

Finance and Audit Scrutiny Committee

Wednesday 30 May 2018

A meeting of the Finance and Audit Scrutiny Committee will be held at the Town Hall, Royal Leamington Spa on Wednesday 30 May 2018 at 6.00pm.

Membership:

Councillor Cain	Councillor Margrave
Councillor Davies	Councillor Murphy
Councillor Gifford	Councillor Noone
Councillor Howe	Councillor Quinney
Councillor Illingworth	Councillor Wright
Councillor Mrs Knight	

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. Appointment of Chair

To appoint the Chair of the Committee for the ensuing municipal year.

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 4 April 2018

Part B Audit Items

4. **Internal Audit Quarter 4 2017/18 Progress Report**

To consider a report from Finance

5. **Internal Audit Annual Report 2017/18**

To consider a report from Finance

Part C – Scrutiny Items

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

To consider a report from Finance

7. **Annual Governance Statement 2017/18**

To consider a report from Finance

8. **Finance – Service Area Update**

To consider a report from Finance

9. **Review of the Work Programme, Forward Plan and Comments from the Executive**

To consider a report from Democratic Services (To follow)

10. **Executive Agenda (Non Confidential Items and Reports) – Thursday 31 May 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)**

11. **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.

12. **Executive Agenda (Confidential Items and Reports) –Thursday 31 May 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)**

13. **Minutes**

To confirm the confidential minutes of the meeting held on 4 April 2018

Agenda published Monday 21 May 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

Minutes of the meeting held on Wednesday 4 April 2018 at the Town Hall, Royal Leamington Spa at 6.00pm.

Present: Councillor Cain, Davies, Gallagher, Gifford, Mrs Hill, Mrs Knight, Illingworth, Margrave, Mrs Stevens, Quinney and Wright.

Also present: Councillors Butler, Mobbs, Phillips, Rhead, Thompson and Whiting.

133. Apologies and Substitutes

- (a) No apologies for absence were received; and
- (b) Councillor Mrs Knight substituted for Councillor Barrott, Councillor Mrs Hill substituted for Councillor Howe and Councillor Mrs Stevens substituted for Councillor Noone.

134. Declarations of Interest

Minute 138 - Executive Agenda (Non-Confidential Items & Reports – Thursday 5 April 2018)

Councillor Gifford declared a Disclosable Pecuniary Interest on Item 17 Europa Way because he was a Warwickshire County Councillor.

135. Executive Agenda (Non-Confidential Items & Reports – Thursday 5 April 2018)

The Committee considered the following non-confidential items which would be discussed at the meeting of the Executive on Thursday 5 April 2018.

Item 14 - Significant Business Risk Register

The Committee suggested that a further mitigation for risk 3 should be regular monitoring of Parent Company Guarantees (PCG), even as a short term measure while the issue of PCG's in our procurement policy are investigated further.

Item 7 - Community Infrastructure Levy (CIL) Revised Regulation 123 List for 2018/19

The Committee welcomed the fact that the Portfolio Holder would be recommending to the Executive that all Councillors should scrutinise the 123 list regularly to ensure sufficient funds were available to deliver the 123 list schemes in their wards.

The Committee also suggested that the 123 list should include the Ward name or names in which each project was located.

The Committee would discuss at their next meeting the interest in establishing a working Party of the Committee to scrutinise the CIL123 list.

136. Procurement Strategy Annual Review

The Committee considered a report from Finance that updated the Committee on the procurement activity across the Council.

The report was presented to the Committee to provide visibility of all the Council's procurement activity.

The report provided a snap shot on how procurement was organised within Warwick District Council and the resources that were utilised to deliver effective procurement.

In response to questions from the Committee they were assured that with respect to the Pump Rooms Garden contract an error had occurred in the scoring but there was no risk to the contract award.

The Committee took the opportunity to wish the retiring Procurement Manager all the best for his retirement and noted that without his work the Council would not have received the award from the Federation of Small Businesses.

Resolved that

- (1) an annual update on the progress of procurement and the procurement strategy, be noted; and
- (2) progress across the procurement function, set out at Appendices One to Seven of the report, over the past 12 months be noted.

137. Review of contracts register – Health & Community protection

The Committee considered a report from Health & Community Protection that set out the process for the review by Finance & Audit Scrutiny Committee of the Head of Health and Community Protection's Contracts Register.

The review of Head of Health and Community Protection's Contract Register allowed the Committee to consider the robustness of the register, make appropriate suggestions on how the register could be improved, and consider the document within the context of promoting sound procurement practice across the Council.

The Regulatory Manager & Portfolio Holder for Health & Community Protection responded to questions explaining that:

- the vet contract was now signed and secured, but it was noted that the criteria of vets to undertake this work was set very high so at present there was only a single practitioner in the District who met the criteria;

- the Voluntary Community Sector (VCS) contracts were now out to tender;
- there was now a service level agreement in place for with the Local Resilience Forum;
- the CSE training was subject to a joint procurement exercise;
- the Electric car procurement was being considered following the initial trial;
- a written contract was now in place with Staffordshire;
- the need for satellite phones was being reviewed and the contract may be terminated; and
- the contract with Chubb was being followed up.

Resolved that the contracts register be noted.

138. **Executive Agenda (Non-Confidential Items & Reports – Thursday 5 April 2018)**

The Committee considered the following non-confidential items which would be discussed at the meeting of the Executive on Thursday 5 April 2018.

Item 5 - Service Area Plans for 2018/19 & Annual Performance Reports for 2017/18

The Committee reviewed the annual reports by Health & Community Protection (alongside the contracts register) and

- suggested positioning the end of year summary as the first paper in the report;
- welcomed the performance measures summary of KPI's;
- invited other service areas to include a similar analysis in the future (as the rolling annual reviews get under way) – perhaps using slide presentation; and
- suggested further work to see if the future plans report could be condensed.

Item 12 - Cycle Tour 2017 and 2018 Update

The Committee welcomed the relocated finish line from Parade to a nearby road adjacent to Parade.

The Committee had concerns that the report did not include key background information for last year's event to enable an informed judgement to be made –

- comparative footfall figures
- comparative car park income
- TV and other media exposure 'value'
- views of local businesses, both individual and collective about the impact of the event, alongside the organisers' own assessment

The Committee suggested these – and especially the first three – could then be used as baseline figures to assess this year's events.

The Committee questioned the balance of funding priorities between supporting this national event and the lack of funding for many locally organised events; and welcomed the review which would shortly address this issue.

The Committee suggested that the figure of £80,000 in recommendation 2.1 was removed because the values were covered in (1) and (2).

Item 8 - Regeneration of the Leper Hospital Site, Saltisford, Birmingham Road, Warwick (St Michael's Chapel and Master's House)

The Committee supported the recommendations in the report.

Item 6 - Corporate Property Repair and Planned & Preventative Maintenance Programme 2018/19

The Committee noted the report but

- expressed concern at the scale and persistence of 'slippage' in completing planned works – in particular the £180k slipped over two years;
- as an example raised concern with regard to the Abbey Barn roof which had been slipped for two years as a specific issue with possible safety and cumulative cost implications which should be looked at further;
- understood the need however to retain flexibility in setting and reacting to priorities in-year; and
- welcomed the expectation that resource issues were being resolved and slippage would be reduced over the coming 12 months.

Item 13 - Royal Naval Club, Adelaide Road, Royal Leamington Spa

The Committee noted the recommendations in the report. Members agreed that recommendation 2.5 should be given particular priority so that the building should be let at the earliest possible opportunity and left empty for as little time as possible to meet local needs, maximise revenue and minimise further deterioration of the fabric.

The Committee looked forward to seeing future details about the plans for this area as part of the Creative Quarter.

Item 10 - New Village Hall at Norton Lindsey

The Committee supported the recommendation including the revised recommendation, as circulated at the meeting.

Item 3 - Information Governance Framework

The Committee supported the recommendations in the report.

139. **Public and Press**

Resolved 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 paragraph 3 of Schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006, as set out below.

(Councillor Gifford left the meeting at the conclusion of this item)

138. **Executive Agenda (Confidential Items & Reports – Thursday 5 April 2018)**

The Committee considered the following confidential item which would be discussed at the meeting of the Executive on Thursday 5 April 2018.

Item 17 - Europa Way

The comment of the Committee will be detailed in the confidential minutes of the meeting.

139. **Review of reserves**

The Committee considered a report from Finance that set out the current financial reserves of the Council.

The Head of Finance & Portfolio Holder for Finance explained that there would be a full review of the current reserves, their balances and the need for them. This would be fed into the budget process later in the year. In response to questions he explained that:

- the Building Regulations Reserve had been identified as one which needed to be scrutinised in detail as part of the shared service delivery;
- the Council did not have sufficient within reserves to undertake the major capital works that were or would be needed;
- the financial position of the Council restricted the ability of the Council to increase funds for capital reserves;
- the Planning Appeal reserve was now often named the Planning Reserve to cover additional unexpected costs to the service area. However renaming to ensure the title was appropriate would form part of the review; and
- there was a need for a review of the cemetery land acquisition reserve to be undertaken because the land for cemeteries was limited and more would be needed at some stage.

Resolved that the report be noted and its contents be accepted.

140. **Minutes**

The minutes of the meeting held on 6 March 2018 were taken as read and signed by the Chairman as a correct record.

141. **Public & Press**

Resolved 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 paragraph 3 of Schedule 12A of the Local Government Act 1972, following the Local

142. **Confidential Minutes**

The confidential minutes of the meeting held on 6 March 2018 were taken as read and signed by the Chairman as a correct record.

143. **End of term report**

The Committee considered a report from Democratic Services that set out an end of term report to the Council on the work the Committee had undertaken during the 2017/18 municipal year.

Recommended that Council approves the Committees annual report for 2017/18 be approved, subject to the items being considered this evening to be added it to it.


144. **Review of the Work Programme, Forward Plan Comments from the Executive**

The Committee received a report from Democratic Services that set out its current work programme, the Forward Plan and responses from the comments made by the Committee to the Executive in March.

Resolved that

- (1) the forward plan be noted;
- (2) the comments from the Executive be noted;
- (3) the work plan be amended to include a joint report to both scrutiny committees on the stock condition survey in May 2018 and the scrutiny of accounts meeting that will take place on 30 July 2018.

(The meeting ended at 9.41 pm)

 Finance and Audit Scrutiny Committee 30 May 2018		Agenda Item No. <div style="font-size: 2em; text-align: center;">4</div>
Title	Internal Audit Quarter 4 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 – 6 March 2018	
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	25 April 2018	Chris Elliott
Head of Service	25 April 2018	Mike Snow
SMT	25 April 2018	SMT
Section 151 Officer	25 April 2018	As Head of Service
Monitoring Officer	25 April 2018	Andrew Jones
Finance	25 April 2018	As Section 151 Officer
Portfolio Holder	9 May 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 fourth 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 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, 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 **Risks**

- 6.1 Internal Audit provides a view on all aspects of governance, including corporate and service arrangements for managing risks.
- 6.2 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.

7 Alternative Options Considered

7.1 This section is not applicable.

8 Role and Responsibilities of Audit Committees

8.1 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.

8.2 Essentially, the purpose of an audit committee is:

To provide independent assurance of the associated control environment.

To provide independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment.

8.3 To help fulfil these responsibilities audit committees should review summary internal audit reports and the main issues arising, and seek assurance that action has been taken where necessary.

8.4 The following sections provide information to satisfy these requirements.

9 Progress against Plan

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

9.2 I am pleased to report that all 38 of the planned audits for the year have been completed. One piece of work, a Consultancy Review with an allocation of 5 days for providing assistance on the General Data Protection Regulations (GDPR) preparations, was no longer required as, instead, a full review of the Council's GDPR preparations was undertaken by our ICT audit contractor, TIAA. The released allocation was used to complete the mini-audit of the Council's arrangements for assigning securities to contracts. (The report that resulted was issued to this Committee on 6 March.)

10 Assurance

10.1 Management is responsible for the system of internal control and should set in place policies and procedures to help ensure that the system is functioning correctly. On behalf of the Authority, Internal Audit review, appraise and report on the efficiency, effectiveness and economy of financial and other management controls.

- 10.2 Each audit report gives an overall opinion on the level of assurance provided by the controls within the area audited. The assurance bands are shown below:

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).

11 Internal Audit Assignments Completed During Quarter

- 11.1 Twenty assignments were completed in the fourth quarter of 2017/18. Copies of all the reports issued during the quarter are available for viewing on the online agenda for the meeting.
- 11.2 The action plans accompanying all Internal Audit reports issued in the quarter are set out as Appendix 3. These detail the recommendations arising from the audits together with the management responses, including target implementation dates.
- 11.3 As can be seen, responses have been received from managers to all recommendations contained in audit reports issued during the quarter in question.
- 11.4 Four audits completed in the quarter were awarded a lower than substantial assurance opinion. Moderate assurance opinions were given in respect of the Banking Arrangements audit, the Flood Risk Management audit and the PARIS Income Management Application audit. A low level of assurance was provided in respect of the Information Governance: General Data Protection Regulations audit. In line with established practice the reports relating to these audits are set out as Appendix 4 for specific scrutiny.

12 Implementation of Recommendations Issued Previously

- 12.1 Managers are required to implement recommendations within the following timescales:
- (a) Recommendations involving controls assessed as high risk to be implemented within three months.
 - (b) Recommendations involving controls assessed as low or medium risk to be implemented within nine months.
- 12.2 The state of implementation of **low and medium risk** recommendations made in the **first quarter of 2017/18** is set out in Appendix 5 to this report.

There were no **high risk** recommendations issued in the **third quarter of 2017/18** so none is included in this appendix.

- 12.3 As can be seen, responses have been received from all managers in order to provide the state of implementation of recommendations issued in this earlier quarter.

13 **Review**

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

GUIDANCE ON THE ROLE AND RESPONSIBILITIES OF AUDIT COMMITTEES

Public Sector Internal Audit Standards 2013

Independence and Objectivity

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

Glossary

Definition: Audit Committee

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

Audit Committees: Practical guidance for Local Authorities (CIPFA)

Core Functions

Audit committees will:

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

Suggested Audit Committee Terms of Reference

Audit Activity:

- To consider the Head of Internal Audit's 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 4**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	278.0	277.9	+0.1
<u>Other Time</u>				
Sundry audit advice	25.0	25.0	20.4	+4.6
Special investigations (e.g. Fraud/Irregularities)	20.0	20.0	0.0	+20.0
Corporate and departmental Initiatives	35.0	35.0	36.7	-1.7
Non-chargeable activities	112.0	112.0	120.7	-8.7
Leave and other absences	102.0	102.0	115.1	-13.1
<i>Total Other Time</i>	294.0	294.0	292.9	+1.1
<i>Total Time</i>	572.0	572.0	570.8	+1.2

Time spent: Assignments Completed – Planned Vs Actual

AUDIT ASSIGNMENT	PLAN (DAYS)	TIME TAKEN (DAYS)	UNDER (+) / OVER (-)
Emergency Planning & Business Continuity Management	8.0	6.5	+1.5
Sustainability & Climate Change	8.0	5.5	+2.5
Collection of Council Tax	10.0	10.2	-0.2
Business Applications: PARIS Income Management System	Contracted Out		
Cyber Security	Contracted Out		
Information Governance	Contracted Out		
Remote Access	Contracted Out		
Communications: Social Media	8.0	6.9	+1.1
Committee Services	10.0	9.9	+0.1
Economic Development	13.0	13.8	-0.8
Development Management	14.0	13.8	+0.2
Local Land Charges	8.0	7.4	+0.6
Banking Arrangements	Contracted Out		
Procurement Cards	7.0	9.0	-2.0

AUDIT ASSIGNMENT	PLAN (DAYS)	TIME TAKEN (DAYS)	UNDER (+) / OVER (-)
Flood Risk Management	10.0	8.9	+1.1
Environmental Protection Functions	10.0	8.9	+1.1
Housing-related Support Services	Contracted Out		
Corporate Properties Repair and Maintenance	15.0	13.1	+1.9
Building Cleaning Services	Contracted Out		
Consultancy Review: Mini-audit of Council's Arrangements for Assigning Securities to Contracts	5.0	5.0	0.0

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

Sustainability and Climate Change: Well-managed function and well-organised auditee enabled assignment to run efficiently generating a saving in audit time.

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	38	100.0	38	100.0	0	0.0

SUMMARY OF RECOMMENDATIONS AND MANAGEMENT RESPONSES FROM INTERNAL AUDIT REPORTS
ISSUED QUARTER 4, 2017/18

Report Reference	Recommendation	Risk Rating ¹	Responsible Officer	Management Response and Target Implementation Date (TID)
Emergency Planning & Business Continuity Management – 31 March 2018				
No recommendations resulting from review.				
Sustainability & Climate Change – 29 March 2018				
4.2.8	Actions should be identified and recorded with the SOG action plan to address the performance target of having cleaner taxis within the district.	Low	Sustainability Officer	Actions will be included in the SOG Action Plan. This will be agreed at the next SOG meeting in May. TID: May 2018
Collection of Council Tax – 14 February 2018				
4.4.10	Details of the cases checked as part of the write off authorisation process (including the high value authorisations) should be recorded on the batch authorisation sheets.	Low	Exchequer Manager / Principal Revenues Officer	Agreed – an instruction will be issued to appropriate staff. TID: February 2018
4.4.13	Documentation should be produced and retained to support all debts written off.	Low	Senior Recovery Court Officer	Agreed – a reminder will be issued to appropriate staff. TID: February 2018

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)
Business Applications: PARIS Income Management System – 31 March 2018				
4.1.1	A procedure should be implemented for regular purging of income transaction import files in the PARIS working directory.	Low	Strategic Finance Manager / Principal Accountant (Capital & Treasury Management)	The feasibility of the recommendation will be investigated and implemented if practical. TID: September 2018
4.4.4	Management should formalise the user request process via the use of a user request form, to be used when requesting new users or changes to existing users access permissions. Forms should be retained to provide assurance that appropriate access rights have been granted to users according to their job role.	Low	Strategic Finance Manager / Principal Accountant (Capital & Treasury Management)	This will be addressed, alongside recommendation 4.5.1. A user request form will be prepared to reflect the revised access levels. This will denote the appropriate access level, manager approval and system administrator verification that all documentation and training has been issued and performed. TID: August 2018

Report Reference	Recommendation	Risk Rating¹	Responsible Officer	Management Response and Target Implementation Date (TID)
4.5.1	Management should consider documenting the role profiles in order to gain better visibility of the access rights assigned to each role and provide further assurance that the correct level of access is being assigned to users.	Low	Revenues Manager / Systems Administration Officer	<p>This will be addressed in line with 4.4.4. The system needs to be streamlined. Currently the roles identify individual requirements and are not of a generic nature.</p> <p>It is the intention of Finance management to reduce the number of profiles to ensure correct access rights are allowed to applicants based upon job description. This ensures any changes required are applied to all users correctly with a reduction of system admin time to manage profiles within the system.</p> <p>The issue will be raised with the system supplier (Northgate) to ensure that changes to existing roles will not have any adverse effect.</p> <p>TID: August 2018</p>
4.5.2	A regular, at least annual, exercise should be undertaken to review users' access permissions within PARIS to ensure they remain appropriate.	Medium	Revenues Manager / Systems Administration Officer	<p>To be done annually.</p> <p>TID: Annually in October</p>
4.7.2	The purpose of the 'Administrator' account should be investigated and, if possible, the account should be renamed or deleted in order to remove the potential for misuse.	Medium	Revenues Manager/ Systems Administration Officer	<p>To be suspended, alongside any other redundant generic user accounts.</p> <p>In line with Corporate IT policy, all users should have an individually assigned user name and password which must not be disclosed to any other individual either within the organisation or outside.</p> <p>TID: Completed</p>

Report Reference	Recommendation	Risk Rating ¹	Responsible Officer	Management Response and Target Implementation Date (TID)
4.9.3	Testing of PARIS should be scheduled as part of the next disaster recovery testing exercise. The testing should be documented and include the time taken to recover systems and services, whether recovery time and point objectives have been met and include detail on any issues and actions arising from the testing.	Medium	ICT Manager	The next formal disaster recovery (DR) test is not for another twelve months. However, each month a system is recovered to our in-house standalone test environment which mimics the DR test. Therefore, the PARIS system will be recovered to this environment as part of the April '18 test. As per standard practice a helpdesk job will be raised and all relevant recovery data will be logged within the job and shared with the System Owner. TID: April 2018
Cyber Security – 16 March 2018				
4.3.3	ICT should review firewall password security parameters and ensure that all administrator password settings meet the Council's requirements around complexity.	Low	ICT Infrastructure Manager	Accepted – The current password does meet the Council's password complexity standard, although it is accepted this is not enforced through the software control. The complexity parameter will be set. TID: April 2018
4.3.5	ICT should perform an exercise of reviewing and validating firewall rulesets. This should be performed on an at least annual basis to ensure firewall rules remain appropriately configured.	Medium	ICT Infrastructure Manager	Accepted – Sufficient data needs to be gathered to ensure that the deletion of a rule does not impact on the business. Once the data is gathered, legacy rules will be deleted and this will become an annual housekeeping task. TID: September 2018

Report Reference	Recommendation	Risk Rating¹	Responsible Officer	Management Response and Target Implementation Date (TID)
4.4.3	ICT management should aim to resolve/ mitigate the remaining ITHC issues in order to help ensure PSN certification is retained.	Medium	ICT Services Manager	The current ITHC reflected the security position 12 months ago. A new ITHC will take place w/c 19 March 2018. This will supersede the existing ITHC. ICT will, as per normal practice, evaluate and remediate as appropriate. TID: Complete – No further Action
4.5.2	ICT management should perform an exercise to review the approach to administrator passwords, including investigation into the use of a software solution.	Medium	ICT Infrastructure Manager	Accepted – A new approach to admin passwords has been agreed and will be rolled out to all servers. The new approach removes the need to invest in a software solution. TID: Complete – No further Action
4.5.3	ICT management should ensure that the generic administrator account is disabled and replaced with individually named administrator accounts.	Medium	ICT Infrastructure Manager	Accepted – The generic admin account has been disabled. TID: Complete – No further Action
4.6.6	ICT should liaise with Sophos to identify and resolve the ANYA2 server issue and with business system owners to ensure the remaining servers are updated with Sophos EXP.	Low	ICT Infrastructure Manager	Accepted – The ultimate resolution of this problem is outside the control of ICT Services. However, as per the recommendation, a support case has been raised with Sophos and will be followed through to conclusion. TID: Complete – No further Action

Report Reference	Recommendation	Risk Rating ¹	Responsible Officer	Management Response and Target Implementation Date (TID)
Information Governance: Preparedness for General Data Protection Regulations – 9 March 2018				
4.2.2	A programme of targeted awareness raising events (workshops, short training courses/sessions, etc.) and updated communications for Council staff should be introduced at an early point once the new person is in post.	Medium	Democratic Services Manager	An awareness briefing session is being designed for roll out via meta compliance to go out in in March. TID: Week Commencing 19 March 2018
4.3.2	A full review of all relevant policies and procedures should take place once the new officer is in post.	High	Information Governance Manager	A report is being brought to Executive in April seeking approval of the Information Governance Framework and associated high level polices. This will also set up the framework for approval of relevant guidance. TID: 5 April 2018
4.3.3	An information audit should be undertaken and Information Asset Owners should be appointed (and trained as appropriate) as soon as practical.	High	Information Governance Manager & Heads of Service	The Information Audit is underway with returns being received from Service Areas. Heads of Services are the Information Asset Owners this is being embedded in new Information Governance Policies. Training sessions are being provided as required along with a pre-briefing before the role out of each audit. TID: In place and ongoing
4.3.4	The Council should document and implement a procedure for Data Protection Impact Assessments (DPIA).	High	Information Governance Manager	This document is in draft form ready to go through the approval process. TID: 30 April 2018

Report Reference	Recommendation	Risk Rating¹	Responsible Officer	Management Response and Target Implementation Date (TID)
4.3.5	A comprehensive information audit should be undertaken to formulate an Information Asset Register sufficient to meet the requirements of Article 30.	Medium	Information Governance Manager & Heads of Service	The Information Audit is underway with returns being received from Service Areas. (20 out of 24 teams have started, four are nearly completed) Progress is being monitored and teams are being actively supported with the audit. TID: 6 April 2018
4.4.1	The Council should review and / or introduce compliant information sharing agreements.	Medium	Information Governance Manager	Information sharing with partner agencies is being identified through the information audit, and via a review of third party and contract arrangements. There will be an action plan for each agreement where non-compliance is identified. TID: May 2018
Remote Access – 6 March 2018				
4.3.2	ICT Management should upgrade to Cisco AnyConnect Secure Mobility Client version 4.3.4019.0 or later, which is not affected by the known vulnerability.	Medium	ICT Infrastructure Manager	Accepted – The upgrade of AnyConnect is scheduled for 6 th March 2018. TID: No further action required.
4.3.4	ICT should add a standard change process / check sheet to the system to provide an audit trail of remote working authorisations and activities.	Low	Desktop Services Manager	Accepted – A standard change checklist has been produced which is linked to a helpdesk request for remote access. TID: No further action required.

Report Reference	Recommendation	Risk Rating ¹	Responsible Officer	Management Response and Target Implementation Date (TID)
Communications: Social Media – 2018				
4.2.3	The Social Media Policy should be presented to the appropriate committee for formal approval.	Low	Media & Comms. Manager / Digital Content & Social Media Officer	The policy is under review and approval will be obtained. TID: May 2018
4.2.7	The training should be amended to include details of the Social Media Policy.	Low	Media & Comms. Manager / Digital Content & Social Media Officer	This will be included prior to the next sessions being run. TID: 1 March 2018
4.4.4	The importance of attending the social media training should be reiterated to Members, with further training sessions being made available to those who did not attend the first session.	Medium	Learning & Development Officer / Senior Committee Services Officer	Members will be offered further dates and Group Leaders will be emailed to ensure they know who has attended the training. TID: March 2018
4.5.6	The potential for monitoring the numbers of service-specific enquiries should be examined in order to identify the value of using social media.	Low	Media & Comms. Manager / Website Manager	This information exists in a disparate format. The Media & Communications Manager will work with the new Website Manager to pull it together into a useable format for producing a report. TID: July 2018

Report Reference	Recommendation	Risk Rating ¹	Responsible Officer	Management Response and Target Implementation Date (TID)
Committee Services – 2 February 2018				
4.6.4	Advice should be sought from the Assets Team regarding the apparent risk of flooding from the floor above the Document Store and, if the risk is deemed to be unacceptable, appropriate action should be taken to mitigate the risk.	Low	Democratic Services Manager and Deputy Monitoring Officer.	I will raise this issue with the Assets Team and then take whatever action, if any, is deemed necessary. TID: End February 2018.
4.6.5	The discs containing agendas and minutes for the period pre 2001 should be stored in different locations.	Low	Democratic Services Manager and Deputy Monitoring Officer.	A set of the discs has been handed to the IT infrastructure team and will be relocated to the safe they have at the Town Hall, for corporate back up tapes etc. on Monday. TID: 5 February 2018.
4.7.3	The basis for the recharges of the cost of the Committee Services team should be reviewed to ensure that they remain appropriate.	Low	Democratic Services Manager and Deputy Monitoring Officer.	I have arranged my budget review with my Accountant for next week and flagged this as a specific issue to be reviewed. Once I have had this meeting I will discuss with the Senior Committee Services Officer when they return from leave to validate my thoughts before making amendments. TID: End February 2018.
Economic Development – 23 January 2018				
4.3.8	Formal arrangements for the scrutiny of Shakespeare's England's reports and accounts by senior management should be established.	Low	Strategic Economic Development Officer	The papers will be circulated on a quarterly basis following the meeting of the Shakespeare's England board. TID: March 2018

Report Reference	Recommendation	Risk Rating¹	Responsible Officer	Management Response and Target Implementation Date (TID)
4.6.2	Separate orders should be raised where work or items over and above the normal contracted works are procured from contractors.	Low	Business Manager (Enterprise)	A new practice will be introduced to ensure that separate orders are raised where appropriate. TID: With immediate effect
4.10.8	Formal health and safety assessments should be organised with the Building Manager and Health & Safety Coordinator.	Medium	Business Manager (Enterprise)	The Building Manager and Health & Safety Coordinator will be contacted to request formal health and safety assessments. TID: April 2018
4.11.3	Budgets should be included for legal fees for each relevant facility.	Low	Business Manager (Enterprise)	Agreed. Financial Year 2018/19: Virements will be undertaken where needed to ensure that all projects have planned budgets (first review at budget monitoring process) From Financial Year 2019/20: Legal fees (contingency) will be set across all projects. TID: April 2018
Development Management – 23 January 2018				
4.2.5	All members of the team should be reminded to save all necessary documentation in Idox.	Low	Development Manager / Team Leader	This report and action plan will be discussed with all members of the team during the next team meeting. The message to staff will be to ensure that all relevant documentation is retained and filed in Idox. TID: 8 January 2018

Report Reference	Recommendation	Risk Rating ¹	Responsible Officer	Management Response and Target Implementation Date (TID)
Local Land Charges – 12 March 2018				
4.3.3	Search requests should be processed in a timely manner.	Low	Applications Officers, Systems & Business Improvement Officer and Business Managers	Performance in this respect has been impacted as set out in the body of the report. However revised performance monitoring measures are now in place and recruitment into vacant administration posts is now taking place to build in further resilience. TID: Currently in progress.
4.3.8	Cases shown on the outstanding search tabs should be reviewed to ensure that they are appropriately closed off where no further action is required.	Low	Systems & Business Improvement Officer and Business Managers	Any revisions to procedures required in this respect are being reviewed now. TID: Currently in progress.
4.7.2	The next Service Area Plan for Development Services should include reference to the remaining aspects of the land charges function.	Low	Development Manager and Head of Development Services	This will be included as part of the current Service Area Plan review. TID: April 2018.
4.7.3	Cumulative figures should be included in the monitoring reports, with consideration being given to including details of any 'outliers' for further investigation.	Low	Systems & Business Improvement Officer and Business Managers	This recommendation is being progressed now. TID: Currently in progress.

