

Audit & Standards Committee

Monday 25 September 2023

A meeting of the above Committee will be held in the Town Hall, Royal Leamington Spa on Monday 25 September 2023, at 6.00pm and available for the public to watch via the Warwick District Council [YouTube channel](#).

Councillor R Hales (Chairman)
Councillor B Gifford (Vice-Chairman)

Councillor K Aizlewood
Councillor D Browne
Councillor L Cron
Councillor K Dickson
Councillor R Dickson

Councillor J Falp
Councillor R Kang
Councillor P Phillips
Councillor N Tangri
Councillor H Yellapragada
Labour Vacancy

Although not members of the Committee, Mr Tomkinson and Ms Pyke, the Council's Independent Persons.

Agenda

1. Apologies & Substitutes

- (a) to receive apologies for absence from any Councillor who is unable to attend; and
- (b) to receive the name of any Councillor who is to act as a substitute, notice of which has been given to the Chief Executive, together with the name of the Councillor for whom they are acting.

2. Declarations of Interest

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

Declarations should be disclosed 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 13 June 2023.

(Pages 1 to 7)

Part A – Other Items

4. Polling District Place and Station Review

To consider a report from Governance Services.

(Pages 1 to 5)

5. Appointment of Parish/Town Council Representatives

To note the appointment process for Parish/Town Council Representatives to this Committee and as there has only been two nominations, seek objections to their appointment by 31 October 2023 and if no objections are received then Councillors Marsh of Kenilworth Town Council and Councillor Franklin of Whitnash Town Council, be recommended to Council on 15 November 2023 for co-option to this Committee.

(Page 1)

Part B – Audit Items

6. Treasury Management Activity Report for period 1 Oct 2022 to 31 March 2023

To consider a report from Finance.

(Pages 1 to 25)

7. Internal Audit Progress Report - Quarter 1 2023/24

To consider a report from Finance.

(Pages 1 to 6 and Appendices 1 to 3 and A to F)

8. Annual Governance Statement 2022/23 Action Plan: Review of Progress

To consider a report from Finance.

(Pages 1 to 6)

9. Internal Audit Annual Report 2022/23

To consider a report from Finance.

(Pages 1 to 35)

10. Annual Governance Statement 2022/23

To consider a report from Finance.

(Pages 1 to 23)

11. Corporate Fraud Investigation Performance Report 2022/23

To consider a report from Finance.

(Pages 1 to 12)

12. Audit & Standards Work Programme

To consider a report from Governance Services.

(Pages 1 to 3)

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456114

Audit & Standards Committee

Minutes of the meeting held on Tuesday 13 June 2023 at the Town Hall, Royal Leamington Spa at 6.00pm.

Present: Councillor Hales (Chair), and Councillors Aizlewood, Collins, Cron, K Dickson, R Dickson, Falp, Kang, Phillips, Russell, Sullivan, Tangri, and Yellapragada.

Also Present:

Independent Person: Mr Tomkinson

Portfolio Holder for Resources: Councillor Chilvers

Representatives from Grant Thornton: Laurelin Griffiths (Director, Public Sector Audit); Mark Stocks (Head of Public Healthcare); and Kirsty Lees (Manager).

Officers: Sophie Vale (Committee Services Officer); Graham Leach (Head of Governance & Deputy Monitoring Officer); Andrew Rollins (Head of Finance); Andy Jones (Deputy Chief Executive & Monitoring Officer); and Richard Barr (Audit & Risk Manager).

The Chair took the opportunity to thank the previous Chair of the Committee, Councillor K Dickson for her work over the last municipal year.

5. **Apologies and Substitutes**

- a) an apology for absence was received from Independent Person, Belinda Pyke; and
- b) Councillor Collins substituted for Councillor Browne, Councillor Russell substituted for Councillor B Gifford, and Councillor Sullivan substituted for the Labour Vacancy.

6. **Declarations of Interest**

Minute Number 10 – Dispensation for Councillors

The Head of Governance & Deputy Monitoring Officer stated that, because six Members of the Audit and Standards Committee were seeking dispensation, voting would take place as follows:

Voting for the dispensation for Councillors who were not present in the room would be taken en bloc, and dispensation for those Councillors who were present would be voted on individually, with each Councillor sitting out of the vote for themselves.

7. **Minutes**

The minutes of the following meetings were taken as read and signed by the Chair as a correct record:

- a) 21 February 2023; and
- b) 17 May 2023.

8. **Update on the Audited Statement of Accounts and Audit Findings Report**

The Committee received a verbal update from the Head of Finance and representatives from Grant Thornton, the Council's external auditors.

They explained that the audit had been delayed due to a multitude of reasons, from staff shortages at both the Council and Grant Thornton, to governmental changes in how local audits were conducted. These changes meant that the average audit increased in size between 70-75%, putting a huge amount of pressure upon the Council's Finance Team and Grant Thornton. Dealing with the backlog created by these changes would take a significant amount of time. The delays, however, were not unique to this Council - there were currently 600 uncompleted sets of accounts across the country.

Grant Thornton assured Members that they would try to complete the audit as soon as possible.

In response to questions from Members, the Head of Finance and the representatives from Grant Thornton explained that:

- risk assessments had been updated over the past 12 months to reflect the current situation. This would be included in the Significant Business Risk Register report; and
- there were a number of delays for the 2021/22 audit, partly due to a change in the system used within the Finance Team.

Members requested that, going forward, communication from both Grant Thornton and the Finance Team should be clear and should provide Members with realistic timescales. Members wished to express their concern for local audits and the pressures put upon auditors and councils alike.

9. **Internal Audit Progress Report - Quarter 4 2022/23**

The Committee considered a report from Finance, which advised on progress in achieving the Internal Audit Plan 2022/23, summarised the audit work completed in the fourth quarter and provided assurance that action had been taken by managers in respect of the issues raised by Internal Audit. This aided effective governance within the Council.

In response to questions from Members, the Audit & Risk Manager and the Deputy Chief Executive & Monitoring Officer stated that:

- regarding the audit of leisure services (Appendix F to the report), a leisure strategy was not within the scope of the audit;
- the Deputy Chief Executive was the project sponsor when the Council had decided to enter into contract with Everyone Active. At the time, Officers were tasked by the administration with getting the best value from the leisure facilities. The tender process very clearly set out the specification the Council was looking for. In tandem with this, the Council was also upgrading the leisure facilities at Newbold Comyn and St Nicholas Park. The strategy of how the Council wanted to deal with leisure facilities going forward was established at that point in time;

- the Finance team was currently doing an audit of the contractual arrangements between parties, and whether those arrangements, in terms of responsibilities, rights and obligations, were being abided by. Therefore, it was not necessarily within the auditor's scope to ask about a leisure strategy because in principle it was already in place;
- the Council had delivered on that strategy, so the focus now was to ensure that the contract between the Council and Everyone Active as the leisure operator was adhered to;
- the contract had been up and running for seven or eight years now, so the Council now had an option of extending it for a further five years. In terms of the strategic approach, the Council would want to revisit whether it continued the relationship with Everyone Active, or whether it wanted to go out to tender again;
- when the contract with Everyone Active was negotiated, there was a significant uplift for the Council. Before that, the leisure service had been operating at a major deficit for a number of years. During the course of the current contract, this was turned around whereby, in the seventh year of the contract, there was approximately £1m profit each year. However, the pandemic affected this. A position was negotiated with the operator to take a lesser concession fee because there was a danger that the operator would go bust and there would be no leisure services at all. Post-pandemic, the Council was currently working its way back up to the £1m profit figure. Currently, the leisure services were not running at a loss, they were actually running at a profit despite the pandemic;
- regarding the missing data in Appendix A to the report, it was not sensitive information and had since been located. This situation occurred due to a member of staff who had left saving the information in a place that was not obvious. Handover procedures which were in place ensured that situations like this were a rare occurrence; and
- summaries for level of assurances in the appendices could be included in future reports.

Resolved that the report and appendices, be noted and approved.

10. **Dispensation for Councillors**

The Committee considered a report from Democratic Services which set out proposals which would protect Members from inadvertent breaches of the requirements related to Disclosable Pecuniary Interests or a "Pecuniary Other Interest", ensuring that the Council could conduct its business.

Within the Constitution, the Audit & Standards Committee was responsible for considering and determining requests for dispensation from the requirements of the adopted Members' Code of Conduct.

Dispensations for Members to participate could be granted (in certain circumstances) for up to four years allowing a member to vote and / or speak where they had a Disclosable Pecuniary Interest. The application had to be made in writing to the proper officer (Chief Executive), as defined within the procedure at Appendix 2 to the report.

In the last Council (2019 to 2023), dispensations, as per the recommendation in the report, were granted to all Councillors who would have an interest by virtue of them being in receipt of an allowance from another local authority or being a member of another authority. Following the May 2023 election, it was considered reasonable that those Councillors in a similar position be granted the same dispensations to enable them to effectively represent the communities they had been elected to serve.

