, economic/efficient/ effective deployment of resources and achieving performance objectives.	Service Risk Register	2015-16	Substantial	9		
Housing Services	Building Cleaning Services	Report a level of assurance on the adequacy of structures and processes for sourcing cleaning services the Council's buildings to secure economic, efficient and effective delivery.	Internal Audit Needs Assessment	2017-18	To be advised			✓
Cultural Services	Royal Spa Centre	To ensure that the Council has appropriate controls in place over the operational and financial activities of the venue.	Service Risk Register	2017-18	Substantial			✓
Cultural Services	Royal Pump Rooms (including Art Gallery)	Assess adequacy of control over on-site operational and financial activities.	Service Risk Register	2015-16	Substantial	10		
Cultural Services	Town Hall Lettings	To ensure that the Council has appropriate controls in place over the hiring of the facilities, both in terms of income receivable and safeguarding the facilities against loss and damage.	Internal Audit Needs Assessment	2017-18	Substantial			✓
Cultural Services	Leisure and Recreation Facilities	To ensure that effective control is exercised over the charging and collection of fees for the various facilities offered, ensuring that the facilities remain adequately equipped and wellbeing of users and staff is safeguarded.	Service Risk Register	2015-16	Substantial	10		
Cultural Services	Golf Course	To ascertain whether the council has appropriate controls in place to ensure that the contractor appointed for the management and maintenance of Newbold Comyn Golf Course performs the duties expected of them, in line with the contract in place.	Service Risk Register	2016-17	Substantial		✓	
Cultural Services	Sports Development	Assess effectiveness of deployment and management of resources in developing sporting activity including the Youth Sports Development service and contribution from the Sports Council.	Internal Audit Needs Assessment	2015-16	Substantial	8		
Cultural Services	Catering Concessions	To ascertain whether there are adequate controls in place for managing the catering concessions that operate on Council premises to ensure compliance with the agreed conditions and the proper collection and accounting for income due.	Service Risk Register	2016-17	Substantial		✓	
Cultural Services	Leisure Facilities Contracts	Report a level of assurance on the adequacy of structures and processes in place to deliver the aims and objectives of the delivery partnership for the Council's leisure facilities under the outsourced arrangements.	Internal Audit Needs Assessment	None		10		
Development Services	Economic Development	Report a level of assurance on the adequacy of structures and processes in place to deliver the Council's economic development and regeneration functions economically, efficiently and effectively to achieve priority objectives and targets.	Service Risk Register	2017-18	Moderate		✓	
Development Services	Events Management	Report a level of assurance on the adequacy of arrangements to regulate approved markets and deliver events (including the Warwick MOP) economically, efficiently and effectively.	Internal Audit Needs Assessment	2017-18	Moderate		✓	
Development Services	Development Management	Appraise adequacy of controls to ensure that the Development Management functions comply with governing legislation, policies, standards, etc. and are delivered economically, efficiently and effectively to met relevant priority objectives.	Service Risk Register	2017-18	Substantial			✓
Development Services	Building Control	To ascertain whether the council has appropriate controls in place to ensure that the building control services are delivered economically, efficiently and effectively, across all areas of the partnership, in accordance with statutory requirements etc.	Service Risk Register	2016-17	Moderate	15		

Notes:

1. To be determined based on next update of IT Audit Needs Assessment (expected early 2020).

STRATEGIC AUDIT PLAN 1ST APRIL 2018 TO 31ST MARCH 2021

OTHER INTERNAL AUDIT COVERAGE

This section covers the auditable areas other than those linked with the Significant Business Risk Register or classified as core systems. The decision to audit these areas is primarily influenced by the Service Risk Registers, but further areas are identified through an internal audit needs assessments process and IS/IT audit needs assessments commissioned from approved external contractors.

Client Name	Assignment Name	Assignment Objective	Risk Register Source	Year Last Audited	Assurance Rating Last Audit	2018-19 (Days)	2019-20	2020-21
Development Services	Planning Policy	Report a level of assurance on the adequacy of structures and processes for developing and implementing the Local Plan and other plans and policies for managing development in line with the Council's high level strategies and national policies.	Significant Business Risk Register	2016-17	Moderate		✓	
Development Services	Local Land Charges	Report a level of assurance on the adequacy of systems in place to ensure compliance with statutory requirements, completeness and accuracy of records and economic/efficient/effective service delivery.	Service Risk Register	2017-18	To be advised	To be reviewed re progress on transfer of responsibilities to HM Land Registry under Infrastructure Act 2015.		
Development Services	Conservation and Design	To ascertain whether there are adequate controls in place to ensure that the historic built environment of the district is maintained to an appropriate standard and that consultative and promotional functions are delivered appropriately	Service Risk Register	2016-17	Substantial		✓	
Development Services	Community Infrastructure Levy and Section 106 Agreements	Report a level of assurance on the adequacy of structures and processes to secure appropriate application and enforcement of CIL and S106 agreements in accordance with relevant legislation and planning policy.	Service Risk Register	2015-16	Substantial	10		
Development Services	Business Applications - IDOX Planning, Bldg. Control & Land Charges	Assess the adequacy of key IT controls in place for the Plantech Acolaid application to maintain the confidentiality, integrity and availability of data stored and processed within the system.	Internal Audit Needs Assessment	2016-17	Substantial		✓	
Health & Community Protection	Licensing Services	To ensure that the Council's licensing operations comply with statutory and regulatory requirements and that resources are deployed economically, efficiently and effectively to achieve relevant corporate objectives and targets.	Service Risk Register	2017-18	Substantial			✓
Health & Community Protection	Business Applications - APP Civica	Assess the adequacy of key IT controls in place for the APP Civica application to maintain the confidentiality, integrity and availability of data stored and processed within the system.	IT Audit Needs Assessment	2015-16	Substantial			See Note 1
Health & Community Protection	Funding of Voluntary Organisations	To ensure that grants to voluntary organisations are awarded in line with agreed policies.	Internal Audit Needs Assessment	2015-16	Substantial	10		
Health & Community Protection	Flood Risk Management	Assess adequacy of systems to ensure compliance with statutory requirements, economic/efficient/ effective deployment of resources and achieving performance objectives.	Service Risk Register	2017-18	To be advised			✓
Health & Community Protection	Food Safety	Appraise the adequacy of the systems and controls in place to ensure that all applicable premises are identified and inspected, incidents are appropriately responded to, resources are efficiently, effectively and economically deployed and objectives met	Service Risk Register	2016-17	Substantial		✓	
Health & Community Protection	Health and Safety Enforcement in the District	Appraisal of systems to ensure effective management of relevant policies, identification/ inspection of applicable premises, response to incidents, economic/efficient/effective deployment of resources and achievement of performance objectives.	Service Risk Register	2015-16	Substantial	11		
Health & Community Protection	Environmental Protection Functions	Report a level of assurance on the adequacy of systems in place to secure economic, efficient and effective discharge of the relevant functions in accordance with statutory requirements, national standards and corporate objectives.	Service Risk Register	2017-18	To be advised			✓
Health & Community Protection	Places and Projects	Report a level of assurance on the adequacy of systems in place to secure economic, efficient and effective discharge of the relevant functions in accordance with statutory requirements, national standards and corporate objectives.	Service Risk Register	2014-15	Substantial	10		

Notes:

1. To be determined based on next update of IT Audit Needs Assessment (expected early 2020).

STRATEGIC AUDIT PLAN 1ST APRIL 2018 TO 31ST MARCH 2021

OTHER INTERNAL AUDIT COVERAGE

This section covers the auditable areas other than those linked with the Significant Business Risk Register or classified as core systems. The decision to audit these areas is primarily influenced by the Service Risk Registers, but further areas are identified through an internal audit needs assessments process and IS/IT audit needs assessments commissioned from approved external contractors.

Client Name	Assignment Name	Assignment Objective	Risk Register Source	Year Last Audited	Assurance Rating Last Audit	2018-19 (Days)	2019-20	2020-21
Health & Community Protection	Crime and Disorder	Report a level of assurance on the adequacy of controls in place to secure compliance with legislation and deliver the Council's role on Crime and Disorder economically, efficiently and effectively.	Service Risk Register	2016-17	Substantial		✓	
Health & Community Protection	CCTV Services	Evaluation of operational controls within the CCTV service to ensure effective continual serviceability and contribution to street scene objectives.	Service Risk Register	2012-13	Substantial	10		
Neighbourhood Services	Open Spaces	Report a level of assurance on the adequacy of structures and processes in delivering relevant community, strategic and operational objectives in respect of open spaces.	Service Risk Register	2016-17	Substantial		✓	
Neighbourhood Services	Refuse Collection and Recycling	Appraisal of management systems to ensure compliance with statutory and regulatory requirements and economic/efficient/effective deployment of resources to achieve priority objectives, national targets, etc.	Service Risk Register	2017-18	Substantial			✓
Neighbourhood Services	Street Cleansing	Appraisal of planning and contract administration to ensure that street cleansing services are delivered to the requisite standards in an economic, efficient and effective manner.	Service Risk Register	2017-18	Substantial			✓
Neighbourhood Services	Car Parking	Appraisal of management systems for developing and operating car parking facilities to ensure economic, efficient and effective deployment of resources to achieve the Council's priority objectives.	Service Risk Register	2015-16	Substantial	10		
Neighbourhood Services	Bereavement Services	Assess adequacy of controls in place to ensure economic, efficient and effective management of burial and cremation services and integrity of operational systems and statutory records.	Service Risk Register	2016-17	Substantial		✓	
Neighbourhood Services	Grounds Maintenance	To ascertain whether the council has appropriate controls in place to ensure that the Grounds Maintenance contractor performs the duties expected of them, in line with the contract in place.	Service Risk Register	2016-17	Substantial		✓	
Corporate Functions	Equality and Diversity	Report a level of assurance on the adequacy of the corporate framework for facilitating the fulfilment of the Council's duties under the Equalities Act 2010.	Service Risk Register	2016-17	Substantial		✓	
Corporate Functions	Corporate Health and Safety	Report a level of assurance on the adequacy of corporate systems in place to meet the Council's statutory obligations on health and safety as employer and provider of services and facilities to customers and the public.	Service Risk Register	2016-17	Substantial		✓	
Corporate Functions	Safeguarding Children and Vulnerable Adults	Report a level of assurance on the adequacy of corporate systems in place to meet the Council's statutory obligations on safeguarding children and vulnerable adults.	None Specific	2016-17	Substantial		✓	
Corporate Functions	Lone Worker Arrangements	To ascertain how the different Lone Worker systems in place at the Council are used by each service and individual staff members and to determine if and how the current position can be improved.	None Specific	2017-18	Moderate			✓
TOTAL DAYS						233		

Notes:

1. To be determined based on next update of IT Audit Needs Assessment (expected early 2020).

STRATEGIC AUDIT PLAN 1ST APRIL 2018 TO 31ST MARCH 2021

OTHER FUNCTIONS AND RESOURCE BALANCING

Category	Function	Days (2018-19)
Ongoing Advisory Input and Non-Audit Duties	Anti-Fraud and Corruption Framework	10
	National Fraud Initiative	15
	Sundry Advice & Consultancy	25
Contingency Audit Work	(Miscellaneous assignments)	20
Contingency Non-Audit Work	(Miscellaneous assignments)	10
	TOTAL OTHER FUNCTIONS	80
	TOTAL RISK BASED COVERAGE	64
	TOTAL COVERAGE FOR EXTERNAL REQUIREMENTS	55
	TOTAL OTHER AUDIT COVERAGE	233
	TOTAL AUDIT DAYS REQUIRED	432
	TOTAL INTERNAL AUDIT DAYS AVAILABLE *	355
	ESTIMATED DAYS CONTRACTED OUT (IT AUDIT)	77
	Total Estimated Resources Available	432
	SURPLUS / SHORTFALL (-)	0

Internal Audit Charter

Introduction

The Public Sector Internal Audit Standards require the Council to have an Internal Audit Charter that must be approved by Senior Management and the Audit Committee (or its equivalent). The Charter defines the purpose, authority and responsibility of Internal Audit. It also sets out the nature of the Chief Audit Executive's¹ functional relationship with the board² as well as the rights of access to records, personnel and physical properties relevant to internal audit engagements.