Report Reference	Recommendation	Risk Rating ¹	Responsible Officer	Management Response and Target Implementation Date (TID)
Banking Arrangements – 1 February 2018				
4.3.3	A full set of documented procedures for the Council's banking arrangements should be drawn up to provide step by step instructions and guidelines for the relevant processes. This is particularly important in developing succession planning arrangements, including knowledge retention.	Medium	Principal Accountant (Capital and Treasury Management)	Bank, AllPay and Capita Download procedure notes are available. At the time of the last audit the 2014 User Guide was available. Due to the retirement of the Principal Accountant, these weren't found when the audit was undertaken. PARIS is being upgraded and testing will take place during February/March. During and after the testing, procedures will be documented. Due to the recent changes in staffing, the Principal Accountant (Systems) has deleted the previous Principal Accountant (Treasury & Capital) as a user and set up an interim replacement user. Interactive notes are available on the HSBC website. The link is now being included in the banking procedure notes. Different staff do different tasks on HSBC, the individual notes made on their procedure copy are meaningful to them. TID: July 2018

Report Reference	Recommendation	Risk Rating¹	Responsible Officer	Management Response and Target Implementation Date (TID)
4.5.5	The reconciliation process should include a monthly summary reconciliation position that shows the actual monthly bank statement movements, compared to the ledger and actual cashbook movements, with a list of the transactions making up the reconciling difference including reasons.	Medium	N/A	With a monthly reconciliation in isolation there is a risk that just looking at the movement in month would hide previous discrepancies. There are often timing issues between the months, where a discrepancy one month is addressed at the beginning of the next one. Consequently the decision was taken several years ago rely on year-to-date reconciliations. The comments are noted, but current practice will continue. TID: Not applicable.
4.5.6	All bank reconciliations should be subject to independent review and sign off to ensure timeliness and that any errors, discrepancies and unexplained differences are highlighted and investigated.	Medium	Principal Accountant (Capital and Treasury Management)	The long standing Principal Accountant (Capital and Treasury Management) was doing this. His successor did not pick this up, however, she was made aware of the status of the reconciliations. The Interim Principal Accountant is now aware and reconciliations will be signed in future. TID: February 2018

Report Reference	Recommendation	Risk Rating¹	Responsible Officer	Management Response and Target Implementation Date (TID)
4.5.8	<p>An investigation should be undertaken of the use of the OLR2 system at the Royal Spa Centre to establish why income received is not posted to the ledger.</p> <p>Where a 'work around' solution is used, the process should be documented and retained for continuity purposes. However, this should only be used on a temporary basis until a permanent solution is introduced.</p>	Medium	Principal Accountant (Capital and Treasury Management)	<p>Whilst this was the status when this audit was undertaken, this has now been addressed. The problems arose due to this needing to be rectified by our external supplier and, despite daily phone calls and emails from several people, there was no response. A decision was made to temporarily suspend the On Line Returns Module early in December 2017. The income is now allocated through suspense with appropriate journals being done in the ledger. The service area was consulted prior to this happening.</p> <p>TID: Actioned December 2017</p>
4.6.3	An annual review of transaction volumes should be undertaken to ensure they are still within the agreed volumes included within in the Schedule of Rates and the rates are, therefore, still appropriate.	Low	Principal Accountant (Capital and Treasury Management)	<p>The sums of money are insignificant. Transactions will be reviewed during 2018/19 as part of the re-tendering process.</p> <p>TID: March 2018</p>
4.13.2	Interest received and charged should be reviewed to ensure it is in line with the agreed rates.	Low	Principal Accountant (Capital and Treasury Management)	<p>The Business Deposit Account is already monitored as part of the Treasury Management function. No credit interest is received on the Council's current accounts and debit interest is minimal. There were two overcharges identified earlier and HSBC were duly notified to refund these.</p> <p>TID: Not applicable.</p>

Report Reference	Recommendation	Risk Rating ¹	Responsible Officer	Management Response and Target Implementation Date (TID)
Procurement Cards – 31 March 2018				
4.5.1	Regular analysis of purchasing cards usage should be undertaken.	Medium	Finance Administration Manager Senior Procurement Business Partner	Regular analysis of card usage is undertaken to ensure compliance with the agreed procedures. TID: Ongoing. Consideration to be given how the currently available data can be further analysed ahead of the new Procurement Card system being produced. TID: 30 June 2018
4.5.12	Purchasing card expenditure should be further analysed to ascertain whether the Council would meet the thresholds for receiving discounted rates with accommodation providers.	Low	Finance Administration Manager Senior Procurement Business Partner	A Procurement Card system is due to be produced in 2018/19 that will streamline the process and enable improved interrogation of the transactions. TID: 30 September 2018 Data to be analysed as part of forthcoming Spend Analysis. TID: 31 March 2019
4.5.12	Expenditure via purchasing cards and via TOTAL should be further analysed to ascertain whether the Council would meet the thresholds for receiving discounted rates with train companies.	Low	Finance Administration Manager / Senior Procurement Business Partner	A Spend Analysis is due to be undertaken in-house in 2018/19. Whilst this will primarily be of the transactions within Total, the Purchasing Card data should be evaluated alongside this. TID: 31 March 2019

Report Reference	Recommendation	Risk Rating ¹	Responsible Officer	Management Response and Target Implementation Date (TID)
4.5.20	Cardholders should be instructed that transaction limits should be adhered to, with attempts to circumvent these limits being reported to senior managers.	Medium	Finance Administration Manager	This has been completed. An email has been sent to all cardholders and copied to SMT Plus to advise them of this requirement with an amended procedure document also being issued. The issue has also been highlighted to the FSTeam and they have been advised to notify the Finance Administration Manager if they notice any further instances. TID: Completed.
Flood Risk Management – 31 March 2018				
4.2.10	A coordinated approach to managing the expansion of SUDS in the District should be adopted by involving all relevant senior managers to identify the potential problems and to propose solutions.	Medium	Head of Health & Community Protection / SMT	The Interim Assets Manager, the Neighbourhood Services Manager and the Deputy Chief Executive (BH) have met to discuss the issue. The Deputy Chief Executive (BH) and the Neighbourhood Services Manager will be co-ordinating the future approach and involving other staff as appropriate.
Environmental Protection Functions – 21 March 2018				
No recommendations resulting from review.				
Housing-Related Support Services – 19 March 2018				
4.5.7	Budget forecasts should take into account the increase in income, which should also be reflected in the annual budget setting process.	Medium	Housing Support & Lifeline Manager	This will be discussed with the Assistant Accountant as it is believed this was due to two cost centres being merged (7430 and 7440) and the budget may not, therefore, have been set correctly after the merger. TID: 30 March 2018

Report Reference	Recommendation	Risk Rating ¹	Responsible Officer	Management Response and Target Implementation Date (TID)
4.6.2	<p>The performance monitoring and reporting process should be fully developed to include:</p> <ul style="list-style-type: none"> • Relevant and useful Key Performance Indicators (KPIs). • A regular reporting requirement. • Relevant and useful information reported accurately and promptly to the correct officers. • Action plans to improve performance. 	Medium	Housing Support & Lifeline Manager	<p>Performance is monitored on a day to day basis by the service managers with relevant KPIs reviewed by the Housing Services management team on a quarterly basis.</p> <p>TID: Complete</p>
Corporate Properties Repair and Maintenance – 31 March 2018				
4.4.4	The procurement options around the use of Ser-Tec Systems Ltd should be investigated, with a formal contract being put in place if no other suppliers are able to provide the service.	Low	Asset Manager	<p>Following advice from Procurement, these works will be tendered for a 3-year contract and a contract will be in place by the end of July 2018.</p> <p>TID: July 2018.</p>
Building Cleaning Services – 20 March 2018				
4.2.1	A strategy should be developed and implemented to outline the Council's position on cleaning of corporate buildings and all Council public buildings and spaces. This should be made available to the public to enable better understanding of expected services.	Medium	Estates Manager	<p>It is not felt that there is a need for a formal strategy.</p> <p>Information is posted in the locked communal notice boards in relevant properties so that tenants are aware of what to expect from the contractor in terms of service levels.</p> <p>Notices are also on display in public toilets.</p> <p>A notice will now be introduced to the corporate buildings and a summary of all cleaning frequencies will be made available on the website.</p> <p>TID: June 2018</p>

Report Reference	Recommendation	Risk Rating¹	Responsible Officer	Management Response and Target Implementation Date (TID)
4.2.9	A suite of KPIs should be agreed with Kingdom, ensuring only valid and necessary indicators are included, allowing the Council to measure service levels, efficiency, effectiveness and quality of services, as well as overall performance and satisfaction levels.	Medium	Estates Manager	KPIs have now been agreed with the Area Manager from Kingdom which are to reflect those that were in place with Ocean. TID: Completed
4.2.15	The current monthly meeting process should be further developed to include a meeting agenda with standing agenda items and should also document actions cleared from previous meetings.	Low	Estates Manager	Agreed. An agenda will be in place for the next meeting. Whilst not specifically recorded as such, the actions from the previous meeting are covered in the minutes of the subsequent meeting. TID: April 2018
4.2.18	Where complaints are received, the Council should record the results of the action taken and confirm whether the complaint has been resolved. In addition, the complainants should be informed of the outcome to ensure they are aware that the complaint has been dealt with.	Medium	Estates Manager	The 'issues' recorded on the spreadsheet so far have not been formal complaints. These have been addressed straight away by Kingdom and, as such, there has not been a need to formally advise the 'complainant' of the outcome as it will be obvious that it has been addressed. Were a formal complaint to be received it would be addressed by the Tenancy Manager in the first instance and a formal response would be issued. TID: No further action required.

Report Reference	Recommendation	Risk Rating¹	Responsible Officer	Management Response and Target Implementation Date (TID)
4.2.19	The results of the Service Improvement Team's survey should be formally assessed and action taken to address the issues raised.	Low	Estates Manager	Due to anonymous nature of the responses and the lack of detail as to what caused any dissatisfaction, it is not possible to address any 'issues'. The block in question is covered as part of the normal inspection routines and no issues have been noted during recent inspections. TID: Not applicable.
4.4.9	Invoices processed should be subject to independent review on a monthly basis to ensure any errors and miscodings are identified promptly and corrected to enable accurate month end accounts to be produced.	Low	Estates Manager	The issue noted arose during a pilot of the auto-matching process that is to be employed at the Council. In future, if an order number is not stated on the invoice, the invoice will be returned to the supplier. This should ensure that the payments are correctly coded. TID: No further action required.

**AUDIT REPORTS WITH MODERATE OR LOW LEVEL OF ASSURANCE
ISSUED QUARTER 4 2017/18****PARIS Income Management – 26 March 2018****1 Introduction**

- 1.1 In accordance with the Audit Plan for 2017/18 an audit review of the PARIS Income Management application has been completed. This report presents the findings and conclusions drawn from the audit for information and action where appropriate.
- 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 co-operation received during the audit.

2 Background

- 2.1 The PARIS application is used for cash receipting and to process and reconcile payments from multiple departments across the Council. This review of the system and its supporting controls was performed in order to provide assurance that there are no data security or application control weaknesses in the ICT security and management of the application.

3 Scope and Objectives of the Audit

- 3.1 The work included a review of application security, incorporating access rights and privileges, audit trails, system administration functions, application support, and data backup.
- 3.2 Testing was performed to confirm that controls identified have operated as expected with documentary evidence being obtained where possible, although some reliance has had to be placed on verbal discussions with relevant staff.
- 3.3 The audit was designed to assess and provide assurance on the following risks:
- Non-compliance with current policies and procedures
 - Application availability / data integrity is impaired in the absence of sufficient application security controls
 - Inappropriate accesses allowed to system functionality and / or data
 - Users have access to data / information not applicable to roles and responsibilities
 - Users are not removed when they leave, or access privileges are not changed when roles / jobs change
 - High level and super user functions are not properly managed

- System and data backups are not properly carried out.

4 Findings

4.1 Recommendations from Previous Report

4.1.1 The current position in respect of the recommendations from the audit reported in November 2012 is as follows:

Recommendation	Management Response	Current Status
1 The ICT team should confirm why the vendor for Total is provided with SYSADMIN access at instance level.	Remove sysadmin rights from TASK and warwickdc\consilium.	Completed.
2 A procedure should be implemented for regular purging of income transaction import files in the PARIS working directory.	The feasibility of the recommendation will be investigated and implemented if practical.	Due to staffing changes, management were unsure whether this had been actioned. The recommendation is, therefore, repeated in the action plan for this audit.
3 The feasibility of locking down the income transaction import files in the PARIS working directory against access through Windows navigation tools should be investigated.	Northgate have been consulted and they have been provided the necessary information. Application Support have started the required changes.	Completed – working directory files are no longer accessible through Windows.
4 Enquiries should be made with Northgate as to whether the scope of audit logging in the version of PARIS being considered for migration includes parameter changes.	Northgate have been consulted. The audit logging of parameter changes in version 41 of PARIS.	Completed. Management have since upgraded to a newer version of PARIS.

5	Logging and reporting of parameter changes should be implemented, either as part of the envisaged upgrade or installation of the applicable system release previously produced as appropriate.	We will be upgrading to version 41 of PARIS as soon as possible.	Completed. Management have since upgraded to a newer version of PARIS.
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4.2 Policies & Procedures

4.2.1 Key ICT policies and procedures relevant to application security, user administration and data backup and recovery were identified and obtained during the review. These were used in the process of reviewing the suitability of the controls in place for the PARIS application.

4.2.2 The policies identified as being of particular relevance in this review are the Information Security and Conduct Policy, Monitoring Policy, Software Policy and the Data Handling Policy.

4.3 Application Security

4.3.1 Authentication to the PARIS application is performed at the application level, with users being provided with password credentials that they are required to change on initial login.

4.3.2 It was found that strong passwords were enforced at the application level, as required by the Council's Information Security and Conduct Policy. Passwords are required to contain a capital alphanumeric character, a numeric character and a special character (such as @,\$ or #). In addition the password itself must be a minimum of seven characters.

4.3.3 An audit trail of user activities is captured within the application, and reporting is available for review in the event of any suspect activity.

4.4 Access Control

4.4.1 It was noted that at the time of review ownership and responsibility for administration of the PARIS system was undergoing a period of change following the departure of the previous system owner, and that consequently there was a need to improve and / or formalise some of the supporting administration activities and controls.

4.4.2 Access to the application is currently provided by the Systems Officer, who has also recently been nominated the primary point of contact for support issues in relation to the system.

4.4.3 It was noted that requests for access to the application, or changes to existing users' access permissions, are made via a standard email rather

than through the use of a user request form.

- 4.4.4 Rather than specifying the access individuals require in the system, or specifying a particular role based permission, managers generally nominate an existing member of staff to base the new starter's permissions on. It was also found that there is no explicit requirement that a record of user requests / changes to a user's access permissions is retained.

Risk

Users may have systems access not applicable to their roles and responsibilities.

Recommendation

Management should formalise the user request process via the use of a user request form, to be used when requesting new users or changes to existing users access permissions. Forms should be retained to provide assurance that appropriate access rights have been granted to users according to their job role.

4.5 **User Roles & Responsibilities**

- 4.5.1 Access permissions are assigned to users via the use of roles and groups within the PARIS application. It was noted that there are a large number of role profiles and groups but that there is no supporting documentation / notes clearly describing what access privileges within the application are assigned to each role / group.

Risk

Users may be assigned inappropriate access permissions.

Recommendation

Management should consider documenting the role profiles in order to gain better visibility of the access rights assigned to each role and provide further assurance that the correct level of access is being assigned to users.

- 4.5.2 Although accounts are reviewed on an ad-hoc basis, there is currently no regular exercise undertaken to review and verify that users' access levels within the application are appropriate i.e. that no users have been granted a high degree of access in error or that users have been able to retain and 'collect' access rights following a change of job role.

Risk

Users may be granted access permissions above and beyond that required by their job role.

Recommendation

A regular, at least annual, exercise should be undertaken to review users' access permissions within PARIS to ensure they remain appropriate.

4.6 Leavers Process

- 4.6.1 It is the responsibility of the leaver's team manager to notify ICT of leavers via the use of a leaver form, in order for a user's network and application accounts to be disabled. In the event that this form is not completed it is possible for accounts to remain active. It was found that the Systems Officer has additional controls in place to identify and remove leavers' accounts.
- 4.6.2 These controls include a process of comparing HR leaver data against live user accounts on a monthly basis and removing any leaver accounts identified, effectively mitigating the risks around leavers not being reported and removed from the system in a timely manner.

4.7 High Level & Superuser Functions

- 4.7.1 Administrator access rights, including the ability to create and delete users, are granted to a limited number of approved users. A list of the members of this group was obtained and reviewed with management during the review and it was confirmed that each user required this access and had the appropriate level of access for their job role.
- 4.7.2 A review of high privilege PARIS user accounts identified the existence of an active administrator level account named 'Administrator'. Although it is understood this account is unused and that ICT staff use named individual accounts for administration purposes it is possible the account could be used maliciously, or in error, to perform activities that cannot be easily traced back to an individual.

Risk

There may be a lack of accountability with the audit trail of actions performed showing the use of a generic administrator level account.

Recommendation

The purpose of the 'Administrator' account should be investigated and, if possible, the account should be renamed or deleted in order to remove the potential for misuse.

4.8 Database Security

- 4.8.1 Database security controls including authentication requirements, logging settings, and use of default / generic accounts were reviewed using the Microsoft Baseline Security Analyser (MBSA) tool, with scans of key PARIS servers performed and reviewed for potential security issues.

4.8.2 It was noted as part of this exercise that the SQL instance relating to the application uses 'Mixed Mode' authentication, rather than using Windows authentication (which would provide improved security). It was found that this is required by the application supplier as part of their support arrangements and that a change could have an adverse impact of the system operation and could not be easily altered. This has, therefore, been raised to highlight the security level but not as an issue to be resolved.

4.9 **Backup & Recovery**

4.9.1 Backups of the PARIS servers and database are made using HP Data Protector. Daily backups are made each night and kept in the onsite tape library for two weeks.

4.9.2 Backups are performed over the weekend and include all systems. The weekly tapes are taken by a member of the Infrastructure team to be stored off-site at the Town Hall where they are kept for a four week period. Monthly full backups are also made and taken off-site on a monthly basis. These are retained for six months.

4.9.3 It was found that, whilst regular backups are made and retained, there has been no testing of the ability to restore PARIS data from backups that management are aware of.

Risk

There may be limited or no assurance that the application can be recovered within an acceptable timescale and that potential issues have been identified and addressed.

Recommendation

Testing of PARIS should be scheduled as part of the next disaster recovery testing exercise. The testing should be documented and include the time taken to recover systems and services, whether recovery time and point objectives have been met and include detail on any issues and actions arising from the testing.

5 **Conclusions**

5.1 The audit identified three medium and three low rated recommendations, giving a MODERATE level of assurance around the application security of the PARIS application.

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

Banking Arrangements – 1 February 2018

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 June 2014.
- 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.
- 1.3 It is acknowledged that the Principal Accountant responsible for the day-to-day operation and administration of bank accounts was relatively new to the post at the time of the audit and has subsequently left the Council. Therefore, the opportunity to review processes and initiate and implement improvement has been significantly limited.

2 Background

- 2.1 The Council's banking arrangements help ensure that money is held in safe and profitable organisations. This has a direct impact on the Council achieving the Money theme of the Fit for the Future (FFF) strategy, specifically around the internal intended outcomes of achieving better returns and better use of our (financial) assets.
- 2.2 The current contract came into effect on 1 March 2015 for a period of five years at a cost of approximately £25,000 per year.

3 Scope and Objectives of the Audit

- 3.1 The objective of the audit was to test the key controls relevant to the current banking arrangements, including controls over the posting of transactions and the security of on-line transactions.

3.2 The audit covered the following control objectives:

- A control framework has been established for banking arrangements and bank reconciliations, including tendering arrangements, statement of responsibilities, written statement of bank terms and fidelity guarantee policy.
- Documented procedures for all banking related processes are in place and available to all relevant staff.
- All payments/debits from the bank accounts are properly authorised and processed accurately and completely to the ledger.
- Bank statements are regularly reconciled to the ledger (both income and expenditure) and interest and charges are accurate and in line with the agreed terms.
- Transaction volumes (which give rise to the charges) are reviewed.
- An appropriate bank mandate is in place for all bank accounts.
- Cheque stationery is appropriately controlled.
- Presented cheques are verified to the payments system.
- Computer systems are appropriately secured and business continuity arrangements are in place to ensure that business critical interactions with the bank can continue independently of Council systems as far as possible.
- On line payments require appropriate authorisation.
- Suspense accounts are regularly reviewed and reconciled by an independent officer.

4 Findings

4.1 Recommendations from Previous Report

4.1.1 The current position in respect of the recommendations from the audit reported in June 2014 is as follows:

Recommendation	Management Response	Current Status
1 The Code of Financial Practice should be updated on the Council's website, as per the amendment approved by Executive.	The website version of the Code of Financial Practice will be updated to include the amendment.	Reviewed, updated and approved by Council in April 2015. Not reviewed since as no changes. See 4.2 (Control Framework).
2 Interest received on the Business Deposit Account should be checked to the Council's own calculations on a quarterly basis to ensure that any discrepancies noted can be queried in a	The actual interest credited to the BDA will be checked against our spreadsheet and any significant discrepancy reported to the bank.	All accounts are subject to quarterly review, including interest received and charged. See 4.13 (Bank Charges).

	timely manner.		
3	The old cheque stock should either be used (if they are still valid cheques) or be securely destroyed.	The old cheque stock does not contain valid cheques and can no longer be used; each box has been clearly marked with an "X" to ensure that they are not issued and they are stored on the top shelf of the cabinet separate to the current valid stock. However, arrangements will be made to ensure that the old stock is securely disposed of / destroyed to remove all risk.	Completed.

4.2 Control Framework

- 4.2.1 The Constitution, approved by Council on 25 January 2017, includes at Section 4, the Scheme of Delegation. Section 6 F(13) ii, states that the Head of Finance and Chief Finance (S151) Officer shall have authority to, "make such banking arrangements, including opening of banking accounts, as appear necessary for the proper management of the Council's finances".
- 4.2.2 The Code of Financial Practice, includes at Section 7, Banking Arrangements and Treasury Management. Section 7.1 states that, "the Head of Finance is responsible for all arrangements with the Council's bankers.
- 4.2.3 Further to this, the Treasury Management procedures detail the operation of bank accounts. However, a review of these found that they deal exclusively with investments.

4.3 Procedure Documentation

- 4.3.1 Internal Audit was informed that there are no documented procedures for the operation of the PARIS system.
- 4.3.2 In addition, there is no single procedure manual that would cover all aspects of the banking functions performed within Finance. Instead, individual staff members have drawn up their own guidance notes for their parts of the processes, which would be available to others if required.
- 4.3.3 Furthermore, it was confirmed that there are no documented step by step process notes or guidelines for the reconciliation process (see 4.5 below), the maintenance of the bank mandate (see 4.7 below), or for managing access to HSBC.net (see 4.9 below).

Risks

Without documented procedures and guidelines, inadequate, inefficient or out of date processes may develop.

Knowledge of processes may be lost should current staff leave the Council.

Recommendation:

A full set of documented procedures for the Council's banking arrangements should be drawn up to provide step by step instructions and guidelines for the relevant processes. This is particularly important in developing succession planning arrangements, including knowledge retention.

- 4.3.4 Procedures for HSBC.net are available online but these can also be downloaded.

4.4 Payments and Debits

- 4.4.1 All payments/debits from the account are properly authorised and processed accurately and completely to the financial ledger.

- 4.4.2 A sample of payments was selected from the bank statements and testing confirmed that all payments had been:

- requested by staff from the relevant department;
- accompanied by a Priority Payment form that was completed by a member of staff from the Accounts team;
- checked and authorised on HSBC.net by the Principal Accountant or another senior member of Finance staff; and
- reconciled to the ledger.

- 4.4.3 The bank reconciliation process ensures income received is accurately processed to the ledger.

- 4.4.4 Expenditure items are authorised prior to being incurred and again, the bank reconciliation process ensures the expenditure on the ledger matches that at the bank.

4.5 Reconciliation

- 4.5.1 The Accountancy Assistant (Bank Reconciliation) undertakes the monthly bank reconciliations. There are some old process notes but these are not used and do not cover the entire process (see 4.3.3 above).

- 4.5.2 Bank statements are downloaded from HSBC.net on a daily basis, by logging in to the online facility. Although these are reviewed daily, the actual formal reconciliations are undertaken each month.

- 4.5.3 Spreadsheets have been created to facilitate the reconciliation and entries are manually input from the statements and then from the cashbooks on the Council's general ledger.
- 4.5.4 Testing was undertaken to check the frequency and accuracy of the reconciliations for both income and expenditure.
- 4.5.5 It was established that these are undertaken each month, but on a year to date basis rather than a full reconciliation of the monthly bank transactions to the monthly ledger movements. Therefore, it was not possible to reconcile the bank statements to the income or expenditure as the opening balances on the statements were for the actual month and the ledger totals were year to date.

Risk

Monthly movements may not be tracked and reconciled to the Council's ledger.

Recommendation:

The reconciliation process should include a monthly summary reconciliation position that shows the actual monthly bank statement movements, compared to the ledger and actual cashbook movements, with a list of the transactions making up the reconciling difference including reasons.

- 4.5.6 It was also identified that the bank reconciliations are not subject to independent review and sign off.

Risk

Errors and discrepancies may go unnoticed.

Recommendation:

All bank reconciliations should be subject to independent review and sign off to ensure timeliness and that any errors, discrepancies and unexplained differences are highlighted and investigated.

- 4.5.7 Income received at the Royal Spa Centre is processed using a system called OLR2, which is part of the PARIS income system. However, there have been issues with this system and a lack of understanding resulting in income being banked but not being input to the ledger.
- 4.5.8 It was established that the previous Principal Accountant was aware of this issue and undertook a separate monthly reconciliation to identify and correctly post the income received via OLR2. This was a 'work around' solution rather than a system fix. However, the current Principal Accountant and the existing team are not aware of the process for this or why the income is not automatically posted.

Risk

Income may be incorrectly processed.

Recommendation

An investigation should be undertaken of the use of the OLR2 system at the Royal Spa Centre to establish why income received is not posted to the ledger.

Where a 'work around' solution is used, the process should be documented and retained for continuity purposes. However, this should only be used on a temporary basis until a permanent solution is introduced.

4.6 Transaction Volumes

4.6.1 It was identified that a Schedule of Rates was detailed at the tender evaluation stage (for the current contract) and these were subsequently agreed.

4.6.2 Schedule 6 of the agreed contract (see 4.12 below) detailed the final schedule of rates along with the agreed annual transaction volumes, including:

- Direct Debits paid – 385; charge £15
- BACS items – 556,035; charge £5,560

4.6.3 These figures were based on the volume of transactions during the year ended 31 December 2013. However, the rates have not been reviewed since the start of the contract and no one at the Council undertakes an annual review of transaction volumes.

Risk

The Council may be overcharged.

Recommendation:

An annual review of transaction volumes should be undertaken to ensure they are still within the agreed volumes included within the Schedule of Rates and the rates are, therefore, still appropriate.

4.7 Bank Mandate

4.7.1 The bank mandate was reviewed and it was confirmed that the listed staff were appropriate and current.

4.7.2 The Principal Accountant is responsible for maintaining the mandate but was not aware of the process to add to or remove a member or staff from it, as there was no documented procedure or guidelines. It is recommended that this is included in the new procedure documentation (see 4.3.3 above)

- 4.7.3 It was identified that when the previous Principal Accountant retired, the Assistant Accountant (Capital and Treasury) prepared a letter for the bank to remove him from the mandate and include the replacement, with the letter being signed by the retiring member of staff.
- 4.8 Cheque Payments & Security**
- 4.8.1 There are twice weekly cheque runs, for which the Corporate Support team (CST) is responsible for. All cheques are batch printed and the stock of cheques is retained in a locked safe in the CST office, to which only CST staff have access.
- 4.8.2 A log of cheques is retained and when a payment run is undertaken, the number of cheques and the first and last cheque numbers are recorded. Testing established that there are no gaps in the log.
- 4.8.3 Cheques are ordered from HSBC by the Media team, who retain a log of all cheques. These are collected by CST staff who are required to sign for the cheques.
- 4.8.4 Un-presented cheques listings are regularly reviewed by the Accountancy Assistant (Bank Reconciliation) as part of the monthly expenditure reconciliation. These are then monitored on a daily basis, when the bank statements are downloaded.
- 4.8.5 If the cheques are not presented in time they are cancelled.
- 4.9 IT Systems – HSBC.net**
- 4.9.1 Access to HSBC.net is assigned according to job role and need to use.
- 4.9.2 A list of current active users was obtained and it was confirmed that all users were current.
- 4.9.3 Responsibility for the administration of the process was found to lie with the Principal Accountant, who will shortly be leaving the Council. However, there is no documented process.
- 4.9.4 A sample of payments was selected for testing and it was confirmed that authorisation via HSBC.net was appropriate and in line with that of cheque payments.
- 4.9.5 The review of the reconciliation process (see 4.5 above), confirmed that bank statement information is downloaded from HSBC.net on a daily basis by the Accountancy Assistant (Bank Reconciliation).
- 4.10 Online Payments**
- 4.10.1 A sample of online payments was selected for testing to ensure that the system requires (at least) the same levels of authorisation as cheques.