All District Councillors who had been elected to more than one Council were approached with a proposed dispensation and guidance on this subject area. All subsequently applied for dispensation on the terms set out in the report.

The Head of Governance & Deputy Monitoring Officer explained that since publishing of the report, two Councillors needed to be added to the list for dispensations. These were Councillor Roberts, who was a member of Warwickshire County Council and in receipt of an allowance for that role, and Councillor Phillips, who had been co-opted as a member of Barford, Sherbourne and Wasperton Joint Parish Council but was not in receipt of an allowance.

It was proposed the recommendations in the report, along with the additions at the meeting, be approved.

Resolved that dispensations be granted until the elections for the Council in May 2027 to the Councillors listed at Appendix 1 to the minutes, as set out in (a) and (b) below in respect of circumstances where the Councillors have a Disclosable Pecuniary Interest (DPI) or other interest in a matter relating to another authority by virtue of the fact that either they are an elected Member of that other authority and/or in receipt of an allowance from that other authority.

- a) where the issue is a matter of dispute between the District Council and the other authority and the matter would affect the financial position of that other authority, the Councillor may speak on the matter provided they then immediately withdraw from the meeting room, unless it relates to the future structure of local government; and
- b) in relation to other matters (including the future structure of local government) affecting that other authority, the District Councillor may speak and vote.

11. **Appointments to the Budget Review Group**

The Budget Review Group was a working group set up to review the key Council budget papers of the Council. The membership was derived from the Audit & Standards Committee and the Overview & Scrutiny Committee and included representatives from each political group. The Chair of the Audit & Standards Committee was automatically appointed to the group and as such would also act as the representative from their political group.

The Committee considered the proposals for appointments to the Budget Review Group meetings to be held on 1 November 2023 and 7 February 2024.

Resolved that the appointments to the meeting are Councillors Browne, Falp, R Dickson, Hales and Tangri.

12. **Appointment of Parish/Town Council Representatives**

The Committee received nominations for the co-opted representative to the Committee. It was

Resolved that the appointment process for Parish/Town Council Representatives be noted.

Recommended to Council that Councillor Brian Smart of Whitnash Town Council be appointed as the co-opted representative to the Audit & Standards Committee, in line with the Protocol.

(The meeting ended at 7.15pm)

CHAIR
25 September 2023

Councillors who have applied for dispensation and why

Member of another Council and not in receipt of an allowance from that other Council

Councillor Aizlewood – Member of Burton Green Parish Council
Councillor Barton – Whitnash Town Council
Councillor Falp – Whitnash Town Council
Councillor Margrave – Whitnash Town Council
Councillor Phillips – Barford, Sherbourne and Wasperton Joint Parish Council

Member of another Council and in receipt of an allowance from that other Council

Councillor Boad – Royal Leamington Spa Town Council
Councillor Browne – Warwick Town Council
Councillor Chilvers – Warwickshire County Council
Councillor K Dickson – Kenilworth Town Council
Councillor R Dickson – Kenilworth Town Council
Councillor Dray – Warwick Town Council
Councillor Falp – Warwickshire County Council
Councillor B Gifford - Royal Leamington Spa Town Council & Warwickshire County Council
Councillor Gorman – Warwick Town Council
Councillor Kang – Warwick Town Council
Councillor Kennedy – Kenilworth Town Council
Councillor Matecki – Warwickshire County Council
Councillor Milton – Kenilworth Town Council
Councillor Payne – Kenilworth Town Council
Councillor Roberts – Warwickshire County Council
Councillor Sinnott – Warwick Town Council
Councillor Sullivan – Warwick Town Council
Councillor Wightman – Warwick Town Council

Title: Polling District Place and Station Review
Lead Officer: Leanne Marlow
Portfolio Holder: Councillor Davison
Wards of the District directly affected: All

Approvals required	Date	Name
Portfolio Holder	12/9/23	Ian Davison
Finance	12/9/23	Alex Elston
Legal Services		
Chief Executive	12/9/23	Chris Elliott
Director of Climate Change		Dave Barber
Head of Service(s)	12/9/23	Graham Leach
Section 151 Officer		Andrew Rollins
Monitoring Officer	12/9/23	Graham Leach
Leadership Co-ordination Group		N/A
Final decision by this Committee or rec to another Cttee / Council?	Yes recommendation to Council regarding a delegation to the Chief Executive	
Contrary to Policy / Budget framework?	No	
Does this report contain exempt info/Confidential? If so, which paragraph(s)?	No	
Does this report relate to a key decision (referred to in the Cabinet Forward Plan)?	No	
Accessibility Checked?	Yes/No	

Summary

The purpose of this report is to seek approval of the plan to undertake a statutory review of polling districts and polling places for Warwick district.

Recommendations

- (1) That Audit & Standards Committee approves the compulsory polling district and places review to commence on Monday 2 October 2023.
 - (2) That Audit & Standards Committee approves the timetable for the review as set out at Appendix 1 to the report.
 - (3) That the Electoral Registration Officer is authorised to take the necessary measures as soon as possible to give effect to parliamentary constituency changes, ensuring that the register reflects existing and new constituencies, until the boundaries are fully in force.
 - (4) That the Electoral Registration Officer is authorised to take the necessary measures to give effect to any new or amended polling districts on completion of the polling district review, ensuring that the register reflects existing and new boundaries, until the boundaries are fully in force.
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1 Reasons for the Recommendation

- 1.1 Under the Representation of the People Act 1983, the Council has a duty to divide its area into polling districts and to designate a polling place for each district.
- 1.2 The Electoral Administration Act 2006, as amended, introduced a duty on all local authorities in Great Britain to review their polling districts and polling places at least once every five years.
- 1.3 Under section 18C of the Representation of the People Act 1983, the next compulsory review must be undertaken within a 16-month window between 1 October 2023 and 31 January 2025. The intention of the legislation is that reviews are to be complete no later than the January before a UK Parliamentary General Election. However, since the repeal of the Fixed Term Parliaments Act 2011, there is no longer any certainty as to when the next general election will be. Officers have been advised by the Association of Electoral Administrators (AEA) and the Electoral Commission to start the review as soon as the legislation allows, this being Monday 2 October 2023.
- 1.4 In addition, the Boundary Commission for England has completed a review of parliamentary constituency boundaries. The Commission has published its final recommendations, and Orders for the new parliamentary constituency boundaries will be made by 1 November 2023. Once the orders for new parliamentary constituencies have been made, the new boundaries will be used for the next general election. The polling scheme Warwick District has in place will need to reflect the new constituencies.
- 1.5 For the reasons above, it is important to complete the review as soon as possible, so the polling districts and places for future elections can be agreed in time for Police and Crime Commissioner elections in May 2024 and the as yet unscheduled the next general election and.
 - 1.5.1 Although the review itself cannot commence earlier, than the legislative date of 1 October 2023, there is a degree of preparatory work which can be undertaken

prior to the review, as well as informal preliminary consultation. Any changes in polling districts will need to be reflected in the electoral register on 1 February 2024 so it does not affect data being sent to printers for the May 2024 scheduled elections. A notice will need to be published 14 days before to confirm there will be a revised register further to 1 December 2023 which will reflect any changes made. This therefore requires a compact timetable.

- 1.5.2 That Committee should be aware that the Chief Executive, within his role as Returning Officer has the delegated authority to designate polling places where a decision is required at short notice, for example a building becomes unavailable at short notice.

2 Alternative Options

- 2.1 The Committee could ask officers to compact the timetable even further, so the review concludes ready for the revised register publication on 1 December 2023. The elections team have limited resources due to post elections work, canvass reform 2023 and the new Elections Act 2022 laws creating additional workload, therefore this is not considered possible currently.
- 2.2 The review could be considered over a longer period of time, but this goes against recommended practice from the Electoral Commission and needs to be completed to account for the new Parliamentary Constituencies.

3 Legal Implications

- 3.1 The process for a polling district, place and station review is set out in Schedule A1, Representation of the People Act 1983. The Council must: publish a notice of the holding of a review, consult the Returning Officer (RO) for every parliamentary constituency which is wholly or partly in its area, publish all representations made by an RO within 30 days of receipt by posting a copy of them as the local authority's office and in at least one conspicuous place in their area and, if the authority maintains a website, by placing a copy on the authority's website, seek representations from such persons as it thinks have particular expertise in relation to access to premises or facilities for persons who have different forms of disability. Such persons must have an opportunity to make representations and to comment on the representations made by the RO.

4 Financial Services

- 4.1 There are no direct impacts on the Council's budget as a result of this report. However at the conclusion of the review polling places may change resulting in charge increases. Adaptations may be required for some polling places to meet the requirements of electors with disabilities if no other venue is sufficed.

5 Business Strategy

- 5.1 Warwick District Council has adopted a Business Strategy which sets out key areas for service delivery.

The outcome from this review should seek to support the theme of Maintain or Improve Services through providing appropriate locations for polling places within the district.