Purpose of Internal Audit

The Chartered Institute of Internal Auditors defines internal audit as follows:

"Internal auditing is an independent, objective assurance and consulting activity³ designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes."

Statutory Basis of Internal Audit

Within local government there is a statutory requirement for an internal audit function. The 2003 Accounts and Audit Regulations (as amended by the 2006, 2009, 2011 and 2015 Regulations) require that "A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance."

In addition, the Council's Chief Finance Officer (the Head of Finance) has a statutory duty under Section 151 of the Local Government Act 1972 to "make arrangements for the proper administration of the authority's financial affairs". This assumes, amongst other duties, provision of an effective internal audit

¹ This is the generic title used in the Public Sector Internal Audit Standards to describe the head of internal audit at an organisation. At WDC this officer is the Audit and Risk Manager.

² In the Council's case this is held to be the Finance and Audit Scrutiny Committee

³ An assurance engagement is an objective examination of evidence for the purpose of providing an independent assessment on governance, risk management, and control processes for the organisation. Examples of the types of engagements that would be considered assurance engagements include financial, performance, and compliance audits. Consulting activities are advisory and related client service activities, the nature and scope of which are agreed upon with the client and which are intended to add value and improve an organisation's operations without the internal auditor assuming management responsibility. Consulting activities includes such activities as conducting internal control training, providing advice to management about the control concerns in new systems, drafting policies, and participating in quality teams.

function. The S151 Officer relies, amongst other sources, upon the work of internal audit in reviewing the operation of systems of internal control and financial management.

Role

Internal Audit's responsibilities are defined by the Finance and Audit Scrutiny Committee, via this Charter, as part of their oversight role. Internal audit activity is approved and overseen by the Finance and Audit Scrutiny Committee.

Internal Audit may undertake consultancy activity (additional work requested by management) where it has the necessary skills and resources to do this, and this will be determined by the Audit and Risk Manager on a case-by-case basis.

Professionalism

Internal Audit complies with the Public Sector Internal Audit Standards. This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of Internal Audit's performance.

In addition, Internal Audit will adhere to the Council's relevant policies and procedures as well as its own operating procedures set out in its Internal Audit Manual.

Authority

Internal Audit, with strict accountability for confidentiality and safeguarding records and information, has full and unrestricted access to all of the organisation's records, physical properties, and personnel pertinent to carrying out any engagement. All employees are required to assist Internal Audit in fulfilling its roles and responsibilities.

Internal Audit also has free and unrestricted access to the Finance and Audit Scrutiny Committee and senior management.

Organisation

Internal Audit has direct access to senior management, the Finance and Audit Scrutiny Committee, the Chief Executive and the Leader of the Council. The Section 151 Officer and the Finance and Audit Scrutiny Committee will jointly agree the level of internal audit resource to be deployed at the Council. The Audit and Risk Manager will communicate and interact directly with the senior management and the Finance and Audit Scrutiny Committee.

For line management purposes, the Audit and Risk Manager will report to the post of Head of Finance at Warwick District Council. The Chief Executive will approve all decisions regarding the performance evaluation of the Audit and Risk Manager as part of the Council's Performance Management Framework.

For the purposes of the internal auditing function, the following groups are defined:

Finance and Audit Scrutiny Committee

The Finance and Audit Scrutiny Committee is responsible for overseeing the effectiveness of the internal audit function, and holding the Audit and Risk Manager to account for delivery, through the receipt of regular reports and updates. The Finance and Audit Scrutiny Committee is responsible for the effectiveness of the governance, risk and control environment within the Council, holding managers to account for delivery.

Senior Management⁴

Senior management is responsible for helping to shape the programme of assurance work through analysis and review of key risks. Senior management is responsible for responding to reports issued by Internal Audit and for implementing recommendations within agreed timescales.

Independence and Objectivity

Internal Audit will remain free from interference by any element in the organisation, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective mental attitude.

Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgement.

The Audit and Risk Manager will confirm to the Finance and Audit Scrutiny Committee, at least annually, the organisational independence of Internal Audit.

Conflicts of Interest

Internal auditors must exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors must make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others when forming judgements.

In addition to the ethical requirements of the various professional bodies, each auditor is required to declare proactively any potential 'conflict of interest' prior to the commencement of each audit assignment.

All auditors are required to sign an annual declaration of interest to ensure that the allocation of audit work avoids conflict of interest. Auditors who undertake any consultancy work will be prohibited from auditing those areas. Audits are rotated within the team to avoid over-familiarity and complacency.

⁴ Senior management comprises the members of the Senior Management Team i.e. the Chief Executive, the Deputy Chief Executives and the Heads of Services.

Responsibility and Scope

The scope of internal auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the organisation's governance, risk management, and internal control processes in relation to the organisation's defined goals and objectives. Internal control objectives considered by internal audit extend to the entire control environment of the organisation and include:

- Consistency of operations with established objectives and goals
- Effectiveness and efficiency of operations and employment of resources
- Compliance with significant policies, plans, procedures, laws, and regulations
- Reliability and integrity of management and financial information processes, including the means to identify, measure, classify, and report such information
- Safeguarding of assets

Internal Audit is responsible for evaluating all processes ('audit universe') of the organisation including governance processes and risk management processes. It also assists the Finance and Audit Scrutiny Committee in evaluating the quality of performance of external auditors and ensuring a proper degree of coordination with internal audit is maintained.

Due to its detailed knowledge and understanding of risks and controls, internal audit is well placed to provide advice and support on emerging risks and issues. As a result, internal audit may perform consulting and advisory services as appropriate for the organisation. It may also evaluate specific operations at the request of the Finance and Audit Scrutiny Committee and senior management, as appropriate.

Based on its activity, internal audit is responsible for reporting significant risk exposures and control issues identified to the Finance and Audit Scrutiny Committee and to senior management, including fraud risks, governance issues, and other matters requested by these bodies. This can include the results of investigations, whether related to the conduct of staff or otherwise. This ensures Internal Audit plays a key role in providing assurance to the Finance and Audit Scrutiny Committee and senior management on the effectiveness of the entire control environment.

Role in Anti-Fraud

The work programme of Internal Audit is designed, in part, to help deter fraud and corruption. With this in view, Internal Audit bases its planning on regular risk assessment, and works with senior managers and the Finance and Audit Scrutiny Committee in determining its programme of work.

Internal Audit will also share information with relevant partners, where lawful and appropriate, to increase the likelihood of detecting fraudulent activity and reduce the risk of fraud to all. This includes co-ordinating the statutory data matching processes and investigations arising under the National Fraud Initiative.

The Audit and Risk Manager must be notified immediately of all suspected or detected fraud, corruption or impropriety so that the impact upon control arrangements can be evaluated.

Internal Audit Plan

At least annually, the Audit and Risk Manager will submit to the Finance and Audit Scrutiny Committee an Internal Audit Plan for review and approval. The Internal Audit Plan will include timing as well as budget and resource requirements for the next financial year. The Audit and Risk Manager will communicate the impact of resource limitations and significant interim changes to senior management and the Finance and Audit Scrutiny Committee.

The Internal Audit Plan will be developed based on a prioritisation of the audit universe using a risk-based methodology and on extensive consultation with stakeholders, including the Council's managers.

Any significant deviation from the approved internal audit plan will be communicated through the periodic activity reporting process.

Reporting and Monitoring

The Audit and Risk Manager will arrange for a written report to be prepared and issued following the conclusion of each internal audit engagement; this will be distributed as appropriate.

The internal audit report will include management's response and corrective action taken or to be taken in regard to the specific findings and recommendations.

Management's response will include a timetable for anticipated completion of action to be taken and an explanation for any corrective action that will not be implemented.

Internal Audit will be responsible for appropriate follow-up on engagement findings and recommendations and will report to the Finance and Audit Scrutiny Committee on the results of this activity.

The Audit and Risk Manager will consider any request from external stakeholders for reports on the results of internal audit activity, in consultation with senior management.


The Audit and Risk Manager will arrange for quarterly update reports to the Finance and Audit Scrutiny Committee to advise on the results of each internal audit engagement, and provide an annual report to the Finance and Audit Scrutiny Committee giving an opinion on the internal control environment.

Periodic Assessment

In accordance with the Public Sector Internal Audit Standards a review of the effectiveness of internal audit will be performed at least once every five years.

Review of the Audit Charter

This Charter will be subject to annual review by the Audit and Risk Manager and any changes will be presented to Finance and Audit Scrutiny Committee for approval.

 Finance and Audit Scrutiny Committee 6 March 2018		Agenda Item No. 7
Title	Annual Governance Statement 2016/17 Action Plan: Review of Progress	
For further information about this report please contact	Richard Barr Tel: (01926) 456815 E Mail: richard.barr@warwickdc.gov.uk	
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 – 28 November 2017	
Background Papers	Accounts and Audit (England) Regulations 2015 Delivering Good Governance in Local Government: Framework (CIPFA/SOLACE 2007)* Delivering Good Governance in Local Government: Framework and Guidance Note for English Authorities (CIPFA/SOLACE 2012)* Delivering Good Governance in Local Government: Framework (Addendum) (CIPFA/SOLACE 2012)* The Annual Governance Statement – Rough Guide for Practitioners (CIPFA Financial Advisory Network) Minutes of Senior Management Team *See paragraph 8.3	

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: 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	14 Feb 2018	Chris Elliott
Head of Service	14 Feb 2018	Mike Snow
SMT	14 Feb 2018	SMT
Section 151 Officer	14 Feb 2018	As Head of Service
Monitoring Officer	14 Feb 2018	Andrew Jones
Finance	14 Feb 2018	As Section 151 Officer

Portfolio Holders	14 Feb 2018	Councillors A Mobbs & P Whiting
Consultation and Community Engagement		
Consultation with members and officers listed above. Plus Senior Management Team review of Annual Governance Statement Action Plan.		
Final Decision?	Yes	
Suggested next steps (if not final decision please set out below)		

1 Summary

- 1.1 The purpose of this report is for Committee to review the progress that is being made in addressing the 'Significant Governance Issues' facing the Council set out in its Annual Governance Statement 2016/17. The appendix accompanying this report sets out the progress in addressing the Significant Governance Issues.

2 Recommendations

- 2.1 That Committee should review the Action Plan set out in the Appendix and confirm whether it is satisfied with the progress being made in addressing the Significant Governance Issues pertaining to the Annual Governance Statement 2016/17.

3 Reasons for the Recommendations

- 3.1 To help fulfil Members' responsibility for effective corporate governance within the Council.
- 3.2 To provide assurance to Members that governance issues identified as part of the compilation of the Annual Governance Statement are being addressed.

4 Policy Framework

4.1 Fit for the Future (FFF)

The Council's FFF Strategy is designed to deliver the District's Vision of making it a Great Place to Live, Work and Visit. With those objectives the FFF Strategy contains several Key projects.

The FFF Strategy has 3 strands – People, Services and Money and each has an external and internal element to it. The table below illustrates the impact of this proposal if any in relation to the Council's FFF Strategy.