- 4.10.2 It was established that payments require one user to prepare the paperwork and then two authorisers to check and authorise the payment on the system. The authorisers check that the sort-code, account number, payee and amounts are correct and that the payment request is above-board.
- 4.10.3 The testing confirmed that, in all cases, payments had been independently requested by staff from the relevant department, or was included on a payment schedule or remittance, sent to the Accounts team.
- 4.10.4 In addition, a Priority Payment form had been completed by a member of staff from the Accounts team and checked and agreed by the Principal Accountant.

4.11 Suspense Account Reconciliation

- 4.11.1 There is a suspense account, where unidentified credit transactions are processed to. The account details are downloaded on a daily basis by the Accountancy Assistant (Bank Reconciliation) and the amounts are cleared where possible.
- 4.11.2 Details (including those of the transfer) are printed and retained on hard copy files. The files and the suspense account were reviewed which confirmed that the transactions are being reviewed and cleared and that there were no long-standing items.

4.12 Agreement with the Bank

- 4.12.1 A formal tender process was undertaken during 2014 and HSBC was awarded the contract to provide banking services to the Council.
- 4.12.2 The contract, which is for an initial five-year period with an option to extend for a further five years, was signed by all parties in February 2015 and commenced on 1 March 2015. This was confirmed by review of the hard copy signed contract.
- 4.12.3 The original signed contract (which was reviewed) is stored securely in the document store.

4.13 Bank Charges

- 4.13.1 We established that interest received and bank charges for all bank accounts are reviewed on a quarterly basis by the Assistant Accountant (Capital & Treasury).
- 4.13.2 However, the interest and charges are not specifically checked and agreed to those agreed, only that if the amount appears to be higher than normal on the bank statement, then it would be reviewed and investigated.

Risk

The Council may be incorrectly charged and may not receive the correct interest.

Recommendation:

Interest received and charged should be reviewed to ensure it is in line with the agreed rates.

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 Banking Arrangements are appropriate and are working effectively.

5.2 The assurance bands are shown overleaf:

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 Issues were identified relating to:

- The lack of procedure documentation.
- The bank reconciliation processes and reviews of completed reconciliations.
- Income not being recorded on the financial ledger.
- The lack of an annual review of transaction volumes.
- The checking of interest received and charged against the expected rates and amounts.

6 Management Action

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

Flood Risk Management – 31 March 2018

1 Introduction

- 1.1 In accordance with the Audit Plan for 2017/18, an examination of the systems and procedures in place for dealing with Flood Risk Management (FRM) has been undertaken and this report presents the findings and conclusions drawn from the audit for information and action where appropriate.
- 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 last audit of FRM, which was also the first audit undertaken on the subject, was completed in November 2014.
- 2.2 At that time most of the related systems and procedures were contained within the Environmental Sustainability Team in Health and Community Protection (H&CP) and the majority of the work was undertaken by two engineers.
- 2.3 Since that time as a result of various restructures and redesigns the council currently has no engineering resource and the work previously undertaken in H&CP has been distributed to other service areas, mainly Neighbourhood Services and the Assets Team in Chief Executive's, and to the County Council.

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 (overleaf):
- There are appropriate management, structural and operational procedures in place to deal with the risk of flooding.
 - The council's legal obligations are being complied with.
 - All watercourses on council land are identified, recorded and maintained.
 - Proposed developments in the district are referred to WCC for flood risk implications.
 - Work is ordered in accordance with the Code of Procurement Practice.
 - Work carried out for WCC is covered by a formal agreement.
 - Corporate budgetary control procedures are being followed.
 - The risks associated with the service are identified, recorded and managed.

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

- Responsibility for FRM is clear with established procedures in place.
- The council's legal obligations are being complied with.
- Watercourses on council land are inspected and maintained.
- All watercourses and trash screens are detailed both in narrative and on maps.
- Details of work to be undertaken are supplied to the contractor.
- Relevant planning applications are referred for possible flooding implications.
- Tenders are invited for work and contracts are in place.
- Work undertaken for the County Council is covered by a suitable agreement.
- The County are billed in advance for the work.
- Budgets are controlled in line with standard procedures.
- Relevant risks are identified, recorded and managed.

4 Findings

4.1 Recommendations from Previous Reports

4.1.1 The last report on Flood Risk Management was issued on 27 November 2014 and it contained a number of recommendations. The response at the time and the current position are detailed in Appendix A.

4.1.2 In respect of those previous recommendations, the completely different management arrangements that are now in place, the budgetary structure and staffing issues have rendered the recommendations from the last audit redundant. This will be explained below.

4.2 Overall management of FRM

4.2.1 At the time of the last audit there were two Engineers posts in H&CP and they dealt with virtually all matters relating to FRM. One post was closely involved in a flood alleviation capital scheme that was taking place at the time and the other post managed the routine inspection and maintenance work and dealt with referrals from Development Management on planning applications.

4.2.2 Now H&CP have virtually no responsibility for FRM and there are no Engineers posts in the current structure. The routine inspection and maintenance aspects for watercourses and trash screens are dealt with in Neighbourhood Services, the Assets Team in Chief Executive's deal with the maintenance of pumping stations and would manage any capital schemes and under an SLA the County Council are consulted on planning applications and drainage matters.

4.2.3 The Environmental Protection Team in H&CP have held the budget for the payment of the SLA with the County but as from 2018/2019 this is being transferred to Development Management.

- 4.2.4 Partway through the audit comment was made that the approach being adopted was akin to a contract management audit and that a wider view of managing the risk should be taken to include the issues surrounding Sustainable Urban Drainage Systems (SUDS). Up to this point there had been no intention to consider SUDS as part of the audit due entirely to the fact that SUDS was a completely alien term and so not included in the audit programme. Given the nature of the concerns expressed about SUDS, the fact that the audit was already in progress and that there simply wouldn't be time to consider the matter to any meaningful degree it was suggested that the matter would be examined in a fairly broad fashion with any recommendation being in a similar vein.
- 4.2.5 Some brief investigation and explanation revealed that SUDS are a system whereby surface water in urban areas is stored temporarily thereby reducing the flow into local watercourses which otherwise might result in flooding. The Local Plan requires that all new major developments must incorporate SUDS.
- 4.2.6 Discussions took place with a number of officers about SUDS and it soon became clear that there was a good understanding of what they were and of the issues associated with them. Most officers expressed concerns that could be summarised as a lack of preparedness for dealing with them which might result in serious problems in the future. There may only be a limited number around at the moment but the development of the District in the Local Plan suggests that a lot more will appear over the life of The Plan.
- 4.2.7 Several comments referred to the council's lack of experience in dealing with SUDS and the lack of the necessary in house expertise to advise on their suitability and fit for purpose. What currently happens with planning applications for major developments is that among the conditions for approval will be a condition that a SUDS must be installed. In time the developer submits proposals to fulfil the condition and these are forwarded to the County Council for their approval.
- 4.2.8 When the scheme has been completed it will be handed over to the council for adoption. What is unclear at that stage is whether or not the SUDS has been provided in accordance with the proposals approved, if it is fit for purpose, if it has been provided to an appropriate standard and if, as part of the financial settlement, there are sufficient funds to meet the ongoing maintenance costs.
- 4.2.9 In the course of discussions some officers cited the council's lack of in house engineering resources as being a factor in the general management of SUDS. Admittedly there are no engineering posts in H&CP as there were at the time of the last audit but engineering resources are provided to the council under the SLA with WCC. It was claimed that the value of the previous engineering posts was overstated as a result of a misunderstanding in Service Areas of what the engineers actually did against what people thought they did.

- 4.2.10 There is, however, an Engineer's post on the establishment. As part of the restructure of H&CP that was reported to Employment Committee in March 2017 a post of Engineer was deleted and a post of Engineer (0.6fte) was created. The new post is located in the Assets Team. No progress has been made with filling the post possibly because the Team is currently undergoing a redesign. When the post will be filled and what the duties will be are also not clear.
- 4.2.10 In summary there are a lot of concerns surrounding SUDS which are mainly around their quality or fitness for purpose and the funding of their maintenance. It would seem that the inevitable expansion of their use is not being managed in a coordinated fashion.

Risks

SUDS that are not fit for purpose might be installed which may increase the risk of flooding.

Funds deposited by the developer may not be sufficient to meet ongoing maintenance costs.

Recommendation

A coordinated approach to managing the expansion of SUDS in the District should be adopted by involving all relevant senior managers to identify the potential problems and to propose solutions.

4.3 Legal obligations are being complied with

- 4.3.1 There are a number of Acts of Parliament that a local authority needs to comply with in respect of land, water and flooding with the main one being the Land Drainage Act 1991. The Act requires that a watercourse is maintained by its owner in such a condition that free flow of water is not impeded. The council also has powers of enforcement on other landowners if they fail to meet their duties. The council has powers to serve a notice and if it is ignored to carry out the necessary work and recharge the owner.
- 4.3.2 Watercourses, brooks and streams, on council land are inspected and if necessary blockages and debris are removed through a planned maintenance programme undertaken by one of the council's main contractors.
- 4.3.2 The work is specified in the Grounds Maintenance contract and monthly reports of inspections undertaken and the condition of the watercourses are submitted to Contract Services.

4.4 All watercourses are identified and maintained

- 4.4.1 The watercourses that are on land owned by the council are all recorded on both lists and maps. A copy of the maps is held in Contract Services and a copy has been supplied to the contractor.

- 4.4.2 Under the terms of the contract the contractor is required to inspect all watercourses monthly and to remove any blockages that will impede the free flow of water. Anything removed must be taken to the tip for disposal.
- 4.4.3 The trash screens to be cleared are all referenced and listed and the contractor is required to remove all debris on either a four or eight weekly basis. The cost of this work is recovered from the County Council.
- 4.5 **Proposed developments are referred for flood risk implications**
- 4.5.1 At the time of the last audit a list of planning applications validated each week was forwarded to H&CP for observation and comment on any flood risk implications. In some cases the design and construction of the development was considered as well as the proposed location. The work was mainly undertaken by one of the engineers.
- 4.5.2 The work is currently outsourced and undertaken by the Warwickshire County Council Flood Risk Management Team under an agreement that runs from year to year until terminated by either party giving notice.
- 4.6 **Work is ordered in accordance with the Code of Procurement Practice**
- 4.6.1 Another change since the last audit is the way that maintenance work is ordered. There was an issue last time in that maintenance work was carried out by an outside contractor to a value of around £40,000 a year and there was no market testing and no contract. A recommendation was made that the procurement process should be followed and tenders should be invited.
- 4.6.2 The response at the time (November 2014) was that tender documents would be prepared to enable a contract to start in April 2015. Due to the workload of the Procurement Team this date was extended to April 2016. What happened next wasn't established partly due to the fact that the people involved at the time no longer work for the council and partly because of the way that work has been undertaken since April 2016.
- 4.6.3 The work involved in inspecting and clearing watercourses and inspecting and clearing trash screens has been incorporated into the Grounds Maintenance and Street Cleansing contracts respectively. Why this decision was taken and whether or not it bends the Procurement rules wasn't established. The rates charged by the contractors look to be at a level where they make very little from the deal and it is hard to imagine that they could be bettered.
- 4.7 **Work for WCC is covered by an agreement**
- 4.7.1 Part of the work on FRM involves the clearance of trash screens on behalf of the County Council. Trash screens are large metal grids that prevent large items of debris entering a watercourse at the point where it disappears from view which is usually into a culvert.

- 4.7.2 The last audit of FRM unearthed a draft agreement dating back to 2004 that set out in broad terms how the arrangement would operate both in terms of the work to be undertaken and how WCC would make payment. The agreement was never enacted.
- 4.7.3 What there was instead and what amounted to an agreement was an exchange of emails between the County and H&CP which only concerned the amount that the County would be paying for the work. In the context of the work being undertaken and dealing with another local authority the informal nature of the "agreement" was seen as acceptable and low risk and there was no recommendation that a more formal relationship should be established.
- 4.7.4 Currently the work on trash screens and the recovery of the cost of the work plus the council's administration costs from WCC is managed by Contract Services. At the moment the absence of certain key staff in Contract Services has created something of a knowledge gap and how much the County are going to pay for 2017/18 is unknown and consequently no sundry debtor invoices have been raised. The matter is currently being pursued and the County have been asked to submit orders for the work so that invoices can be raised.
- 4.8 **Budgets are controlled in line with standard procedures**
- 4.8.1 Budgets for FRM work which were previously all managed by H&CP have now been distributed among a number of other service areas but corporate budgetary control will still apply in that a specific officer will be identified as being responsible and regular monitoring will take place.
- 4.8.2 Recent budgetary performance (current and previous years) over the various cost centres was examined and there was nothing untoward.
- 4.8.3 The cost of watercourse inspection and maintenance is part of the Grounds Maintenance budget and is not separately identified. The work on trash screens forms part of the Street Cleansing contract and is paid for accordingly. As part of reviewing the budget the cost of the trash screen work is transferred annually to its own cost centre and forms the basis of the recovery from the County.
- 4.8.4 The budget for Alleviation of Flooding now appears in the Chief Executive's service area and is the responsibility of the Interim Asset Manager. For 2018/19 it includes a recharge from what is described in the budget book as Environmental Health Services of £102,700. This is the level of recharge that would have applied when H&CP had two engineers in post spending most of their time on flooding related matters. It is inappropriate in the present circumstances and no doubt it will be corrected at revised estimate time.
- 4.9 **Risk management**
- 4.9.1 Although the council has a role to play in managing the risk of flooding and an even greater role in responding to a major flooding incident, its influence and options are limited to the activities described in the report. The

council's role is relatively minor in comparison to that of the Environment Agency and the County Council.

4.9.2 Some of the service area risk registers and the Significant Business Risk Register make some specific minor reference or some indirect reference to flooding and climate change. In many ways as a major flooding incident would be down to the forces of nature the risk would be impossible to manage.

4.9.3 As this audit is about how the council manages the risk of flooding the main risk is in not being able to carry out that function i.e. having all of the usual resources such as staffing, systems, accommodation and communications etc. to deliver the service. Every risk register includes the generic risks.

5 **Conclusions**

5.1 Following our review, we are able to give a MODERATE degree of assurance that the systems and controls in place for Flood Risk 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.

6 **Management Action**

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

Information Governance: Preparations for General Data Protection Regulations – 9 March 2018

1 **Introduction**

1.1 In accordance with the Audit Plan for 2017/18 a review of the forthcoming General Data Protection Regulations (GDPR) under the Audit Plan umbrella of Information Governance has been completed. This report presents the findings and conclusions drawn from the audit for information and action where appropriate.

- 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 co-operation received during the audit.
- 2 Background**
- 2.1 The purpose of the audit was to ensure that the Council is adequately prepared for the forthcoming changes to the General Data Protection Regulations. This change is due in May 2018.
- 2.2 The EU General Data Protection Regulations will affect every organisation that processes the personally identifiable information (PII) of EU residents. The introduction of the GDPR represents the most significant change to data protection law in the UK, EU, and globally, in recent years. Every organisation must be aware of the requirements of the GDPR as we are now in the transition phase leading up to May 2018.
- 2.3 Key to the new regulations will be an increase to the rights of data subjects who will have a greater influence on how their data is processed. Other significant areas of change include the rules on consent and the requirement for a dedicated data protection officer role. The Regulation also mandates considerably tougher penalties for data breaches than under the current law, from a theoretical maximum of £500,000 that the ICO could levy under current legislation (in practice, the ICO has never issued a penalty higher than £400,000), penalties under GDPR have an upper limit of €20 million (approx. £17million) or 4% of annual global turnover, whichever is the higher.
- 2.4 At the time of the audit, the Council was in the process of appointing a Data Protection Officer (DPO). This post will be a shared role with Stratford on Avon Council. The recruitment process has meant that the process of addressing GDPR within the Council had been put on hold until the expertise that the new post will bring becomes available.
- 3 Scope and Objectives of the Audit**
- 3.1 The audit was an assurance review of the information governance arrangement in light of the legislation changes in 2018. There was an advisory element to provide some guidance as to the likely impact on technical controls which the new Act imposes.
- 3.2 Because of the 'in limbo' status of this process, limited testing has been possible. Some work has commenced but has halted until the new DPO is in post and can analyse the prevailing arrangements and make the necessary changes. Such testing as was possible has been performed to confirm that controls identified have operated as expected with documentary evidence being obtained where possible, although some reliance has had to be placed on verbal discussions with relevant staff.

3.2	<p>The audit scope included:</p> <ul style="list-style-type: none"> Information management (policies, ownership, asset categorisation). Information-sharing arrangements. ICT technical requirements, if clear and known.
4	Findings
4.1	Recommendations from Previous Report
4.1.1	This section is not relevant as this is the first audit of this area.
4.2	GDPR Management Arrangements
4.2.1	<p>Essentially this involves the requirement for a dedicated Data protection Officer (DPO) role. At the time of the audit, this role did not exist but was being recruited. It is planned that a shared resource (with Stratford on Avon) will be appointed. In the meantime, the responsibilities were being covered by Graham Leach, the Council's Democratic Services Manager and Deputy Monitoring Officer. The Data Protection Officer role will be the key coordinator of the activities necessary to promote the awareness and lead the compliance preparation activities. Although this key control was not in place at the time of the audit, it was clearly being addressed therefore no recommendation has been made. However, the relatively late appointment and the planned (part-time) resource allocation might be insufficient in the short term to ensure that the Council has the necessary compliance arrangements in place by the May 2018 deadline.</p>
4.2.2	<p>There are aspects to GDPR management that would normally fall within the responsibility of a DPO. These include Policy and procedure development, awareness raising, training. The former is dealt with elsewhere in this report, but the remaining two will need to have swift actions taken once the new DPO is in post.</p> <p>Risk</p> <p>Staff may lack awareness of the Council's and their own responsibilities.</p> <p>Recommendation</p> <p>A programme of targeted awareness raising events (workshops, short training courses/sessions, etc.) and updated communications for Council staff should be introduced at an early point once the new person is in post.</p>
4.3	Information Management
4.3.1	We were informed during the audit that policies for IG had started to be drafted, but that this had been halted until the new DPO was in post.
4.3.2	There are a number of policies that may require amending to ensure GDPR

compliance. Specific IG (GDPR) policies, also information security and any associated policies (e.g. HR).

Risk

Policy documentation may be out of date and the Council is non-compliant.

Recommendation

A full review of all relevant policies and procedures should take place once the new officer is in post.

- 4.3.3 There is a requirement to ensure that information accountability is in place. This is a recurring theme in GDPR. This is not new but rather than being implicit, as in the Data Protection Act, GDPR emphasises its significance. This would normally be achieved by the introduction of information assets owners. This had yet to be implemented at the time of the audit. The new accountability principle in Article 5(2) requires the Council to demonstrate compliance with the principles and states explicitly that this is the Council's responsibility. The Council is expected to put into place comprehensive but proportionate governance measures.

Risk

Non-compliance with legislation.

Recommendation

An information audit should be undertaken and Information Asset Owners should be appointed (and trained as appropriate) as soon as practical.

- 4.3.4 A key element of GDPR is "data protection by default" which requires mechanisms to be in place within the Council to ensure that, as a matter of routine, only personal data which are necessary for each specific purpose are processed. This obligation includes ensuring that only the minimum amount of personal data is collected and processed for a specific purpose; the extent of processing is limited to that necessary for each purpose; the data are stored no longer than necessary and access is restricted to that necessary for each purpose. As part of a "data protection by design" approach, a data protection impact assessment (DPIA) will become a mandatory pre-requisite before processing personal data which is likely to result in a high risk to the rights and freedoms of individuals. The Council should consider how it will implement DPIAs for relevant personal data processing systems (e.g. Council Tax, Housing Benefits).

Risk

Non-compliance with legislation.

Recommendation

The Council should document and implement a procedure for Data Protection Impact Assessments (DPIA).

- 4.3.5 To assist with meeting Article 30 the Council will need to look closely at its Information Asset Register (IAR) process and undertake an information audit across all services to map data (items and flows). Based on our discussions, it was not clear whether or how up-to-date the services' IARs are.

Risk

Non-compliance with legislation.

Recommendation

A comprehensive information audit should be undertaken to formulate an Information Asset Register sufficient to meet the requirements of Article 30.

4.4 Information Sharing

- 4.4.1 To help comply with the GDPRs accountability requirements the lawful basis of processing should be fully documented along with any sharing requirement/partners. Where sharing is carried out, the IAR should provide a link to the information sharing agreement signed by all parties to the sharing. Under the GDPR, some individuals' rights will be modified depending on the lawful basis for processing their personal data.

Risk

Non-compliance with legislation.

Recommendation

The Council should review and /or introduce compliant information sharing agreements.

- 4.4.2 Articles 44 to 50 introduce new rules for transfers of data to other countries or international organisations. We did not identify such transfers during our discussions, however particular attention should be applied to any existing or future cloud service facilities / systems used or hosted solutions to ensure the system owners are fully aware of where the processing of Council data is taking place. This should be considered either during the information audit process (recommendation 4 refers), as part of new system acquisitions or as a separate focussed exercise and the guidance provided by the ICO followed where necessary. Future considerations should be addressed through the PIA / DPIA process. This is provided for guidance only – not an action point at this time.

4.5 Technical Requirements

- 4.5.1 Detailed information about the detailed technical security implications of GDPR are limited at the time of drafting this report. In addition, the GDPR Articles talk of *"implementing appropriate technical and organisational measures to ensure a level of security appropriate to the risk"*. Our research has revealed little at this stage that specifically states, or provides exemplar information on which to draw. Our research shows that GDPR Article 32 describes the security of processing standards and this is where relevant information might be found. Article 32 states that those appropriate measures as mentioned above should take into account the *"state of the art"* (taken to mean the technologies at the Council's disposal), *"the cost of implementation"* and *"the nature, scope context and purpose of the processing"* as well as *"the risk..."*.
- 4.5.2 Article 32 identifies the following as the kinds of security actions that might be suitable to the risk:
- Pseudonymisation of personal data;
 - encryption of personal data;
 - confidentiality, integrity and availability of personal data
 - resilience of processing systems;
 - ability to recover and restore access to personal data in a timely manner in the event of an incident; and
 - the introduction of a process that regularly tests and evaluates the effectiveness of controls and processes for ensuring security of processing.
- 4.5.3 Because GDPR does not describe specific technical measures to be used to secure personal data, means that this is left open to interpretation. Commentators are suggesting that the current legislation has set broad goals whilst the detail will be forthcoming in future updates. It is known that GDPR takes a risk-based approach to data security and confidentiality. The higher the risk, the greater the need (and therefore likely greater cost/effort) of the required solution.
- 4.5.4 Our research has revealed that Article 32, which replaces Principal 7 as the relevant standard, has actually changed very little in terms of content. It is therefore apparent that good quality, robust controls will be a strong starting point for compliance with GDPR in technical terms. There are other, external standards or guidance that will help in this regard. The ISO standard for Information Security Management (ISO27k) is relevant, as is the PCI-DSS compliance standard. This along with the Cyber Essentials Scheme guidance will provide very useful baselines of control for GDPR compliance. Compliance with these industry standards will also greatly increase the likelihood of compliance with GDPR.
- 4.5.5 It should be remembered that the above is about the processing and protection of personal information for GDPR compliance.
- 4.5.6 The ICT Audits undertaken in previous years will also be a source of relevant information in order to ensure good baselines of control; the

relevant ones were:

- Change Management (2016/17)
- Patch Management (2016/17)
- ITDR (2016/17)
- Total Finance – Application review (2016/17)
- Civica – Application reviews (2015/16)
- Data Security (2015/16)
- PSN (2015/16)
- Infrastructure (2014/15).

4.5.7 Other sources of authoritative guidance include the following:

- National Cyber Security Centre – 10 steps for monitoring to detect attacks.
- CIS Critical Security Controls for Effective Cyber Defence.

5 Conclusions

5.1 The audit identified three 'High' and three 'Medium' rated recommendations, giving, at this stage, a LIMITED level of assurance for the Council's compliance with the impending General Data Protection Regulations. It is recognised that the new Data Protection Officer post-holder should be in place now and some of the issues identified at the time of the audit may now have been, or are being, tackled and this will be reflected in the management responses to the findings.

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.

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 1 2017/18

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE (PID)	CURRENT STATE OF IMPLEMENTATION PER MANAGER
Housing Benefit & Council Tax Reduction – 30 June 2017		
Standards of documentation supporting the RBV process should be clarified and relevant staff instructed to observe them.	<p><i>Benefits & Fraud Manager:</i></p> <p>It is not a requirement to retain CIS checks as the information should be capable of being retrieved at any point from CIS. However, an issue was identified in respect of tax credit checks by external audit and these are now copied to the claim as std practice. Staff will be reminded of the need to complete the RBV evidence check sheet and we will ensure that this is incorporated in to the accuracy checking regime.</p> <p>PID: 5 July 2017.</p>	<p>Recommendation implemented 5 July 2017.</p> <p>Further advice was sought from DWP in respect of the issue identified by external audit, DWP accepted that no further testing was required and there was no effect to subsidy. However as a precaution all tax credit checks undertaken are copied to the claim as standard practice. In addition, accuracy checks include checking completion of RBV evidence check sheets.</p>

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE (PID)	CURRENT STATE OF IMPLEMENTATION PER MANAGER
Corporate Training – 30 June 2017		
HR should request SMT to remind Heads of Service and senior managers of the role of the PDP in the appraisal process and the importance of providing them with completed copies.	<p><i>HR Manager:</i></p> <p>Each year emails are sent to SMTplus regularly between May to July to update them on the numbers of PDPs received and asking them to remind their managers to forward these to HR Training. We also remind managers to send in blank PDP's where no development needs are identified. Managers have until end July to send in the PDP's which is a month after Appraisals should be completed.</p> <p>PID: Not applicable.</p>	Recommendation implemented. No further response required.
The Procurement Manager should be consulted on the application of the Code of Practice.	<p><i>HR Manager:</i></p> <p>The council, along with 31 other local authorities, belongs to the West Midlands Employers Organisation, a not-for-profit organisation, which, amongst other things, offers services to support individual and organisational performance improvement. They source training using their own procurement rules and then offer it to members at a discounted rate. This satisfies the requirement of the Code of Procurement Practice to obtain value for money.</p> <p>PID: Not applicable.</p>	Recommendation implemented. No further response required.


RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE (PID)	CURRENT STATE OF IMPLEMENTATION PER MANAGER
Lone Worker Arrangements – 30 June 2017		
The Lone Worker policy should be publicised to all staff.	<p><i>Head of Health & Community Protection (SMT sponsor), Building Manager / Health & Safety Coordinator</i></p> <p><i>In partnership with HR:</i></p> <p>Policy to be reviewed to ensure it is fit for purpose and made available. PID: Sept 2017</p> <p>To deliver to all staff through Meta Compliance. To be added to work programme to ensure delivery. PID: To follow the policy review</p>	<p>The final draft of the lone worker policy is to be signed off in April. This will be rolled out via meta compliance.</p> <p>Service areas have undertaken work to review and raise awareness of lone worker activities since the audit.</p>
A review should be undertaken to identify other lone working system to ascertain whether they are better suited to the needs of the Council with trials being performed as necessary.	<p><i>Head of Health & Community Protection (SMT sponsor) and Building Manager / Health & Safety Coordinator:</i></p> <p>Review the current pros and cons of the systems in place (formal and informal), review the needs of individual service/teams and evaluate the market for products which fit the needs of the organisation. PID: Jan 2018</p>	The review of the current and market available products continues in order to identify suitable products.

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE (PID)	CURRENT STATE OF IMPLEMENTATION PER MANAGER
Formal instructions should be drawn up to advise staff when the lone worker system should be used. These should then be publicised to relevant staff.	<p><i>Head of Health & Community Protection (SMT sponsor), Building Manager / Health & Safety Coordinator</i></p> <p><i>In partnership with HR:</i></p> <p>Instructions to be established and made available.</p> <p>PID: Current arrangements – September 2017 / New arrangements – January 2018</p>	Existing procedures have been clarified in each service area. The new lone worker policy updates and formalise many of the informal service area procedures.
Staff within each section should be nominated to contact staff that have not returned to the office as expected.	<p><i>Head of Health & Community Protection (SMT sponsor), Building Manager / Health & Safety Coordinator</i></p> <p><i>In partnership with HR:</i></p> <p>Staff will be nominated in each section of the organisation to contact staff who have not returned as expected.</p> <p>PID: August 2017</p>	This has been completed in each service area.