6 Environmental/Climate Change Implications

- 6.1 The report has no direct environmental implications of the proposal in relation to the Council's policies and Climate Emergency Action Plan. However as part of the review and the criteria for allocating polling stations is to provide a location which is within walking distance of the electors allocated to that station.

7 Analysis of the effects on Equality

- 7.1 The Elections Act 2022 extends accessibility to elections including requiring Returning Officers to take all reasonable steps to provide support for those with a disability in polling stations. Each polling station will be considered, and specific issues identified in meeting the guidance from the electoral commission.

8 Data Protection

- 8.1 The report has no direct data protection implications.

9 Health and Wellbeing

- 9.1 There are no health and wellbeing implications of the proposal.

10 Risk Assessment

- 10.1 The significant risk associated with the report, is for the Council not to take action at this time. This will lead to Polling Districts not being in place for the new Parliamentary Elections and potentially electors not voting in the correct constituency or an appropriate location.

11 Consultation

- 11.1 The timetable for the consultation is set out at Appendix 1 to the report. There will be public notices issued about the review and communication plan to promote this is being produced with the media team. The following will be written to directly to make them aware of the review and seek their views:

District Councillors, County Councillors, Parish Clerks to pass on to the parish council, local MPs, Booking agents for the current polling stations, local disability groups.

Background papers: None

Supporting documents: None

Polling District, Places and Stations Review 2023

Tasks	Dates
Deadline for report to A&S	13 September 23
Go to A&S for approval of timetable	25 September 23
Publication of Notice of Review	2 October 23
Publication of (A)RO representations	2 October 23
Consultation begins	2 October 23
End of formal consultation	10 November 23
Consider responses and prepare final proposals	13 November 23 – 6 December 23
Report to committee deadline	7 December 23
Audit & Standards Committee	19 December 23
Conclude Review	22 December 23
Amend Polling scheme	12 January 24
Republish register (if changes to PD)	1 February 24

*If republishing of the register is required, we need to publish a notice of publication in a local newspaper 14 days before.



Protocol for appointment of Parish & Town Council Representatives to the Audit & Standards Committees of Warwick District Council

Warwick District Council values the collaborative working with Parish and Town Councils and feel it is important that they have a voice when considering matters relating to the Code of Conduct for councillors and the associated processes.

To that end the Council seeks to co-opt two representatives from Parish/Town Councils to their respective Audit & Standards Committee. This document sets out the process for that appointment.

The appointment would be up to the next all out elections for the District Council and/or when the co-optee ceased to be a Councillor, decide to step down from the role on the Committee, or the District Council decides to remove them (for example in the instance where they have breached the Code of Conduct).

- 1 Following the all out elections of the District Council, or if a vacancy occurs to the role of co-opted member to the Audit & Standards Committee, the Monitoring Officer will write to all Parish & Town Councils in the District seeking nominations within a reasonable time period.
- 2 Those nominated will be asked to provide a brief, no more than two paragraphs, summary of why they should be appointed.
- 3 All Parish and Town Councils will then be provided the details of those nominated and provided an indicative vote, for up to the maximum number of vacancies on the Committee.
- 4 The outcome of the indicative vote from the Parish & Town Councils and nominations will be presented to the Audit & Standards Committee for them to determine who should be co-opted to the Committee.

NB: those Co-opted members of the Committee will automatically be nominated for the role subject to (a) them continuing to be a Councillor and (b) them wanting to continue within the role.

Document Control

Version	1.1
Date Issued	May 2022
Ownership of Document	Monitoring Officer

Title: Treasury Management Activity Report for period 1 Oct 2022 to 31 March 2023

Lead Officer: Karen Allison, Assistant Accountant (Capital and Treasury), (karen.allison@warwickdc.gov.uk or 01926-456334)

Portfolio Holder: Councillor Jonathan Chilvers

Wards of the District directly affected: All

Approvals required	Date	Name
Portfolio Holder	No reply	Jonathan Chilvers
Finance	13.09.2023	Andrew Rollins
Legal Services		N/A
Chief Executive	31.08.2023	Chris Elliott
Director of Climate Change	No reply	Dave Barber
Head of Service(s)	13.09.2023	Andrew Rollins
Section 151 Officer	13.09.2023	Andrew Rollins
Monitoring Officer	30.08.2023	Graham Leach
Leadership Co-ordination Group		N/A
Final decision by this Committee or rec to another Cttee / Council?	Final decision.	
Contrary to Policy / Budget framework?	No	
Does this report contain exempt info/Confidential? If so, which paragraph(s)?	No	
Does this report relate to a key decision (referred to in the Cabinet Forward Plan)?	No	
Accessibility Checked?	Yes	

Summary

This report details the Council's Treasury Management performance for the period 1 October 2022 to 31 March 2023.

- Core re-investments were kept short to take advantage of the changes in interest rates and these outperformed the benchmark.
- Money Market Funds and Call Accounts were used for every day cashflow purposes and slightly underperformed against the benchmark.
- The overall performance was above the benchmark.

Recommendation

- (1) That Audit & Standards Committee notes the contents of this report.
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1 Reasons for the Recommendation

- 1.1 The Council's 2022/23 Treasury Management Strategy and Treasury Management Practices (TMP's) require the performance of the Treasury Management Function to be reported to Members on a half yearly basis in accordance with the Treasury Management Code of Practice.

2 Alternative Options

- 2.1 This report retrospectively looks at what has happened during the last six months and is, therefore, a statement of fact.

3 Legal Implications

- 3.1 None directly arising from the Council's Treasury Management activity.

4 Financial Services

- 4.1 Treasury Management can have a significant impact on Warwick District Council's budget through its ability to maximise its investment interest income and minimize borrowing interest payable whilst ensuring the security of the capital.
- 4.2 Warwick District Council is reliant on interest received to help fund the services it provides. The actual investment interest in 2022/23 compared with the original and latest budgets is shown in the following table:

	Original 2022/23 Budget £'000	Latest 2022/23 Budget £'000	Actual 2022/23 £'000
Gross Investment Interest	2,465.8	4,504.2	4,526.1
less HRA allocation	116.4	-418.2	-153.2
Net interest to General Fund	2,582.2	4,086.0	4,372.9

This highlights the increased level of actual net interest earned (£4.373m) compared to the original budget (£2.582m) due to higher than expected interest rate rises. The outturn was much closer to the revised budget, other than the HRA charge being lower due to slippage in the capital programme resulting in lower than expected borrowing.

5 Business Strategy

- 5.1 The treasury management activity in this report applies to Warwick District Council, in accordance with the statutory framework and local Treasury Management Strategy and Treasury Management Practices.
- 5.2 The Treasury Management function enables the Council to meet its vision, primarily through having suitably qualified and experienced staff deliver the service in accordance with the Council's Treasury Management Practices and the national framework that local government operates.

6 Environmental/Climate Change Implications

- 6.1 The recommendation to divest from direct ownership of fossil fuels companies or commingled funds that include fossil fuel public equities by no later than 2025, in pursuance of the Council's Climate Emergency Declaration was realised ahead of target. Both Royal London and Columbia Threadneedle Equity funds were divested in September 2021.

7 Analysis of the effects on Equality

- 7.1 There are no Equality Impact Assessment implications of this report.

8 Data Protection

- 8.1 Treasury Management activity is compliant with Data Protection Act.

9 Health and Wellbeing-not applicable

- 9.1 There are no health and wellbeing implications of the proposal in this report.

10 Risk Assessment

- 10.1 Continued uncertainty in the aftermath of the 2008 financial crisis, brought into even sharper focus by the COVID-19 pandemic, has promoted a cautious approach, whereby investments are now dominated by low counterparty risk considerations, with low returns compared to borrowing rates.

Investing the Council's funds inevitably creates risk and the Treasury Management function effectively manages this risk through the application of the **SLY principle**: Security(S) ranks uppermost followed by Liquidity (L) and finally Yield(Y).

It is accepted that longer duration investments increase the security risk within the portfolio, however this is inevitable to achieve the best possible return and still comply with the SLY principle which is a cornerstone of treasury management within local authorities.

In addition to credit ratings themselves, the Council will also have regard to any ratings watch notices issued by the three agencies as well as articles in the Financial press, market data and intelligence from Link Asset Services benchmarking groups. It will also use Credit Default Swap (CDS) data as supplied by Link Asset Services – Treasury Solutions to determine the suitability of investing with counterparties.

Corporate Bonds and Floating Rate Notes (FRNs) – when used -introduce counterparty credit risk into the portfolio by virtue of the fact that it is possible that the institution invested in could become bankrupt leading to the loss of all or part of the Council's investment. This is mitigated by only investing in Corporate Bonds or FRNs with a strong Fitch credit rating, in this case 'A' and issued as Senior Unsecured debt which ranks above all other debt in the case of a bankruptcy.

Covered Bonds also reduce risk in the portfolio as the bond is 'backed' by high quality assets such as prime residential mortgages thus ensuring that if the bond issuer defaults there are sufficient assets that can be realised in order to repay the bond in full.