FFF Strands		
People	Services	Money
External		
Health, Homes, Communities	Green, Clean, Safe	Infrastructure, Enterprise, Employment
<u>Intended outcomes:</u> Improved health for all Housing needs for all met Impressive cultural and sports activities Cohesive and active communities.	<u>Intended outcomes:</u> Area has well looked after public spaces All communities have access to decent open space Improved air quality Low levels of crime and ASB.	<u>Intended outcomes:</u> Dynamic and diverse local economy Vibrant town centres Improved performance/productivity of local economy Increased employment and income levels.
Impacts of Proposal		
Although there are no direct policy implications, the Annual Governance		

Statement is an essential part of corporate governance and will be a major factor in shaping the Policy Framework and Council policies.		
Internal		
Effective Staff	Maintain or Improve Services	Firm Financial Footing over the Longer Term
<u>Intended outcomes:</u> All staff are properly trained All staff have the appropriate tools All staff are engaged, empowered and supported The right people are in the right job with the right skills and right behaviours.	<u>Intended outcomes:</u> Focusing on our customers' needs Continuously improve our processes Increase the digital provision of services.	<u>Intended outcomes:</u> Better return/use of our assets Full Cost accounting Continued cost management Maximise income earning opportunities Seek best value for money.
Impacts of Proposal		
Although there are no direct policy implications, the Annual Governance Statement is an essential part of corporate governance and will be a major factor in shaping the Policy Framework and Council policies.		

4.2 **Supporting Strategies**

Each strand of the FFF Strategy has several supporting strategies but description of these is not relevant for the purposes of this report.

4.3 **Changes to Existing Policies**

This section is not applicable.

4.4 **Impact Assessments**

This section is not applicable.

5 **Budgetary Framework**

5.1 Although there are no direct budgetary implications arising from this report, an effective Budgetary Framework is a key element of corporate governance. An effective control framework ensures that the Authority manages its resources and achieves its objectives economically, efficiently and effectively.

6 **Risks**

6.1 Risk management is an intrinsic element of corporate governance. There are various risks associated with the Significant Governance Issues and these not being addressed satisfactorily.

7 **Alternative Options Considered**

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

8 **Corporate Governance in Local Authorities**

- 8.1 CIPFA/SOLACE emphasise that corporate governance is everyone's business and define it as:

"How the local government bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. It comprises the systems and processes, and cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with and, where appropriate, lead their communities." CIPFA/SOLACE (Chartered Institute of Public Finance & Accountancy/Society of Local Authority Chief Executives)

- 8.2 CIPFA/SOLACE has issued a framework and guidance on delivering good governance in local government. The framework is built on the six core principles set out in the Good Governance Standard for Public Services that were themselves developed from earlier work by Cadbury and Nolan. The principles in relation to local government as set out in the framework are:

- a clear definition of the body's purpose and focusing on the outcomes for the community and creating and implementing a vision for the local area;
- members and officers are working together to achieve a common purpose with clearly defined functions and roles;
- promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
- taking informed and transparent decisions which are subject to effective scrutiny and managing risk;
- developing the capacity and capability of members and officers to be effective;
- engaging with local people and other stakeholders to ensure robust public accountability.

Both the Annual Governance Statement and the Council's Code of Corporate Governance reflect these six themes.

- 8.3 CIPFA/SOLACE has updated its framework and related guidance recently and this needs reflecting in the Council's governance arrangements, including that of its Annual Governance Statement. This requirement forms one of the two governance issues set out in the Annual Governance Statement for 2016/17.

9 **Annual Governance Statement**

- 9.1 The production of an Annual Governance Statement is a statutory requirement for local authorities (Regulation 6 of The Accounts and Audit (England) Regulations 2015).

- 9.2 The CIPFA Financial Advisory Network has published an advisory document entitled "The Annual Governance Statement: Rough Guide for Practitioners". Its advice is that the Annual Governance Statement is a key corporate document and the most senior member and the most senior officer (Leader and Chief Executive respectively) have joint responsibility as signatories for its accuracy and completeness. It advises that it should be owned by all senior members and officers of the authority and that it is essential that there is buy-in at the top level of the organisation. It advises that the work associated with its production should not be delegated to a single officer.
- 9.3 The Leader and Chief Executive of the Council as signatories to the Annual Governance Statement need to ensure that it accurately reflects the governance framework for which they are responsible. In order to achieve this they will rely on many sources of assurance, such as that from:
- Members of the Council
 - Deputy Chief Executives and Service Area Managers
 - the Responsible Financial Officer
 - the Monitoring Officer
 - the Audit and Risk Manager
 - performance and risk management systems
 - third parties, e.g. partnerships
 - external audit and other review agencies.

10 **The Significant Governance Issues**




- 10.1 The governance issues facing the Council have been identified from production of the statutory Annual Governance Statement.
- 10.2 The Significant Governance Issues are summarised in the Action Plan element of the Annual Governance Statement for 2016/17.
- 10.3 The Annual Governance Statement (and therefore the Action Plan setting out the Significant Governance Issues) has been approved by Full Council.
- 10.4 The appendix accompanying this report sets out the progress in addressing the Significant Governance Issues.
- 10.5 The progress in addressing these governance issues is reported by the officers who are leading on them and have been endorsed by the Senior Management Team at a recent meeting.

Annual Governance Statement 2016/17: Action Plan for Governance Issues

Review of Progress to end of Jan 2018

AGS Ref.	Governance Issue	Responsible Officer	Progress Implementing Governance Issue	
			Position as at previous quarter	Position as at end Jan 2017
5.1-1	The need to ensure that lessons are learned corporately from the Electrical Maintenance Contract Procurement.	Senior Management Team.	Progress had been made on all actions, with most concluded and some ongoing.	See Appendix 1A, co-ordinated by Head of Finance. In summary, progress being made on all actions, with most concluded and some ongoing. SMT are required to review Appendix 1A and update where appropriate for forwarding to Finance & Audit Scrutiny Committee.
5.1-2	The requirement to update the Council's Local Code of Corporate Governance in the light of recently-revised CIPFA/SOLACE guidance.	Corporate Management Team. (Delegated to Audit & Risk Manager.)	<p>A table had been produced, and circulated among key officers for comment, that shows how the Council is meeting the principles of good governance prescribed by CIPFA/SOLACE in <i>'Delivering Good Governance in Local Government: Framework (2016)'</i>.</p> <p>The intention was to update the Local Code by end of the Calendar year with a view to it being approved by Executive on 7 Feb and Full Council on 21 Feb.</p>	<p>The table setting out how the Council is meeting the principles of good governance prescribed by CIPFA/SOLACE was considered by SMT on 31 January 2018. This was accompanied by the revised Local Code of Corporate Governance. Both documents were approved by SMT at that meeting.</p> <p>The documents will now be issued to Executive for its approval on 7 March with the intention of the Local Code being approved by Full Council on 18 April.</p>

Progress in implementing 'Lessons Learned' from Procurement of Electrical Maintenance & Repair Contract




Reference	Learning Point	Source	Owner	Progress to end Jan 2018
Subject Area: Conflicts of Interest				
1.1 RED	No staff with a potential conflict of interest should play any part in a related tender process.	Internal Audit Investigation Report to CMT June 2016	SMT	This is reflected within the Code of Procurement Practice and the Employee Code of Conduct. This specific issue will be discussed at SMT to ensure that appropriate practices are in place. Conflict of interest is discussed at initial procurement project briefings, with those involved having to sign a declaration of interest form. The CoPP will be updated to re-enforce this. Status: 
2.7 A	That all officers be asked each year, on the anniversary of the date they first joined the Council, to update and sign their Declaration of Interest form.	Recommendations from the Report Produced by Head of Housing and Property Services.	CMT/SMT	Recommendation revised after subsequent discussions at SMT as now addressed as part of routine contract management and the PID process for new procurement exercises. Status: 
3.2 R	Senior Management should re-double its efforts to ensure that all staff be made aware of conflict of interest situations (paras. 3.2.7-3.2.14 & 3.2.18 of report).	Internal Audit investigation report to Finance & Audit Scrutiny Committee March 2017	Senior Management Team and other Senior Officers	SMT continually and routinely making colleagues aware when dealing with procurement. In addition, there is a training programme in place. DCE (AJ) to re-instate annual reminder for Heads of Service Status: 



Reference	Learning Point	Source	Owner	Progress to end Jan 2018
2.6 G	That all officers who are to be involved in a procurement project be required to sign a Declaration of Interest bespoke to that procurement exercise.	Recommendations from the Report Produced by Head of Housing and Property Services.	CMT/SMT	Conflict of interest is discussed at initial procurement project briefings, with those involved having to sign a declaration of interest form. Status: G
Subject Area: Tender Evaluation				
1.2 G	Independent (Procurement) staff should be present during tender evaluation exercises to ensure that correct processes are followed.	Internal Audit Investigation Report to CMT June 2016	Procurement Manager and Procurement Lead Officer	The Code of Procurement Practice and the Guide to Tendering Evaluation include these requirements. This is reinforced as part of planning for each tender opportunity and is within all procurement training (formal and informal). Tender evaluation is carried out individually by each panel member and is overseen by the Procurement Team, ensuring that the evaluators are suitably trained and able to undertake their role. The Procurement Team will subsequently review the scores to ensure consistency and identify any unusual anomalies, and provide challenge where necessary, before the conclusion of the evaluation. The WCC model practice has been adopted here. Status: G

Reference	Learning Point	Source	Owner	Progress to end Jan 2018
1.4 A	Staff involved in tender evaluation processes should receive appropriate training.	Internal Audit Investigation Report to CMT June 2016	Procurement Manager / SMT	<p>The Procurement Team ensure, as part of planning each tender opportunity, that staff are appropriately trained (often by informal 1-2-1 training) to undertake evaluations, and this will be part of the planned Stage 2 Advanced Procurement Training.</p> <p>There is a training programme in place with training being provided by Procurement Team. With the new WDC/WCC Procurement Partnership starting 1 April 2018, the training plan is being updated to be launched within the 2018/19 HR Training Manual.</p> <p>Whilst the training programme is being developed the status will remain at amber until it has been delivered.</p> <p>Status: A</p>
3.3 R	The process for evaluating tenders should be "clean" i.e. evaluators should be empowered/ allowed to evaluate (3.2.30-3.2.37).	Internal Audit investigation report to Finance & Audit Scrutiny Committee March 2017	Senior Management Team and other Senior Officers including Procurement Team	<p>Roles and responsibilities in the procurement process included within formal and informal training provided by Procurement Team.</p> <p>Status: G</p>




Reference	Learning Point	Source	Owner	Progress to end Jan 2018
Subject Area: Project Management				
3.1 R	Senior Management needs to be more actively involved in major tender processes where there is staff upheaval (paras. 3.1.8-3.1.18 of Internal Audit report).	Internal Audit investigation report to Finance & Audit Scrutiny Committee March 2017	Senior Management Team	<p>Heads of Service regularly review contract registers in the context of staff changes. Contract Registers are themselves reviewed on rolling basis.</p> <p>CMT routinely discuss contract registers with their reports at 1-1s as a standing agenda item</p> <p>Status:</p> <p>G</p>
1.3 G	The corporate training programme should promote the respective roles and responsibilities of the initiating service area and the Procurement Team in respect of the procurement process, including clarification of where the 'ownership' of each task lies.	Internal Audit Investigation Report to CMT June 2016	Head of Finance & Procurement Manager	<p>Roles and responsibilities will continue to be brought out in future training. More importantly, for each project responsibilities are agreed with those involved, this being spelt out in the Procurement Initiation Document (PID).</p> <p>Updated Code of Procurement Practice includes roles and responsibilities. This is also included within the training provided by the Procurement Team. Roles and responsibilities is also discussed/clarified at initial procurement project briefings.</p> <p>Status:</p> <p>G</p>