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE (PID)	CURRENT STATE OF IMPLEMENTATION PER MANAGER
Staff should be advised of the need to keep their details up-to-date on self-serve.	<p><i>Head of Health & Community Protection (SMT sponsor), Building Manager / Health & Safety Coordinator</i></p> <p><i>In partnership with HR:</i></p> <p>To investigate how self-serve can provide this information in a suitable/timely manner. To investigate who requires what permission in order for this to occur.</p> <p>I.C.E lists to be maintained within service areas to ensure staff access to I.C.E details.</p> <p>Annual/Bi annual big button message to prompt staff to update their personal details and emergency contact details.</p> <p>PID: August 2017</p>	<p>It was determined that the self-serve system does not provide/display the information required. Therefore a decision was taken by SMT to use ICE lists (in case of emergency). These are held in each service area.</p> <p>A big button message has been pushed out to encourage staff to update details on self-serve.</p>
A consistent format should be agreed for the use of any 'informal' systems.	<p><i>Head of Health & Community Protection (SMT sponsor) and Building Manager / Health & Safety Coordinator:</i></p> <p>As part of the actions of 4.3.12</p> <p>PID: January 2018</p>	This is contained within the new draft policy.

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE (PID)	CURRENT STATE OF IMPLEMENTATION PER MANAGER
Staff on the Transforming Our Workplace team should consider what (informal) systems should be employed to track lone workers once staff move to the new HQ.	<p><i>Head of Health & Community Protection (SMT sponsor), Building Manager / Health & Safety Coordinator</i></p> <p><i>In partnership with TOW:</i></p> <p>To be reviewed following outcome of 4.3.12.</p> <p>PID: June 2018</p>	To be reviewed with the change partner in due course
The lone worker training should be promoted to those that undertake lone working.	<p><i>Head of Health & Community Protection (SMT sponsor), Building Manager / Health & Safety Coordinator</i></p> <p><i>In partnership with HR</i></p> <p><i>All Managers / Supervisors:</i></p> <p>Lone worker courses provided through HR.</p> <p>All officers requiring this training to be identified and provided the opportunity to attend.</p> <p>New course dates to be published once known.</p> <p>PID: October 2017 & ongoing</p>	Lone worker training has been provided and is included in the learning and development programme for 2018/19. Also included is conflict management, IOSH working safety and IOSH managing safety.

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE (PID)	CURRENT STATE OF IMPLEMENTATION PER MANAGER
<p>Managers should review AssessNet to ascertain whether there are relevant assessments for their team and undertake assessments as necessary.</p>	<p><i>Head of Health & Community Protection (SMT sponsor), Building Manager / Health & Safety Coordinator</i></p> <p><i>All Managers / Supervisors:</i></p> <p>Risk assessments review to be undertaken to ensure relevant RA's include lone working.</p> <p>To deliver IOSH training for supervisors to improve RA skills.</p> <p>PID: November 2017</p>	<p>Audits to be undertaken following the publication of the Lone worker policy to ensure compliance with the new policy and confirm risk assessment reviews have taken place.</p>

 Finance & Audit Scrutiny Committee 30 May 2018		Agenda Item No. 5
Title		Internal Audit Annual Report 2017/18
For further information about this report please contact		Richard Barr Tel: (01926) 456815 E Mail: richard.barr@warwickdc.gov.uk
Service Area		Finance
Wards of the District directly affected		Not applicable
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006		No
Date and meeting when issue was last considered and relevant minute number		Finance & Audit Scrutiny Committee – 31 May 2017
Background Papers	Accounts and Audit (England) Regulations 2015 Delivering Good Governance in Local Government: Framework (CIPFA in association with SOLACE, 2016) Delivering Good Governance in Local Government: Guidance Notes for English Authorities 2016 Edition (CIPFA in association with SOLACE) The Annual Governance Statement – Rough Guide for Practitioners (CIPFA Financial Advisory Network) Internal Audit Reports Public Sector Internal Audit Standards Quarterly Progress Reports Post-audit client questionnaires and satisfaction surveys	

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 <u>must</u> be approved by the report author's relevant director, Finance, Legal Services and the relevant Portfolio Holder(s).		
Officer Approval	Date	Name
Chief Executive	25 April 2018	Chris Elliott
Section 151 Officer	25 April 2018	Mike Snow
Monitoring Officer	25 April 2018	Andrew Jones
Finance	25 April 2018	As Section 151 Officer
Leader of the Council	9 May 2018	Councillor Mobbs
Portfolio Holder	9 May 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 Forming part of the evidence for the Annual Governance Statement, the Internal Audit Annual Report presents a summary of the internal work undertaken during 2017/18 and provides a conclusion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

2 **Recommendation**

- 2.1 That this Committee considers the Annual Report of Internal Audit for the year ended 31 March 2018 as part of its consideration and approval of the Annual Governance Statement 2017/18.

3 **Reason for the Recommendations**

- 3.1 The Public Sector Internal Audit Standards require that "The 'chief audit executive' must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement."

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 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, 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 **Risks**

- 6.1 Internal Audit provides a view on all aspects of governance, including corporate and service arrangements for managing risks.
- 6.2 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 risks to the Council in not dealing with the issues raised in the Internal Audit 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.

7 **Alternative Options Considered**

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

8 **Background to the Annual Governance Statement & Requirement for Internal Audit Annual Report**

8.1 The Public Sector Internal Audit Standards state:

The chief audit executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.

The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

The annual report must incorporate:

- *the opinion;*
- *a summary of the work that supports the opinion; and*
- *a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.*

8.4 The Annual Report is set out as Appendix 1.

Head of Internal Audit's Annual Report and Presentation of
Audit Opinion 2017/18

Introduction

This report is produced to satisfy the Public Sector Internal Audit Standards which requires that:

The chief audit executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.

The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

The annual report must incorporate:

- *the opinion;*
- *a summary of the work that supports the opinion; and*
- *a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.*

Opinion on the overall adequacy and effectiveness of the Council's control environment

The Public Sector Internal Audit Standards state that "*The provision of assurance services is the primary role for internal audit in the UK public sector. This role requires the chief audit executive to provide an annual internal audit opinion based on an objective assessment of the framework of governance, risk management and control. Consulting services are advisory.*"

Based on internal audit assignments undertaken as part of the Audit Plan, together with the general views of the internal audit team gained from indirect exposure to the Council's operations, it must be concluded that the Council has an adequate and effective governance, risk management and control framework to address relevant risks with controls being applied consistently.

Inevitably, there were some instances of non-compliance that were identified by Internal Audit, as detailed in reports that were issued during the year. These were reported to Finance & Audit Scrutiny Committee each quarter and, in the case of audit assignments receiving less than 'substantial' assurance opinions, the full reports being brought expressly to the Committee's attention. Action to address these issues has been confirmed by management in all cases, with urgent action being taken where those issues were regarded as major.

There are no qualifications to that opinion, although clearly it can only be based on the audits undertaken during that year and on information garnered more informally by the internal audit team; it has to be acknowledged that not everything is subject to an audit within a 12-month time frame. The Council's external auditors form their own opinion based on their own work and the Annual Governance Statement provides an overall judgement on the control environment, derived from many sources, one of which is this Internal Audit Annual Report.

The Public Sector Internal Audit Standards states that "*Where the chief audit executive believes that the level of agreed resources will impact adversely on the*

provision of the annual internal audit opinion, the consequences must be brought to the attention of the board."

The Audit and Risk Manager can confirm that he does not believe that that the level of agreed resources has impacted adversely on the provision of the annual internal audit opinion.

Summary of the internal work undertaken during 2017/18 from which the opinion on the internal control environment is derived

The audits which form the basis of the opinion are listed in Appendix 1A. The results of these audits have been communicated to the Finance and Audit Scrutiny Committee in quarterly reports and are therefore not reproduced here. Each audit report, however, gives an overall opinion on the level of assurance provided by the controls within the area audited and this is set out in the table. The bands of assurance are set out at the bottom of Appendix 1A.

Appendix 1A indicates that internal controls were in the main found to be operating satisfactorily, giving an overall confidence in the internal control system operating in relation to these systems. Although most reports that were issued during the year contained recommendations to rectify control deficiencies it is important to stress that the issues raised in respect of these audits have since been addressed or, in the case of more recent audits, are in the process of being addressed. As part of Internal Audit's quarterly reporting Members receive updates on the state of implementation of recommendations so can ensure that recommendations are actioned.

Seven audits undertaken during the year were awarded a less than substantial level of assurance.

The list of audits in Appendix 1A comprises planned audits only – it does not include investigations that arose during the year.

Issues particularly relevant to the Annual Governance Statement

Issues particularly relevant to the Annual Governance Statement (AGS) have been identified from the process involved in its production. This includes compilation of the Service Assurance Assessments by services and the review of the draft AGS by the Senior Management Team and by the Leader of the Council and the chairs of the Scrutiny and Standards Committees. Some of these issues had been highlighted by Internal Audit during the year.

Comparison of the work undertaken with the work that was planned and summary of the performance of the internal audit function against its performance measures and targets

This is set out as Appendix 1B.

Compliance with the Public Sector Internal Audit Standards

The Public Sector Internal Audit Standards state that:

"Chief audit executives are expected to report conformance on the PSIAS in their annual report."

"To demonstrate conformance with the *Definition of Internal Auditing*, the *Code of Ethics* and the *Standards*, the results of external and periodic internal assessments are communicated upon completion of such assessments and the results of ongoing monitoring are communicated at least annually. The results include the assessor's or assessment team's evaluation with respect to the degree of conformance."

A review by the Chartered Institute of Public Finance and Accountancy (CIPFA), undertaken two years ago, highlighted non-compliance with some elements of the Public Sector Internal Audit Standards (PSIAS). An action plan was produced to address those areas of non-compliance and this was reported to Finance & Audit Scrutiny Committee on 1 June 2016, together with the full results of the review. Last year's Internal Audit Annual Report confirmed that all areas of non-compliance had been addressed and that Internal Audit was now fully-compliant with the Public Sector Internal Audit Standards. The next external review is required to be undertaken by 31 March 2021.

Separately, the Public Sector Internal Audit Standards requires that "*The chief audit executive must confirm to the board, at least annually, the organisational independence of the internal audit activity.*"

The Audit & Risk Manager is able to confirm that Internal Audit is organisationally independent.

Communication of the results of the internal audit quality assurance & improvement programme

The Public Sector Internal Audit Standards states that "The results of the quality and assurance programme and progress against any improvement plans must be reported in the annual report."

The Internal Audit quality assurance programme includes reviews of audit files by the Audit and Risk Manager before issue of final reports and external audit reviews of Internal Audit's work. It also includes monitoring by the Section 151 Officer and ongoing scrutiny of its work by Finance & Audit Scrutiny Committee.

The Internal Audit quality assurance programme also comprises completion by auditees, post audit, of questionnaires for audits. Appendix 1C sets out the questionnaire that is used.

The results of the Internal Audit quality assurance programme are used to improve the service provided by Internal Audit.

In terms of the post audit questionnaires the modal score from auditees for the year was 5 (the highest score) indicating very broad satisfaction with the audits undertaken. No assignments were assessed at less than 4.

An improvement plan was produced to address the areas of non-compliance highlighted in the review of the Internal Audit Service undertaken by CIPFA.

Summary of Internal Audit Work Undertaken 2017/18¹

Assignment	Client Service Area	Level of Assurance
Corporate Governance: Organisational Culture	Corporate	Substantial
Emergency Planning & Business Continuity Management	Health & Community Protection	Substantial
Sustainability & Climate Change	Health & Community Protection	Substantial
Collection of Council Tax	Finance	Substantial
Collection of National Non-domestic Rates	Finance	Substantial
Administration of Housing Benefit & Council Tax Reduction	Finance	Substantial
Housing Rent Collection	Housing Services	Substantial
Business Applications: PARIS Income Management System	Chief Executive's Office – ICT	Moderate
Cyber Security	Chief Executive's Office – ICT	Substantial
Information Governance – GDPR Preparations	Chief Executive's Office – ICT	Limited
Remote Access	Chief Executive's Office – ICT	Substantial
Corporate Training	Chief Executive's Office – HR & Media Services	Substantial
Communications: Social Media	Chief Executive's Office – HR & Media Services	Substantial
Media Services	Chief Executive's Office – HR & Media Services	Substantial
Royal Spa Centre	Cultural Services	Substantial
Town Hall Lettings	Cultural Services	Substantial
Committee Services	Chief Executive's Office – Democratic Services	Substantial
Income Receipting and Document Management	Chief Executive's Office – Democratic Services	Substantial
Shared Legal Services	Corporate	Substantial
Economic Development	Development Services	Substantial
Events Management	Development Services	Moderate
Development Management	Development Services	Substantial
Local Land Charges	Development Services	Substantial

¹ Planned and additional audits only.

Assignment	Client Service Area	Level of Assurance
Banking Arrangements	Finance	Moderate
Rural & Urban Capital Improvement Schemes	Finance	Substantial
Procurement Cards	Finance	Substantial
Licensing Services	Health & Community Protection	Substantial
Flood Risk Management	Health & Community Protection	Moderate
Environmental Protection Functions	Health & Community Protection	Substantial
Lone Worker Arrangements	Corporate	Moderate
Private Sector Housing Regulation	Housing Services	Substantial
Housing-related Support Services	Housing Services	Substantial
Corporate Properties Repair and Maintenance	Chief Executive's Office – Asset Management	Substantial
Energy Management	Chief Executive's Office – Asset Management	Moderate
Building Cleaning Services	Housing Services	Substantial
Refuse Collection and Recycling	Neighbourhood Services	Substantial
Street Cleansing	Neighbourhood Services	Substantial
Consultancy Review: Mini-audit of the Council's Arrangements for Assigning Securities to Contracts	Finance & Audit Scrutiny Committee	Not applicable

Key to Level of Assurance:

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 many of the controls that do exist.

Overall Summary of Performance 2017/18

Performance Indicator	In-house Team	External Contractors	Overall for Service
Number of planned audits assigned	28	10	38
Number of planned audits completed	28	10	38
% assigned audits completed	100.0%	100.0%	100.0%
Number of audits completed within time allocation	14	N/A	14
% audits completed within time allocation	50.0	N/A	50.0
Number of days overspent (-) / underspent (+) on completed audits to date	-3.7	N/A	-3.7
% of days overspent (-) / underspent (+) on completed audits to date	-1.4%	N/A	-1.4%
Number of audit days – planned	278.0	N/A	278.0
Number of audit days – actual	277.9	N/A	277.9
Productive time as % of available time – target	74.9%	N/A	74.9%
Productive time as % of available time – actual	71.4%	N/A	71.4%
Number of audit recommendations issued	72	41	113
Number of audit recommendations agreed	70	37	107
% audit recommendations agreed	97.2	90.2	94.7
Number of High Priority audit recommendations issued	1	3	4
Number of High Priority audit recommendations implemented	1	3	4
% High Priority audit recommendations implemented	100	N/A	100

Post Audit Questionnaire

Audit:

Date of report:

Auditor:

Manager:

In order to help us improve our service we would be grateful if you would spend a few moments answering the questions below.

Question	Yes	No	Comments (if applicable)
Pre-audit consultation			
Were you given adequate notification of the audit?			
Were the scope and objectives of the audit discussed with you?			
Was the audit process explained to you adequately?			
The audit			
Was the audit work undertaken at an agreed and convenient time?			
Was the audit conducted in a proficient manner?			
Were the appropriate staff interviewed for the audit areas covered?			
Were interviews conducted in a professional manner?			
Were the findings discussed with the right staff?			
Was the audit completed within a reasonable timescale?			
Audit reporting			
Was the draft report produced within a reasonable timescale?			
Were you given the opportunity to			

Question	Yes	No	Comments (if applicable)
discuss the report with the auditor?			
If so, did you find the discussion useful?			
Was the discussion conducted in a professional manner?			
Were your views and comments presented adequately in the final report?			
Were the recommendations in the report practical and realistic?			
Was the report produced to a professional standard?			
Did the audit reveal any unknown weakness in the system?			
Do you feel that the audit was worthwhile and has added value to your work?			


On a scale of 1 to 5, 1 being "very dissatisfied" and 5 representing "very satisfied", please score your level of satisfaction with the audit in overall terms:

If you have any other comments that you wish to make about the audit please record them below:

Manager: _____

Date: _____

Please return the form to Richard Barr, Audit and Risk Manager, Finance.

 Finance and Audit Scrutiny Committee 30 May 2018		Agenda Item No. 6
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 – 6 March 2018
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	25 April 2018	Chris Elliott
Head of Service	25 April 2018	Mike Snow
SMT	25 April 2018	SMT
Section 151 Officer	25 April 2018	As Head of Service
Monitoring Officer	25 April 2018	Andrew Jones
Finance	25 April 2018	As Section 151 Officer

Portfolio Holders	9 May 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 March 2018

AGS Ref.	Governance Issue	Responsible Officer	Progress Implementing Governance Issue	
			Position as at previous quarter	Position as at end March 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 either concluded or ongoing.	See Appendix 1A, co-ordinated by Head of Finance. In summary, progress being made on all actions, with most either concluded or 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>The table setting out 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>' 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>	<p>The documents were approved Executive on 7 March and the Local Code was approved by Full Council on 18 April.</p> <p>Awareness training is planned for managers at a Managers Forum meeting in December.</p>



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



Reference	Learning Point	Source	Owner	Progress to end March 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	<p>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.</p> <p>Status:</p> 
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	<p>Recommendation revised after subsequent discussions at SMT as now addressed as part of routine contract management and the PID process for new procurement exercises.</p> <p>Status:</p> 
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	<p>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</p> <p>Status:</p> 




Reference	Learning Point	Source	Owner	Progress to end March 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 March 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>With the new WDC/WCC Procurement Partnership starting 1 April 2018, the training plan is currently being updated in conjunction with HR. It is envisaged the formal training will be rolled out from September 2018, with the Procurement Team continuing to provide informal training on an on-going basis.</p> <p>Whilst the training programme is being developed the status will remain at amber until it has been delivered.</p> <p>Status:</p> <p>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:</p> <p>G</p>

Reference	Learning Point	Source	Owner	Progress to end March 2018
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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	Heads of Service regularly review contract registers in the context of staff changes. Contract Registers are themselves reviewed on rolling basis. CMT routinely discuss contract registers with their reports at 1-1s as a standing agenda item Status: 
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	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). 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. Status: 

Reference	Learning Point	Source	Owner	Progress to end March 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: 
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	U The 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, and included within the Procurement Initiation Document. 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 have been re-confirmed with SMT/Procurement Board. Status: 




Reference	Learning Point	Source	Owner	Progress to end March 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 March 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 & Audit Scrutiny Committee 30 May 2018		Agenda Item No. 7
Title		Annual Governance Statement 2017/18
For further information about this report please contact		Richard Barr Tel: (01926) 456815 E Mail: richard.barr@warwickdc.gov.uk
Service Area		Finance
Wards of the District directly affected		Not applicable
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006		No
Date and meeting when issue was last considered and relevant minute number		Finance & Audit Scrutiny Committee – 31 May 2017
Background Papers	Accounts and Audit (England) Regulations 2015 Delivering Good Governance in Local Government: Framework (CIPFA in association with SOLACE, 2016) Delivering Good Governance in Local Government: Guidance Notes for English Authorities 2016 Edition (CIPFA in association with SOLACE) The Annual Governance Statement – Rough Guide for Practitioners (CIPFA Financial Advisory Network) Minutes of Senior Management Team	

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	11/04/18	Chris Elliott
Senior Management Team	11/04/18	
Section 151 Officer	Various dates	Mike Snow
Monitoring Officer	Various dates	Andrew Jones
Finance	Various dates	As Section 151 Officer
Leader of the Council	17/04/18	Councillor Mobbs
Portfolio Holder	08/05/18	Councillor Whiting
Consultation and Community Engagement		
With members and officers listed above.		
Final Decision?		Yes
Suggested next steps (if not final decision please set out below)		

1 **Summary**

- 1.1 This report sets out the Council's Annual Governance Statement for 2017/18 describing the governance arrangements that were in place during the financial year. The Statement will be signed by the Chief Executive and the Leader of the Council and will accompany the Council's Statement of Accounts that is approved by Full Council.

2 **Recommendations**

- 2.1 That Committee approves the Annual Governance Statement for 2017/18 for Warwick District Council as set out at Appendix A.

3 **Reason for the Recommendations**

- 3.1 Regulation 6 of the Accounts and Audit (England) Regulations 2015 requires that "A relevant authority must, each financial year...prepare (and approve) an annual governance statement."

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 and the Annual Governance Statement describes the Council's risk environment.

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 to the Annual Governance Statement

8.1 The production of an Annual Governance Statement is a statutory requirement for local authorities.

8.2 Regulation 6 of The Accounts and Audit (England) Regulations 2015 states:

Review of internal control system

6.—(1) A relevant authority must, each financial year—

(a) conduct a review of the effectiveness of the system of internal control required by regulation 3; and

(b) prepare an annual governance statement;

(2) If the relevant authority referred to in paragraph (1) is a Category 1 authority, following the review, it must—

(a) consider the findings of the review required by paragraph (1)(a)—

(i) by a committee; or

(ii) by members of the authority meeting as a whole; and

(b) approve the annual governance statement prepared in accordance with paragraph (1)(b) by resolution of—

(i) a committee; or

(ii) members of the authority meeting as a whole.

(3) If the relevant authority referred to in paragraph (1) is a Category 2 authority, following the review it must—

(a) consider the findings of the review by members of the authority meeting as a whole; and

(b) approve the annual governance statement prepared in accordance with paragraph (1)(b) by resolution of members of the authority meeting as a whole.

(4) The annual governance statement, referred to in paragraph (1)(b) must be—

(a) approved in advance of the relevant authority approving the statement of accounts in accordance with regulations 9(2)(b) or 12(2)(b) (as the case may be); and

(b) prepared in accordance with proper practices in relation to accounts(a).

8.3 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)

9 Process for Completion of the Annual Governance Statement

9.1 CIPFA/SOLACE has issued a framework and guidance on delivering good governance in local government. The framework is built on the seven 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. Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of the law
- B. Ensuring openness and comprehensive stakeholder engagement
- C. Defining outcomes in terms of sustainable economic, social, and environmental benefits
- D. Determining the interventions necessary to optimise the achievement of the intended outcomes
- E. Developing the entity's capacity, including the capability of its leadership and the individuals within it
- F. Managing risks and performance through robust internal control and strong public financial management
- G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability

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

- 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 reflects accurately 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:
- Deputy Chief Executives and Service Area Managers
 - the Responsible Financial Officer
 - the Monitoring Officer
 - Members
 - the Audit and Risk Manager
 - performance and risk management systems
 - third parties, e.g. partnerships
 - external audit and other review agencies.
- 9.4 'The Annual Governance Statement – Rough Guide for Practitioners' by CIPFA sets out the following stages in producing the Annual Governance Statement:

Objective 1, ESTABLISHING PRINCIPAL STATUTORY OBLIGATIONS AND ORGANISATIONAL OBJECTIVES

Step 1: Mechanisms established to identify principal statutory obligations

Step 2: Mechanisms in place to establish organisational objectives

Step 3: Effective Corporate Governance arrangements are embedded within the authority

Step 4: Performance management arrangements are in place

THEN apply the CIPFA/SOLACE Core Principles

Objective 2, IDENTIFY PRINCIPAL RISKS TO ACHIEVEMENT OF OBJECTIVES

Step 1: The authority has robust systems and processes in place for the identification and management of strategic and operational risk

Objective 3, IDENTIFY AND EVALUATE KEY CONTROLS TO MANAGE PRINCIPAL RISKS

Step 1 - The authority has robust systems of internal control which includes systems and procedures to mitigate principal risks

Objective 4, OBTAIN ASSURANCES ON THE EFFECTIVENESS OF KEY CONTROLS

Step 1: Appropriate assurance statements are received from designated internal and external assurance providers

Objective 5, EVALUATE ASSURANCES AND IDENTIFY GAPS IN CONTROL/ASSURANCES

Step 1: Make adequate arrangements to identify, review and evaluate reports from the defined internal and external assurance providers to identify areas of weakness in controls

Objective 6, ACTION PLAN TO ADDRESS WEAKNESSES AND ENSURE CONTINUOUS IMPROVEMENT OF THE SYSTEM OF CORPORATE GOVERNANCE

Step 1: Robust mechanism to ensure that an appropriate action plan is agreed to address the identified control weaknesses and is implemented and monitored

Objective 7, ANNUAL GOVERNANCE STATEMENT

Step 1: Governance statement is drafted in accordance with regulations and timescales

Objective 8, REPORT TO CABINET / EXECUTIVE COMMITTEE

Step 1: Report in accordance with pro-forma

- 9.5 The Council's Annual Governance Statement has been produced in accordance with these stages.
- 9.6 Evidence sources collated for drafting the AGS were as follows:
- (a) Consultation with senior and key officers.
 - (b) Assurances provided by Service Area Managers through the completion of Service Assurance Statements.
 - (c) Consultation with a cross-party member review group comprising the Leader of the Council and the Committee Chairs.
 - (d) Work undertaken during the year by Internal Audit and other inspection bodies.
 - (e) Consultation with the council's External Auditors.
 - (f) Review of progress against the previous year's AGS action plan, which was reported quarterly to the Finance & Audit Scrutiny Committee.
- 9.7 The process for drafting the AGS itself, and the systems of challenge and review were as follows (overleaf):
- (a) The information described above was collated and an early draft Statement was circulated to key officers for comment and for suggestions on issues to be reflected in the AGS.

- (b) The draft Statement was issued to the Council's Senior Management Team and debated at a meeting, with rigorous discussions on whether the Council was facing any significant governance issues for inclusion in section 5 of the Statement.
- (c) A cross party member review group considered and provided comment on the final draft AGS.
- (d) The draft AGS issued to the Council's External Auditors for their views.
- (e) Presentation to the Finance & Audit Scrutiny Committee for approval.

WARWICK DISTRICT COUNCIL**ANNUAL GOVERNANCE STATEMENT 2017/18****1 INTRODUCTION**

- 1.1 The Accounts and Audit Regulations 2015 require the Council to prepare an annual governance statement.
- 1.2 Governance is about how an organisation is directed and controlled in order to achieve its objectives. It therefore comprises the systems, structures and values that an organisation has in place to achieve those objectives. Good governance requires that objectives be achieved not only efficiently and effectively but also ethically and in compliance with laws and recognised standards of conduct.
- 1.3 Good governance comprises robust systems and sound structures together with more esoteric characteristics such as effective leadership and high standards of behaviour. In short, governance is "Doing the right things, in the right way."

2 THE PURPOSE OF THE ANNUAL GOVERNANCE STATEMENT

- 2.1 This Statement provides a summarised account of how Warwick District Council's management arrangements are set up to meet the principles of good governance set out in the Council's Constitution and how assurance is obtained that these are both effective and appropriate. It is written to provide the reader with a clear, simple assessment of how the governance framework has operated over the past financial year and to identify any improvements made and any weaknesses or gaps in our arrangements that need to be addressed.

3 THE COUNCIL'S GOVERNANCE FRAMEWORK

- 3.1 Warwick District Council must operate in accordance with the law and appropriate standards and ensure that public money is safeguarded, properly accounted for and used economically, efficiently and effectively.
- 3.2 Warwick District Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised
- 3.3 In discharging these responsibilities Warwick District Council is responsible for putting in place suitable governance arrangements, including provisions for the management of risk.
- 3.4 The governance framework comprises the systems and processes, culture and values by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

- 3.5 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve aims and objectives and can therefore provide only reasonable and not absolute assurance of effectiveness.
- 3.6 Warwick District Council has approved and adopted a Local Code of Corporate Governance that is consistent with the principles of the CIPFA/SOLACE¹ Framework for Delivering Good Governance in Local Government that was issued in 2016.
- 3.7 The Council's corporate strategy is set out in its Fit For the Future (FFF) programme which draws together a shared vision, setting out the Council's objectives and priorities for the District and how these are to be achieved. The FFF programme is the key planning instrument for the Council.
- 3.8 Delivery of the Council's change programme is through the Service Area Plans in which the corporate objectives are translated into more specific aims and objectives. These are then fed down into individual performance development reviews through the Council's performance appraisal system. These all include agreed expectations and, where appropriate, service standards against which service quality and improvement can be judged. Performance is monitored by individual services.
- 3.9 Warwick District Council has adopted a Constitution that establishes the roles and responsibilities for members of the Executive, Finance & Audit Scrutiny Committee, Overview & Scrutiny Committee and Standard Committees, together with officer functions. It includes details of delegation arrangements, the Members' Codes of Conduct and protocols for member/officer relations. The Constitution is kept under review to ensure that it continues to be fit for purpose. The Council has adopted a Standards regime pursuant to the Localism Act 2011 and appointed a Standards Committee from 1 July 2012. Conduct of officers is governed through the Employee Code of Conduct and through the values and behaviours which are part of the Council's individual performance appraisal system.
- 3.10 The Constitution contains procedure rules and financial regulations that define clearly how decisions are taken and where authority lies for decisions. The statutory roles of Head of Paid Service, Monitoring Officer and Chief Financial Officer are described together with their contributions to provide robust assurance on governance and that expenditure is lawful and in line with approved budgets and procedures. The influence and oversight exerted by these posts is backed by post-holders' membership (whether permanent or 'as required') of the Corporate Management Team.
- 3.11 In 2010 CIPFA published a statement on the Role of the Chief Financial Officer (CFO) in local government, setting out core principles and standards relating to the role of the CFO and how it fits into the organisation's governance arrangements.
- 3.12 A specific statement is required to be reported in the Annual Governance Statement on whether the authority's financial management arrangements conform to the governance requirements of the CIPFA Statement.