Corporate Equity Funds can help to ensure capital security in real (as opposed to nominal) terms, but they consequently introduce the risk of capital loss due to market price fluctuations, as illustrated in paragraph 4.2.3. This is mitigated by ensuring the investments are held for a sufficiently long period. In addition, mitigation is achieved by having a spread of funds with differing risk appetites. 'Stop loss' limits (whereby if the value in the fund goes below a defined limit, the holdings in that fund will be sold) reduce risk by limiting losses. Finally, a volatility reserve had been created, which could have been released to revenue either to cover or at least mitigate the impact of any deficits.

Our treasury management consultants, Link Group, are due to provide treasury management training for Members later in the financial year 2023/24.

11 Consultation

11.1 No consultation is required for this report.

Background papers:

Appendix A - Interest Rate Environment, Investment Performance, Counterparty Credit Ratings, Benchmarking, Borrowing, Prudential Indicators and 2022/23 Treasury Management Strategy.

Appendix B – Investment Performance Analysis

Appendix C – Counterparty Rating at Time of Investment

Appendix D – Standard lending List at March 2023

Appendix E - Link Asset Services Commentary on the Current Economic Background

Supporting documents:

None.

1. Interest Rate Environment

The major influence on the Council’s investments is the Bank Rate. The Council uses Link Group as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates.

The forecast on 7th February is below.

Qtr Ending	Mar 2023	June 2023	Sept 2023	Dec 2023	Mar 2024	Jun 2024	Sept 2024	Dec 2024	Mar 2025	Jun 2025	Sept 2025
Current Forecast as at Feb 2023											
Bank Rate %	4.25	4.50	4.50	4.25	4.00	3.75	3.25	3.00	2.75	2.75	2.50
Forecast as at January 2022 (when Original Budgets were set):											
Bank Rate %	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.25	N/A	N/A

The forecast as at January 2022 is shown for comparison purposes as this forecast was used in calculating the original budgets.

The Council aims to achieve the optimum return on investments commensurate with the proper levels of security and liquidity. The Annual Investment Strategy 2022/23 was approved by Full Council on 23rd March 2022. This approved the current lending criteria which reflect the level of risk appetite of the Council. However, the Council continues to review its Standard Lending List because of frequent changes to Banking Institutions’ credit ratings, to ensure that it does not lend to those institutions identified as being at risk. A copy of the current lending list is shown as Appendix D.

2. Investment Performance

2.1 Core Investments

During 2022/23, the in-house function has invested core cash funds in fixed term deposits and notice accounts in the Money Markets. Table 1 in Appendix B illustrates the performance of the in-house function during this second half year for each category normally invested in.

SONIA (backward-looking) rates on the day of investment in the table and referred to below are now exclusively used for benchmarking, following the ending of LIBID.

During October to March ten core investments matured. Length of re-investment was kept short (up to 3 months) to take advantage of any interest rate increase. In all the periods, the Council out-performed against the Benchmark.

Given that counterparty security is of the utmost importance over return of yield, the level of performance achieved in this second half year continues to be satisfactory.

2.2 Cash Flow Derived Funds & Accounts

The in-house function utilises Money Market Funds and Call Accounts to assist in managing its short-term liquidity needs. Performance in this period is shown in table 2 of Appendix B.

During the half year, the Council's cash flow investments were mainly into the Money Market Funds.

As with the Money Market investments, the SONIA (backward-looking) rates are used for the benchmark which in this case is the overnight rate. It can be seen from table 2 in Appendix B that the total interest just about matched the benchmark.

The Council continued to concentrate its investments in the highest performing funds: Federated (variable and low volatility net asset value funds), Aberdeen Standard, Invesco, HSBC Liquidity Funds, and Federated.

During the second half of 2022/23 the Council earned £424,683 realised interest on its Money Market Fund investments at an average rate of 3.35% and the average balance in the funds during the period was £28,345,500.

2.3 Call Accounts

As with the Money Market investments the overnight SONIA (backward-looking) benchmark was used.

The Council earned £93,040 interest on its call accounts in the second half year at an average rate of 3.10% and the average balance in the funds during the period was £6,020,788.

2.4 Summary

The following table brings together the investments made in the various investment vehicles during the second half year to give an overall picture of the investment return:

Vehicle	Return (Annualised)	Benchmark (Annualised)	Performance
	£'000	£'000	£'000
Money Markets £	427	412	15
Money Market Funds	425	427	-2
Call A/c's £	93	97	-5
Total £	945	936	8

It should be noted that the total investment return of £945,000 shown in the table above will not all be received in 2022/23 as it is an annualised figure and will include interest relating to 2021/22 and 2023/24.

- An analysis of the overall in-house investments held by the Council at the end of March 2023 is shown in the following table:

(The previous half year is shown for comparison)

Type of Investment	Closing Balance @ 30 September 2022 £'000	Closing Balance @ 31 March 2023 £'000
Money Markets incl. CD's & Bonds	28,547	25,600
Money Market Funds	20,551	4,342
Business Reserve Accounts incl. Call Accounts	7,359	3,941
Total In House Investments	56,457	33,883

Counterparty Credit Ratings

The investments made in the second half year and the long and short term credit ratings applicable to the counterparty at the point at which the investment was made is shown in Appendix C.

All investments made within the second half year were in accordance with the Council's credit rating criteria.

Also attached for the Committee's information as Appendix D is the Council's most recent 2022/23 Counterparty lending list.

Benchmarking

Regarding the Link Asset Services Treasury Management Benchmarking Club, the Council is part of a local group comprising both District and County Councils and the results are published quarterly. Analysis of the results for the third quarter show that the Council's Weighted Average Rate of Return (WARoR) on its investments at 3.02% was in line with Link's model portfolio. For the final quarter the WARoR was 3.99% which was above Link's model portfolio.

Borrowing

During the half year, there was no long term PWLB borrowing activity apart from (a) paying the second half year interest instalment on the £136.157 million PWLB borrowing for the HRA Self Financing settlement which amounted to £2.383 million, (b) a total of £367,000 interest on the £60 million joint venture loans and (c) interest of £110,400 on the £12 million PWLB borrowing taken out in September 2019, with (b) and (c) relating to the General Fund.

During the second half year, in February 2023 the Council used £3 million of Money Market borrowing to fund cash flow deficits, to avoid use of the Council's £50,000 overdraft facility. The interest rate on this facility is 2.80% above Bank Rate and is charged on the cleared balance at the end of each day when that balance is in debit i.e., overdrawn. In the half year there was no overdraft interest.

Prudential Indicators

The 2022/23 Treasury Management Strategy included several Prudential Indicators within which the Council must operate. The two major ones are the Authorised Limit and Operational Boundary for borrowing purposes. It is confirmed that during the half year neither indicator has been exceeded.

2024/25 Treasury Management Strategy

Work will commence in the final quarter of 2023/24 on preparing the 2024/25 Treasury Management and Investment Strategies.

Whilst security of the funds will be paramount, it is intended that the Council will continue to achieve the best returns possible but within Environment, Social and Governance ("ESG" – aka "ethical") criteria, where possible.

Investment Performance Analysis

Table 1 – Summary Performance

Period	Investment Return (Annualised)	SONIA Benchmark (Annualised)	Out/(Under) Performance
Up to 7 days			
April to September 2022	NO INVESTMENTS MADE		
Over 7 days & Up to 3 months			
April to September 2022	1.95%	2.04%	-0.09%
Interest earned 1st half year £	76,184	79,775	-3,591
October to March 2023	4.21%	4.03%	0.18%
Interest earned 2nd half year £	98,486	94,304	4,182
Rate for year	2.79%	2.78%	0.01%
Value of Interest earned in Year	174,669	174,079	591
Over 3 months & Up to 6 months			
April to September 2022	2.68%	2.50%	0.18%
Interest earned 1st half year £	152,867	142,823	10,044
October to March 2023	3.93%	3.88%	0.05%
Interest earned 2nd half year £	117,200	115,750	1,450
Rate for year	3.11%	2.98%	0.13%
Value of Interest earned in Year	270,066	258,573	11,493
Over 6 months to 365 days			
April to September 2022	1.75%	1.62%	0.13%
Interest earned 1st half year £	39,699	36,828	2,871
October to March 2023	4.26%	4.07%	0.18%
Interest earned 2nd half year £	211,447	202,295	9,152
Rate for year	3.47%	3.30%	0.17%
Value of Interest earned in Year	251,146	239,123	12,023
1 year and over			
April to March 2023	NO INVESTMENTS MADE		
TOTAL INTEREST FIRST HALF YEAR £	268,749	259,426	9,323
TOTAL INTEREST SECOND HALF YEAR £	427,133	412,349	14,784
TOTAL INTEREST FOR YEAR £	695,882	671,775	24,107