Reference	Learning Point	Source	Owner	Progress to end Jan 2018
2.1 A	That the Council introduces for all procurement exercises that start on or after April 1 st , 2016, a mandatory formal Project Plan for each procurement exercise setting out an agreed schedule of all actions, deadlines and responsible officers.	Recommendations from the Report Produced by Head of Housing and Property Services.	Procurement Team	Project Plans are a requirement for each procurement exercise, setting out an agreed schedule of all actions, deadlines and responsible officers. In addition, a Procurement Initiation Document (PID) is a requirement of the Code of Procurement Practice for projects over £50k. SMT need to ensure that these are routinely prepared. Non-compliance will be considered by the Procurement Steering Group. Status: G
2.2 A	That within the Project Plan there is a clear and distinct division of responsibilities and contributions from the procuring service, the Legal Services Team and the Procurement Team.	Recommendations from the Report Produced by Head of Housing and Property Services.	SMT	Updated Code of Procurement Practice includes roles and responsibilities. This is also included within the training provided by the Procurement Team. Roles and responsibilities are also discussed/clarified at initial procurement project briefings. The Legal and Procurement functions have scheduled regular surgeries to review new and ongoing procurement initiatives. With the WDC/WCC Procurement Partnership commencing 1 April 2018, roles and responsibilities are being re-confirmed for SMT sign-off and dissemination. Status to remain at amber until this exercise is complete. Status: A




Reference	Learning Point	Source	Owner	Progress to end Jan 2018
2.3 A	That each procurement project is assigned a named officer to act as Project Manager, that officer reporting to the head of the procuring service on progress on the project.	Recommendations from the Report Produced by Head of Housing and Property Services.	SMT	Now forms part of the Procurement Initiation Document. Status: 
2.4 G	That a restricted access shared folder system is mandated to be used for all procurement projects, with a reference system for each document designed to make sure that a single, common set of documents is used at all stages of the procurement process by all involved in the procurement exercise.	Recommendations from the Report Produced by Head of Housing and Property Services.	Procurement Team	Documents held within Intend system. Further shared folders created on Share Drive as necessary. Status: 
2.5 A	That other than in the most exceptional of circumstances, all procurement projects are scheduled to allow for a minimum four-month mobilisation period.	Recommendations from the Report Produced by Head of Housing and Property Services.	CMT/SMT	The period required varies depending on the value and complexity of the project. The time required should be stated by the contract manager in advance and included within the PID. Status: 


Reference	Learning Point	Source	Owner	Progress to end Jan 2018
2.8 A	That releasing or allowing the release of details of procurement exercises before the formal announcement of the outcome of such an exercise be considered an act of gross Misconduct	Recommendations from the Report Produced by Head of Housing and Property Services.	CMT/SMT	Agreed. Status: 
2.9 G	That, as part of the Council's approach to procuring services, a 'whole system cost and benefit analysis' be required to consider alternative delivery vehicles to external providers.	Recommendations from the Report Produced by Head of Housing and Property Services.	CMT/SMT	PID requires alternative delivery models to be considered in advance. Status: 

Prioritisation Key:

	Higher Priority
	Medium Priority
	Lower Priority

Status on Progress Key:

	No/limited progress
	Substantial progress but further work required
	Complete

 Finance and Audit Scrutiny Committee 6 March 2018		Agenda Item No. 8
Title		Review of the Assigning of Parent Company Guarantees and Other Types of Securities to Council Contracts
For further information about this report please contact		Richard Barr Tel: (01926) 456815 E Mail: richard.barr@warwickdc.gov.uk
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 – 3 January 2018. Executive – 4 January 2018.
Background Papers	Report to Executive 4 January 2018 on Newbold Comyn Golf Course.	

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: 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	21 Feb 2018	Chris Elliott
Head of Service	21 Feb 2018	Mike Snow
SMT	21 Feb 2018	SMT
Section 151 Officer	21 Feb 2018	As Head of Service
Monitoring Officer	20 Feb 2018	Andrew Jones
Finance	21 Feb 2018	As Section 151 Officer
Portfolio Holders	21 Feb 2018	Councillor Whiting
Consultation and Community Engagement		
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 The purpose of this report is to apprise Members of the issues relating to the assigning of securities to the Council's contracts, with particular emphasis on parent company guarantees.

2 **Recommendations**

- 2.1 That Committee should note the report set out as Appendix A, supporting the recommendations within it.

3 **Reasons for the Recommendations**

- 3.1 To provide assurance to Members that problems in respect of the Golf Contract that could apply to other contracts are being addressed.
- 3.2 To help improve the general governance of contracts.

4 **Policy Framework**

4.1 **Fit for the Future (FFF)**

The Council's FFF Strategy is designed to deliver the District's Vision of making it a Great Place to Live, Work and Visit. With those objectives the FFF Strategy contains several Key projects.

The FFF Strategy has 3 strands – People, Services and Money and each has an external and internal element to it. The table below illustrates the impact of this proposal if any in relation to the Council's FFF Strategy.

FFF Strands		
People	Services	Money
External		
Health, Homes, Communities	Green, Clean, Safe	Infrastructure, Enterprise, Employment
<u>Intended outcomes:</u> Improved health for all Housing needs for all met Impressive cultural and sports activities Cohesive and active communities.	<u>Intended outcomes:</u> Area has well looked after public spaces All communities have access to decent open space Improved air quality Low levels of crime and ASB.	<u>Intended outcomes:</u> Dynamic and diverse local economy Vibrant town centres Improved performance/ productivity of local economy Increased employment and income levels.
Impacts of Proposal		
Although there are no direct policy implications, a strong and effective governance framework will be a major factor in helping to achieve the above outcomes.		

Internal		
Effective Staff	Maintain or Improve Services	Firm Financial Footing over the Longer Term
<u>Intended outcomes:</u> All staff are properly trained All staff have the appropriate tools All staff are engaged, empowered and supported The right people are in the right job with the right skills and right behaviours.	<u>Intended outcomes:</u> Focusing on our customers' needs Continuously improve our processes Increase the digital provision of services.	<u>Intended outcomes:</u> Better return/use of our assets Full Cost accounting Continued cost management Maximise income earning opportunities Seek best value for money.
Impacts of Proposal		
Although there are no direct policy implications, a strong and effective governance framework will be a major factor in helping to achieve the above outcomes.		

4.2 **Supporting Strategies**

Each strand of the FFF Strategy has several supporting strategies but description of these is not relevant for the purposes of this report.

4.3 **Changes to Existing Policies**

This section is not applicable.

4.4 **Impact Assessments**

This section is not applicable.

5 **Budgetary Framework**

- 5.1 Although there are no direct budgetary implications arising from this report, an effective Budgetary Framework is a key element of corporate governance. An effective control framework ensures that the Authority manages its resources and achieves its objectives economically, efficiently and effectively.

6 **Risks**

- 6.1 There are various risks associated with contract management and these not being addressed satisfactorily. The consequences will be additional expenditure and deterioration in the reputation of the Council.

7 **Alternative Options Considered**

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

8 **Background**

- 8.1 A report was issued by the Deputy Chief Executive (AJ) to Executive on 4 January 2018 detailing problems with the Golf Contract at Newbold Comyn Golf Course and the issues resulting from this. The report advised that the contractor, Mack Trading, had recently ceased its operation at the golf course and wanted to withdraw from the contract that it had with the Council. In order to do this, a negotiated settlement was being sought. The report set out a number of options and presented various recommendations for dealing with the situation.
- 8.2 Discussions on the report revealed that, although there was a PCG within the contract, this could not be invoked as it became clear that the parent company of Mack Trading had changed its company structure as to render the security useless. (This was done shortly after the contract was let.)
- 8.3 At the Finance & Audit Scrutiny Committee meeting of 3 January 2018, following their consideration of the Golf Contract report to Executive, Members asked for an urgent review of the assigning of parent company guarantees (PCGs) to contracts. The review has been extended to cover all types of securities as the processes for setting these up and monitoring them are the same. It would therefore have been negligent, and ultimately unhelpful, not to have included all types of securities within the review.

**Mini Audit Review:
The Assigning of Parent Company Guarantees and Other
Types of Securities to Council Contracts**

1 Introduction

- 1.1 At the Finance & Audit Scrutiny Committee meeting of 3 January 2018, following their consideration of a report on Newbold Comyn Golf Course to Executive the next day, Members asked for an urgent review of the assigning of parent company guarantees (PCGs) to Council contracts. The review has been extended to cover all types of securities as the processes for setting these up and monitoring them are the same. It would therefore be negligent, and ultimately unhelpful, not to include all types of securities within the review.

2 Scope and Objectives

- 2.1 The review is concerned with assessing the effectiveness or otherwise of the Council's arrangements for assigning securities to contracts with particular emphasis on parent company guarantees.
- 2.2 The review took the form of a systems-based examination of the Council's overall arrangements and did not focus on the Golf Contract specifically. The review is more concerned with ascertaining whether the problems encountered are systemic and could therefore have applied to other contracts. It is also focused on identifying improvements in arrangements to mitigate the occurrence of such problems in the future.

3 Background

- 3.1 A report was issued by the Deputy Chief Executive (AJ) to Executive on 4 January 2018 detailing problems with the Golf Contract at Newbold Comyn Golf Course and the issues resulting from this. The report advised that the contractor, Mack Trading, had recently ceased its operation at the golf course and wanted to withdraw from the contract that it had with the Council. In order to do this, a negotiated settlement was being sought. The report set out a number of options and presented various recommendations for dealing with the situation.
- 3.2 Discussions on the report revealed that, although there was a PCG within the contract, this could not be invoked as it became clear that the parent company of Mack Trading had changed its company structure as to render the security useless. (This was done shortly after the contract was let.)

4 Securities in Contracts: General Principles

- 4.1 From this point onwards, for the purposes of readability, the term "security" will be used to cover all types of guarantees and bonds within contracts. The terms will be explained in this section.

- 4.2 It is important to be clear on the nature and purpose of securities in contracts.
- 4.3 The issue of securities in contracts is a complicated one and it is essential that legal advice be sought at an early stage of the procurement process. Although the application is complex, the principle is straightforward: A security is a promise by one party to compensate another for the loss suffered as a consequence of a specific event. The trigger event can be anything defined by the parties, including a breach of contract, a party's fault or negligence or a specific action. A security operates as a transfer of risks between the parties, and changes what they would otherwise be liable for or entitled to under a normal damage claim.
- 4.4 Bonds and guarantees are forms of security that accompany contractual obligations. 'Secondary obligation bonds' are the most common form of contract security in the UK. They normally comprise guarantees, including parent company guarantees, or conditional bonds, and the bond provider is only liable where a breach of contract has occurred; for example, where the contractor is in breach of contract. A performance bond places an obligation on the provider of the bond (usually a bank or insurer) to pay the buyer a sum of money if the seller fails to perform the contract.
- 4.5 As an illustration of the complexity involved, there are various types of PCG:
- Pure Guarantee – A guarantee in which the parent company guarantees that its subsidiary will perform its obligations under the contract.
 - Guarantee and Right to Perform – This PCG not only guarantees performance of the specialist contractor's work but also obliges the guarantor to make good any default of the contractor.
 - Guarantee and Indemnity – In contrast to the Guarantee and Right to Perform, a guarantee including an indemnity will make the guarantor liable for any and all damages no matter how questionable.
- 4.6 For both the contracting body and the contractor there are various advantages and disadvantages to each of the different types of security that are available.
- 4.7 From the perspective of the contracting body one of the advantages of a PCG is that it helps to maintain a relationship between the Council and the guarantor. With a bond, on the other hand, both the contractor and the Council are subject to the requirements of the bank and what its standard terms are (which are often non-negotiable). With a guarantee the Council can set the terms it wants.
- 4.8 Service contracts tend to be longer term, including some that are 10-15 years, whereas construction contracts tend to be shorter term, for just a few years to deliver fixed milestones. This means that companies in service contracts want to keep their costs lower which leads to them

preferring to use PCGs, whereas companies in construction contracts are predisposed to using bank securities.

- 4.9 It is favourable for contracting bodies to require PCGs from their contractors as the PCG requires the parent company to step in and perform if the contractor defaults rather than just pay a fixed sum of money. Also, there is no cap or limit on PCGs as there are for bonds.
- 4.10 Bank securities are more costly as a percentage of the bond value has to be paid by the contractor to the bank indemnifying the contract. In addition, there are restrictions on the level of security that can be provided.
- 4.11 It is worth pointing out that a guarantee or bond is not needed for every contract; it will depend on the value and risk. In addition, although the Council has a template guarantee, it is based on the leisure contract and may be too stringent for lower-risk contracts.
- 4.12 As stated previously the issue of securities within contracts is a complex one and procurement and legal advice should be sought by services at an early stage of the procurement process. Where a security is required, the Council's Legal advisors should be involved in drafting them so that they can be drafted according to the needs of the particular contract.