¹ Chartered Institute of Public Finance & Accountancy / Society of Local Authority Chief Executives

- 3.13 The governance requirements in the Statement are that the CFO should be professionally qualified, report directly to the Chief Executive and be a member of the Leadership Team, with a status at least equivalent to other members. The Statement requires that if different organisational arrangements are adopted the reasons should be explained publicly in the authority's Annual Governance Report, together with how these deliver the same impact.
- 3.14 The Head of Finance has confirmed that the Council's financial management arrangements conform to the CIPFA Statement other than in three specific aspects:
- Head of Finance reporting directly to Chief Executive.
 - Head of Finance being a member of Leadership Team.
 - Head of Finance having responsibility for Asset Management.
- 3.15 The Council's view is that the way it operates – the Head of Finance's regular attendance at Corporate Management Team/Executive meetings, budget planning meetings, and numerous ad-hoc meetings – enables the officer to have unhindered access to the most senior officer as well as senior members. The Head of Finance reports to the Deputy Chief Executive/Monitoring Officer. This approach has subsisted for several years without any apparent problems; consequently, the Council considers that the risk of there being any detriment to the authority is low.
- 3.16 With regard to asset management, responsibility for this comes under the Deputy Chief Executive (BH) as that is where the expertise and the operational work lies.
- 3.17 The Council will continue to keep all reporting and responsibility arrangements under review and will discuss any perceived shortcomings with the Council's external auditors if and when they arise.
- 3.18 The primary counterbalances to the Executive are the Finance & Audit Scrutiny and the Overview & Scrutiny Committees. The role of these committees is to provide a robust challenge to the Executive.
- 3.19 The Finance & Audit Scrutiny Committee monitors the performance of the Council, fulfilling the Council's audit committee core functions in respect of External Audit, Internal Audit and Risk Management. The Committee seeks assurance from the relevant Executive member (Portfolio Holder) and/or senior manager when it has concerns or queries in respect of matters relating to particular service areas.
- 3.20 The Council has a formal complaints procedure which allows the public or other stakeholders to make a complaint regarding the service received from the Council or the conduct of Members. The Standards Committee has responsibility for overseeing the investigation of complaints against Members.
- 3.21 The Council has policies to help safeguard the organisation and its staff when making decisions. An Anti-Fraud and Corruption Strategy and set of Policies and Procedures, including a Fraud Response Plan, Whistleblowing Policy and Procedure, Money Laundering Policy and Procedure and Bribery Act 2010 Policy and Procedure, have been developed and communicated to all staff via the intranet and as part of the Staff Induction process. The Anti-Fraud and

Corruption Strategy and the Whistleblowing Policy are reviewed by Members annually.

- 3.22 The Council is embedding Risk Management throughout its arrangements with the Significant Business Risk Register (in effect, the Council's corporate and strategic risk register) being reviewed and updated each quarter, firstly by the Senior Management Team and then by the Finance & Audit Scrutiny Committee before being considered by the Executive who assumes overall responsibility for it.
- 3.23 Council services are delivered by staff with the appropriate skills, training and level of experience. Job Descriptions and Person Specifications are in place for all posts and together with a rigorous recruitment and selection process this helps to ensure that the best candidates are appointed into each position. A significant commitment has also been made towards retaining good staff, by offering numerous 'work friendly' schemes and where possible encouraging succession planning and promotion from within. This ensures that valuable skills and experience are retained and passed on, rather than being lost. Training needs are identified through the performance appraisal system.
- 3.24 The individual performance appraisal system has been operated in the Council for a number of years, having been reviewed and subsequently refined on several occasions. Staff are measured against operational objectives that derive from the Corporate Strategy and Fit For the Future programme. The performance appraisal system also identifies learning and developmental needs to ensure that appropriate training is made available to staff to ensure that they are able to undertake their role effectively and have the opportunity to develop.
- 3.25 In May 2015 a new Council was elected. A Member induction programme was put in place with training sessions around the internal operation of the council and information about the Council's services. All Members received Code of Conduct and IT training. The Planning and Licencing Committees held specific induction training for their Members. The Planning Committee holds regular workshops and Full Council workshops have been arranged for all Members, when required.
- 3.26 The Council strives to be open and accessible to the community. In 2017/18 it has:
- Published further information on the transparency section of the website to meet new guidelines and ensure that all the required information under the 2015 Local Government Transparency Code is being published
- Enhanced its consultation activity concerning budget setting. For example, a meeting was held with local business representatives to discuss the Council's budget proposals, along with other matters of mutual interest (primarily business rates revaluation).
- 3.27 All Council committee meetings are open to the public except where confidential matters are discussed. All agendas and minutes are placed on-line, along with the Council's policies and strategies. These items are also available in paper form. When identifying the priorities and objectives for the Strategic Plan the views of stakeholders and the wider community are sought

through a number of consultation mechanisms, and are taken into account. The Strategic Plan is made available to all via the Council's website.

- 3.28 During 2017/18 the Council's Scrutiny Committees looked at various areas of Council decision-making and service delivery. This included the conclusion of Task & Finish Groups reviewing Houses in Multiple Occupation (HIMOs) and Car Parking Charges, both Groups making recommendations to the Executive. The Executive accepted the recommendations in respect of HIMOs. A new Task & Finish Group has also been established to look at the Role of the Chairman of the District Council.
- 3.29 There are terms of reference and constitutions set up for key partnerships which ensure that partners act lawfully throughout the decision-making process. Key partnerships include the Coventry and Warwickshire Local Enterprise Partnership and South Warwickshire Crime and Disorder Partnership. Warwick District Council also works closely with several other councils and operate shared services for Building Control, Business Rates, Corporate Fraud and Legal Services.

4 REVIEW OF EFFECTIVENESS

- 4.1 Warwick District Council is required legally to conduct an annual review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of managers within the authority who have responsibility for the development and maintenance of the governance environment, the Audit & Risk Manager's annual report, annual service assurance statements completed by heads of services and by the findings and reports issued by the external auditors and other review agencies and inspectorates.
- 4.2 More information on the arrangements that provide this assurance is set out below.
- 4.3 The Council's Monitoring Officer (one of the two Deputy Chief Executives) has responsibility for overseeing the implementation and operation of the Code of Corporate Governance, maintaining and updating the Code in the light of latest guidance on best practice, contemplating any changes that may be necessary to maintain it and ensure its effectiveness. All reports to Executive, Committees and Council are seen by the Monitoring Officer to ensure compliance with legal requirements.
- 4.4 The Council's Section 151 Officer has responsibility for the proper administration of the Council's finances. This includes responsibility for maintaining and reviewing the Code of Financial Practice and Code of Procurement Practice to ensure they remain fit for purpose, and submitting any additions or changes necessary to the full Council for approval. An updated Code of Procurement Practice was agreed by Council in April 2017. The Section 151 Officer is also responsible for reporting any significant breaches of the Codes to the Executive and/or the Council. All reports to Executive, Committees and Council are seen by appropriate staff within the Finance Department to ensure compliance with financial requirements.

- 4.5 The CIPFA Statement on the Role of the Head of Internal Audit in Public Service Organisations requires the head of internal audit to give an opinion annually to the Authority on its risk management, governance and control environment and that this should be used as a primary source of evidence for the annual governance statement. In regard to this, the Audit and Risk Manager's Annual Report and Opinion for 2017/18 concluded that, in overall terms, the areas audited were adequately managed and controlled.
- 4.6 In addition to the above, the Council has conducted a formal review of its internal control environment and collated evidence and assurance from a variety of sources. This has included assurances, set out on "service assurance statements", from heads of services on the effectiveness of the internal control environment. The Statements, reviewed by a panel of senior officers comprising the Monitoring Officer, the Section 151 Officer and the Head of Internal Audit, did not reveal any issues of significant concern.
- 4.7 The work of the Council's Internal Audit function is governed by the UK Public Sector Internal Audit Standards (PSIAS). The PSIAS are mandatory for all internal auditors working in the UK public sector. The Standards require an external and independent assessment at least every five years of the performance of public sector internal audit units and their conformance with the PSIAS. In Warwick District Council's case the review was undertaken two years ago, well within the specified period for such reviews. Some minor shortcomings were identified which were promptly addressed. The findings of this review together with the resultant actions to address the shortcomings were reported to the Finance and Audit Scrutiny Committee. An essential element of the assessment is to confirm that the annual audit opinion issued by Internal Audit may be relied upon as a key source of evidence and assurance and this was found to be the case.
- 4.8 Grant Thornton was appointed as the Council's External Auditor from 1 September 2012 to March 2018 and is responsible for reviewing the Council's Statements of Accounts. In addition to reviewing the 2016/17 Statement of Accounts, Grant Thornton issued a formal opinion on the Council's arrangements for securing Value for Money, concluding that the Council had made appropriate arrangements to secure economy, efficiency and effectiveness in its use of resources.
- 4.9 Public Sector Audit Appointments has confirmed the re-appointment of Grant Thornton for the audit of the accounts from 2018/19 to 2022/23.

5 SIGNIFICANT GOVERNANCE ISSUES

- 5.1 No significant issues of a governance nature have been identified currently.

6 CERTIFICATION


- 6.1 The governance framework has been in place at Warwick District Council for the year ended 31 March 2018 and up to the date of approval of the annual statement of accounts.

Signed:

Andrew Mobbs
Leader of the Council

Chris Elliott
Chief Executive

Dated:

 Finance and Audit Scrutiny Committee 30 May 2018		Agenda Item No. 8
Title	Finance – Service Area Update	
For further information about this report please contact	Mike Snow 01926 456800	
Wards of the District directly affected	N/A	
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?	No	
Date and meeting when issue was last considered and relevant minute number		
Background Papers		

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

Officer/Councillor Approval		
Officer Approval	Date	Name
Chief Executive/Deputy Chief Executive	11/5/2018	Andrew Jones
Head of Service	11/5/2018	Mike Snow
CMT	11/5/2018	
Section 151 Officer	11/5/2018	Mike Snow
Monitoring Officer	11/5/2018	Andrew Jones
Finance	11/5/2018	Mike Snow
Portfolio Holder(s)	11/5/2018	Cllr 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 together details of the Finance Risk Register, Contract Register, Budget, and service initiatives.

2. **Recommendation**

- 2.1 That Finance & Audit Scrutiny Committee should review the Finance Contract Register attached at Appendix 1 and make observations on it as appropriate.
- 2.2 That Finance & Audit Scrutiny Committee should review the Finance Risk Register attached at Appendix 1a and make observations on it as appropriate.
- 2.3 That Finance & Audit Scrutiny Committee should review the details of the Finance Budget attached as Appendix X and make observations on it as appropriate.
- 2.4 That Finance & Audit Scrutiny Committee should review the Finance Performance Report attached at Appendix x and make observations on it as appropriate.

3. **Reasons for the Recommendation**

- 3.1 Following several years of reviewing Service Contract and Risk Registers, it has been requested by members that the two registers for each Service Area should be considered together, along with details of the budget and performance for the relevant service.
- 3.2 Finance is the first Service Area to present a report to Finance and Audit Scrutiny Committee that brings together:-
- Finance Risk Register
 - Finance Contract Register
 - Finance Budget
 - Finance Performance report
- 3.3 Risk Register
- 3.3.1 The latest version of the Finance Risk Register is set out as Appendix A to this report. The register was last reviewed by Finance Management Team and Portfolio Holder in April 2018. The register is annotated according to the key on the final page of the register and reflect the fact that the register is a working document.
- 3.3.2 The scoring criteria for the risk register are subjective and are based on an assessment of the likelihood of something occurring, and the impact that might occur.
- 3.3.3 In line with the traditional risk matrix approach, greater concern should be focused on those risks plotted towards the top right corner of the matrix whilst the converse is true for those risks plotted towards the bottom left corner of the matrix. If viewed in colour, the former-described set of risks are within the area shaded red, whilst the latter-described set of risks are within the area shaded green; the mid-range are in the area seen as yellow.

- 3.3.4 Finance is responsible for a wide range of services. There are 33 risks contained in the risk register. These have been categorised as generic or service specific risks. However, as a support service it will be noted that many of the risks are effectively council-wide, reflecting how the function may be primarily managed by Finance on behalf of the rest of the Council.
- 3.3.5 There is one risk that is shown in the "red", 7. Loss / shortage of staff (leading to loss of skills, knowledge & capacity). This risk is currently shown as high due to the turnover within the Accountancy Team over the last year following a retirement in 2017 and another forthcoming in 2018. Whilst the retirements have been actively planned for, the situation has been exacerbated by the shortage of suitable candidates. The Register shows the many measures being taken to manage this risk, with a view to reducing it.
- 3.3.6 Most of the risks are shown as "amber" in accordance with the Council's risk scoring matrix. As with all the risks in the register, it is the controls and mitigations that are being undertaken to control the risk that are of importance. These reflect the tangible actions over which there is more control.
- 3.4 Contract Register
- 3.4.1 The latest version of the Finance Contract Register is set out in Appendix B. There are 21 live contracts listed.
- 3.4.2 Two of the most significant of these contracts relate to the Council's integrated Financial Management System (Total Mobile) and the Revenues/Benefits Systems (Civica). The contracts for both systems are due to come to an end in 2021 and 2022 respectively. A project team is in place to consider the options for re-procuring the Financial Management System, with soft market testing being arranged with interested suppliers. Public sector frameworks are also being investigated for the procurement of the Revenues/Benefits systems.
- 3.4.3 The Council's insurance contracts are due to be replaced in 2019. The Council's Risk and Insurance Officer is working on the procurement plan with the Council's Insurance Brokers. The brokers are informally working with insurance companies to promote interest undertake soft market testing.
- 3.5 Budget
- 3.5.1 Details of Finance budgets are included as Appendix C. This is based on the relevant pages of the Base Budget report that was considered by Members in November 2017, with these pages now being part of the Council's Budget Book. With the Council's accounts virtually closed, the opportunity has been taken to include the 2017/18 Actual Expenditure alongside the Budget for the year.
- 3.5.x The figures Treasury Management and Investment have not been considered in detail here. However, these will be considered in more detail as part of the Treasury Management Annual Report to Finance and Audit Scrutiny Committee in July.
- 3.6 Performance
- 3.6.1 Details of the performance of Finance against the Service Plan were reported to Executive in April within the Service Area Plans for 2018/19 & Annual Performance Reports for 2017/18. The 2017/18 performance report has been

updated to reflect the full year and is available as Appendix D. The 2018/19 Service plan can be found [here](#).

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		
The Benefits function directly helps to support people to be able to afford their homes.	The work by Finance assists to provide finances for all of the Council's main services.	The work by Finance assists to provide finances for all of the Council's main services.
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		
As a service, Finance is committed to developing and supporting staff to	As a service, Finance is very committed to customer's and making	The work of Finance includes managing the Council's overall

achieve their potential.	optimum use of digital technology.	finances. This includes ensuring the Council's finances are sustainable, and also that, as public money, all resources are properly used and accounted for.
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4.2 Supporting Strategies

There are several policies and strategies for which Finance takes the lead, with these being applicable across the Council. These primarily are:-

Code of Financial Practice
Code of Procurement Practice
Financial Strategy
Anti-Fraud Strategy
Procurement Strategy 2017-2019

4.3 Changes to Existing Policies

This report does not propose any changes to existing strategies

5. Budgetary Framework

5.1 Details of the Finance Budgets are discussed in para 3.5. and Appendix C.

5.2 In addition to managing the specific Finance Budgets, Finance also co-ordinate all other budgets as part of managing the overall finances of the Council. Budget reports are routinely considered by the Senior Management Team, with quarterly reports issued to the Executive. The next Executive report, is due in July which will detail the overall outturn; this will support the Statement of Accounts for 2017/18 which will be reported to Finance and Audit Scrutiny Committee.

6. Risks

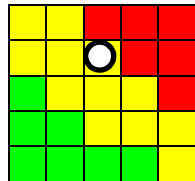
6.1 Details of the Finance Risk Register has been included in para 3.1 and Appendix A.

6.2 Members will note from the report on this agenda from the Audit and Risk Manager considering Internal Audit reports issued in quarter 4 of 2017/18, that the Finance has been subject to many routine reviews by internal audit. The reviews in respect of Banking and Income Management (Paris) were awarded Moderate level of assurances. Where possible, the recommendations within these reports have been already acted upon, with plans in place for the other actions to be resolved. There were no "High Priority" recommendations within these reports.

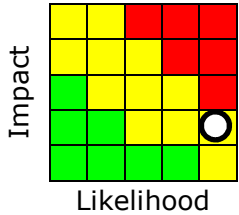
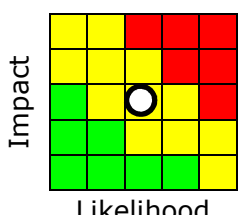
7. Alternative Option(s) considered

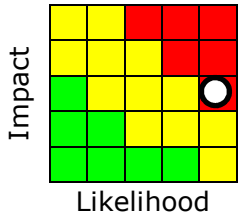
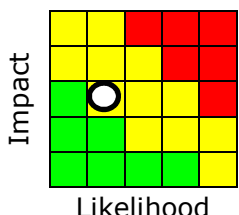
7.1 As this report is primarily for information, at the request of the Finance and Audit Scrutiny Committee, no other options are proposed.

Finance Risk Register – Post FMT Review 26 April 2018

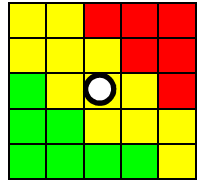
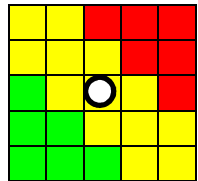
Risk description	Possible Triggers	Possible Consequences	Risk Mitigation / Control	Required action	Responsible Officer	Residual Risk Rating
Generic Risks						
1. Loss of IT.	<p>Computer breakdown. Technology problems. System problems, including hacking. Reliance on key staff. Acts of God e.g. fire, hurricane, flood. Power failure. Malicious acts by employee. Reliance on key staff.</p>	<p>Unable to issue bills update accounts, provide information, take recovery action, issue receipts, collect money. Loss of revenue to Council and other Local Authorities (depends on timing). Cost implications. Poor data. Uncontrolled budgets. Dissatisfied customers (and staff). Damaged reputation. Resource implications for rectification. Unable to pay benefit claimants, suppliers, staff Staff morale. Loss of switchboard.</p>	<p>IT support. System provider helpdesk. Contract with software supplier to maintain FMS training needs. Well trained staff. Adequate cover. Business Continuity Plan. Back-ups. Manual records for certain activities. System controls. Duplicate records. Procedure notes. Audit testing. Good plans. Auto save Regular testing of Card Readers at home. CSTeam to re-locate to area in RSH backed up by generator. Amend answerphone messages on telephony system to provide alternative contact numbers.</p>	<ul style="list-style-type: none"> • Ongoing Review upgrade and test of Business Continuity Plans. • Divs to review and update their BCPs – all to be complete by end April 2017. Completed. • Strategic Finance Manager's HSBC action – use of non-WDC equipment. Strategic Finance Manager- Head of Finance Head of Finance has referred this back to Head of Helpdesk Head of ICT. • Managers in Finance to be given access to 'Resilience Direct' so that BCP and RR can be stored there in the event of WDC systems failure. Training with Safer Communities Team Leader to be arranged once all BCP plans complete. • Issue regular Reminder to staff about suspect emails. 	<p>Divisional managers.</p> <p>Head of Finance</p>	<p>Impact</p>  <p>Likelihood</p>

Risk description	Possible Triggers	Possible Consequences	Risk Mitigation / Control	Required action	Responsible Officer	Residual Risk Rating
2. Loss of key records.	System failure. Accidental disposal. Theft – particularly of IT servers. Inadequately trained staff. Out of date Document Retention Policy.	Unable to provide service. Possible litigation. Financial loss. Bad publicity. Reputation damage. Loss of confidence. Resource implications for replication. Staff morale. Pressures on staff. Qualified Audit Opinion.	IT able to restore systems. Staff training. Secure storage and disposal of sensitive paper documents. GCSX secure communication line (name has changed). Corporate Document Retention and Disposal Policy. CoCo compliance Archiving options reviewed in line with corporate retention policy.	Graham has agreed to complete review of Corporate Document Retention Policy and issue revised guidance by end of calendar year. Head of Finance to monitor progress. Further issues being clarified as part of GDPR preparations.	Democratic Service Manager and Deputy Monitoring Officer / Head of Finance.	<div> <div>Impact</div> <div>Likelihood</div> </div>
3. Loss of office accommodation.	Fire. Denial of access.	Unable to provide services. Staff morale. Financial loss.	Work at home. IT disaster recovery plan. Business continuity plan critical services identified. Homeworking for banking arrangements, including payments. Procedure Manual (with BCP) Telephone answerphone messages amended to provide alternative contact numbers – included in BCP. BCP has been issued to Community Protection Services Team Leader, Health & Community Protection.	Continue to revise review BCP.	Head of Finance/Divisional Managers.	<div> <div>Impact</div> <div>Likelihood</div> </div>
4. Physical harm to staff.	Customer dissatisfaction. Accident. Intruders in offices. Staff in building very early and / or very late. Violence / threatening customers.	Verbal abuse. Actual physical injury. Infection. Health and safety investigation. Traumatised staff. Stress. Staff pressures. Death. Staff morale.	Health and Safety. Mobile phones. Compliance with lone worker procedures. Staff alert list. Tunstall procedure. Exchequer Manager: "We are exploring with Central Control piloting a new lone worker procedure and therefore moving away from Tunstall – waiting for demo." Physical security measures. e.g. screens, working in pairs, personal alarms. Training. Policies. Reporting / monitoring procedures.	Review Lone Working Procedure in line with guidance to be issued by Head of Health & Community Protection. (Exchequer Manager.)		<div> <div>Impact</div> <div>Likelihood</div> </div>

Risk description	Possible Triggers	Possible Consequences	Risk Mitigation / Control	Required action	Responsible Officer	Residual Risk Rating
5. Fraud (non Benefit) / Corruption.	Dishonest staff, customer, suppliers. Collusion. Lack of controls. Poor systems. Abuse. Exploitation. Poor control mechanisms. Poor audit processes. Poor management. Fraudulent insurance claims. Aggrieved staff.	Financial loss. Resource implications for investigation. Reputational damage. Adverse publicity. Loss of credibility. Staff morale.	Monthly / quarterly budget review. Established documented procedures. DBS checks (where appropriate). Procedure manuals. Audit Regime. Audit trails. Annual petty cash certification. Petty cash no longer used. National Fraud Initiative. Robust computer systems. Good IT security. Codes of conduct. System and processing controls e.g. segregation of duties. Whistle blowing policy. Fidelity guarantee insurance. Anti fraud & corruption strategy. Membership of NAFN. Reconciliations (e.g. bank recs) Cash checks undertaken by Internal Audit. New corporate fraud team.			
6. Failure to communicate effectively	High workload. Reliance on key staff. Staff absence. Human error. Home working. Inappropriate form of communication. Poor communication with partners/providers. Poorly trained customer service staff.	Incorrect information used to carry out work. Financial loss. Additional workload. Staff morale. Stress. Reputational damage. Service failure. Failure to relay messages.	Monthly team meetings. One-to-ones. E-mail. Core brief. No longer relevant. Intranet. Circulation of minutes from meetings. Corporate communication strategy. Staff training. Cultural changes. Whistle-blowing policy. SMT de-briefings. Continue to bring significant issues to line management attention as they arise. (All staff – ongoing) Staff Voice. Managers Forum. Rumour Mill.			

Risk description	Possible Triggers	Possible Consequences	Risk Mitigation / Control	Required action	Responsible Officer	Residual Risk Rating
7. Loss / shortage of staff (leading to loss of skills, knowledge & capacity).	Dependency on key staff. Long term sickness. Redundancy. Retirement. Union action. Bereavement. Threat of work transferring to DWP due to roll out of universal credit. Time taken to recruit. Pay and competition from neighbouring authorities.	Unable to supply service. Financial loss. Error. Reduced Service. Potential breach of law. Increased pressure on staff. Staff morale. Customers waiting an unreasonably long time for payments of Housing Benefit resulting in homelessness. Fraud going undetected. Reduced resilience / capacity from reducing staff numbers.	Operational / procedures and controls. External assistance. External expertise, use of agency staff. Appropriate cover by other team members. Use of agency staff and apprentices. Workforce planning e.g. Succession planning. Prioritisation of work plan. Treasury Management Practices. Management of staff leave & absence. Experienced staff. Proactive anti fraud campaign Recruit apprentices on short term contracts to protect current experienced staff. Provide ongoing re-assurances to current staff. Introduction of E forms and Risk Based verification and practices and procedures. Ongoing review and updating of Procedures and Practices. Employment of agency staff. Handover with replacement or other staff	Make better use of I-drive rather than H-drive – move non-management related items across. (Immediate.) Update operational / procedures and controls. (By 31 December 2018.) Update Treasury Management Practices. (By 31 December 2018.)	Head of Finance / Divisional Managers.	
8. Provision of incorrect information / advice to stakeholders (benefit claimants, taxpayers, suppliers, WDC staff, members, business rate payers).	Untrained staff. Not up to date with legislative changes. Short deadlines. Pressure on staff. High turnover of staff.	Financial loss. Embarrassment. Loss of credibility. Judicial review. Compensation. Reputational. Greater pressure on back office. Qualified Audit Opinion.	Training. Guidance notes. Procedures. CPD. External professional advice. Legal advice. Internal/external audit. Secure systems. All frontline staff, i.e. Call centre and one-stop shop staff, trained and scripts up to date. Keep Procedures Notes and Procedure Manuals up-to-date.			

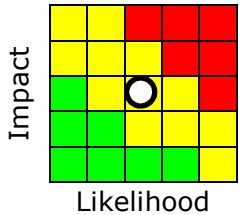
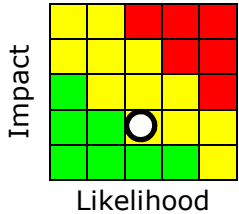
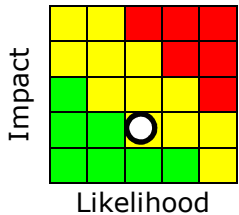
Risk description	Possible Triggers	Possible Consequences	Risk Mitigation / Control	Required action	Responsible Officer	Residual Risk Rating
9. Breaches of Health and Safety legislation.	Home working. Driving for work. DSE/VDU usage. Manual handling. Person falling from height. Items falling from height. Deteriorating condition of Riverside House.	Sickness absence. Stress. Injury. Death. Legal action. Penalties/Fines.	Corporate health and safety policy including Home working and Driving at work. Eye tests. Regular DSE assessments. Health and safety risk assessments (AssessNET). Training available. Insurance cover. Health & safety on team meeting agendas. Home working policy. Ongoing DSE assessments. Review of DSE assessments by SMT. Regular health & safety reviews.			
10. Failure to deliver projects and / or programmes within the service e.g. on-line returns, auto-scanning.	Lack of resources. Poor planning. Lack of time. Lack of knowledge. Staff absence.	Core work disrupted. Financial loss. Reputation damage. Staff morale. Qualified Audit Opinion.	Project planning. Prince II. Project risk registers. Consultation.			