Table 2 - Cash Flow Derived Funds & Accounts

Period	Investment Return (Annualised)	SONIA Benchmark (Annualised)	Out/(Under) Performance
Goldman Sachs (CNAV)			
April to September 2022	1.06%	1.22%	-0.16%
Interest earned 1st half year £	32,962	37,860	-4,898
October to March 2023	2.95%	3.26%	-0.31%
Interest earned 2nd half year £	15,464	17,081	-1,616
Rate for year	1.34%	2.24%	-0.90%
Value of Interest earned in Year	48,426	54,940	-6,514
Invesco (CNAV)			
April to September 2022	1.37%	1.22%	0.14%
Interest earned 1st half year £	46,977	42,027	4,950
October to March 2023	2.69%	3.26%	-0.56%
Interest earned 2nd half year £	37,535	45,392	-7,857
Rate for year	1.75%	2.24%	-0.49%
Value of Interest earned in Year	84,512	87,419	-2,907
Aberdeen Standard (LVNAV)			
April to September 2022	1.12%	1.22%	-0.10%
Interest earned 1st half year £	34,575	37,716	-3,141
October to March 2023	3.13%	3.26%	-0.13%
Interest earned 2nd half year £	123,697	128,831	-5,134
Rate for year	2.25%	2.24%	0.01%
Value of Interest earned in Year	158,272	166,547	-8,275
Deutsche (LVNAV)			
April to September 2022	1.08%	1.22%	-0.14%
Interest earned 1st half year £	4	4	-1
October to March 2023	3.28%	3.26%	0.02%
Interest earned 2nd half year £	38,570	38,285	285
Rate for year	3.28%	2.24%	1.04%
Value of Interest earned in Year	38,574	38,290	285
HSBC LIQUIDITY (ESG)-ACCOUNT USED FROM 20/10/2022			
October to March 2023	2.99%	3.26%	-0.26%
Interest earned 2nd half year £	42,635	46,394	-3,758
Rate for year	2.99%	3.26%	-0.26%
Value of Interest earned in Year	42,635	46,394	-3,758
HSBC LIQUIDITY (NON-ESG)-ACCOUNT USED FROM 01/02/2023			
October to March 2023	3.93%	3.26%	0.68%
Interest earned 2nd half year £	32,520	26,931	5,589
Rate for year	3.93%	3.26%	0.68%
Value of Interest earned in Year	32,520	26,931	5,589
Federated Constant Net Asset Value (CNAV)			
April to September 2022	1.23%	1.22%	0.01%
Interest earned 1st half year £	8,731	8,671	60
October to March 2023	3.21%	3.26%	0.13%

Period	Investment Return (Annualised)	SONIA Benchmark (Annualised)	Out/(Under) Performance
Interest earned 2nd half year £	22,917	23,230	1,995
Rate for year	2.23%	2.24%	-0.05%
Value of Interest earned in Year	31,648	31,902	-253
Federated Cash Plus Account (VNAV)			
April to September 2022	0.99%	1.22%	-0.24%
Interest earned 1st half year £	15,176	18,820	-3,644
October to March 2023	3.39%	3.26%	0.13%
Interest earned 2nd half year £	51,862	49,867	1,995
Rate for year	2.18%	2.24%	-0.05%
Value of Interest earned in Year	67,038	68,687	-1,650
Royal London Cash Plus Account (VNAV)			
April to September 2022	0.41%	1.22%	-0.81%
Interest earned 1st half year £	6,440	19,014	-12,574
October to March 2023	3.81%	3.26%	0.55%
Interest earned 2nd half year £	59,482	50,883	8,599
Rate for year	2.12%	2.24%	-0.12%
Value of Interest earned in Year	65,922	69,897	-3,975
TOTAL INTEREST FIRST HALF YEAR £	144,865	164,113	-17,418
TOTAL INTEREST SECOND HALF YEAR £	424,683	426,894	97
TOTAL INTEREST FOR YEAR £	569,548	591,008	-21,460

Table 3 – Call Accounts

Period	Investment Return (Annualised)	SONIA Benchmark (Annualised)	Out/(Under) Performance
HSBC Business Deposit Account			
April to September 2022	1.11%	1.22%	-0.11%
Interest earned 1st half year £	37,190	40,792	-3,602
October to March 2023	3.34%	3.26%	0.08%
Interest earned 2nd half year £	85,565	83,440	2,125
Rate for year	2.08%	2.24%	-0.16%
Value of Interest earned in Year	122,755	124,233	-1,477
Svenska Handelsbanken Account			
April to September 2022	0.65%	1.22%	-0.57%
Interest earned 1st half year £	6,604	12,413	-5,808
October to March 2023	1.69%	3.26%	-1.56%
Interest earned 2nd half year £	7,475	14,379	-6,903
Rate for year	0.97%	2.24%	-1.27%
Value of Interest earned in Year	14,080	26,791	-12,712
TOTAL INTEREST FIRST HALF YEAR £	43,795	53,205	-9,411
TOTAL INTEREST SECOND HALF YEAR £	93,040	97,819	-4,778
TOTAL INTEREST FOR YEAR £	136,835	151,024	-14,189

Counterparty Rating at Time of Investment

Counterparty	Investment Amount £	Credit Rating		Duration of Investment (days)
		Long Term	Short Term	
WDC Minimum	(Fitch)	A	F1	
Banks				
DBS Bank Ltd	£3,000,000	AA-	F1+	88
Goldman Sachs International Bank	£4,000,000	A+	F1	181
Landesbanken Hessen-Thuringen Girozentral (Helaba)	£3,000,000	A+	F1+	123
Lloyds Bank	£3,000,000	A+	F1	120
National Bank of Canada	£3,000,000	A+	F1	120
National Bank of Canada	£3,000,000	A+	F1	182
Standard Chartered	£3,600,000	A+	F1	87
Santander	£3,000,000	A+	F1	181
Local Authority		n/a	n/a	
Liverpool City Council	£3,000,000	n/a	n/a	92
Money Market Funds (Investment amount is average principal in fund during half year)				
WDC Minimum	Fitch AAA & Volatility rating VR1+ or S & P AAAm or Moodys AAA & Volatility Rating MR1+			
Goldman Sachs	£1,051,266	Fund retained its rating throughout half year		liquid
Deutsche	£2,356,232	Fund retained its rating throughout half year		liquid
Invesco	£2,793,633	Fund retained its rating throughout half year		liquid
Federated	£2,844,004	Fund retained its rating throughout half year		liquid
Aberdeen Standard	£7,929,544	Fund retained its rating throughout half year		liquid
Royal London Asset Management	£3,069,049	Fund retained its rating throughout half year		liquid
Call Accounts				

Counterparty	Investment Amount £	Credit Rating		Duration of Investment (days)
		Long Term	Short Term	
WDC Minimum	(Fitch)	A+		F1
HSBC Business Deposit Account	£5,135,772	Counterparty retained its rating throughout period AA- long term, F1+ short term.		liquid
Svenska Handelsbanken	£885,015	Counterparty retained its rating throughout period of AA long term, F1+ short term,		liquid

Warwick District Council Standard Lending List as at March 2023

Banks

Investments up to 365 days (3 months for explicitly guaranteed subsidiaries)

Investment / Counterparty type:	S/term	L/term minimum	Security / Min credit rating	Max limit per counterparty	Max. Maturity period	Use
Bank deposits	F1	A	UK Sovereign	£8m AA- & above, £7m if L/term rating minimum A+, £5m if L/Term rating A.	365 days	In-House +Advice & EFM*
Bank - part nationalised UK	F1	A	UK Sovereign	£9m	365 days	In-House +Advice & EFM*
Bank subsidiaries of UK Banks	Unrated	Unrated	Explicit Parent Guarantee	£5m	3 months	In-House +Advice & EFM*

NB. Includes Business Call Reserve Accounts and special tranches and any other form of investment with that institution e.g. Certificate of Deposits, Corporate Bonds and Repo's except where the Repo collateral is more highly credit rated than the counterparty in which case the counterparty limit is increased by £3m with a maximum in Repo's of £3m.

Counterparty Limit is also the Group Limit where investments are with different but related institutions.

Investments over 365 days

Investment/ Counterparty type:	S/term	L/term Min	Security/ Min credit rating	Max limit per counterparty	Max. Maturity period	Use
Bank deposits	F1	A	UK Sovereign	£8m AA- & above, £7m if L/term rating minimum A+, £5m if L/Term rating A.	2 years	In-House +Advice & EFM*
Bank - part nationalised UK	F1	A	UK Sovereign	£9m	2 years	In-House +Advice & EFM*

NB. Includes Business Call Reserve Accounts and special tranches and any other form of investment with that institution e.g. Certificate of Deposits, Corporate Bonds and Repo's.

Counterparty limit is also the Group Limit where investments are with different but related institutions.

£15m overall limit for Corporate Bond / Property Funds & £20m limit for all other counterparties.

£20m over 365 day limit only applies to those investments where at 1 April the remaining term is greater than 365 days. Any over 365 day investment with 365 days or less to maturity at 1 April is deemed to be short term.