5 Findings

- 5.1 Although at the time of completing this report the position across the Council had not been fully established, it is clear that very few of Warwick District Council's contracts have PCGs or any other types of security assigned to them.
- 5.2 With just three, Cultural Services appears to have the most PCGs within its current set of contracts. These comprise:
 - Leisure Services contract – with Everyone Active
 - Leisure Centre Construction contract – Spellers
 - Golf contract – Mack Trading
- 5.3 With the exception of its forthcoming Housing & Void Repairs Contract with Axis Europe, which is being assigned a PCG, Asset Management (previously 'Property Services' and now part of the Chief Executive's Office) doesn't appear to have assigned any forms of security to any of its contracts. This includes the contract to carry out Electrical Maintenance & Repairs to Appliances and Installations.
- 5.4 Neighbourhood Services is inclined to use bonds for its large contracts such as Waste Collection, Street Cleansing and Grounds Maintenance.
- 5.5 Housing Services does not appear to have assigned any forms of security to any of its contracts, understandably in most cases by virtue of being relatively small in value.

- 5.6 Other services tend to have relatively small value contracts that are below the threshold (albeit unspecified) for requiring securities to be attached to them.
- 5.7 Although there is an expectation by the Procurement Manager that PCGs will be considered for larger-value contracts, written guidance on the topic of securities within contracts – e.g. when and how they should be included – was found to be somewhat limited.
- 5.8 For example, although there is guidance to services on the application of bonds within the Council's 'Guide to Risk Management', there is no mention of PCGs within the document.
- 5.9 In a similar vein, although there is reference to PCGs in the supplementary guidance document, 'Financial Vetting of Suppliers Guidance', the references – in the context of the tenderer being able to demonstrate sufficient financial strength – are fleeting. No guidance is provided on when PCGs should be considered and how they should be applied.
- 5.10 Furthermore, there is no overall guidance on the different types of securities that are available, when they should be considered and which ones are the most suitable for particular types of contracts. This has led to tenderers controlling the form of security that is provided.
- 5.11 In terms of the procedure for assigning a security to a contract, tenderers have, traditionally, offered a security of their own choice and the Council has responded to that. The Council has been acting reactively, therefore, not proactively.
- 5.12 For example, in the case of the Golf contract the tenderers were asked in the tender documentation what type of security they would like to provide. In the case of the successful tenderer, M T, the company said that it would provide a parent company guarantee.
- 5.13 With the aid of the Council's Procurement Service and the County Council's legal service the Council is now moving to a situation where the Council decides what it wants and instructs the tenderer accordingly.
- 5.14 Again, however, there is no written guidance governing this and so the application of this approach may be inconsistent across the Council's services.
- 5.15 As a result of contacting services across the organisation as part of this audit to determine what securities are in place, it is clear that not all managers have an awareness of the position regarding their contracts. Some managers did have a handle on the position regarding their contracts but in several cases the information wasn't readily known. Not all were able to confirm the situation in time for this report. Contract managers should have a ready appreciation of such matters or be able to ascertain the position fairly promptly.

- 5.16 information on whether contracts contains securities and the type of security assigned is not currently held on contract registers so contract managers must rely on their memories, or an interrogation of the contract documentation, to determine the position for the contracts that they are responsible for.
- 5.17 As a general point, it must be stressed that improvements are continually being made to procurement practices and the Council continues to learn from problems. Very shortly the strategic element of the Council's Procurement support is to be provided by the County's Procurement Service. This will provide an opportunity for greater uniformity across the two authorities. Uniformity of approach should certainly lead to more efficient arrangements in terms of the legal support that the County provides as the County's legal service will have a greater appreciation of procurement and contractual processes and there will not be the need to "reinvent the wheel".
- 5.18 For example, Warwickshire County Council Legal now has a template PCG that can, where applicable, be used for appropriate contracts and issued with the Invitation to Tender documents.
- 5.19 In the future when Warwickshire County Council's Procurement service provides Warwick District Council's Strategic Procurement function the Council will have the same tender documents as the County Council so there will be uniformity and standardisation.
- 5.20 Other approaches that the County utilises may also come in to force at the Council when the County takes over the strategic procurement function. For example, the County subscribes to "Credit Safe" which provides alerts to members in respect of drops in credit status.
- 5.21 There is also a new company-checking service at Companies House that the Council could consider using which provides notifications of when routine documents for companies are filed. This will enable, for example, the Council to monitor whether a company's ownership structure has changed. Each company has to file an annual confirmation statement that sets out who their shareholders are. Again, the County Council use this and it may be beneficial for the Council to do likewise.
- 5.22 For the Council to benefit properly from these facilities it may be appropriate for a designated officer within Finance to be assigned responsibility. Currently, the support that Finance provides on contracts – e.g. carrying out pre-contract credit checks on tenderers and post tender monitoring of the financial performance of contractors – is informal and unstructured.

6 Conclusions

- 6.1 There are weaknesses in procedures concerning the setting-up and monitoring of securities assigned to contracts. The Golf Contract was an example of those weaknesses and the impact that can have.

- 6.2 The situation highlights weaknesses in contract management, perhaps evinced by some managers not having an appreciation of whether their contracts contained securities.
- 6.3 Revised arrangements should be focused on:
- Identifying the most appropriate form of security.
 - Establishing the security effectually within the contract.
 - Monitoring the contract effectively, including monitoring the financial position of the contractor and, where applicable, its parent company.
 - Enhanced contract management generally.
- 6.4 This will require greater and improved staff training, improved procedures and documentation, greater expertise in the carrying out of financial checks and financial monitoring as well as greater consultation throughout between the contracting service, the Procurement Service and the legal service.
- 6.5 The provision of a strategic procurement service by the County should lead to a more standardised approach to contracts as the County also provides the legal support. Equally, however, there could be problems in communication with services. Hopefully, the continuation of a procurement presence at the District will mitigate this as will good procedures together with a resolve by all parties to make the arrangement work.

7 Recommendations

- 7.1 Guidance on the use of PCGs and other types of securities should be reviewed with a view to ensuring that it is appropriate and sufficient to assist services during the procurement process, in particular when compiling the Invitation to Tender documentation and when establishing contracts with successful tenders.
- 7.2 More specifically, guidance on the use of PCGs and other types of securities should be incorporated within the documentation provided by the Procurement Team to aid services during the procurement process.
- 7.3 Because of its importance to the Council, driven by such factors as the reputation of the Council and the sums involved, contract management training should be run at regular intervals for relevant employees and not just as one-offs. Staff should be trained not only in the Council's practices and procedures but also provided with general contract management training on such matters as the different types of securities that are available and the basis for selection.
- 7.4 There should be due emphasis within contract management training programmes on the importance of monitoring the delivery of contracts after they have been established.

- 7.5 Contract registers should record, for each contract, whether the contract has had a security assigned to it and, if so, what form of security is in place. Any other relevant information pertaining to securities should also be recorded on the contract registers.
- 7.6 Finance should establish a designated officer within its service that is able to provide an appropriate level of financial input on contracts. This officer should, for example, be trained to carry out financial checks e.g. perform credit checks on tenderers, pre-contract, and monitor the financial performance of contractors, after the contract has commenced. Such support should be systematic and proactive, not needing to be requested by the contracting service. (This facility, had it been in place, would have identified the problem with the parent company of Mack Trading, enabling the Council to have taken remedial action before it was too late.)
- 7.7 After the reorganisation of the Procurement function, the County's Procurement Team should be asked to assess the Council's procurement arrangements, including the guidance currently provided to services when procuring services and entering into contracts with a view to bringing practices at the Council in line with those at the County. This is particularly the case in respect of legal documentation.
- 7.8 The Council should consider the commissioning of a wider review by a specialist of its contract management arrangements to ensure that it is meeting best practice in its arrangements. This should take place after the reorganisation of the Procurement function, and after the 'internal' review recommended in 7.7 above, so that the new arrangements with the County form part of the review.

Richard Barr
Audit & Risk Manager
February 2018

Name of Reserve & Purpose	Use of Reserve/Balance	Management and Control	Review Mechanism
General Fund Reserves			
Art Fund Reserve To fund major art purchases for the Art Gallery and Museum	Items to be financed from this reserve are charged to the Art Gallery and Museum Account during the year and notified to Finance. An appropriate amount is then transferred to the General Fund as part of the final accounts process. The reserve is "topped up" from public donations and any unspent balance on the Art Gallery and Museum purchases budget.	The Head of Cultural Services has delegated authority to make such purchases as necessary from the reserve subject to reporting the purchases retrospectively to the Executive. The movements in and out of the reserve are monitored against the approved or expected pattern by Finance at least three times a year.	The level and continuing need for the reserve is reviewed by Finance in conjunction with the S151 Officer during the final accounts process where depending on the need, a recommendation to the Executive can include increasing/decreasing the balance or complete closure
Art Gallery Gift Reserve To provide finance for major Art Gallery and Museum purchases linked to the specific conditions imposed by the original gift of the money to the Council	Items to be financed from this reserve are charged to the Art Gallery and Museum Account during the year and notified to Finance. An appropriate amount is then transferred to the General Fund as part of the final accounts process.	The Head of Cultural Services has delegated authority to make such purchases as necessary from this reserve subject to reporting retrospectively to the Executive. The movements in and out of the reserve are monitored against the approved or expected pattern by Finance at least three times a year.	This reserve is reviewed during the final accounts process but as the reserve was created by a private donation and has conditions of use attached to it, levels and potential closure are not applicable
Biodiversity Reserve	Reserve established to hold developers contributions resulting from loss of habitat arising from their developments. These contributions are then used for biodiversity improvements offsite	The Head of Neighbourhood Services, in agreement with the Head of Finance, has delegated authority to spend from this reserve.	This reserve is reviewed during the final accounts process but as the reserve was created from S106 contributions which generally have conditions of use attached to them, levels and potential closure are not applicable
Building Control Reserve The fee earning part of the Building Control service should not make a loss over a rolling three year period. This reserve has been created to assist in this with annual surpluses being paid into it and any annual losses being funded from it. It also funds any improvements required in the service.	Annual surpluses/deficits are credited/debited to this reserve as necessary. If funding improvements e.g. IT, reserve makes the necessary contribution to either the General Fund or Capital Financing as appropriate.	Approval for expenditure to be met from this reserve is subject to a report to the Executive which previously has been agreed with Finance. The movements in and out of the reserve are monitored against the approved or expected pattern by Finance at least three times a year.	The level and continuing need for the reserve is reviewed by Finance in conjunction with the S151 Officer during the final accounts process where depending on the need, a recommendation to the Executive can include increasing/decreasing the balance or complete closure.
Business Rate Retention Volatility Reserve	Reserve established to provide finance for "smoothing out" future retained Business Rate revenues.	Executive to approve usage.	The level and continuing need for the reserve is reviewed by Finance in conjunction with the S151 Officer during the final accounts process where depending on the need, a recommendation to the Executive can include increasing/decreasing the balance or complete closure.
Capital Investment Reserve To provide finance for the Council's General Fund capital programme not met by other resources e.g. capital receipts, RCCO, external contributions, other reserves.	This reserve provides the balancing figure for financing the Council's General Fund capital programme and the relevant amount is transferred to the Capital Adjustment Account as part of the final accounts process. Annual "repayments" in respect of recently financed schemes are made to the reserve from the General Fund.	The General Fund capital programme and its financing is approved by the Executive. This sets the contribution from this reserve. Any variation to this figure will be formally agreed by the Executive either as part of the final accounts process or as part of the normal process of revising the General Fund Capital Programme. In addition the reserve is monitored by Finance on a regular basis to provide information for reviews of capital programme resources.	The level and continuing need for the reserve is reviewed by Finance in conjunction with the S151 Officer during the Estimates and Final Accounts processes where depending on the need, a recommendation to the Executive can include increasing/decreasing the balance or complete closure. In addition the adequacy of the reserve is reviewed as part of the financial strategy and capital programme setting processes. Normal practice is to keep the level at around £1,000,000.