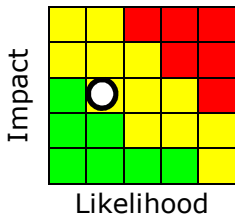
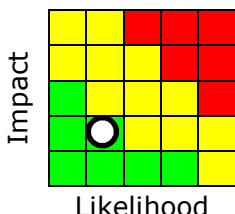
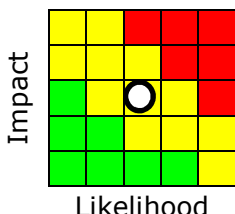
Risk description	Possible Triggers	Possible Consequences	Risk Mitigation / Control	Required action	Responsible Officer	Residual Risk Rating
11. Data protection General Data Protection Regulations and Freedom of Information compliance breach.	Poor / inadequate training of staff. Give out personal information. Hold inappropriate information. Information not stored securely. Staff absence. Misdirection of post. Information/subject access requests not promptly actioned. Letters sent to wrong people containing personal data Impacts of GDPR	Breach Data Protection legislation. Investigation. Litigation. Financial loss – fines, compensation. Reputational damage.	Adequate training for staff. Document retention policy. Encryption of data. GCSX. Information security policy. Data protection policy / staff guidelines. Stapling letters Checking regime prior to passing to printroom. Implementation of meta compliance. Maintenance of Data Audit Matrix. Letters to contractors and suppliers (who hold personal data).	Ongoing Corporate review of data protection / FoI governance by Democratic Services Manager. (Head of Finance to pursue.) Head of HR & OD confirmed that Meta Compliance training will be given as part of corporate training programme following the review by Democratic Services Manager. (Further training planned.) Investigations on systems archiving ongoing. Issue letters to contractors (Head of Exchequer to speak with GDPR Officer.) Ongoing discussions with contractors. (Head of exchequer.)	Head of Finance. System owners.	 <p>Likelihood rating increased due a lack of knowledge and lack of certainty. (Impact rating kept the same pending implementation.)</p>
Service-specific Risks						
12. Failure to correctly monitor / manage Finance budget.	Poor estimating. Poor control mechanisms.	Over / under spends against agreed Budget. Not factored in to future years' projections. Failure to identify incorrect payments.	Monthly Budgetary Review system and reconciliations in place. Appropriate financial training for relevant Finance staff. Realistic budgets. Ongoing Review of Budget Review System. Training provided on Code of Financial Practice.			 <p>Likelihood</p>

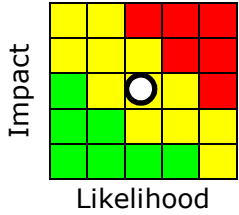
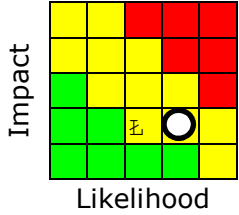
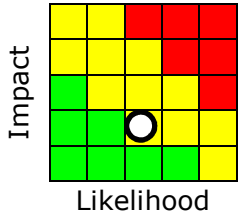
Risk description	Possible Triggers	Possible Consequences	Risk Mitigation / Control	Required action	Responsible Officer	Residual Risk Rating
13. Inaccurate medium term financial plans / forecasts (excluding external factors identified in SBRR).	Decision-making on a whim (Unplanned decision-making). Changed local priorities. Lack of specific guidance on funding from central government. Lack of clarity in Corporate Planning and co-ordination with service requirements. Service changes not communicated to staff in Finance. Human error. Unexpected council tax funding decisions by central government. Introduction of 100% business rate retention.	Savings under / overstated. Unstable finances. Stop-go expenditure. Impact on service provision. Big surprise politically at council tax and budget setting. Local implications of unexpected council tax funding decisions by central government. Loss of credibility. Figures potentially inaccurate.	Good linked service planning / risk management and budget preparation. Continual updates and reporting. Monitoring the political environment. Regular reconciliations. Presentation to Members. Improved communications to promote awareness of all future developments. Scrutiny of Executive reports. Budget review process. Ensuring liaison between Service Heads and Portfolio Holders. Access to specialist consultancy advice. Provision of 4-year financial settlement, making amount of external funding less critical.			<div data-bbox="2656 535 2878 703">  </div>

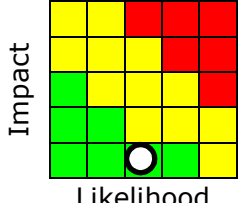
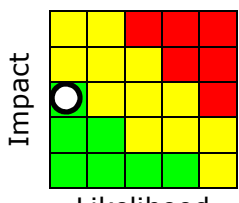
Risk description	Possible Triggers	Possible Consequences	Risk Mitigation / Control	Required action	Responsible Officer	Residual Risk Rating
14. Poor day to day treasury management of bank balances; borrowing; cash flow; investments and interest rate volatility.	<p>Inexperienced staff.</p> <p>Lending outside of Council's counterparty lists or exceeding deposit limits with individual borrower.</p> <p>Collusion.</p> <p>External pressure to achieve unrealistic returns.</p> <p>Out of date information.</p> <p>Investing in wrong part of market.</p> <p>Not able to carry out daily function.</p> <p>Dependence on key staff.</p> <p>Unforeseen economic events e.g. recession.</p>	<p>Financial loss.</p> <p>Reputational loss.</p> <p>Adverse publicity.</p> <p>Failure to achieve PIs.</p> <p>Council has inappropriate bank accounts.</p> <p>Poor budgeting as a result.</p> <p>Unable to finance statutory payments.</p>	<p>Fully-trained staff.</p> <p>Adherence to Code of Practice / Treasury Management Policy and Strategy, TM Strategy approved by Members.</p> <p>Separation of duties.</p> <p>Up to date counterparty (bodies we invest with) lists.</p> <p>Use of, and regular meetings with, Treasury Management consultants.</p> <p>Up-to-date procedure manual and duplicate records.</p> <p>Continuous updating of counter-party list.</p> <p>Review of credit ratings.</p> <p>Regular reports to F&A.</p> <p>Scrutiny committee.</p> <p>Treasury Management Practices.</p> <p>HSBC authorisation.</p> <p>Recent intervention has improved robustness of service.</p> <p>HRA self-financing project board risk register.</p> <p>50-year HRA business plan.</p> <p>Housing Interim Project Board.</p> <p>Workforce planning</p> <p>Regular audits</p>			<p>Impact</p> <p>Likelihood</p>

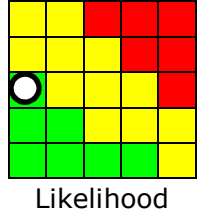
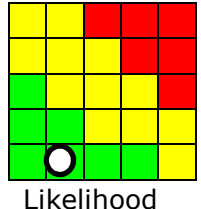
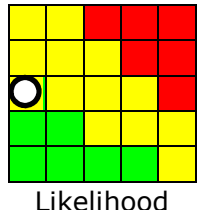
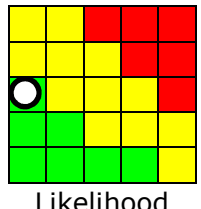
Risk description	Possible Triggers	Possible Consequences	Risk Mitigation / Control	Required action	Responsible Officer	Residual Risk Rating
15. Additional Value Added Tax liabilities.	<p>Loss of key staff.</p> <p>Lack of up to date knowledge.</p> <p>Staff not properly informed by Service Areas.</p> <p>Lack of understanding.</p> <p>Lack of engagement by services areas with Finance staff.</p> <p>VAT implications of new projects not considered.</p> <p>Finance not involved in projects at early stage so VAT implications of new projects not considered.</p> <p>Improper administration.</p> <p>Delays in processing.</p>	<p>Failure to meet deadlines and errors leading to financial loss - penalties, fines.</p> <p>Reputation.</p> <p>Staff morale.</p> <p>Partial exemption breached.</p> <p>Opportunities to recover VAT are missed.</p> <p>Increased project costs.</p>	<p>VAT return reviewed by line management and another accountant.</p> <p>Access to VAT Help Desk.</p> <p>Internal audit.</p> <p>VAT audit.</p> <p>Robust, well-trained staff in service areas (particularly FSTeam).</p> <p>Coverage from Asst. Accountant.</p> <p>VAT accountant and cover advise on project structure.</p> <p>Monitoring against limit.</p> <p>Provide and maintain up-to-date guidance on VAT and make available to all staff.</p> <p>Procedure notes for calculations.</p> <p>Adequate training.</p> <p>Careful scrutiny of Executive Reports.</p> <p>Finance representation on project boards.</p> <p>Delays in manually processing VAT allocations.</p> <p>Implementation of automatic allocation of VAT at source.</p> <p>Debtors Training run.</p> <p>Greater centralisation of sundry debtor invoices.</p> <p>Alert VAT accountant to any issues which could affect VAT claim.</p>	Ensure relevant staff are up-to-date with VAT rates and changes. (Assistant Accountant – ongoing)	Strategic Finance Manager.	
16. Insufficient Housing Benefit Subsidy and Admin Grant received from Central Government.	<p>Lack of guidance / support from central government.</p> <p>Poor estimating.</p> <p>Poor monitoring mechanisms.</p> <p>Universal credit.</p> <p>Cut in grant.</p> <p>Reduction subsidy.</p> <p>Increased take-up.</p> <p>Poorly trained staff.</p> <p>Incorrect calculation of awards.</p>	<p>Negative material budget variations.</p> <p>Uncertainty of consequences regarding universal credit.</p> <p>Financial pressure for the council.</p> <p>Repayment of subsidy.</p>	<p>Quarterly estimate update</p> <p>Additional Benefit team leaders enable accuracy checking for individual staff.</p> <p>Monthly monitoring.</p> <p>Scheme for council tax reduction</p> <p>Monitoring the economic environment (e.g. through LG Futures).</p> <p>Internal and external audit.</p> <p>Where auditing regime identifies errors, ensure appropriate action taken.</p>			

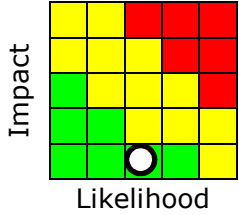
Risk description	Possible Triggers	Possible Consequences	Risk Mitigation / Control	Required action	Responsible Officer	Residual Risk Rating
17. Failure of a banking service e.g. BACS or systems at one bank	Failure of BACS system Failure of CHAPS WDC website unavailable Failure of bank systems Telecommunication failure Failure of Capita system Failure of Epay	Customers and suppliers not paid causing hardship Customers unable to pay WDC resulting in recovery action Complaints Bad publicity Litigation Cash flow Financial loss Unable to reconcile bank balances. Cyber security breached.	Use available alternative payment methods e.g. typing up cheque, going down to bank, obtaining cash, purchasing card. We ask tenderers to provide confirmation, by an independent Certification Body acceptable to the Authority, that they meet fully the requirements of the Cyber Essentials Scheme. Information Security Risk Statement received from HSBC Dec 2017.	Epay upgrade to take place to make compliant — statement of compliance to be requested. Complete.	Exchequer Manager	
18. Ineffective / inappropriate insurance cover.	Poor risk analysis. Inadequately trained staff. Poor procedures. Lack of internal communication particularly regarding projects. Exclusions within policy wording. Insurance invalidated by actions of WDC or contractor. WDC fined. Claim for uninsurable risk e.g. compensation due under statute, asbestos exposure, Chancel repair liability, TPO work refusal. Liability claim received where insurer no longer exists.	Financial loss. Increased premiums. Loss of reputation. Political embarrassment. Losses not insured. Insurers don't pay.	Operational/procedures and Manual. Brokerage assistance. Insurer expertise. Risk Management Group. Claims handling system. Annual and Quarterly Reports to SMT raising awareness of need to notify Insurance Officer. Staff cover arrangements put in place. Insurance arrangements publicised on intranet so that services are aware of their obligations e.g. to notify Insurance & Risk Officer of insurable events and risks. Reserves for uninsured losses.	Possible review of security of some operational buildings.	Audit and Risk Manager	
19. Insufficient provision to meet liabilities under MMI scheme of arrangement.	Receipt of new claim which should be covered under insurance which was held with MMI.	Insurance reserve insufficient as only provided for current known potential liability.	Insurance reserve covers 100% towards known potential clawback levies. On-going monitoring of the situation. Level of insurance reserve reviewed.			

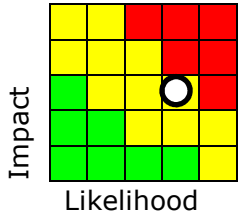
Risk description	Possible Triggers	Possible Consequences	Risk Mitigation / Control	Required action	Responsible Officer	Residual Risk Rating
20. Increase in insurance claims numbers and/or cost.	Ministry of Justice reforms Departments settle claims without going through insurance and set precedent for claims being paid. Word gets round that claims are being settled.	Financial loss. Claims being settled too high. Insurance cover invalidated. Premium increase.	Good record-keeping. Contact details for claims are on new intranet. Code of Financial Practice 14.4 Details of how to claim are on the website. Monitoring plus analysis of claims. Inspection regime – health and safety inspections. Responsive planned repairs. Training arranged for Senior Officers in March by Audit & Risk Services. Code of Financial Practice training. Ensure ad-hoc updates provided when claims settled. Continue issuing SMT updates and Core Briefs. (Insurance & Risk Officer – Ongoing.) All new starters automatically receive Code of Financial Practice training as part of the Meta Compliance.	Quarterly reports to SMT on claims and incidences. (Insurance & Risk Officer – Ongoing.) Ensure inclusion in all service risk registers and/or service area plans. Deal with at RMG meetings. (Audit & Risk Manager.)	Head of Finance Heads of all Service Areas.	
21. Failure of insurance company.	Market conditions. Recession. Major disaster. Company has not been underwriting risks profitably.	No external insurance provision. Financial loss. Uncertainty. Need to arrange quickly alternative emergency cover that may be expensive and not as good.	Credit risk of insurer. Insurance reserves. Procurement process. External broker advice. Reserves.			
22. Council tax, NNDR and customer bills can't be issued or are delayed.	Postal Strike. IT failure. Failure of DMC / Print Services. Software supplier fails to deliver changes correctly or timely. Referendum. Delay in setting Council Tax. Legislative changes. Contractor failure	Bills not paid by customers. Loss of revenue to Council and other Local Authorities (depends on timing) Cost implications of rectification. Bills not served in accordance with legislation. Cash flow issues. Software unable to cope with changes in timely fashion.	In-house production and dispatch of bills. IT support. System provider helpdesk. E-billing. Weekend working. Overtime. Treasury Management. Alternative year-end back-up plan (council tax setting delayed) Revert to contingency plan			 <p>More certainty over referendums and govt.'s stance.</p>

Risk description	Possible Triggers	Possible Consequences	Risk Mitigation / Control	Required action	Responsible Officer	Residual Risk Rating
23. Failure to pay Housing Benefits, delay in making payment, incorrect amount paid, failure to calculate and advise as to entitlement.	System failure. Staff shortage. Poorly trained staff. Increased workload. Introduction of universal credit and uncertainty thereof. Increase in staff turnover. DWP/Job Centre delays in sending information, or sending incorrect information. Legislative changes. Contractor failure	Customers distressed due to rent arrears. Staff stressed. Absence and health issues. Financial loss. Tenants made homeless. Reputational. Software unable to cope with changes in timely fashion.	Weekly performance monitoring (service plan). Internal audit. Grant claim is externally audited. Forward Planning. Team Leaders monitor performance. Ongoing training. Checks by senior staff. Agency staff. Regular meetings with all relevant bodies, including DWP. Service restructured to meet new challenges			
24. Qualified opinions; Late accounts; Late Government Returns.	Dependence on key staff. High workload. Staff shortages e.g. long term sickness. Change of duties of staff. IT system failure. Guidance coming out late. Flawed guidance. Accounts challenged by members and public. Inadequate and inaccurate record-keeping. Early closure of accounts. Legislative requirements. Changes to Accounting Code of Practice.	Inappropriate information. Reputation. CPA Governance failure. Absence and health issues for staff. Morale. Financial penalties. Increased audit fees. Staff time / additional pressure.	Timetables for closure of accounts and budget setting. Monitoring of key returns / reconciliations. Rotation in staff duties allows sharing of knowledge. Asset reconciliation work. System and processing controls (SPC). Audit liaison. Officer training. CPD. Workforce planning. Project set up to manage early closure. Project has its own risk register. Use of temporary staff.			 <p>Increase in Likelihood Rating based on reality.</p>
25. Shared service failure	Termination by third party.	Loss of resilience. TUPE implications. Cost. Staff morale. Service failure. No fraud resource.	Memorandum of understanding. Letter of variation. Regular meetings. 18 month Notice period. Supplier has appropriate contingency arrangements. Separate risk register in place.			

Risk description	Possible Triggers	Possible Consequences	Risk Mitigation / Control	Required action	Responsible Officer	Residual Risk Rating
26. Creditor payment error e.g. overpaying, paying twice.	Human error. Staff shortage. Duplicate invoices. System error / failure. Fraud (including fraudulent invoices).	Financial loss. Reputation. Additional workload. Loss of investment interest.	National Fraud Initiative. Staff knowledge. Staff cover. Code of financial practice. Separation of duties. Manuals. Reconciliations. Budget monitoring. System controls (to prevent fraud). Ongoing review of processes and process manuals. NAFN membership. Centralised processing of invoices. Ongoing Order training. Utility invoices now entered on Total and they go to fsteam top process payment. Implementation of creditor payment auto-scanning system.	Auto-scanning project. (DUE FOR COMPLETION 2018.)		
27. Procurement of services by Finance non-compliant with legislation.	Finance Dept not following Procurement Code of Practice. Staff shortage. Absence of key staff. Lack of staff training.	Financial loss. Litigation. Loss of reputation. Confidence of contractors. Delay in awarding contract. Failure to secure best value. Cost of rectification. Morale. Staff pressures. Successful challenge.	2 Procurement Business partners appointed Procurement documentation in place. Procurement training. Procurement software in place. Procurement action plan. Working with other network groups e.g. centre of excellence. Insurance. Use of external expertise. Ongoing Order training. Ongoing reviews of contract register. Procurement partnership with WCC.			

Risk description	Possible Triggers	Possible Consequences	Risk Mitigation / Control	Required action	Responsible Officer	Residual Risk Rating
28. Council Tax set is illegal, late or incorrect.	Incorrect resolution. No estimates. Other preceptors don't deliver information or it is incorrect (e.g. typing error). Referendum. Reduction. Government changes to Regulations / Intervention.	Rebilling. Cost of rectification. Cash flow issues. Reputational damage. Legal challenge. Staff morale. Staff pressures.	Monitoring timetable. Budget timetable. Keeping up to date with developments. Checking of figures and papers. CTB1 reconciliation spreadsheet checks.			
29. Failure to produce cheques.	Failure of equipment. System failure. Inadequate stock level. Staff shortages.	Customers don't get paid causing hardship. Bad publicity. Dissatisfied customers. Staff morale.	Manual production of cheques. 81% of customers now paid by BACS. More customers encouraged to receive payment by BACS payments. Make payment by CHAPS. Procedure notes. Use available alternative payment methods e.g. typing up cheque, going down to bank, obtaining cash.			
30. Inadequate Internal Audit Plan.	Limited or ineffective consultation. Incompetent head of internal audit. Senior management and/or Members misdirect resources.	Poorly prioritised assignments. Problems go undetected. Reduced assurances re Annual Governance Statement. More external audit – unable to rely on internal audits.	Extensive consultation process. Properly qualified and experienced head of internal audit. Senior management and Member support for internal audit function. Peer review of internal audit function. Professional standards.			
31. Internal Audit Plan substantially uncompleted.	Staff turnover. Diversion of resources. Poor productivity. No cooperation / management support.	Problems undetected. Reduced assurances re Annual Governance Statement. More external audit – unable to rely on internal audits.	Prioritisation mechanism. Buy in resources. Peer review action plan. Finance & Audit Scrutiny Committee.			

Risk description	Possible Triggers	Possible Consequences	Risk Mitigation / Control	Required action	Responsible Officer	Residual Risk Rating
32. Failure to collect all Council Tax income.	<p>Debts not being collected or controlled.</p> <p>Lack of clear debt recovery policy.</p> <p>Changes to Bailiff Charging Scheme.</p> <p>Council tax avoidance tactics.</p> <p>Poor procedures and / or lack of manual.</p> <p>Irregular monitoring.</p> <p>System failure.</p> <p>Lack of procedures manual.</p> <p>Change of customer circumstances e.g. unemployment.</p> <p>Loss of staff expertise.</p> <p>Diminishing knowledge base regarding specialist debts.</p> <p>Changes in Council Tax Reduction Scheme.</p> <p>Council Tax reforms.</p> <p>Economic environment.</p> <p>Increase in number of people claiming reduction.</p> <p>Council tax reduction scheme not fit for purpose.</p> <p>Growth in properties.</p> <p>Introduction of Universal Credit may have impact on collection of Council Tax (customer may, incorrectly, stop claiming CTR).</p>	<p>Incorrect message to debtors.</p> <p>Cash flow.</p> <p>Injustice.</p> <p>Financial loss.</p> <p>Complaints.</p> <p>Adverse publicity.</p> <p>Staff morale.</p> <p>Cost to Collection Fund.</p> <p>Many small debts to chase from people with limited resources.</p> <p>Liabilities are reduced and therefore less money is due to be collected than estimated.</p> <p>Backlog.</p> <p>Lower collection rates (as a result of late billing).</p>	<p>Formal monthly monitoring of outstanding debt.</p> <p>Recovery timetables.</p> <p>Documented control systems.</p> <p>Use of automated procedures in systems.</p> <p>Use of new enforcement agents.</p> <p>Property debts control group.</p> <p>Code of Financial practice.</p> <p>System / credit control.</p> <p>Internal audit.</p> <p>Careful authorisation of write-offs.</p> <p>Staff knowledge.</p> <p>Staff cover.</p> <p>Encourage pre-payment.</p> <p>Encourage direct debit payment.</p> <p>Ongoing review of procedures.</p> <p>Recovery and Corporate Debt Policies reviewed.</p> <p>Service restructured to meet challenges</p>	<p>Staffing Restructure Review. (EFFECTIVE FROM January 2018.) Complete.</p> <p>Implementing Open channel. (February July 2018.)</p>	<p>Exchequer Services Manager</p> <p>Exchequer Manager</p>	

Risk description	Possible Triggers	Possible Consequences	Risk Mitigation / Control	Required action	Responsible Officer	Residual Risk Rating
33. Reduction in Business Rates Income.	<p>Economy.</p> <p>Decline in collection rates.</p> <p>Increase in Insolvencies.</p> <p>Business Rate avoidance tactics.</p> <p>Major companies relocating/closing.</p> <p>Business growth not matching RPI.</p> <p>Pooling partners may suffer loss in business rates income.</p> <p>Revaluations and appeals against RVs.</p> <p>CIL too high.</p> <p>Uncertain business rate retention scheme.</p> <p>Implementation of Local Plan.</p> <p>Planning decisions.</p> <p>Future changes to Business Rate Retention Scheme including:</p> <ul style="list-style-type: none"> – re-set (worst case is that growth in tax base is taken off us) – Fair Funding Review (how much we need) – 75% Business Rate Retention Scheme. 	<p>Financial Loss.</p> <p>Unable to balance the budget.</p> <p>Incorrect medium term financial planning.</p> <p>Deter development.</p> <p>Risk of local plan being unsound or delayed.</p>	<p>Robust recovery procedures for collection of Business rates.</p> <p>Resilience in Business Rates Team through shared service with Stratford DC.</p> <p>Safety net payments through business rate retention scheme.</p> <p>Risk Sharing through Pooling with other authority/s.</p> <p>Monthly monitoring of Net Debit and co-ordination with Development Services of new properties coming on line-</p> <p>Visiting team undertake pro-active initiatives.</p> <p>“Yellow Box” initiative. (Or Electronic version.)</p> <p>Liaison with Development Services.</p> <p>Quarterly meetings with partner authorities.</p> <p>Healthy Business Rate Volatility Reserve.</p> <p>Consultants (Analyse Local) appointed to identify additional properties and future projections.</p> <p>Service restructured to meet challenges</p>			 <p>The potential number of challenges/appeals is making it High Likelihood.</p>

Key:

⌚ = Previous risk score (and direction)

New narrative

Transferred narrative

Removed narrative

Comment for “self-noting”.

Query

Special Note: This risk register comprises Finance’s own service risks. The Council’s significant financial risks are contained in the Significant Business Risk Register.

Contract Reference Number	Procurement Procedure	Agreement Type	Contract Title	Description	Supplier	Contact	Start date	End date	Review Dates	Annual budget £	Contract value £	2016-17 Spend against contract £	Extension Option	Comments - including price change provisions and review dates.	Signed Contract Agreement is with CST (Deed Store) YES / NO. If the answer is NO please give reasons why . The Deed Store reference number is also required!	Electronic copy of Contract Agreement? - if YES - please supply file location path. All electronic copies should be stored centrally on the L drive: L:\Works Contracts for Procurement\Electronic contracts
F111CO0314	Collaborative Agreement	Contract/Service Agreement	Business Rates 'Analyse' Software solution	Software licence for analysis of Business Rates appeals and potential new development	Inform CPI	David Leech	01/01/2015	31/12/2018	31/10/2018	3,000	12,000	29,000	To be reviewed after 12 months - Reviewed and signed for additional 2 years	Additional cost based on performance and identification of new Business Rates development. We will be charged 10% of any new rateable value identified by 'Analyse Local'. This is on top of the Contract Value. Collaboration contract lead by North Warks Borough Council and used by all Warwickshire Councils & Coventry. Updated 11/06/15 - exempt from further competition and approval by Executive as per clause 6.4.1 of COPP. Jan 2018: Extended for a further year	YES A25	
F138CO0118	Collaborative Framework	Contract/Service Agreement	ICT Internal Audit	ICT internal audit service with scope for non-ICT audit work as required	TIAA Ltd	Richard Barr/Ian Davy	01/04/2018	31/03/2022	01/01/2019	21,800	764,000	N/A	None	The provider has been awarded to all Lots on the framework. The contract is provided via a collaboration agreement with Warwickshire County Council. Procurement was lead by WCC, though WDC was involved in the evaluation. Although the total contact value is £764,000, the WDC portion of that is £87,000.		
F102CF0411	Collaborative Framework	SLA with other orgs	Credit Checks & Fraud Information	Financial credit checks on companies and individuals for Council contracts or benefit fraud investigations	NAFN c/o Tameside MBC (National Antifraud Initiative) (Experian)	Andrea Wyatt	01/04/2011	31/03/2019	01/01/2019	2,500	15,000	2,591	Ongoing - 3 months notice required from either party	This is a membership based contract terminated by agreement by 3 months notice. Membership is renewed annually. As a membership, this is exempt from the code of procurement practice.	YES A35	
F112LV0414	Open: Published Invitation to Tender	Contract/Service Agreement	Insurance Broker	Brokerage services to the Council for insurance	Gallagher Heath	Christine O'Rourke	01/04/2014	31/03/2020	01/12/2019	2,800	21,609	2,970	Option to extend for final 2 X 12 month periods taken 2018	Contract Value includes an uplift for each financial year and an additional fee for supporting the tender process.	YES C33/2014	
IT12NK0410	Open: Published Invitation to Tender	Contract/Service Agreement	FMS system	FMS system	Totalmobile Computacenter (Government Procurement RM865/1)	Andy Crump	01/04/2018	30/04/2021	01/04/2019	22,000	522,000	19,826	Ongoing - 12 months notice required from either party	At time inflation was agreed at Average earnings Index from Bank of England. Ad hoc services agreed as an when. Also includes payments to Northgate for PARIS as Northgate is a sub contractor to Totalmobile. June 2017 - exemption granted to direct award support contract for 3 years from 01/05/2018, with VEAT notice issued. New contract lined to be set up ready for April 2018 for 3 year fixed term contract. Project group to be organised to review software and procure a new solution. Project within 2018/19 Service Plan.	YES - C3/2005	YES - L:\Works Contracts for Procurement\Electronic contracts\Finance\Pre-2015\IT12NK0410_Financial Management_System
F114DA0914	Collaborative Agreement	Contract/Service Agreement	In-Tend Eprocurement system	Provision of an online shared service eprocurement system. Shared between councils within Coventry, Solihull and Warwickshire	In-Tend	Rebecca Reading	01/09/2013	31/08/2018	31/06/2018	2,000	12,000	0	Option to extend at the end of the contract period	Shared service provision with councils within Coventry, Solihull and Warwickshire. Although each LA has its own contract with In-Tend. Joint decision will be made to continue with the service provision. Agreement held with Solihull MBC as the lead Authority. To complete exemption to extend 5 years along with other LAs. Final updated contract awaited, will be a new line within CR. New contract has been signed and is due to start 01/09/2018.	NO	
F123XXXXXX	Shared Service	SLA with other orgs	External Audit	External Audit	Grant Thornton via PSAA	Mike Snow	01/09/2013	31/08/2018	01/05/2018	70,597	352,985	69,665		Whilst we pay GT for this, we are not the contracting authority, and do not hold or negotiate the contract. Contract signed and held by PSAA. Annual Fees were set by the Audit Commission and are currently frozen. 5 year contract set up by the Audit Commission. New contract to be secured thorough a Framework arranged by LGA/PSAA.	NO - opted into using PSAA and subsequently their chosen supplier.	
F139CF1217	Shared Service	SLA with other orgs	External Audit	External Audit	Grant Thornton via PSAA	Mike Snow	01/04/2018	31/03/2022	01/01/2020	41,290	206,450	N/A		Whilst we pay GT for this, we are not the contracting authority, and do not hold or negotiate the contract. Contract signed and held by PSAA. New contract secured thorough a Framework arranged by LGA/PSAA.	NO - opted into using PSAA and subsequently their chosen supplier.	
F137DA0417	Direct Award by Exemption	Contract/Service Agreement	LACHS	Insurance claim system	J C Applications Development Ltd	Christine O'Rourke	01/07/2017	30/06/2019	30/03/2019	3,100	6,200	nil	2years with option to extend 2x1year		NO	L:\Works Contracts for Procurement\Electronic contracts\Finance\2017_18\LACHS
F132DA1015	Direct Award	Contract/Service Agreement	Enforcement Officer Services	Enforcement Officer Services	Bristow and Sutor	David Leech	01/10/2015	30/09/2019	01/09/2018	0	0	0	2 x 12 months	Contract award lead by WDC utilising the Rotherham Metropolitan Borough Council Bailiff and Debt Collection Services Contract 12-012. 16/02/17 - 24 month extension being taken.	YES C5/2011, C39/2015	
F110OJ1112	Open: Published Invitation to Tender	Contract/Service Agreement	Insurance Warwick District Council (various)	Council wide insurances	Zurich Municipal	Christine O'Rourke	01/11/2012	30/10/2019	01/12/2018	520,400	3,642,800	£495,704 excl IPT	Not Applicable	final 2 year extension taken at 2017 renewal	YES shelf F18 doc store, C14/2002	