BANK NAME	OTHER BANKS IN GROUP (* = Not on list but included for information re potential problems etc.)	GROUP LIMIT APPLIES
AUSTRALIA (AAA)		
Australia & New Zealand Banking Group Ltd		
Commonwealth Bank of Australia		
Macquarie Bank Ltd		
National Australia Bank Ltd	Bank of New Zealand* Yorkshire Bank *(Trading name of Clydesdale) Clydesdale Bank*	Yes
Westpac Banking Corporation		
BELGIUM (AA-)		
BNP Paribas Fortis		
KBC Bank NV		
CANADA (AA+)		
Bank of Montreal	Bank of Montreal Ireland plc*	
Bank of Nova Scotia	Scotia Bank* Scotia Bank (Ireland) Ltd* Scotia Bank Capital Trust (United States)* Scotia Bank Europe plc*	
Canadian Imperial Bank of Commerce	Canadian Imperial Holdings Inc New York* CIBC World Markets Holdings Inc*	
National Bank of Canada	National Bank of Canada New York Branch*	
Royal Bank of Canada	Royal Trust Company* Royal Bank of Canada Europe*	

BANK NAME	OTHER BANKS IN GROUP (* = Not on list but included for information re potential problems etc.)	GROUP LIMIT APPLIES
	Royal Bank of Canada Suisse* RBC Centura Banks Inc*	
Toronto Dominion Bank	TD Banknorth Inc*	
DENMARK (AAA)		
Danske Bank		
FINLAND (AA+)		
Nordea Bank Abp	Nordea Bank Denmark* Nordea Bank Norge* Nordea Bank North America*	Yes
FRANCE (AA)		
BNP Paribas		
Credit Agricole Corporate & Investment Bank		
Credit Industriel et Commercial		
Credit Agricole SA		
GERMANY (AAA)		
DZ Bank AG (Deutsche Zentralgenossenschaftsbank)		
Landesbanken Hessen-Thuringen Girozentrale (Helaba)		
Landwirtschaftliche Rentenbank		
NRW Bank		
HONG KONG (AA+) –		
The Hong Kong & Shanghai Banking Corporation Ltd		
NETHERLANDS (AAA)		
ABN AMRO Bank N.V		
Bank Nederlandse Gemeenten		
Cooperatieve Centrale Raiffeisen Boerenleenbank BA (Rabobank Nederland)		

BANK NAME	OTHER BANKS IN GROUP (* = Not on list but included for information re potential problems etc.)	GROUP LIMIT APPLIES
ING Bank NV		
QATAR (AA-)		
Qatar National Bank		
SINGAPORE (AAA)		
DBS Bank Ltd	DBS Bank (Hong Kong)*	
Oversea Chinese Banking Corporation Ltd		
United Overseas Bank Ltd		
SWEDEN (AAA)		
Skandinaviska Enskilde Banken AB	SEB Bolan*	
Svenska Handelsbanken AB	Stadtshypotek* Svenska Handelsbanken Inc USA*	
Swedbank AB		
SWITZERLAND (AAA)		
Credit Suisse AG		
UBS AG		
UNITED ARAB EMIRATES (AA)		
First Abu Dhabi Bank PJSC		
UNITED KINGDOM (AA-)		
Abbey National Treasury Services plc		
Al Rayan Bank Plc		
Barclays Bank UK plc(RFB)		
Barclays Bank plc(NRFB)		
Goldman Sachs International Bank		
Handelsbanken Plc		
HSBC Bank plc (NRFB)	HSBC AM* HFC Bank Ltd* Hong Kong & Shanghai Banking Corporation* HSBC Finance Corp*	Yes

BANK NAME	OTHER BANKS IN GROUP (* = Not on list but included for information re potential problems etc.)	GROUP LIMIT APPLIES
	HSBC Finance* HSBC USA Hang Seng Bank*	
HSBC UK Bank Plc (RFB)		
Lloyds Banking Group :- Lloyds TSB Bank of Scotland	Halifax plc* Bank of Western Australia Ltd*. Cheltenham & Gloucester* Scottish Widows Investment Partnership* Scottish Widows plc*	Yes
Lloyds Bank plc (RFB)		
National Bank of Kuwait (International) plc		
National Westminster Bank PLC (RFB)		
NatWest Markets Plc (NRFB)		
Royal Bank Of Scotland (RFB)		
Santander UK plc		
Standard Chartered Bank		
Sumitomo Mitsui Banking Corporation Europe Ltd		
UNITED STATES OF AMERICA (AAA)		
Bank Of America		
Bank of New York Mellon	Bank of New York (Delaware USA)* Bank of New York (New York USA)* Bank of New York Trust Company*	
Citibank		
JP Morgan Chase Bank NA	Bank One Corp* Bank One Financial LLC* Bank One NA *	

BANK NAME	OTHER BANKS IN GROUP (* = Not on list but included for information re potential problems etc.)	GROUP LIMIT APPLIES
	First USA Inc* NDB Bank NA* Chemical Bank * Chemical Banking Corp* JP Morgan & Co Inc* Chase Bank USA* Robert Fleming Ltd*	
Wells Fargo Bank NA	Wachovia Bank* Wachovia Bank NA North Carolina USA*	

Building Societies

Investments up to 365 days

Investment/ Counterparty type:	S/term	L/term	Security/ Min credit rating	Max limit per counter- party	Max. Maturity period
Building Societies - category A <ul style="list-style-type: none"> Nationwide 	F1	A	Sovereign AA-	£4m	365 days
Building Societies - category B <ul style="list-style-type: none"> Coventry Leeds Yorkshire Skipton 	F1		Sovereign AA-	£2m	365 days
Building societies – assets > £500m (Category C) <ul style="list-style-type: none"> Principality West Bromwich Newcastle (Fitch removed ratings 7.9.16) Nottingham Cumberland National Counties Progressive Cambridge Newbury Leek United Monmouthshire 				£1m	3 months

Investment/ Counterparty type:	S/term	L/term	Security/ Min credit rating	Max limit per counter- party	Max. Maturity period
<ul style="list-style-type: none"> • Saffron • Furness • Hinckley & Rugby • Ipswich • Darlington • Marsden 					

Investments over 365 days

Investment/ Counterparty type:	S/term	L/term	Security/ Min credit rating	Max limit per counter- party	Max. Maturity period
Building societies Category A & B (see above)	F1	A	Sovereign AA-	£1m	2 years

NB. Group limit of £8m.

Other Counterparties

Investment/ Counterparty type:	S/term	L/term	Security/ Min credit rating	Max limit per counter- party	Max. Maturity period
DMADF / DMO	n/a	n/a	Sovereign AA-	Unlimited	365 days
Milverton Homes **WDC 100% subsidiary	n/a	n/a	n/a	£0.5m	Not defined
UK Govt. (includes Gilt Edged Securities & Treasury Bills), Local Authorities / Public Corporations / Nationalised Industries.	n/a	n/a	High viability/support	£9m	365 days
Money Market Fund(CNAV)	AAA _m / Aaa _{-mf} /AAA _{mmf}			£10m	liquid
Money Market Fund (VNAV)	AAA _f S1 / Aaa _{-bf} /AAA/V1			£6m	liquid
Corporate bonds - category 1		A	Sovereign AA-	£4m	2 years
		A+		£5m	
		AA - & ABOVE		£6m	
Corporate bonds - category 2		A		£9m	2 years
Corporate bonds - category 3		A	Sovereign AA-	£4m	2 years

Investment/ Counterparty type:	S/term	L/term	Security/ Min credit rating	Max limit per counter- party	Max. Maturity period
		A+		£5m	
		AA - & ABOVE		£6m	
Covered bonds - category 1		A	Sovereign AA-	£4m	2 years
		A+		£5m	
		AA - & ABOVE		£6m	
Covered bonds - category 2		A		£9m	2 years
Covered bonds - category 3		A	Sovereign AA-	£4m	2 years
		A+		£5m	
		AA - & ABOVE		£6m	
Bonds - Supranational / Multi Lateral Development Banks European Community European Investment Bank African Development Bank Asian Development Bank Council of Europe Development Bank European Bank for Reconstruction & Development Inter-American Development Bank International Bank of Reconstruction & Development <i>Or any other Supranational/Multi-Lateral Development Bank meeting criteria.</i>	AAA / Govt Guarantee			£5m	365 days
Floating Rate Notes - category 1		A		£4m	364 days
		A+		£6m	
		AA		£7m	

Investment/ Counterparty type:	S/term	L/term	Security/ Min credit rating	Max limit per counter- party	Max. Maturity period
		- & ABOVE			
Floating Rate Notes - category 2		A		£9m	364 days
Floating Rate Notes - category 3		A		£4m	364 days
		A+		£5m	
		AA - & ABOVE		£6m	
Eligible Bank Bills	n/a		Determined by EFM	£5m	364 days
Sterling Securities guaranteed by HM Government	n/a		AA-	£9m	Not defined
Local Authorities	n/a	Viability/support= High £15m overall limit for Corporate Bond/Property Funds & £20m limit for all counterparties.		£9m	5 years
Corporate Equity Funds - low risk (UK Equity Income Funds)	n/a	Maximum investment limit subject to 10% capital growth i.e. maximum is 110% of original investment.		£4m	10 years
Corporate Equity Funds - medium risk (UK Capital Growth Funds)	n/a	Maximum investment limit subject to 10% capital growth i.e. maximum is 110% of original investment.		£2m	10 years
Corporate Bond Funds		BBB	£15m overall limit for Corporate Bond/Property Funds & £20m limit for all counterparties.	£5m	10 years
Pooled property fund eg: REITS	£15m overall limit for Corporate Bond/Property Funds & £20m limit for all counterparties.			£5m	10 years
CCLA property funds	n/a	Security of Trustee of fund (LAMIT) controlled by LGA, COSLA who appoint the members and officers of LAMIT. £15m overall limit for Corporate Bond/Property Funds & £20m limit for all counterparties.		£5m	10 years

Categories for Covered Bonds, Corporate Bonds (must be Senior Unsecured), Floating Rate Notes:

Category 1: Issued by private sector Financial Institutions

Category 2: Issued by Financial institutions wholly owned, or part owned, by the UK Government

Category 3: Issued by Corporates

Link Asset Services Commentary on the Current Economic Background

UK. Economy.