Name of Reserve & Purpose	Use of Reserve/Balance	Management and Control	Review Mechanism
Car Parks Displacement Reserve	substantial work is required to be carried out in respect of some of the Council's car parks in forthcoming years. There will be some costs for arranging alternative parking arrangements, along with possible loss of income.	Transfers to and from this reserve will be approved by the Executive as part of the Budget and Final Accounts processes.	The level and continuing need for the reserve is reviewed by Finance in conjunction with the S151 Officer during the final accounts process where depending on the need, a recommendation to the Executive can include increasing/decreasing the balance or complete closure.
Car Parks Repairs and Maintenance Reserve	Reserve created from Car Parks revenue repairs and maintenance budget in order to provide resources for future years.	Transfers to and from this reserve will be approved by the Executive as part of the Budget and Final Accounts processes.	The level and continuing need for the reserve is reviewed by Finance in conjunction with the S151 Officer during the final accounts process where depending on the need, a recommendation to the Executive can include increasing/decreasing the balance or complete closure.
Cemetery Land Purchase Reserve	To purchase land for cemetery extensions	The General Fund capital programme and its financing is approved by the Executive. This sets the contribution from this reserve. Any variation to this figure will be formally agreed by the Executive either as part of the final accounts process or as part of the normal process of revising the General Fund Capital Programme. In addition the reserve is monitored by Finance on a regular basis to provide information for reviews of capital programme resources.	The level and continuing need for the reserve is reviewed by Finance in conjunction with the S151 Officer during the final accounts process where depending on the need, a recommendation to the Executive can include increasing/decreasing the balance or complete closure.
Commonwealth Games (Bowls) Reserve	To set aside funds towards funding the project in future years.	The use of this reserve will be agreed by the Chief Executive in consultation with the Leader.	The level and continuing need for the reserve is reviewed by Finance in conjunction with the S151 Officer during the final accounts process where depending on the need, a recommendation to the Executive can include increasing/decreasing the balance or complete closure.
Community Forums Reserve	To provide finance for the annual programme of Community Forum Grants	February 2013 Executive approved 4 year programme 2014/15 to 2017/18.	The level and continuing need for the reserve is reviewed by Finance in conjunction with the S151 Officer during the final accounts process where depending on the need, a recommendation to the Executive can include increasing/decreasing the balance or complete closure.
Community Projects Reserve	Reserve created from 2017/18 New Homes Bonus to provide finance for various District wide community projects.	Approval for project spend will be way of reports to the Executive.	The level and continuing need for the reserve is reviewed by Finance in conjunction with the S151 Officer during the final accounts process where depending on the need, a recommendation to the Executive can include increasing/decreasing the balance or complete closure.
Commuted Sums Reserve Commuted Sums are received from developers in respect of the adoption of public open space or other facilities to be maintained at the Council's expense.	Credits are made annually to the General Fund based on (usually) 1/13 of the capital sum starting from the year in which the maintenance of the facility begins. This date notified by the relevant Service Area.	The General Fund Estimates and its financing is approved by the Executive. This sets the contribution to/from this reserve. The movements in and out of the reserve are monitored against the approved or expected pattern by Finance at least three times a year.	The balance on this reserve is dictated by receipts from developers.
Corporate Assets Reserve(name change from Sports & Culture Facility Reserve)	To provide finance for refurbishment of facilities following the Stock Condition Survey	Approvals from the reserve have been delegated to SAG and the Section 151 Officer in consultation with the portfolio holders for Housing & Property Services and Finance	The level and continuing need for the reserve is reviewed by Finance in conjunction with the S151 Officer during the final accounts process where depending on the need, a recommendation to the Executive can include increasing/decreasing the balance or complete closure.

Name of Reserve & Purpose	Use of Reserve/Balance	Management and Control	Review Mechanism
Covent Garden Multi Storey Reserve	To provide finance to cover lost income and 1st years debt charges when the car park is redeveloped	Authority to spend is delegated to the Head of Finance in line with the actual lost net income and debt charges. Executive to be informed upon the use of the reserve and balance thereof.	The level and continuing need for the reserve is reviewed by Finance in conjunction with the S151 Officer during the final accounts process where depending on the need, a recommendation to the Executive can include increasing/decreasing the balance or complete closure.
Election Expenses Reserve To provide finance to fund the expense incurred in holding the District Council elections every four years.	The cost of the election is charged to a service account and a contribution from this reserve is credited to the General Fund from this reserve as part of the final accounts process. In the years where no election is held an annual contribution of £30,000 is made to the reserve..	The movements in and out of the reserve are monitored against the approved or expected pattern by Finance at least three times a year.	The level and continuing need for the reserve is reviewed by Finance in conjunction with the S151 Officer during the final accounts process where depending on the need, a recommendation to the Executive can include increasing/decreasing the balance or complete closure.
Energy Management Reserve To provide finance for the Council's energy saving schemes within its General Fund and Housing Revenue Account properties	Energy Management Schemes undertaken by Property are charged to the relevant service account during the year. The total cost is notified to Finance and the comparable amount is credited to the General Fund or Housing Revenue Account from this reserve as part of the final accounts process. Annual contributions are made into the Reserve as repayments for schemes previously financed.	The Head of Housing and Property Services has delegated authority to spend up to £50,000 on any one scheme from this reserve. Schemes above this level require the approval of the Executive. The movements in and out of the reserve are monitored against the approved or expected pattern by Finance at least three times a year.	The level and continuing need for the reserve is reviewed by Finance in conjunction with the S151 Officer during the final accounts process where depending on the need, a recommendation to the Executive can include increasing/decreasing the balance or complete closure.
Enterprise Projects Reserve	Reserve is used to smooth surpluses/deficits	Transfers to and from this reserve will be approved by the Executive as part of the Budget and Final Accounts processes, with delegations over usage agreed by Executive August 2017 to the Head of Development Services up to £20k..	Reserve reviewed by Finance as part of Estimates and closedown procedures.
Equipment Renewal Reserve To finance a rolling programme of equipment and property replacement and renewal.	Revenue Items to be financed from this reserve are charged to the Service Accounts during the year. An appropriate amount is then transferred to the General Fund as part of the final accounts process.	Items proposed to be financed from this reserve should first be approved by Executive to be included within the ERR Schedule. Use of reserve is subsequently controlled by SMT who consider the Business Case seeking release of funding from the reserve, and may approve if appropriate followed by approval from Chief Executive and relevant portfolio holders. The standard Business case template to be used for SMT's consideration was presented and approved by the September 2011 Executive.	Reserve reviewed as part of Estimates and closedown procedures. Balance increased on basis of Executive approval. Based on the current programme It is anticipated that the reserve will be extinguished by the end of 2018/19.
General Fund Early Retirement Reserve To provide finance to cover the one off pension costs to the General Fund as a result of the early retirement of Officers and to provide finance to cover redundancy costs to the General Fund.	Items to be financed from this reserve are charged to the Service Accounts during the year and notified to Finance. An appropriate amount is then transferred to the General Fund as part of the final accounts process.	Approval for expenditure to be met from this reserve is subject to a report to the Executive which previously has been agreed with Finance. The movements in and out of the reserve are monitored against the approved or expected pattern by Finance at least three times a year.	The level and continuing need for the reserve is reviewed by Finance in conjunction with the S151 Officer during the final accounts process where depending on the need, a recommendation to the Executive can include increasing/decreasing the balance or complete closure.
Gym Equipment Reserve To provide finance for the replacement of the Gym Equipment within the Council's Leisure Centres	Suitable schemes are identified and included within the capital programme. The relevant amount from this reserve is then utilised to finance them. Current practice is to credit the reserve with £30,000 per annum. However, as a result of the Leisure Centres Options project this will cease from 2016/17 onwards.	The Head of Cultural Services, in conjunction with the S151 Officer and Cultural Services Portfolio Holder, has delegated authority to approve future expenditure from this reserve. The movements in and out of the reserve are monitored against the approved or expected pattern by Finance at least three times a year.	The level and continuing need for the reserve is reviewed by Finance in conjunction with the S151 Officer essentially three times a year a) when the Financial Strategy is updated b) at budget setting and c) final accounts where depending on the need, a recommendation to the Executive can include increasing/decreasing the balance or complete closure. In addition the adequacy of the reserve is taken into account when revising the capital programme.

Name of Reserve & Purpose	Use of Reserve/Balance	Management and Control	Review Mechanism
Harbury Lane Reserve	A reserve has been created over a number of years to fund this project; of which £84,000 is unspent in the 2017/18 budget. These monies will be transferred to the proposed Harbury Lane Reserve towards future funding requirements.	The use of this reserve will be agreed by the Chief Executive in consultation with the Leader.	The level and continued requirement of this reserve will be reviewed by finance in conjunction with the Chief executive and the leader.
Hill Close Gardens Reserve	This reserve will be used to help fund maintenance of Hill Close Gardens.	£20,000 per annum will be credited to the Income & Expenditure account as part of the Council's budget setting process.	The level and continuing need for the reserve is reviewed by Finance in conjunction with the S151 Officer during the final accounts process where depending on the need, a recommendation to the Executive can include increasing/decreasing the balance or complete closure
Homelessness Prevention Reserve	In March 2017, the Government announced that this Council would receive Flexible Homelessness Support Grant £275,000 in 2017/18 and £340,500 in 2018/19 towards Homelessness Prevention.	It is recommended that the Head of Housing Services has delegated authority to draw down from the Reserve in conjunction with the Service Portfolio Holder, Head of Finance and Finance Portfolio Holder.	This money is ring-fenced to prevent or deal with homelessness with the funding being allocated to the reserve until Council has determined how this money will be spent.
ICT Replacement Reserve To provide finance for the Council's ICT Replacement programme	This reserve has been established in order to provide certainty of finance for the Council's ICT replacement programme.	The ICT Services Manager has delegated authority to spend from this reserve in consultation with the Head of Finance and relevant Portfolio Holders	The level and continuing need for the reserve is reviewed by Finance in conjunction with the S151 Officer and ICT Manager essentially three times a year a) when the Financial Strategy is updated b) at budget setting and c) final accounts where depending on the need, a recommendation to the Executive can include increasing/decreasing the balance or complete closure. In addition the adequacy of the reserve is taken into account when revising the capital programme.
Insurance Reserve To provide finance to cover the Council's self insurance against potential claims and to pay for security improvements to the Council's General Fund properties. The reserve also holds sufficient funds to cover any potential claim with regard to the Municipal Mutual Insurance "clawback" re previous claims settled.	Self insurance claims and Security Improvements are charged to the service accounts and the comparable amount is credited to the General Fund from this reserve as part of the final accounts process.	The Insurance Officer has authority to spend up to £15,000 (£1,000 per project) in any one year on security improvements. Items above these thresholds have to be authorised by the Head of Finance. The movements in and out of the reserve are monitored against the approved or expected pattern by Finance at least three times a year.	The level and continuing need for the reserve is reviewed by Finance in conjunction with the S151 Officer during the final accounts process where depending on the need, a recommendation to the Executive can include increasing/decreasing the balance or complete closure.
Investment Volatility Reserve	Set up to capture a portion of the gain on corporate equity funds to be used to smooth possible future fluctuations	Authority to spend from this reserve is delegated to the Head of Finance.	The use of this reserve will be included within future Budget reports to be agreed by the Executive
Leisure Options Reserve	This reserve has been established to cover such items as the reduction in income whilst the Leisure Centre refurbishment programme is under way and also the first year and a half's debt charges arising from the prudential borrowing for this project. The reserve will also fund the re-profiling of the contractor concessions arising from the outsourcing of the Leisure Centres operation.	Authority to spend from this reserve is delegated to the Head of Finance in line with the actual lost income and debt charges incurred..	The continuing need for the reserve will be reviewed by Finance in conjunction with the S151 Officer and Head of Cultural Services, and depending on the need, a recommendation to the Executive can include increasing/decreasing the balance or complete closure.