Contract Reference Number	Procurement Procedure	Agreement Type	Contract Title	Description	Supplier	Contact	Start date	End date	Review Dates	Annual budget £	Contract value £	2016-17 Spend against contract £	Extension Option	Comments - including price change provisions and review dates.	Signed Contract Agreement is with CST (Deed Store) YES / NO. If the answer is NO please give reasons why . The Deed Store reference number is also required!	Electronic copy of Contract Agreement? - if YES - please supply file location path. All electronic copies should be stored centrally on the L drive: L:\Works Contracts for Procurement\Electronic contracts
F117DA0115	Framework: Direct Award	Contract/Service Agreement	Treasury Management Services	Treasury Management Services	Link Group - Treasury Solutions	Principal Accountant Capital and Treasury Management	06/01/2015	05/01/2020	05/09/2018	Year 1 £9000 Year 2 £9250 Year 3 £9500	35,250	9,250	Option to extend for a further 2 years at year 4 £9750 year 5 £9750	Total contract sum increased by £7,500 to reflect fee for additional services in respect of Corporate Equity Fund selection. Contract to be extended for the 2 years, subject to due dilligence check. Only one other provider on the Market. They do not recognise smaller scale organisations such as Warwick District Council. 13/10/17: Contract extension signed and returned.	YES - C43/2015	
F116OJ1214	Open: Published Invitation to Tender	Contract/Service Agreement	Banking Services	Banking Services	HSBC	Principal Accountant Capital and Treasury Management	01/03/2015	29/02/2020	01/03/2019	24,692	123,460	22,593	further 5 years	Contracts Signed	YES C6/2015	
F124XXXXXX	Framework: Mini Competition	Contract/Service Agreement	Finance Lease for Dog Warden Van	Dog Warden Van	JCB (lease agreement)	Procurement of Van - Pete Cutts. Arranging Finance Lease - Principal Accountant Capital and Treasury Management	10/03/2014	09/03/2022	09/03/2022	2,442	19,536	2,442	Lease can be extended into a secondary rental period with no end date	Health & Community Protection procured the van. Finance arranged the financing of the purchase Procurement of Dog Van - Health & Community Protection. Finance for arranging finance	YES C2/2011	
F118XXXXXX	Invitation to Quote (2+ Suppliers)	Contract/Service Agreement	Terrarius Asset Register	Annual support and maintenance of fixed assets register	Logotech	Principal Accountant Capital and Treasury Management	01/07/2009	30/04/2021	30/09/2018	1,500	13,500	1,500	Rolling contract, renewal decision taken each year	We are committed to annual support & maintenance charges for as long as we continue to use the Asset Register. To be reviewed as part of the FMS procurement exercise 2018-2020 No formal contract - agreement to supply goods and services forwarded to DMC Extension date to coincide with main FMS.	NO	YES: L:\Works Contracts for Procurement\Electronic contracts\Finance\Pre_2015\F118XXXXXX_Terrarius Asset Register
F134FDA0916	Direct Award	Contract/Service Agreement	VAT and All Taxes helpline	VAT advice and one meeting a year	KPMG	Jenny Clayton	01/04/2010	31/03/2019	01/03/2019	1,800	1,800	1,800	To be reviewed annually	Market testing carried out 2016 to establish best value being achieved. Service provided on a rolling basis, to be reviewed every year. 22/11/17: Procurement Advice - Go back out to market 2020. KPMG still cheapest 21/3/2018	Yes - C39/2016	
F131XXXXXX	Invitation to Quote (2+ Suppliers)	Contract/Service Agreement	Civica OpenRevenues	Benefits, Council Tax and Business Rtaes	Civica UK Ltd	David Leech	21/10/2003	30/06/2022	01/11/2018	87,400	1,136,200	183,000	None	Exemption granted to investigate system and undertake procurement exercise. VEAT issued. The 2016/17 expenditure includes the up-front cost of the E-Forms for Benefits claims.	YES C15/2014, C15/2015	
F138CO0218	Shared Service	SLA with other orgs	Corporate Fraud Investigations	Corporate Fraud Investigations	Oxford City Council	Andrea Wyatt	01/04/2018	01/04/2023	01/03/2019	53,000	265,000	N/A	Review annually	SLA agreement with Oxford City Council to provide two officers to carry out Fraud Investigations on behalf of Warwick District Council. Warwick District Council will contribute towards the salaries of the 2 officers provider. This agreement has no end date, but will be reviewed annually.		
F140DA0418	Shared Service	SLA with other orgs	Procurement Strategic Partnership	Strategic Procurement Support	Warwickshire County Council	Mike Snow	01/04/2018	31/03/2019	30/09/2018							
F141DA0418	Framework: Direct Award	Contract/Service Agreement	Certification Audits	Audit of grant claims	Grant Thornton UK LLP	Mike Snow	01/04/2018	31/03/2020	30/11/2019	16,550	33,100		Option to extend to 2020/21.	2018/19 Audit will be carried out in Summer/Autumn 2019, hence initial review late 2019.	No. Award only just made, contract sill being signed.	
F142DA0518	Framework: Direct Award	Contract/Service Agreement	Civic appeals processing		CIVICA	Andrea Wyatt				10,000	10,000	N/A	None	1 year contract awarded through the Kingston Framework: Revenues & Benefits and associated services		

Item 8 - Appendix C

	ACTUAL 2016/17 £	ORIGINAL BUDGET 2017/18 £	LATEST BUDGET 2017/18 £	ACTUAL 2017/18 £	ORIGINAL BUDGET 2018/19 £
<u>FINANCE PORTFOLIO</u>					
S1410 FINANCE MANAGEMENT	-	(100)	2,000	-	(13,800)
S1417 PROCUREMENT	4,988	-	600	1	20,000
S1418 FINANCIAL SERVICES TEAM	-	(200)	-	-	-
S1425 ACCOUNTANCY	-	(500)	27,000	(2)	87,200
S1440 NON-DISTRIBUTED COSTS	140,734	151,500	151,500	224,145	148,900
S1460 TREASURY MANAGEMENT	101,719	79,200	77,700	55,201	78,800
S1461 CONTINGENCY BUDGETS	-	392,300	162,100	-	935,000
S1465 CORPORATE MANAGEMENT	639,312	642,800	696,200	625,704	690,100
S1468 PARISH COUNCIL SUPPORT	148,379	92,600	92,900	91,615	34,800
S1578 AUDIT & RISK	-	(400)	-	1	-
S3050 REVENUES	638,290	608,100	818,200	830,519	752,800
S3250 BENEFITS	318,077	465,700	473,500	461,974	613,300
S3661 CUP - UNITED REFORM CHURCH	33,170	30,200	32,100	34,844	48,200
TOTAL FINANCE PORTFOLIO	2,024,669	2,461,200	2,533,800	2,324,002	3,395,300
<u>SUBJECTIVE ANALYSIS:</u>					
<u>EXPENDITURE:</u>					
Employees	2,522,819	2,701,700	2,931,500	2,861,056	3,443,200
Premises	4,534	22,300	1,500	4,152	1,500
Transport	6,911	11,200	11,200	10,680	8,800
Supplies and Services	630,733	869,000	672,300	539,434	921,700
Third Party Payments	106,417	80,100	82,600	80,095	73,600
Transfer Payments (Housing Benefit)	28,636,563	28,969,500	27,040,100	27,960,056	27,040,100
Support Services	1,799,787	1,888,400	2,131,800	2,066,077	2,143,800
Capital Charges	51,766	53,600	53,600	57,803	76,300
TOTAL EXPENDITURE	33,759,530	34,595,800	32,924,600	33,579,353	33,709,000
<u>INCOME:</u>					
Government Grants	(29,629,326)	(29,961,900)	(28,106,400)	(28,981,644)	(27,986,600)
Other Grants and Contributions	(81,267)	(79,400)	(79,400)	(84,501)	(79,400)
Other Income	(20,202)	(11,200)	(18,400)	(31,600)	(13,700)
Fees and Charges	(357,709)	(400,000)	(365,000)	(344,262)	(380,000)
Recharges	(1,646,357)	(1,682,100)	(1,821,600)	(1,813,344)	(1,854,000)
TOTAL INCOME	(31,734,861)	(32,134,600)	(30,390,800)	(31,255,351)	(30,313,700)
NET COST OF FINANCE	2,024,669	2,461,200	2,533,800	2,324,002	3,395,300

	ACTUAL 2016/17 £	ORIGINAL BUDGET 2017/18 £	LATEST BUDGET 2017/18 £	ACTUAL 2017/18 £	ORIGINAL BUDGET 2018/19 £
S1410 FINANCE MANAGEMENT					
DIRECT EXPENDITURE					
Employees	106,997	106,600	117,300	119,039	118,300
Transport	508	300	300	545	300
Supplies and Services	6,727	7,000	7,000	6,763	(8,900)
Third Party Payments	3,524	-	2,000	739	-
TOTAL DIRECT EXPENDITURE	117,756	113,900	126,600	127,086	109,700
DIRECT INCOME					
Other Income	(20)	-	-	(20)	-
TOTAL DIRECT INCOME	(20)	-	-	(20)	-
NET DIRECT (INCOME) / EXPEN	117,736	113,900	126,600	127,066	109,700
Support Services	63,222	55,900	64,400	61,978	77,700
Recharges	(180,958)	(169,900)	(189,000)	(189,044)	(201,200)
NET (INCOME) / EXPENDITURE	-	(100)	2,000	-	(13,800)

The Head of Finance is responsible for providing a comprehensive financial service to the Council via the following five divisions of the Business Unit:

Procurement

Exchequer:

- Revenues
 - Collection of Council Tax
 - Collection of Business Rates
- FSTeam
 - Creditors
 - Sundry Income

Accountancy

- Accounting and Budgeting
- Treasury Management
- Financial Advice

Audit and Risk

- Internal Audit
- Risk Management
- Insurances

Benefits

- Housing Benefits
- Council Tax Reduction
- Benefits Fraud
- Customer Support Team
- Reception/One Stop Shop

Work is undertaken under the direction of the Head of Finance who will perform his duties in compliance with the appropriate regulations and standards expected of Local Government, as promoted by the Chartered Institute of Public Finance and Accountancy.

The cost of this service is recharged to users based on staff time allocations.

	ACTUAL 2016/17 £	ORIGINAL BUDGET 2017/18 £	LATEST BUDGET 2017/18 £	ACTUAL 2017/18 £	ORIGINAL BUDGET 2018/19 £
<u>S1417 PROCUREMENT</u>					
DIRECT EXPENDITURE					
Employees	83,424	97,700	83,500	85,054	103,100
Transport	538	800	800	1,269	800
Supplies and Services	1,866	3,100	1,300	1,044	3,100
Third Party Payments	7,219	600	13,600	13,918	20,600
TOTAL DIRECT EXPENDITURE	93,047	102,200	99,200	101,285	127,600
Support Services	37,356	30,300	43,100	42,534	58,000
Recharges	(125,415)	(132,500)	(141,700)	(143,818)	(165,600)
NET (INCOME) / EXPENDITURE	4,988	-	600	1	20,000

The Procurement Section's role is to ensure that all procurement projects are undertaken within the Council's Code of Contract Practice and Code of Financial Practice, and EU legislation. Whilst procurement is devolved to all budget holders within the authority, the procurement team are actively involved in all tender opportunities. Our aim is to provide value for money on supplies and services bought and leased by the council. This does not mean the cheapest but a balance between cost, quality and performance.

From 1 April 2018 the Council has entered into a partnership with Warwickshire County Council for Strategic Procurement support.

S1418 FINANCIAL SERVICES TEAM

DIRECT EXPENDITURE					
Employees	165,546	182,400	199,900	191,446	193,700
Transport	42	100	100	11	100
Supplies and Services	6,535	9,000	9,000	4,069	9,000
TOTAL DIRECT EXPENDITURE	172,123	191,500	209,000	195,526	202,800
DIRECT INCOME					
Other Grants and Contr	(8,500)	(8,500)	(8,500)	(8,500)	(8,500)
TOTAL DIRECT INCOME	(8,500)	(8,500)	(8,500)	(8,500)	(8,500)
NET DIRECT (INCOME) / EXPEN	163,623	183,000	200,500	187,026	194,300
Support Services	45,921	66,700	57,000	41,488	56,400
Recharges	(209,544)	(249,900)	(257,500)	(228,514)	(250,700)
NET (INCOME) / EXPENDITURE	-	(200)	-	-	-

FINANCIAL SERVICES (FSTeam)

The FSTeam provides support to Service Areas across the Council which are of a financial nature. The team also prepares and manages the support services of creditor and debtor invoice processing.

The cost of this service is recharged to services using a variety of basis ranging from staff time allocations, numbers of staff and numbers of

	ACTUAL 2016/17 £	ORIGINAL BUDGET 2017/18 £	LATEST BUDGET 2017/18 £	ACTUAL 2017/18 £	ORIGINAL BUDGET 2018/19 £
<u>S1425 ACCOUNTANCY</u>					
DIRECT EXPENDITURE					
Employees	504,240	475,300	541,300	550,900	605,300
Transport	694	1,000	1,000	522	1,000
Supplies and Services	47,789	52,400	55,100	50,067	51,600
Third Party Payments	-	-	2,000	2,000	-
TOTAL DIRECT EXPENDITURE	552,723	528,700	599,400	603,489	657,900
DIRECT INCOME					
Other Income	(11)	-	-	(6)	-
TOTAL DIRECT INCOME	(11)	-	-	(6)	-
NET DIRECT (INCOME) / EXPEN	552,712	528,700	599,400	603,483	657,900
Support Services	127,562	119,100	152,300	154,728	153,800
Recharges	(680,274)	(648,300)	(724,700)	(758,213)	(724,500)
NET (INCOME) / EXPENDITURE	-	(500)	27,000	(2)	87,200

The Accountancy Division is directed by the Strategic Finance Manager (a qualified accountant), and is comprised of 4 Principal Accountants, 6 Assistant Accountants and an Accountancy Assistant. The services provided are as follows:

- Co-ordination of annual revenue budgets, fees and charges reports and capital budgets;
- Preparation of statutory final accounts and associated returns, grant claims etc.;
- Provision of financial advice, training and assistance in budget monitoring for all Service Area managers at all levels;
- Maintenance and development of the Council's Financial Management, Asset Register;
- On site support to Service Areas, including advice in respect of VAT;
- Treasury Management;
- Collection Fund Accounts;
- Financial support and direction on various projects undertaken within the Council.

The Accountancy Division works to the following timescales:

- | | |
|---------------------------------|--|
| - Accountancy advice | - 10 working days |
| - Response to Committee Reports | - 5 working days |
| - Routine requests for advice | - 2 working days |
| - Emergency / urgent work | - on demand, subject to staff availability |

Although in the majority of cases, the Division responds within a far shorter timescale.

The work is undertaken according to CIPFA accounting standards and is subject to external / internal audits each year.

The division continues to review the way the Council's Budgets are monitored and reported, enhancing them should the opportunities arise. The team will also continue to support and work with other Service Areas, who are reviewing their practices under the Council's Fit for the Future

	ACTUAL 2016/17 £	ORIGINAL BUDGET 2017/18 £	LATEST BUDGET 2017/18 £	ACTUAL 2017/18 £	ORIGINAL BUDGET 2018/19 £
<u>S1440 NON-DISTRIBUTED COSTS</u>					
DIRECT EXPENDITURE					
Employees	134,565	147,300	147,300	209,808	138,300
TOTAL DIRECT EXPENDITURE	134,565	147,300	147,300	209,808	138,300
Capital Charges	26,690	28,500	28,500	33,775	34,900
Recharges	(20,521)	(24,300)	(24,300)	(19,438)	(24,300)
NET (INCOME) / EXPENDITURE	140,734	151,500	151,500	224,145	148,900

Non-Distributed Costs are defined as comprising:

- The costs associated with unused shares of IT facilities;
- The costs of shares of other long-term unused but unrealisable assets;
- The proportion of employer's pensions contributions which actuaries certify to be attributable to back funding (i.e. current contributions towards the cost of increases in the pensions earned by past services).

S1460 TREASURY MANAGEMENT

DIRECT EXPENDITURE					
Supplies and Services	67,377	35,800	32,100	20,228	30,800
Third Party Payments	-	2,100	-	406	2,100
TOTAL DIRECT EXPENDITURE	67,377	37,900	32,100	20,634	32,900
DIRECT INCOME					
Other Income	(6,902)	-	-	(13,156)	-
TOTAL DIRECT INCOME	(6,902)	-	-	(13,156)	-
NET DIRECT (INCOME) / EXPEN	60,475	37,900	32,100	7,478	32,900
Support Services	44,344	44,300	48,700	50,823	49,100
Recharges	(3,100)	(3,000)	(3,100)	(3,100)	(3,200)
NET (INCOME) / EXPENDITURE	101,719	79,200	77,700	55,201	78,800

Costs associated with the Council's banking arrangements, including the management of the investments and borrowings.

	ACTUAL 2016/17 £	ORIGINAL BUDGET 2017/18 £	LATEST BUDGET 2017/18 £	ACTUAL 2017/18 £	ORIGINAL BUDGET 2018/19 £
<u>S1461 CONTINGENCY BUDGETS</u>					
DIRECT EXPENDITURE					
Employees	-	104,800	147,700	-	559,600
Premises	-	22,300	-	-	-
Supplies and Services	-	265,200	14,400	-	375,400
	<u>-</u>	<u>392,300</u>	<u>162,100</u>	<u>-</u>	<u>935,000</u>
NET (INCOME) / EXPENDITURE	<u>-</u>	<u>392,300</u>	<u>162,100</u>	<u>-</u>	<u>935,000</u>

This budget comprises general contingencies:

- A general provision for pay awards;
- A general provision for the introduction of an Apprenticeship Scheme;
- A general provision for National Employment Savings Trust (NEST);
- A general prices inflation allowance;
- A general contingency budget;
- A general allowance for over-recovery of income not included in specific service budgets.

Contingency Budgets:

Employees:

- National Employment Savings Trust (NEST)	-	63,800	63,800	-	128,200
- Additional Superannuation costs	-	15,300	-	-	-
- IAS 19 Adjustments	-	25,700	83,900	-	151,100
- Additional 1% Pay Award above 1% included in budget	-	-	-	-	132,300
- Apprenticeship Scheme	-	-	-	-	100,000
- Impact of National Living Wage	-	-	-	-	48,000
Subtotal	-	104,800	147,700	-	559,600

Premises:

- Office Cleaning Contract - re-letting	-	22,300	-	-	-
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Supplies and Services:

- Contingency Budget	-	200,700	14,400	-	325,400
- General Price Inflation Allowance	-	64,500	-	-	50,000
Subtotal	-	265,200	14,400	-	375,400

	ACTUAL 2016/17 £	ORIGINAL BUDGET 2017/18 £	LATEST BUDGET 2017/18 £	ACTUAL 2017/18 £	ORIGINAL BUDGET 2018/19 £
<u>S1465 CORPORATE MANAGEMENT</u>					
DIRECT EXPENDITURE					
Employees	-	19,400	-	-	-
Supplies and Services	104,280	63,400	63,400	5,488	62,500
TOTAL DIRECT EXPENDITURE	104,280	82,800	63,400	5,488	62,500
DIRECT INCOME					
Other Income	-	-	(6,600)	(6,642)	-
TOTAL DIRECT INCOME	-	-	(6,600)	(6,642)	-
NET DIRECT (INCOME) / EXPEN	104,280	82,800	56,800	(1,154)	62,500
Support Services	553,132	578,100	657,500	644,958	645,700
Recharges	(18,100)	(18,100)	(18,100)	(18,100)	(18,100)
NET (INCOME) / EXPENDITURE	639,312	642,800	696,200	625,704	690,100

It is recognised that certain costs only arise because local authorities are multi-purpose, elected organisations, i.e. the costs are over and above the sum of those that would be needed to manage all the various services if they were run by single-purpose authorities. Such costs are now gathered under the heading of "Corporate Management". Under the Service Reporting Code of Practice, the costs that can be charged to Corporate Management are strictly defined.

Corporate Management is defined as:

- Costs of the Chief Executive except where duties are concerned with the direct management of services or the provision of advice and support to members;
- Maintaining statutory registers, e.g. of politically sensitive posts, unused land, payments to members and members' interests – except when those statutory registers are defined specifically as a function of direct services;
- Providing information required by members of the public in exercise of statutory rights (other than about specific services);
- Completing, submitting and publishing staffing returns, statements of accounts, annual reports, public performance reports and local performance plans;
- External audit liaison;
- Best Value external inspections;
- Responsible Financial Officer functions relating to precepts, standard spending assessments, corporate budgets, capital programmes, budget monitoring of the corporate position, reviewing the

S1468 PARISH COUNCIL SUPPORT

DIRECT EXPENDITURE					
Supplies and Services	95,045	63,400	63,400	63,223	31,700
Third Party Payments	50,590	26,500	26,500	25,295	-
TOTAL DIRECT EXPENDITURE	145,635	89,900	89,900	88,518	31,700
Support Services	2,744	2,700	3,000	3,097	3,100
NET (INCOME) / EXPENDITURE	148,379	92,600	92,900	91,615	34,800

Supplies and Services:

The treatment of Council Tax Benefits changed from a national to a local council tax reduction scheme with effect from 1 April 2013. Under the local scheme the council tax reductions are now built into the Council Tax Base as a disregard, thus reducing the Council Tax Base. To counter this reduction in the Council Tax Base the Town and Parish Councils receive a Council Tax Support Grant. National Government funding to compensate councils for this reduced Taxbase is being withdrawn. In line with this the support grant to Town and Parish Councils will also be withdrawn over a 3 year period from 2017/18.

Third Party Payments:

There are services which are carried out by parish councils in their areas that are carried out by the District Council in the urban areas of Royal

S1578 AUDIT & RISK

	ACTUAL 2016/17 £	ORIGINAL BUDGET 2017/18 £	LATEST BUDGET 2017/18 £	ACTUAL 2017/18 £	ORIGINAL BUDGET 2018/19 £
DIRECT EXPENDITURE					
Employees	229,891	229,600	252,900	255,661	255,000
Transport	561	1,100	1,100	421	1,100
Supplies and Services	22,195	32,200	32,200	29,800	29,200
Third Party Payments	7,500	5,000	5,000	1,094	5,000
TOTAL DIRECT EXPENDITURE	260,147	267,900	291,200	286,976	290,300
DIRECT INCOME					
Other Income	(11,772)	(11,200)	(11,200)	(10,139)	(13,700)
TOTAL DIRECT INCOME	(11,772)	(11,200)	(11,200)	(10,139)	(13,700)
NET DIRECT (INCOME) / EXPEN	248,375	256,700	280,000	276,837	276,600
Support Services	44,329	54,400	55,300	54,316	54,000
Recharges	(292,704)	(311,500)	(335,300)	(331,152)	(330,600)
NET (INCOME) / EXPENDITURE	-	(400)	-	1	-

The Internal Audit Service comprises provision of assurance to management on the state of internal control and governance in respect of all of the Council's functions, activities and systems.

The services provided also include the following:

- Assistance on projects
- General advice on controls and risk
- Promotion of an anti fraud and corruption culture
- Investigations into suspected cases of fraud and corruption.

The audit work is undertaken in compliance with professional auditing standards as laid down by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Chartered Institute of Internal Auditors (CIIA). The Council's external auditors, Grant Thornton, review and report annually on the activities of Internal Audit (the cost of which is included within the Corporate Management budget).

The service is delivered through a combination of in-house staffing and, especially for IT audits, external contractors.

The Audit and Risk Manager reports quarterly to the Head of Finance on the activities of Internal Audit. The Finance and Audit Scrutiny Committee oversees achievement of the annual internal audit plan and receives reports on a quarterly basis to enable them to fulfil this function.

In terms of risk management, the Audit and Risk Manager provides advice to services to help them manage their risks effectively. Risk registers are in place for all Council services and these are reviewed regularly by the Finance & Audit Scrutiny Committee. A report is issued to members annually on progress in embedding risk management across the organisation.

The cost of this service is recharged to services based on staff time allocations.

	ACTUAL 2016/17 £	ORIGINAL BUDGET 2017/18 £	LATEST BUDGET 2017/18 £	ACTUAL 2017/18 £	ORIGINAL BUDGET 2018/19 £
<u>S3050 REVENUES</u>					
DIRECT EXPENDITURE					
Employees	600,888	614,500	678,800	684,872	675,300
Transport	1,469	2,500	2,500	1,371	1,300
Supplies and Services	112,724	104,400	154,400	170,338	104,200
Third Party Payments	33,448	25,800	25,800	25,768	25,800
TOTAL DIRECT EXPENDITURE	748,529	747,200	861,500	882,349	806,600
DIRECT INCOME					
Government Grants	(216,796)	(214,400)	(214,400)	(221,611)	(214,400)
Other Grants and Contr	(72,767)	(70,900)	(70,900)	(76,001)	(70,900)
Other Income	12,966	-	-	-	-
Fees and Charges	(357,255)	(400,000)	(365,000)	(343,542)	(380,000)
TOTAL DIRECT INCOME	(633,852)	(685,300)	(650,300)	(641,154)	(665,300)
NET DIRECT (INCOME) / EXPEN	114,677	61,900	211,200	241,195	141,300
Support Services	523,613	546,200	607,000	589,324	611,500
NET (INCOME) / EXPENDITURE	638,290	608,100	818,200	830,519	752,800

The Revenues Service is responsible for the levying and collection of both the Council Tax and Business Rates .

Council Tax - Introduced in April 1993, is a tax on domestic properties. Each domestic property is placed in a 'band' from A to H based on the capital value of that property in April 1991. The banding exercise was carried out and is maintained by the Valuation Office, an Executive Agency of central Government.

Each year in late February, or early March, the Council, as the Billing Authority, fixes the charges that will apply for the upcoming financial year. The amount of tax levied will include precepts on behalf of Warwickshire County Council and Warwickshire Police and Crime Commissioner, as well as precepts by the appropriate parish or town councils.

Business Rates - All businesses in the area have a 'rateable value' ascribed to them by the Valuation Office Agency. Business Rates are subject to a revaluation every 5 years [although the Autumn Budget 2017 proposed that this will take place every 3 years moving forward] when the values are updated to reflect market changes in rental values. The Latest revaluation took effect from 01 April 2017. The Government fixes the rate-in-the-pound that the Council must use to calculate charges which are then levied on the occupiers or owners of the relevant properties. There is a system of 'transitional relief' which helps cushion the effects of substantial changes following a revaluation.

In both cases, the Revenues Service is responsible for calculating the charges, allowing any discounts, benefits or reliefs as appropriate, and then sending out bills in accordance with the regulations. If payment is not forthcoming, then recovery action as set out in the regulations is followed in order to secure payment.

The council's website at www.warwickdc.gov.uk gives more details about council tax and rates and also gives details of how to go about applying

S3250 BENEFITS

	ACTUAL 2016/17 £	ORIGINAL BUDGET 2017/18 £	LATEST BUDGET 2017/18 £	ACTUAL 2017/18 £	ORIGINAL BUDGET 2018/19 £
DIRECT EXPENDITURE					
Employees	697,268	724,100	762,800	764,276	794,600
Transport	3,099	5,400	5,400	6,541	4,200
Supplies and Services	166,195	233,100	240,000	188,414	233,100
Third Party Payments	4,136	20,100	7,700	10,875	20,100
Housing Benefits	28,636,563	28,969,500	27,040,100	27,960,056	27,040,100
TOTAL DIRECT EXPENDITURE	29,507,261	29,952,200	28,056,000	28,930,162	28,092,100
DIRECT INCOME					
Government Grants	(29,412,530)	(29,747,500)	(27,892,000)	(28,760,033)	(27,772,200)
Other Income	(14,463)	-	(600)	(1,636)	-
Fees and Charges	(454)	-	-	(720)	-
TOTAL DIRECT INCOME	(29,427,447)	(29,747,500)	(27,892,600)	(28,762,389)	(27,772,200)
NET DIRECT (INCOME) / EXPEN	79,814	204,700	163,400	167,773	319,900
Support Services	354,004	385,600	438,000	416,166	429,200
Recharges	(115,741)	(124,600)	(127,900)	(121,965)	(135,800)
NET (INCOME) / EXPENDITURE	318,077	465,700	473,500	461,974	613,300

Universal Credit is gradually replacing Housing Benefit (HB) for working age customers, however Local Authorities are expected to continue to administer the HB scheme until all customers have migrated and the Housing Benefit administration grant is gradually reducing to reflect the reduction in Housing Benefit claimants. The Housing Benefit caseload, has reduced as a result of Universal Credit, however the Department for Work and Pensions have recently announced that no further claims to Universal Credit will be made in our area until October 2018 and as a result we expect to see an increase in claims until then. The administration grant is expected to be reviewed to reflect this change in policy. Administration of HB for pensioners will remain the responsibility of the Local Authority until Universal Credit has been fully rolled out. The HB scheme enables people on a low income to obtain financial assistance towards their rent.

Local authorities are responsible for determining their own Local Council Tax Reduction Scheme (LCTRS) for working age claimants, the rules for pensioners are prescribed by Government. Claimants who are on a low income can have their council tax liability reduced by up to 85% for working age and 100% for pension age claimants.

Principal Features:

Entitlement is assessed in relation to total financial resources and "applicable amounts".

- (a) Households on Income Support, Jobseekers' Allowance, Pension Credit (Guarantee Credit) and Employment Support Allowance (income related) should be able to get the maximum level of assistance less, where applicable, a deduction for any non dependants living in the household. Other households whose income is not included in this list may also qualify and the level of entitlement is assessed based on income and capital compared to the circumstances of the household.
- (b) Applicants with more than £16,000 assessed capital do not qualify for benefit unless they are in receipt of Pension Credit (Guarantee Credit).
- (c) Income from employment is assessed on net income.