- Against a backdrop of stubborn inflationary pressures, the easing of Covid restrictions in most developed economies, the Russian invasion of Ukraine, and a range of different UK Government policies, it is no surprise that UK interest rates have been volatile right across the curve, from Bank Rate through to 50-year gilt yields, for all of 2022/23.
- Market commentators' misplaced optimism around inflation has been the root cause of the rout in the bond markets with, for example, UK, EZ and US 10-year yields all rising by over 200bps in 2022. The table below provides a snapshot of the conundrum facing central banks: inflation is elevated but labour markets are extra-ordinarily tight, making it an issue of fine judgment as to how far monetary policy needs to tighten.

	UK	Eurozone	US
Bank Rate	4.25%	3%	4.75%-5%
GDP	0.1%q/q Q4 (4.1%y/y)	+0.1%q/q Q4 (1.9%y/y)	2.6% Q4 Annualised
Inflation	10.4%y/y (Feb)	6.9%y/y (Mar)	6.0%y/y (Feb)
Unemployment Rate	3.7% (Jan)	6.6% (Feb)	3.6% (Feb)

- Q2 of 2022 saw UK GDP deliver growth of +0.1% q/q, but this was quickly reversed in the third quarter, albeit some of the fall in GDP can be placed at the foot of the extra Bank Holiday in the wake of the Queen's passing. Q4 GDP was positive at 0.1% q/q. Most recently, January saw a 0.3% m/m increase in GDP as the number of strikes reduced compared to December. In addition, the resilience in activity at the end of 2022 was, in part, due to a 1.3% q/q rise in real household disposable incomes. A big part of that reflected the £5.7bn payments received by households from the government under the Energy Bills Support Scheme.
- Nevertheless, CPI inflation picked up to what should be a peak reading of 11.1% in October, although hopes for significant falls from this level will very much rest on the movements in the gas and electricity markets, as well as the supply-side factors impacting food prices. On balance, most commentators expect the CPI measure of inflation to drop back towards 4% by the end of 2023. As of February 2023, CPI was 10.4%.
- The UK unemployment rate fell through 2022 to a 48-year low of 3.6%, and this despite a net migration increase of c500k. The fact remains, however, that with many economic participants registered as long-term sick, the UK labour force shrunk by c500k in the year to June. Without an increase in the labour force participation rate, it is hard to see how the UK economy will be able to grow its way to prosperity, and with average wage increases running at over 6% the MPC will be concerned that wage inflation will prove just as sticky as major supply-side shocks to food (up 18.3% y/y in February 2023) and energy that have endured since Russia's invasion of Ukraine on 22 February 2022.
- Bank Rate increased steadily throughout 2022/23, starting at 0.75% and finishing at 4.25%.
- In the interim, following a Conservative Party leadership contest, Liz Truss became Prime Minister for a tumultuous seven weeks that ran through September and October. Put simply, the markets did not like the unfunded tax-cutting and heavy spending policies put forward by her Chancellor, Kwasi Kwarteng, and their reign lasted barely seven weeks before being replaced by Prime Minister Rishi

Sunak and Chancellor Jeremy Hunt. Their Autumn Statement of the 17th of November gave rise to a net £55bn fiscal tightening, although much of the “heavy lifting” has been left for the next Parliament to deliver. However, the markets liked what they heard, and UK gilt yields have reversed the increases seen under the previous tenants of No10/11 Downing Street, although they remain elevated in line with developed economies generally.

- As noted above, GDP has been tepid throughout 2022/23, although the most recent composite Purchasing Manager Indices for the UK, US, EZ and China have all surprised to the upside, registering survey scores just above 50 (below suggests economies are contracting, and above suggests expansion). Whether that means a shallow recession, or worse, will be avoided is still unclear. Ultimately, the MPC will want to see material evidence of a reduction in inflationary pressures and a loosening in labour markets. Realistically, that is an unlikely outcome without unemployment rising and wage settlements falling from their current levels. At present, the bigger rise in employment kept the ILO unemployment rate unchanged at 3.7% in January. Also, while the number of job vacancies fell for the ninth consecutive month in February, they remained around 40% above pre-pandemic levels.
- Our economic analysts, Capital Economics, expect real GDP to contract by around 0.2% q/q in Q1 and forecast a recession this year involving a 1.0% peak-to-trough fall in real GDP.
- The £ has remained resilient of late, recovering from a record low of \$1.035, on the Monday following the Truss government’s “fiscal event”, to \$1.23. Notwithstanding the £’s better run of late, 2023 is likely to see a housing correction of some magnitude as fixed-rate mortgages have moved above 4.5% and affordability has been squeezed despite proposed Stamp Duty cuts remaining in place.
- As for equity markets, the FTSE 100 started 2023 strongly, rising to a record high of 8,014 on 20th February, as resilient data and falling inflation boosted earnings. But global equities fell sharply after concerns over the health of the global banking system emerged early in March. The fall in the FTSE 100 was bigger than the drop in the US S&P 500. Indeed, at around 7,600 now, the FTSE is 5.2% below its record high on 20th February, while the S&P 500 is only 1.9% lower over the same period. That’s despite UK banks having been less exposed and equity prices in the UK’s financial sector not falling as far. It may be due to the smaller decline in UK interest rate expectations and bond yields, which raise the discounted value of future earnings, compared to the US.

USA.

- The flurry of comments from Fed officials over recent months suggest there is still an underlying hawkish theme to their outlook for interest rates. Markets are pricing in a further interest rate increases of 25-50bps, on top of the current interest rate range of 4.75% - 5%.
- In addition, the Fed is expected to continue to run down its balance sheet once the on-going concerns about some elements of niche banking provision are in the rear-view mirror.
- As for inflation, it is currently at c6% but with the economy expected to weaken during 2023, and wage data already falling back, there is the prospect that should the economy slide into a recession of any kind there will be scope for rates to be cut at the backend of 2023 or shortly after.

EU.

- Although the Euro-zone inflation rate has fallen below 7%, the ECB will still be mindful that it has further work to do to dampen inflation expectations and it seems destined to raise rates to 4% in order to do so. Like the UK, growth has remained more robust than anticipated but a recession in 2023 is still seen as likely by most commentators.

Agenda Item No 7
Audit and Standards Committee
25 September 2023

Title: Internal Audit Progress Report: Qtr. 1 2023/24

Lead Officer: Richard Barr

Portfolio Holder: Councillor Chilvers

Wards of the District directly affected: None directly impacted

Approvals required	Date	Name
Portfolio Holder	08/09/23	Councillor Chilvers
Finance	07/09/23	Andrew Rollins
Legal Services	Not applicable	
Chief Executive	07/09/23	Chris Elliott
Director of Climate Change	Not applicable	
Head of Service(s)	07/09/23	Andrew Rollins
Section 151 Officer	07/09/23	Andrew Rollins
Monitoring Officer	07/09/23	Graham Leach
Senior Leadership Team	07/09/23	Various
Final decision by this Committee or rec to another Cttee / Council?	Yes/ No – Final Decision by this Committee. Recommendation to: Cabinet / Council Committee	
Contrary to Policy / Budget framework?	No/Yes	
Does this report contain exempt info/Confidential? If so, which paragraph(s)?	No/Yes, Paragraphs:	
Does this report relate to a key decision (referred to in the Cabinet Forward Plan)?	No/Yes, Forward Plan item – scheduled for (date)	
Accessibility Checked?	Yes/No	

Summary

The Report advises on progress in achieving the Internal Audit Plan 2023/24, summarises the audit work completed in the first quarter and provides assurance that action has been taken by managers in respect of the issues raised by Internal Audit.