Name of Reserve & Purpose	Use of Reserve/Balance	Management and Control	Review Mechanism
Local Plan Delivery Reserve	The reserve is used for items of work required to help the implementation of the Local Plan. This would include detailed work on a specific proposal to help turn it from a proposal to reality.	Approval to spend from this reserve is delegated to the Chief Executive, Head of Finance and Head of Development Services in consultation with the Deputy Leader (Responsible for the Local Plan) and all group leaders.	The level and continuing need for the reserve is reviewed by Finance in conjunction with the S151 Officer during the final accounts process where depending on the need, a recommendation to the Executive can include increasing/decreasing the balance or complete closure.
Planning Investment Reserve	Creation of a reserve into which the 20% uplift in planning fees will be allocated.	To be apportioned by the Head of Finance.	The level and continuing need for the reserve is reviewed by Finance followed by a recommendation to the Executive can include increasing/decreasing the balance or complete closure
Planning Reserve Originally created to provide finance to cover the costs incurred by the Council with regard to appeals against its planning decisions. The Reserve also now pays for issues relating to planning policy, for example the costs associated with the Local Plan, and associated research.	Items to be financed from this reserve are charged to the Planning Service Account during the year and notified to Finance. An appropriate amount is then transferred to the General Fund as part of the final accounts process.	Approval for expenditure to be met from this reserve is subject to a report to the Executive which previously has been agreed with Finance. The movements in and out of the reserve are monitored against the approved or expected pattern by Finance at least three times a year.	The level and continuing need for the reserve is reviewed by Finance in conjunction with the S151 Officer during the final accounts process where depending on the need, a recommendation to the Executive can include increasing/decreasing the balance or complete closure.
Public Amenity Reserve	To provide finance for play area and public open space improvements	The General Fund capital programme and its financing is approved by the Executive. This sets the contribution from this reserve. Any further upward variation in the contribution would have to be approved by the Executive either as part of a report on the particular scheme in question or as part of a revision of the capital programme during the budget monitoring process. The movements in and out of the reserve are monitored against the approved or expected pattern by Finance at least three times a year.	The level and continuing need for the reserve is reviewed by Finance in conjunction with the S151 Officer during the final accounts process where depending on the need, a recommendation to the Executive can include increasing/decreasing the balance or complete closure.
Public Open Spaces Planning Gain Reserve	Expenditure from this reserve will be charged to Service Accounts during the year. An appropriate amount is then transferred to the General Fund as part of the final accounts process.	The Head of Neighbourhood Services, in agreement with the Head of Finance, has delegated authority to spend from this reserve.	This reserve is reviewed during the final accounts process but as the reserve was created from S106 contributions which generally have conditions of use attached to them, levels and potential closure are not applicable
Rent Bond Scheme Reserve	Reserve established to assist households who are homeless, threatened with homelessness or in housing need by guaranteeing one month's rent to the landlord.	Authority to spend from this reserve is delegated to the Head of Housing and Property Services.	The level and continuing need for the reserve is reviewed by Finance in conjunction with the S151 Officer during the final accounts process where depending on the need, a recommendation to the Executive can include increasing/decreasing the balance or complete closure.
Right to Bid Reserve	To provide finance to help meet compensation claims arising from the Council listing properties as Community Assets.	Executive to approve usage.	The level and continuing need for the reserve is reviewed by Finance in conjunction with the S151 Officer during the final accounts process where depending on the need, a recommendation to the Executive can include increasing/decreasing the balance or complete closure.
Right to Challenge Reserve	To provide finance to assist in dealing with bids from local communities etc. to take over running services from the Council.	Executive to approve usage.	The level and continuing need for the reserve is reviewed by Finance in conjunction with the S151 Officer during the final accounts process where depending on the need, a recommendation to the Executive can include increasing/decreasing the balance or complete closure.

Name of Reserve & Purpose	Use of Reserve/Balance	Management and Control	Review Mechanism
Riverside House Maintenance Reserve	This reserve will be used to fund backlog maintenance on Riverside House.	Approval to spend from this reserve is delegated to the Heads of Housing and Property and Finance in consultation with the relevant portfolio holders.	The level and continuing need for the reserve is reviewed by Finance in conjunction with the S151 Officer during the final accounts process where depending on the need, a recommendation to the Executive can include increasing/decreasing the balance or complete closure. It is expected that this reserve will be liquidated during 2016/17.
Services Transformation Reserve	Reserve created to enable services to continue to be provided pending delivery of required savings and to finance "Fit for the Future" schemes so as to help the Council secure the savings needed in its medium term financial strategy.	The responsibility for the authorisation of expenditure from this reserve up to a maximum cost of £20,000 for any individual item of expenditure is delegated to the Change Programme's Senior Responsible Officer (the Chief Executive) in consultation with the S.151 Officer. Expenditure above £20,000 will be approved by the Executive.	The level and continuing need for the reserve is reviewed by Finance in conjunction with the S151 Officer during the final accounts process where depending on the need, a recommendation to the Executive can include increasing/decreasing the balance or complete closure.
Tourism Reserve To provide finance for initiatives relating to the Council's on-going promotion of tourism	Items to be financed from this reserve are charged to the Service Accounts during the year. An appropriate amount is then transferred to the General Fund as part of the final accounts process.	Authority to spend delegated to Deputy Chief Executive in consultation with the Development Services Portfolio Holder, Finance Portfolio Holder and S 151 Officer.	The level and continuing need for the reserve is reviewed by Finance in conjunction with the S151 Officer during the final accounts process where depending on the need, a recommendation to the Executive can include increasing/decreasing the balance or complete closure.
Housing Revenue Account			
Housing Revenue Account To provide a contingency reserve to protect the Housing Revenue Account against any unexpected, adverse, revenue or capital cash flows arising during the year.	The balance will be applied as necessary to finance housing landlord revenue or capital budget variations.	The budgets which affect the balance are monitored during the year by Finance and Housing with the effect on the balance being taken into account in future years' projections to ensure the balance conforms to minimum acceptable requirements within the Self Financing Business Plan.	The adequacy of the balance is assessed as part of reviewing the Self Financing Business Plan . The Self Financing Business Plan is based on maintaining a minimum £1.25m balance.
HRA Early Retirement Reserve To provide finance to cover the pension one off costs to the Housing Revenue Account as a result of the early retirement of Housing Service Officers and to provide finance to cover redundancy costs properly chargeable to the Housing Revenue Account.	Items to be financed from this reserve are charged to the Housing Revenue Account during the year and notified to Finance. An appropriate amount is then transferred to the Housing Revenue Account as part of the final accounts process.	Approval for expenditure to be met from this reserve is subject to a report to the Executive which previously has been agreed with Finance. The movements in and out of the reserve are monitored against the approved or expected pattern by Finance at least three times a year.	The level and continuing need for the reserve is reviewed by Finance in conjunction with the S151 Officer during the final accounts process where depending on the need, a recommendation to the Executive can include increasing/decreasing the balance or complete closure
Housing Capital Investment Reserve To provide finance for new build projects.	To provide finance for new build projects.	The budgets which affect the balance are monitored during the year by Finance and Housing with the effect on the balance being taken into account in future years' projections to ensure the balance conforms to minimum acceptable requirements within the Self Financing Business Plan in order to achieve the required number of new build homes.	The adequacy of the balance is assessed as part of reviewing the Self Financing Business Plan .
Major Repairs Reserve To provide funding for major capital works to the Council's housing stock	The relevant amount required to finance the Housing Revenue Account capital programme is transferred to the Capital Adjustment Account as part of the final accounts process.	The contribution made from this reserve towards capital expenditure is dictated by the developing needs of the HRA Self Financing Business Plan and will be reviewed as part of the formal Business Plan governance process.	The operation of this reserve will be reviewed as part of the ongoing monitoring of the Self Financing Business Plan..

GENERAL FUND AND HOUSING REVENUE ACCOUNT RESERVES AND BALANCES

APPENDIX 6b

Reserve	Use of Reserve 2017/18 to 2021/22	Estimated Balance 1/4/2017 £000	Estimated Balance 1/4/2018 £000	Estimated Balance 1/4/2019 £000	Estimated Balance 1/4/2020 £000	Estimated Balance 1/4/2021 £000	Estimated Balance 1/4/2022 £000
EARMARKED RESERVES							
Art Fund Reserve	No expenditure is currently projected from this reserve and it is estimated that £1k in public donations will be received in each year.	71	72	73	74	75	76
Art Gallery Gift Reserve	Currently there is no expenditure to be met from this reserve.	57	57	57	57	57	57
Building Control Reserve	Agreed expenditure is to fund marketing consultancy and scanning of paper files. Changes to building control salaries has contributed to the balance on the reserve.	229	218	203	203	203	203
Business Rate Retention Volatility Reserve	Reserve set up to "smooth" receipt of business rate income	445	138	3,207	3,695	2,998	2,319
Capital Investment Reserve	£807k RTB funding has been made available to cover capital (as oppose revenue) expenditure, this fully funds capital expenditure in 17/18 and 18/19 and funds £1k of the capital spend in 19/20, the remaining capital spend to be funded is the £150k Rural & Urban Initiatives in 19/20 and beyond. Revenue movements include Linen St Car Park improvements, Heritage Open Day funding, transfers to Leisure Options Reserve until contractor payments commence, development of Asset Management programme of disposals and acquisitions and salary costs of Leisure Services Programme Managerstaff and temp Conservation Officer. Transfers to the reserve are for the payback of financing wheelie bins and cremators, footpath diversion fee, Rural & Urban Initiatives funding and 17/18 budget surplus.	1,833	1,470	1,149	1,299	1,299	1,337
Car Park Displacement Reserve	substantial work is required to be carried out in respect of some of the Council's car parks in forthcoming years. There will be some costs for arranging alternative parking arrangements, along with possible loss of income	0	100	130	0	0	0
Car Parking Repairs and Maintenance Reserve	Reserve created in order to provide resources for future years repairs and maintenance programmes.	790	470	508	546	584	622
Cemetery Land Purchase Reserve	Reserve established to provide finance for the purchase of land for cemetery extensions. Currently no such purchases are included in the General Fund Capital Programme. Contributions to the reserve will be provided for by a surcharge imposed on out of area burial fees.	3	3	3	3	3	3
Commonwealth Games (Bowls) Reserve	To set aside funds towards funding the project in future years.	0	0	100	100	100	100
Community Forums Reserve	Reserve created from 2013/14 New Homes Bonus to provide finance for the Community Forum Grants from 2014/15 to 2017/18, £31k slipped to 2018/19.	71	31	0	0	0	0
Community Projects Reserve	Reserve created from 2017/18 and 2018/19 New Homes Bonus to provide finance for various District wide community projects.	0	141	1,447	1,447	1,447	1,447
Corporate Assets Reserve	Reserve created from 2012/13 budget surplus to provide finance for refurbishing facilities following the Stock Condition Survey.	2,379	2,359	2,359	2,359	2,359	2,359

GENERAL FUND AND HOUSING REVENUE ACCOUNT RESERVES AND BALANCES

APPENDIX 6b

Reserve	Use of Reserve 2017/18 to 2021/22	Estimated Balance 1/4/2017 £000	Estimated Balance 1/4/2018 £000	Estimated Balance 1/4/2019 £000	Estimated Balance 1/4/2020 £000	Estimated Balance 1/4/2021 £000	Estimated Balance 1/4/2022 £000
Covent Garden Multi Storey Reserve	Reserve created from 2015/16 budget surplus to subsidise the lost car park income from Covent Garden MSCP until rebuilt following expected demolition as part of the New Offices project. The reserve will also cover the initial debt financing costs on borrowing to be taken out to finance the rebuild.	900	900	900	665	485	485