Number of claimants:

	2016	2017
HB	6,200	6,000
CTR	7,200	6,600

Since February 2015, DWP have been responsible for Housing Benefit fraud, however we retain responsibility for dealing with any fraudulent activity which occurs in relation to our other services, this service is currently provided on our behalf by Oxford City Council

In February 2016, calls to the service were repatriated to the District Council, the benefit service now includes a team of customer service advisors, the

	ACTUAL 2016/17 £	ORIGINAL BUDGET 2017/18 £	LATEST BUDGET 2017/18 £	ACTUAL 2017/18 £	ORIGINAL BUDGET 2018/19 £
<u>S3661 CUP - UNITED REFORM CHURCH</u>					
DIRECT EXPENDITURE					
Premises	4,534	-	1,500	4,151	1,500
TOTAL DIRECT EXPENDITURE	4,534	-	1,500	4,151	1,500
Support Services	3,560	5,100	5,500	6,665	5,300
Capital Charges	25,076	25,100	25,100	24,028	41,400
NET (INCOME) / EXPENDITURE	33,170	30,200	32,100	34,844	48,200

The Creative Uplift Programme (CUP) scheme in respect of phase 2 development of Spencer's Yard was dependent on Government funding through Advantage West Midlands.

The new Government formed following the Parliamentary elections held in May 2010 abolished Advantage West Midlands and cancelled all outstanding schemes.

Finance

Service Area Plan Performance 2017/18

1. Background

The customers of Finance can be broadly categorised in three ways:-

Corporate/Strategic

Finance is responsible for managing the Council's overall finances. This includes maintaining the Medium Term Financial Strategy, Budget setting and monitoring expenditure/income against Budget.

External customers

These customers include all those responsible for the payment of council tax and business rates, for which there are approximately 63,500 and 5,200 respective properties (as at March 2018). Housing Benefit claimants currently total 5,900 (value £26m pa), with there being 6,450 (value £6m pa) households in receipt of Council Tax Reduction (previously council tax benefit).

Finance also administers the Rural and Urban Capital Initiative Scheme for which for which the budget was agreed at £150,000 for new grants to be awarded in 2017/18.

Internal customers

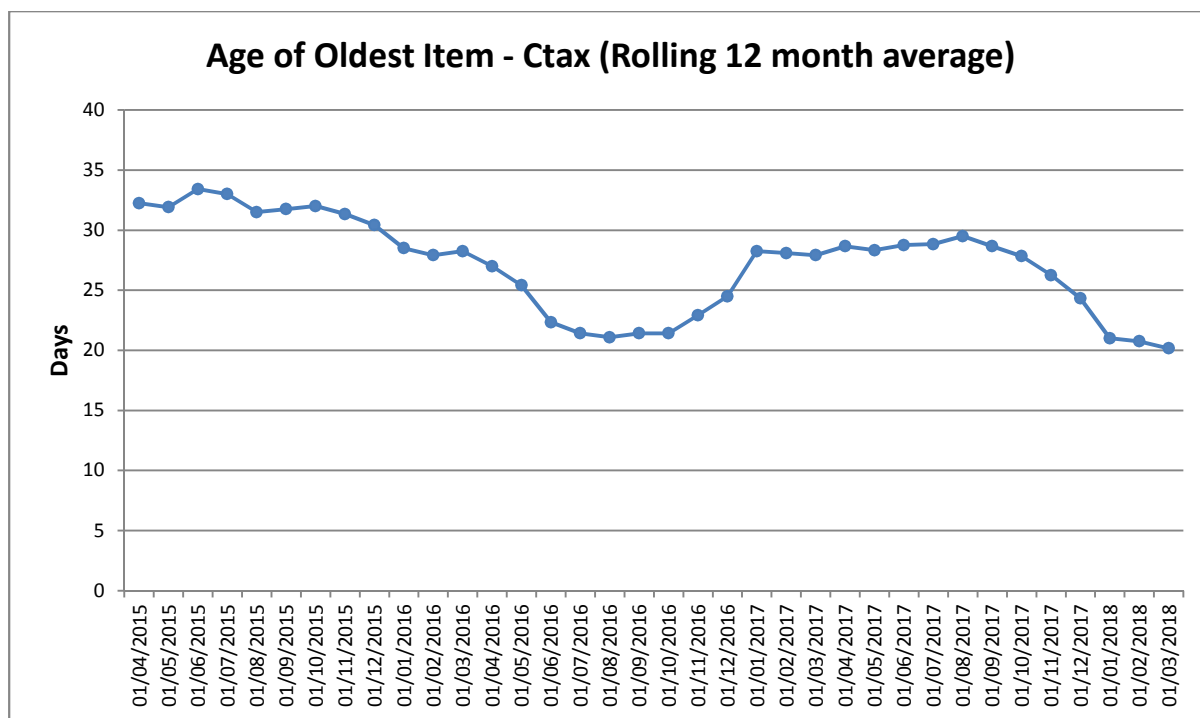
Much of Finance is a support service, primarily providing services to the Council's officers and councillors. The services here include:-

- Accountancy (including Budgetting and Treasury Management)
- Internal Audit and Risk
- Procurement
- Payments and sundry debtors

2. Performance

Council Tax/Business Rates

The processing time for council tax correspondence has improved in the current year from 28 days in March 2017 to 21 for January 2018 (based on a rolling 12 month basis, to remove the impact of seasonal swings). Whilst there is some annual seasonality in these figures, this represents a significant improvement compared to the peak of 48 days in June 2015. Recent staff turnover has impacted upon the service in recent months. The position for the last three years is shown in the chart overleaf:-



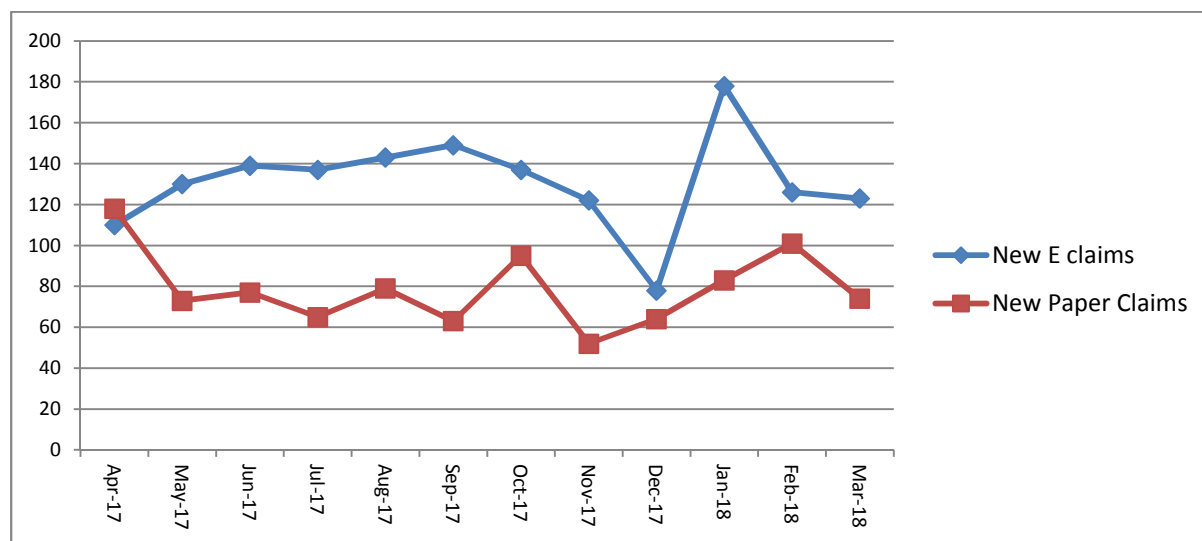
The improvement reflects the dedication of the team and the many initiatives. These include:-

- The change to generic working within Council Tax/Business Rates has helped to reduce processing times. This was piloted ahead of being agreed by Employment Committee in January.
- Staff doing some weekend and out of hours working
- Changing the way we process the work queue to minimise repeat callers
- The Customer Service Team, who provide a more specialised service and provide processing support during quiet times.
- In line with the Digital by Design agenda, a project is underway to provide residents with the ability to "self serve" in respect of their council tax account. Open Channel will enable customers to complete and submit a series of on line forms to inform the Council of a property move which will, subject to data validation, automatically update the account without the need for back office intervention. This project is currently being piloted. However it is not expected that this service will have an instant impact on the workload of the Service, but as the number of properties in the District continues to grow over future years and customers increasing expect to be able to self-serve, Open Channel will increase the processing capacity of the service.

Housing Benefits/Council Tax Reduction

The introduction of "E-Forms" for new housing benefit/council tax reduction claims and notification of changes in circumstances has proved a success. The table below shows the proportion of new claims now being received electronically.

New Benefits Claims

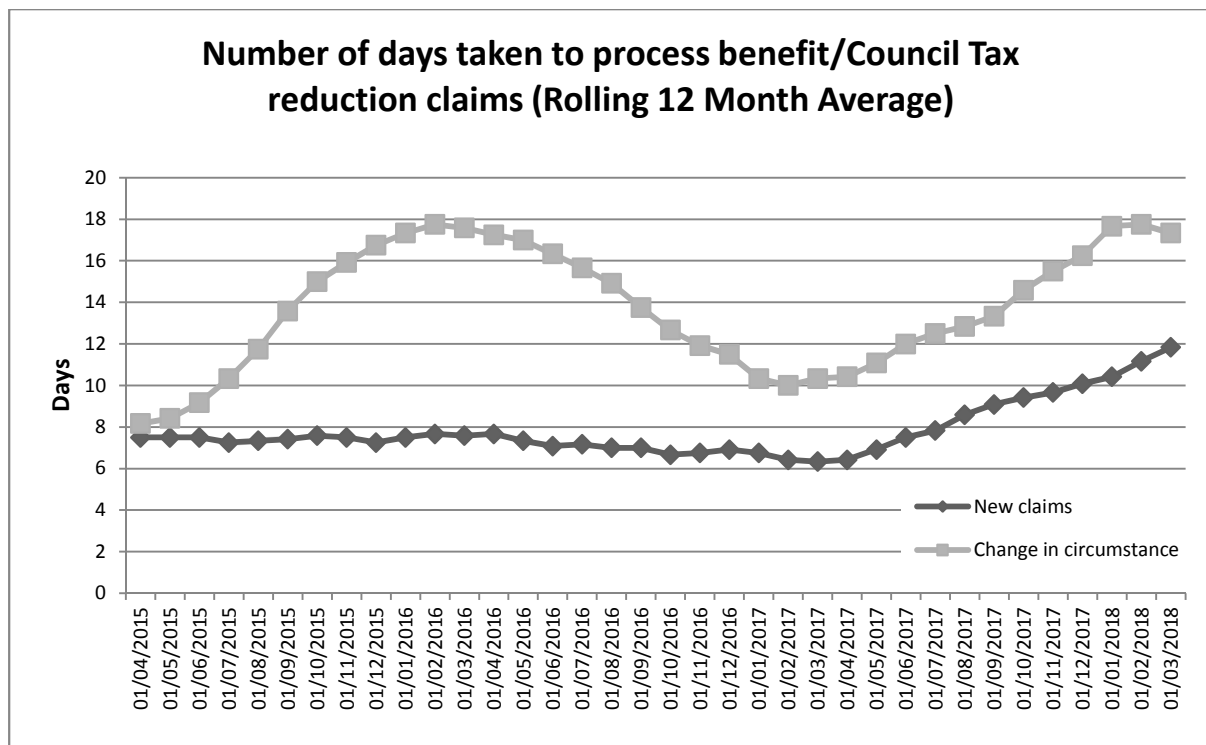


There are many benefits associated with the process, for the customer and the Council:-

- The system tells the claimant what specific documentation is required to support the claim, and how this is to be provided.
- Claims are quicker to submit.
- There is no scanning required of the claim.
- Data entry is greatly reduced.
- With claims being more complete, the requests for further information from claimants are greatly reduced.
- Claims are processed and benefit awarded much faster.

These improvements all amount to improved customer service and efficiencies for the Council. Greater promotion of the E-forms is planned, along with more training to ensure that Reception/One Stop Shop staff actively encourage on-line claims. With WDC responsibility for Front Line staff and One-Stop Shops under the Benefits and Fraud Manager (alongside the Revs/Bens Customer Service Team), it is envisaged the service will be better prepared to support the roll out of Universal Credit, now scheduled locally from October 2018.

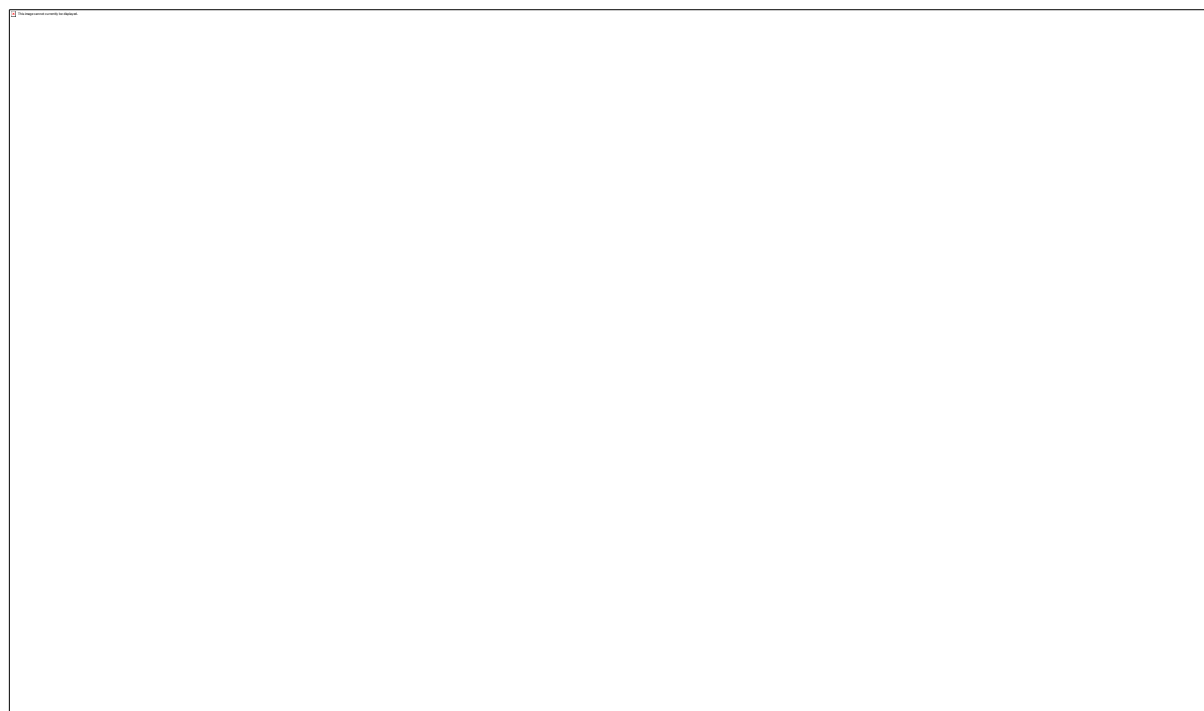
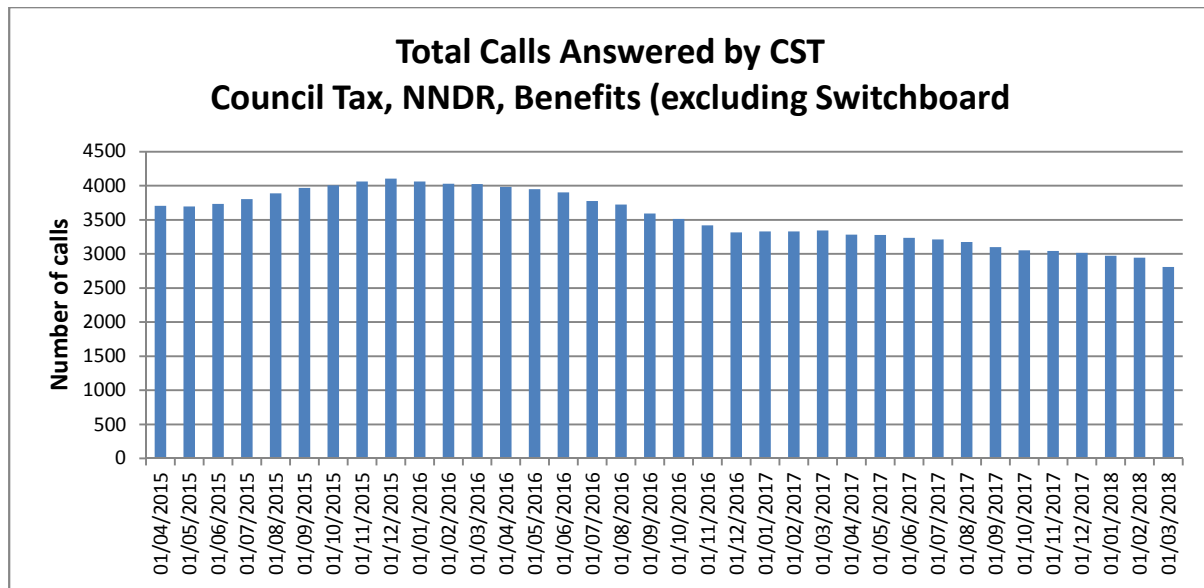
The time taken to process benefits claims is actively monitored as shown below. The recent increases in processing time have again resulted from staff turnover. Following a recruitment campaign, several new appointments have been made, with these new members of staff undergoing an intensive training process. In addition, over the last year, the amount of work on current claims has increased as there have been more referrals from DWP under the Real Time Information initiative. These are up to 500 a month.



As at the middle of February 2018, the oldest new claim awaiting processing was 8 days, and change in circumstance was 13 days.

Customer Service Team

The Customer Service Team process Benefits and Revenues calls. Whilst all calls should be to direct dial numbers, there are still an increasing number of calls that are received on the switchboard number. The Customer Services Team manage these calls on behalf of the Council. It was originally envisaged that these calls would be very few in number. However, they continue to average 200 per week. As the team were not resourced for these calls, these calls were impacting on the overall performance of the team, so reducing their ability to deal with Revenues and Benefits Calls. A trial is on-going for selected other services areas to help with the switchboard calls. The initial feedback is this is helping to manage the switchboard calls and the service calls.



Accountancy

The 2016/17 Statement of Accounts was signed off by the external auditor in August. This was one month earlier than previously. From 2017/18, the accounts must be signed off by 31 July. The intention was to pilot early closure in 2017 so as to meet that date. Whilst the end of July target was missed, the auditors would have been ready to sign off in early August. Following the review of the 2016/17 closedown, including discussions with the external auditors, a project is now in place for the 217/18 closedown, following a detailed timetable.

The Contract for the Financial Management System has been extended under an Exemption to the Procurement Code of Practice. Whilst not incorporated into the

2017/18 Service Plan, initial scoping work was undertaken in the year. This is now a project commencing from 2018/19.

Internal Audit and Risk

By the end of December 2017 18 reviews had been completed by Internal Audit, against a target completion of 21. These are reported to Finance & Audit Scrutiny Committee as part of the quarterly audit plan progress reporting. The team are confident of being able to complete all the Audit Plan by 31 March 2018.

Following on from the external review of Internal Audit to comply with the Public Sector Internal Audit Standards, the action plan of improvements was reported to Finance & Audit Scrutiny Committee in June 2016. In addition a review of Risk Management across the organisation was undertaken by Zurich Insurance. With regard to the former all actions have been completed, substantially in 2016/17, whilst in the case of the latter two actions remain for 2017/18 which are due to be completed by 31 March 2018.

Procurement

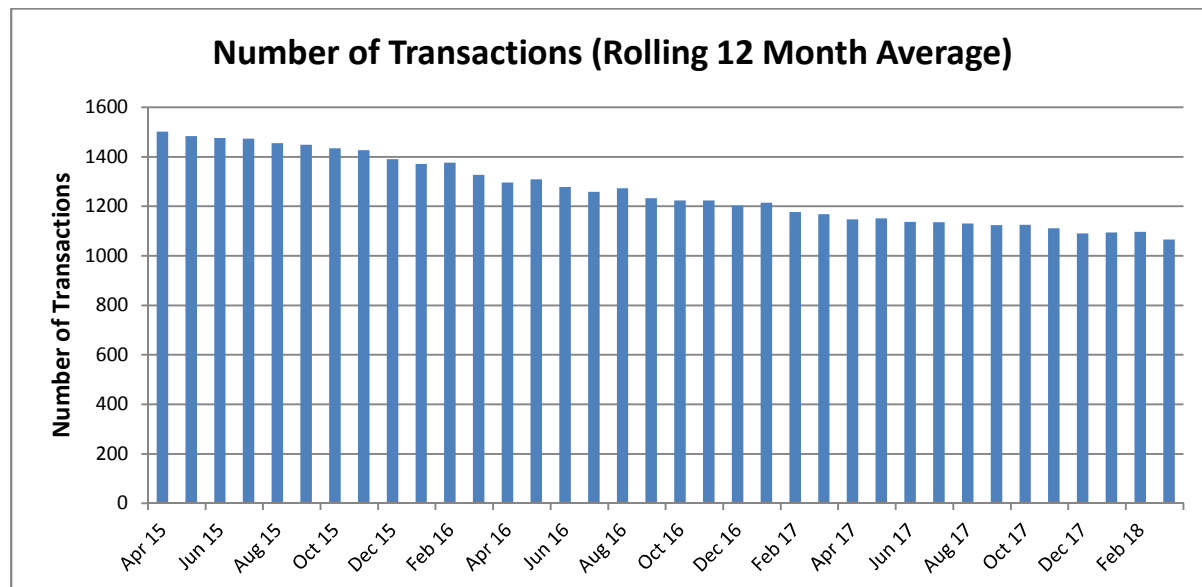
The new Procurement Team has continued to strive to embed good procurement practices across the authority whilst providing support to procurement projects. The updated Code of Procurement Practice was agreed by members in April 2017. Many guides and supporting documents have been produced to support officers in procuring goods and services, which are available on the Council's intranet.

With the retirement of the Procurement Manager, a review was undertaken to determine the best way to resource the function so as to maintain the quality of the service and ensure resilience. Following on from this, reports were presented to the Executive and Employment Committee in January 2018 to seek agreement of a trial WDC/WCC Procurement Partnership from April 2018.

The Procurement Team won a national award from the Federation of Small Businesses for having the best "Small Business Friendly" Procurement Policy. The team continue to work with small and local business to seek to support them in tendering for contracts with the Council.

Financial Services Team

The Financial Services Team are responsible for processing the Council's payments and the collection of sundry debts. The numbers of transactions (invoices paid and orders raised) are shown below.



The team continue to introduce efficiencies so as to reduce the numbers of transactions to be processed, as can be seen from the chart. The initiatives include:-

- Consolidated billing
- Annual orders
- Use of procurement cards
- Collaborative procurement and contracts

3. Risks

The Finance Risk Register has continued to be reviewed throughout the year, and is due to be presented to Finance & Audit Scrutiny in 2018, alongside the Contract Register and review of Budget, this being the inaugural review of this nature by Finance and Audit Scrutiny Committee. There are no risks that score in the "red". Risks are regularly considered at Finance Management Team meetings, and the register is also reviewed quarterly in conjunction with the Finance Portfolio Holder.

4. Workforce Planning

A staffing review involving changes to the Exchequer and Benefits functions was reported to Employment Committee in January 2018. This sought to provide greater resilience to the teams, especially in view of the increasing number of properties across the district, but also with impending changes such as Universal Credit.

One of the Principal Accountants retired last July, with a further one retiring in May 2018. In the short/medium term this undoubtedly putting a strain on the Accountancy Section, with use being made of temporary resources pending the appointment of permanent replacements.

Some functions within Finance have been subject to substantial staff turnover in recent years, whilst others have continued to have a very stable workforce. In all cases workforce planning is a priority so as to seek to ensure staff are trained and able to progress as opportunities arise. In doing so, we seek to ensure continued quality service provision and enable staff to progress. This includes seeking to develop existing staff and also to appoint apprentices.

5. Budget

The Finance budget for 2017/18 included the Council-wide 1% reduction to discretionary budgets. There was also an assumed £50,000 additional investment interest included from the use of alternative investment vehicles.

In view of the continuing low investment interest returns, the 2016/17 Treasury Management Strategy included Equity Funds as a new investment instrument with the aim of getting an increased return on some of the Council's investment portfolio whilst protecting the Council's investment. Following an appointment, two fund managers were appointed in March 2017, with £3m paid into each fund in April. These investments need to be regarded as long term investments since the returns may be somewhat erratic in the short term. A review of the performance on these funds is planned to Finance and Audit Scrutiny Committee.

In terms of the overall Council Budget, the Accountancy Team actively works with Budget Managers across the Council to review the current year expenditure and income and that for future years. In addition, the medium term financial strategy is maintained and updated – this driving the Council's overall finances. The Medium Term Financial Strategy (MTFS) is an intrinsic part of the Council's overall planning. Since 2010, the Council has seen reductions of over £7m to its external financial support (primarily Revenue Support Grant), but has been able to maintain services in this period, whilst holding the level of council tax at the same for many years. The MTFS (as reported to Executive in February 2018), and the assumptions behind it, show that further savings of £700k need to be made by 2022/23. Outside of the agreed Budget and MTFS, the Council faces additional costs in maintaining its assets in the future so as to maintain its services into the future; many of these costs still need to be funded. The team constantly monitors the savings required, and the profile behind it, utilising internal and external income. With significant uncertainty over the future of New Homes Bonus, and proposed changes to Business Rate Retention, it is vital that prudent assumptions are maintained, whilst the Council endeavours to build up reserves for any future volatility.

Following on from the 2015/16 surplus, there has continued to be tighter monitoring of significant income budgets such as planning fees, parking and cremations. These budgets can be difficult to forecast, which has led to some overly cautious forecasting in recent years. Whilst the surplus was greatly reduced, monitoring of these budgets is continuing to be refined, with accountants and budget managers working closely together to ensure the correct level of core income is reflected in the Medium Term Financial Strategy.

Finance Service Plan 2017/18

Planned Changes, Major Workstreams and Projects

Change/Project	Milestones
Early Closure of Accounts – for 2016/17 inc de-cluttering, improved electronic WPs, planning for 2018/19 closedown.	Audited Statement of Accounts approved by Finance and Audit Scrutiny Committee 30th August 2017. Post Mortem Meeting with External Audit 30th October 2017. 2017/18 closedown timetable and project now in place.
Re-write HRA Business Plan Model	Established that this is not required
Budget Review – increase engagement across all Services	Ongoing each month – improved reporting Comparison to Final Accounts
Revenues Visiting Officer mobilisation	As the focus of the Visiting team has dramatically changed so that the majority of work undertaken is revenues based, particularly given the level of new build in the area, the team now reports to the exchequer Manager. Active consideration is being given to using office based information gathering via known contacts at major sites and information already available through other services within the Council e.g. Planning, Street Naming and Numbering. It is also intended to trial mobile working using the web forms on the website and designing extra ones which when completed out in the field will directly integrate with Civica. Once testing of this initiative has been completed it will be possible to review if and how the project proceeds.
Universal Credit – prepare for June 2018 rollout to new working age housing benefits claimants.	The recent restructure of the Benefits service should make the service more responsive to the changed requirements. One Stop Shops and Reception responsibility now under Benefits and Fraud Manager which should further help support UC roll out.
Auto-matching for Creditor invoices – implement across Council	Soft launch of system in live for Housing invoices, to be live across Council from May 2018.
Council Tax “Self Serve” (Open Channel) module	From February first form being used “in house” for people moving into the District ahead of formal rollout on website. Further forms to follow in 2018/19.
Total (Financial Management	Upgrade Oct 2017

Change/Project	Milestones
System) Upgrade	
Progress actions from January 2016 Risk Management Review	<p>All actions that were scheduled for 2016/17 have been completed.</p> <p>The two remaining ones, scheduled for 2017/18, are as follows:</p> <p>Consider whether some of the principles applied to contract risk management can be applied equally to partnerships – by March 2018</p> <p>Review the criteria for evaluating project risks to make it more specific to time, cost and quality of delivery – by March 2018</p>
Progress actions from April 2016 Internal Audit Review	Completed, mostly in 2016/17.
Review of Procurement function.	Reports presented to Executive and Employment Committee January 2018. New Procurement Partnership with WCC to commence April 2018.
Enhance use being made of Intend system for reports etc to assist procurement process.	Currently revisiting Intend system capability to make it fit for purpose with regarding to: low value quoting self-service, contract storage and online mandatory questions and scoring.
Updated Code of Procurement Practice and Procurement Strategy – rollout across organisation.	<p>Updated Code of Procurement Practice- agreed by Council April 2017. Code being reviewed in light of WDC/WCC Procurement Partnership with a view to alignment of documents where appropriate.</p> <p>Procurement Strategy – to be presented to April 2018 Finance and Audit Scrutiny Committee.</p>
Review Contract storage	Electronic copies of documents referenced within Contract Register. Further advice on use of electronic documents sought from WCC Lawyers. and ICT. Potential to utilise Intend for this process in the future as currently under development.
Contract Register – review with ICT format held, how shared and accessed.	This project has now been integrated into the ICT overall project plan, in place of the staff resources previously allocated to this project. Awaiting to be advised of the ICT lead and planned completion date.
Review Support Service provision to make savings from Service in line with Medium Term Financial	Savings mostly achieved, as to be reported as part of Base Budget in November. Some savings will not be achievable, primarily in respect of Internal Audit where the original figures were overstated.

Change/Project	Milestones
Strategy.	