GENERAL FUND AND HOUSING REVENUE ACCOUNT RESERVES AND BALANCES

APPENDIX 6b

Reserve	Use of Reserve 2017/18 to 2021/22	Estimated Balance 1/4/2017 £000	Estimated Balance 1/4/2018 £000	Estimated Balance 1/4/2019 £000	Estimated Balance 1/4/2020 £000	Estimated Balance 1/4/2021 £000	Estimated Balance 1/4/2022 £000
Election Expenses Reserve	£30k per annum will be credited to the reserve to help defray the costs of the May 2019 election.	45	75	105	25	55	85
Energy Management Reserve	The final contributions back to the reserve in respect of Linen Street MSCP lighting improvements will be made in 2017/18 when the scheme will be fully paid back.	109	112	112	112	112	112
Enterprise Projects Reserve	Reserve set up to "smooth" future years surplus/deficits, currently only contributions to the reserve are forecast	82	106	130	153	177	201
Equipment Renewal Reserve	Projects will be approved by SMT, Chief Executive and relevant Portfolio Holders prior to going ahead. The reserve will receive top ups of £100k per annum in 2019/20, 2020/21 and 2021/22 and is being used to support a number of projects details in a separate appendix.	782	664	627	690	755	819
General Fund Early Retirements Reserve	The reserve will receive a top up of £200k from the New Homes Bonus and projected budget surplus in 2017/18. It will be used to fund civil contingencies officer and crematorium weekend assistant costs.	33	218	218	218	218	218
Harbury Lane Reserve	A reserve has been created over a number of years to fund this project; of which £84,000 is unspent in the 2017/18 budget. These monies will be transferred to the proposed Harbury Lane Reserve towards future funding requirements.	0	84	84	84	84	84
Hill Close Gardens Reserve	Reserve created from 15/16 New Homes Bonus and will be used to make payments to the Hill Close Gardens Trust for ongoing expenditure until exhausted.	60	40	20	0	0	0
Homelessness Prevention Reserve	In March 2017, the Government announced that this Council would receive Flexible Homelessness Support Grant £275,000 in 2017/18 and £340,500 in 2018/19 towards Homelessness Prevention	0	275	576	576	576	576
ICT Replacement Reserve	This reserve is to provide for planned ICT replacements.	507	351	100	100	85	-35
Insurance Reserve	This reserve will be used to cover self insurance against claims and to provide finance for security improvements as and when they arise.	292	292	292	292	292	292
Investment Volatility Reserve	Set up to capture a portion of the gain on corporate equity funds to be used to smooth possible future fluctuations	0	100	100	100	100	100
Leisure Options Reserve	This reserve will be used to cover the lost income and make a contribution towards the initial debt charges arising from the Leisure Centre refurbishment programme.	2,057	1,566	419	419	419	419


GENERAL FUND AND HOUSING REVENUE ACCOUNT RESERVES AND BALANCES

APPENDIX 6b

Reserve	Use of Reserve 2017/18 to 2021/22	Estimated Balance 1/4/2017 £000	Estimated Balance 1/4/2018 £000	Estimated Balance 1/4/2019 £000	Estimated Balance 1/4/2020 £000	Estimated Balance 1/4/2021 £000	Estimated Balance 1/4/2022 £000
Local Plan Delivery Reserve		149	149	149	149	149	149
Other Commuted Sums Reserve	This will fund green spaces development officer and team leader posts.	548	485	412	338	265	192
Planning Appeal Reserve	This is funding Jury St judicial review costs, additional allocation and consultancy for Local Plan, Kenilworth development brief and site development officer.	470	294	236	186	166	166
Public Amenity Reserve	This reserve will provide the finance for the play equipment capital programme.	539	469	469	469	469	469
Public Open Spaces Planning Gain Reserve	Reserve receives S106 Planning Development contributions for one -off improvement of Public Open Spaces.	958	679	425	425	425	425
Rent Bond Scheme Reserve	Reserve created to provide finance for guaranteeing 1 month's rent in order to assist households who are homeless, threatened with homelessness or in housing need.	22	22	22	22	22	22
Right to Bid Reserve	The 2011 Localism Act introduced a requirement for the Council to list community assets. Using grants provided by the DCLG, this reserve has been established to assist with any compensation claims arising from listing.	20	20	20	20	20	20
Right to Challenge Reserve	Reserve created from central government grant to assist in dealing with applications to take over the running of Council services.	26	26	26	26	26	26
Riverside House Maintenance Reserve	Reserve used to fund backlog maintenance on Riverside House in 2016/17.	30	30	30	30	30	30
Services Transformation Reserve	Various approvals for Fit for the Future experiments have been agreed from this reserve including funding for the new offices project, RSH scanning project, staff engagement activities, Prosperity Agenda research resource and engaging PAS, Regulatory Team ICT, individual electoral registration costs, Priority Families, Sports & Leisure Options, buy out of essential car user allowance, Capita Digital Transformation, advertising and sponsorship, women's cycle tour, Transforming our Workplace, performance management improvements, Newbold Comyn business plan analysis, Playbox Theatre business plan analysis, CSC project, additional Procurement Officer, Revenues Officer, two temp staff to assist the redesign of the Asset Management Team, team car parks project manager, additional hours for Senior HR and Learning & Development Officers.	1,223	682	416	409	409	409
Tourism Reserve	Reserve established to help fund tourism initiatives within the District e.g. Bowls Championships advertising.	39	39	39	39	39	39
Planning Investment Reserve	Creation of a reserve into which the 20% uplift in planning fees will be allocated.	0	0	0	0	0	0
GENERAL FUND TOTAL		14,769	12,737	15,163	15,330	14,503	13,826

GENERAL FUND AND HOUSING REVENUE ACCOUNT RESERVES AND BALANCES**APPENDIX 6b**

Reserve	Use of Reserve 2017/18 to 2021/22	Estimated Balance 1/4/2017 £000	Estimated Balance 1/4/2018 £000	Estimated Balance 1/4/2019 £000	Estimated Balance 1/4/2020 £000	Estimated Balance 1/4/2021 £000	Estimated Balance 1/4/2022 £000
BALANCES							
General Fund	A core balance of around £1.5m will be maintained as a contingency reserve.	1,599	1,499	1,499	1,499	1,499	1,499
HOUSING REVENUE ACCOUNT							
Housing Capital Investment Reserve	Under self financing, this reserve provides the finance for investment in new housing stock	22,932	27,547	32,116	36,686	41,255	45,824
Housing Early Retirements Reserve	Contributions of £8k in each year will be made.	22,932	27,316	31,584	36,457	41,467	46,503
Housing Revenue Account	To provide a contingency reserve to protect the Housing Revenue Account against adverse in year revenue or capital cash flows arising from unexpected major repairs etc.	1,400	1,425	1,454	1,483	1,512	1,543
Major Repairs Reserve	Under Self Financing this reserve provides the major element of funding for capital maintenance works to the Council's housing stock.	6,782	7,060	9,029	11,087	13,239	14,818
HOUSING REVENUE ACCOUNT TOTAL		54,046	63,347	74,183	85,713	97,473	108,688

 Finance & Audit Scrutiny Committee - 6 March 2018		Agenda Item No. <h1 style="text-align: center;">11</h1>
Title	Review of the Work Programme & Forward Plan	
For further information about this report please contact	Amy Barnes Senior Committee Services Officer 01926 456114 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)	No
Equality Impact Assessment Undertaken	No

Officer/Councillor Approval		
Officer Approval	Date	Name
Chief Executive/Deputy Chief Executive		
Head of Service		
CMT		
Section 151 Officer	19/10/2017	Andrew Jones
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 2017/18 (Appendix 1) and the current [Forward Plan - February to April 2018](#).

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 **Fit for the Future (FFF)**

The Council's FFF Strategy is designed to deliver the Vision for the District of making it a Great Place to Live, Work and Visit. To that end amongst other things the FFF Strategy contains several Key projects.

The FFF Strategy has 3 strands – People, Services and Money and each has an external and internal element to it. The table below illustrates the impact of this proposal if any in relation to the Council's FFF Strategy.

FFF Strands		
People	Services	Money
External		
Health, Homes, Communities	Green, Clean, Safe	Infrastructure, Enterprise, Employment
<u>Intended outcomes:</u> Improved health for all Housing needs for all met Impressive cultural and sports activities Cohesive and active communities	<u>Intended outcomes:</u> Area has well looked after public spaces All communities have access to decent open space Improved air quality Low levels of crime and ASB	<u>Intended outcomes:</u> Dynamic and diverse local economy Vibrant town centres Improved performance/productivity of local economy Increased employment and income levels

Impacts of Proposal		
Nil	Nil	Nil
Internal		
Effective Staff	Maintain or Improve Services	Firm Financial Footing over the Longer Term
<u>Intended outcomes:</u> All staff are properly trained All staff have the appropriate tools All staff are engaged, empowered and supported The right people are in the right job with the right skills and right behaviours	<u>Intended outcomes:</u> Focusing on our customers' needs Continuously improve our processes Increase the digital provision of services	<u>Intended outcomes:</u> Better return/use of our assets Full Cost accounting Continued cost management Maximise income earning opportunities Seek best value for money
Impacts of Proposal		
Nil	Nil	Dialogue between Scrutiny and Executive enables robust decision making and ensures all elements of the proposal are taken into account.

4.2 **Supporting Strategies**

Each strand of the FFF Strategy has several supporting strategies; however, this report is for governance purposes. Members need to be mindful of the objectives above, when deciding what topics to add to the work programme.

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

4.3 **Changes to Existing Policies** - There are no changes to existing policies.

4.3 **Impact Assessments** – There are no new policy changes in respect of equalities.

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 At the Committee's meeting on 28 November 2017, Members resolved that "the Work Programme be updated to include individual service area budget reviews alongside the Risk Registers and Contract Registers". Therefore, Members may decide to take this opportunity to review the reports due to be submitted over the next few months, update the work programme and advise the relevant officers accordingly.

Finance and Audit Scrutiny Committee WORK PROGRAMME 2017/18

6 March 2018

1	Internal Audit Quarter 3 2017/18 Progress Report	Audit Item	Richard Barr
2	Annual Governance Statement Qtr 3 Action Plan Report	Audit Item	Richard Barr
3	External Audit Update (part P&C)	Audit Item	Mike Snow / Grant Thornton
4	Internal Audit Strategic Plan (2018/19 to 20/20/21 plan)	Audit Item	Richard Barr
5	Review of Reserves – Update on Appendices 6a & 6b of the Budget report	Scrutiny Item	Mike Snow (verbal)
6	Council Contracts subject to Parent Company Guarantees	Scrutiny Item	Richard Barr
	Significant Business Risk Register (carried over from February meeting)	Audit Item	Richard Barr

4 April 2018

1	Procurement Strategy Annual Review	Audit Item	John Roberts
2	2018/19 External Audit Plan	Audit Item	Mike Snow
3	End of Term Report (to include review of 2018/19 work programme)	Scrutiny Item	Amy Barnes / Chair
4	Health & Community Protection – Contracts Register	Scrutiny Item	Marianne Rolfe

30 May 2018

1	Annual Governance Statement	Audit Item	Richard Barr
2	Internal Audit Quarter 4 Progress Report	Audit Item	Richard Barr
3	Significant Business Risk Register	Audit Item	Richard Barr
4	Service Area Review (Finance) – includes Budget, Contract & Risk register review	Scrutiny Item	Mike Snow

June 2018

1	Treasury Management Annual report	Audit Item	Karen Allison
---	-----------------------------------	------------	---------------