Recommendations

- 1 That the report, including its appendices, be noted and, where appropriate, approved. Specifically:
 - 1.1 That Appendix 1, detailing the performance of Internal Audit in completing the Audit Plan, be considered. (Para. 4.1 of this report)
 - 1.2 That Appendix 2, setting out the action plan accompanying the Internal Audit report issued in the quarter, be reviewed. (Para. 5.4)
 - 1.3 That Appendix 3, recording the state of implementation of recommendations issued in previous quarters, be reviewed. (Para. 6.2)
-

1 Reason for the Recommendations

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

2 Background/Information

- 2.1 The Audit and Standards 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 including that of the Council's Audit and Risk Manager.
- 2.2 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.
- 2.3 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.
- 2.4 The following sections provide information to satisfy these requirements.

3 Assurance

- 3.1 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.

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

Assurance Levels

Level of Assurance	Definition
Substantial Assurance	There is a sound system of control in place and compliance with the key controls.
Moderate Assurance	Whilst the system of control is broadly satisfactory, some controls are weak or non-existent and there is non-compliance with several controls.
Limited Assurance	The system of control is generally weak and there is non-compliance with the controls that do exist.

4 Progress Against Plan

- 4.1 At the start of each year an Audit Plan is approved that sets out the audit assignments to be undertaken. A detailed analysis of progress to date in completing the Audit Plan for 2023/24 is set out as Appendix 1.
- 4.2 The three ICT audits that were carried forward from 2022/23 are not included in the overall number of audits shown at the end of Appendix 1. It should be noted that none of these audits had been completed during Quarter 1 and this Committee (together with SLT) will be kept informed of progress against these audits in the quarterly reports until they are all complete.

5 Internal Audit Reviews Completed in the Quarter and Management Responses to Recommendations

- 5.1 Five audits were completed in the first quarter of 2023/24.
- 5.2 The Internal Audit reports arising from the completed reviews are available for viewing on the online agenda for the meeting.
- 5.3 Please note that the reports include a report that, due to carelessness on the part of the Audit & Risk Manager, was inadvertently omitted from the last quarter. The report in question is the Royal Pump Rooms.
- 5.4 The action plans accompanying these reports (including the Royal Pump Rooms report) are set out for separate review as Appendix 2. This appendix details the recommendations arising together with the management responses, including target implementation dates.
- 5.5 As can be seen in the Appendix, responses to recommendations contained in reports that have been issued in the quarter have been received in all cases and none is outstanding.

6 Implementation of Recommendations Issued Previously

- 6.1 All recommendations are followed up once the agreed implementation date has passed. Officers are able to provide an update as soon as they have completed

the agreed action, as opposed to waiting to be chased for a response, although the vast majority still have to be chased.

- 6.2 The state of implementation for all relevant recommendations is set out in Appendix 3. There are no recommendations where we are still awaiting a response on the state of implementation of the recommendation.
- 6.3 It should also be noted that where officers have not completed the recommendation in line with the original target date, they are now being asked for a new date by which the agreed action will be completed. If this is not met, this will be flagged separately in future reports to Audit and Standards Committee (with, as per usual protocol, the option of Members asking the officers to attend to explain the lack of progress).
- 6.4 Revised target dates have been provided for eight recommendations relating to the audits of **Financial Strategy, Planning and Budgetary Control, Open Spaces, Allocations, Nominations and Lettings, Corporate Governance, Electoral Registration, Microsoft 365 and Planning Policy**. The target date in relation to the recommendations from the audits of **Open Spaces, Corporate Governance and Planning Policy** had been extended previously.
- 6.5 The completion of the **Open Spaces** action had been partly completed at the time of the first revised date. Results of a consultation were to be evaluated and written up before being shared with the appropriate party before being publicised and taken forward.
- 6.6 The action in relation to **Corporate Governance** had also partly been completed by the initial revised date but further work was required to collate the information. The newly revised date was within this same reporting period and it has been confirmed that this action has now been undertaken.
- 6.7 The revised date for the **Planning Policy** action had not been met due to the workload of the responsible officer. A commitment to meeting the newly revised date has been given.

7 Review

- 7.1 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.

8 Alternative Options

- 8.1 The report is not based on 'project appraisal' so this section is not applicable.

9 Legal Implications

- 9.1 Not applicable.

10 Financial Implications

- 10.1 Not applicable.

11 Business Strategy

11.1 Warwick District Council has adopted a Business Strategy that sets out key areas for service delivery. Each proposed decision should set out how the report contributes to the delivery of these strategic aims. If it does not contribute to these aims or has a negative effect on them the report should explain why that is the case.

11.1.1 External Impacts

People - Health, Homes, Communities
Services - Green, Clean, Safe
Money- Infrastructure, Enterprise, Employment

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.

11.1.2 Internal Impacts

People - Effective Staff
Services - Maintain or Improve Services
Money - Firm Financial Footing over the Longer Term

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.

12 Environmental/Climate Change Implications

12.1 An effective internal audit function can assist the Council achieve its environmental and climate emergency objectives.

13 Analysis of the Effects on Equality

13.1 An effective internal audit function can help the Council achieve its equality obligations.

14 Data Protection

14.1 An effective internal audit function can help the Council achieve its data protection objectives.

15 Health and Wellbeing

15.1 An effective internal audit function can help the Council achieve its health and wellbeing objectives.

16 Risk Assessment

16.1 The whole report is about risks and the risk environment. Clearly there are governance-related risks associated with weak internal control, risk management and governance processes.

17 Consultation

17.1 Please refer to 'header page' of this report.

Background papers:

All Papers referred to in this report are published documents.

Supporting documents:

Internal Audit Plan

Internal Audit Reports.

Internal Audit Progress 2023/24: Quarter 1
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>	340.0	85.0	75.3	+9.7
<u>Other Time</u>				
Sundry audit advice	15.0	3.7	3.4	+0.3
Contingency audit work	20.0	5.0	0.5	+4.5
Contingency non-audit work	10.0	2.5	4.3	-1.8
Other work	15.0	3.7	2.2	+1.5
Principal Internal Auditor non-audit work (incl. NFI)	75.0	18.8	20.8	-2.0
Non-chargeable activities	157.0	39.3	53.9	-14.6
Leave and other absences	148.0	37.0	33.0	+4.0
<i>Total Other Time</i>	440.0	110.0	118.1	-8.1
<i>Total Time</i>	780.0	195.0	193.4	+1.6

Time spent: Assignments Completed – Planned Vs Actual

AUDIT ASSIGNMENT	PLAN (DAYS)	TIME TAKEN (DAYS)	UNDER (+) / OVER (-)
Grant Applications	7.0	6.7	+0.3
Tenancy Management	10.0	11.3	-1.3
Staff Health and Wellbeing	6.0	7.0	-1.0
Catering Concessions	7.0	8.3	-1.3
Sports Development	8.0	7.9	+0.1

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

Not applicable this Quarter.

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.	%
40	10.0	4	5	12.5	+1	+25.0

**Summary of Recommendations and Management Responses from Internal Audit Reports
issued Quarter 1, 2023/24**

Report Reference	Recommendation	Risk Rating¹	Responsible Officer	Management Response and Target Implementation Date (TID)
Grant Applications – 9 June 2023				
4.2.1	A process should be in place that ensures the potential for ongoing funding has been considered when applying for grants.	Low	Head of Finance / Grant and Loans Manager	Guidance will be created to support a new grant process, in particular those that require ongoing funding. This will be accessible from the Intranet, where it will be necessary to complete a short form containing a section where any growth / funding requirements can be outlined for delegated approval. TID: April 2024
Tenancy Management – 16 June 2023				
4.3.2	Staff should be reminded to conduct follow-up visits within fourteen days.	Low	Landlord Operations Manager & Senior Housing Officer	This will be picked up in Team Meetings and at 1:1 supervisions with those responsible. A note will be added to the procedure to remind staff of the deadline. TID: July 2023

¹ Risk Ratings are defined as follows:

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

Report Reference	Recommendation	Risk Rating¹	Responsible Officer	Management Response and Target Implementation Date (TID)
4.3.2	Staff should be conducting visits at quarterly intervals for new tenancies.	Medium	Landlord Operations Manager	This will be addressed through implementation of management audits for how Introductory Tenancies have been managed. TID: September 2023
4.3.2	Staff should be reminded to issue secure tenancy agreements in a timely manner following the end of an introductory tenancy.	Low	Landlord Operations Manager	This will be addressed through implementation of management audits for how Introductory Tenancies have been managed. TID: September 2023
4.5.2	All officers conducting Tenancy Update Visits should check resident ID and note these checks on the visit sheets.	Medium	Landlord Operations Manager	A note will be added to the procedure to this effect and the documentation will be amended to reflect fact that ID needs to be checked. TID: July 2023.
4.7.2	Staff should be reminded to conduct tenancy update visits by their due date.	Low	Senior Housing Officer	To be picked up at Team Meeting and in staff 1:1 supervisions. TID: August 2023.
4.7.3	Staff should be reminded that NTQs should be served within seven days of a warning letter being issued.	Low	Landlord Operations Manager & Senior Housing Officer	To be picked up with HMA supervisions. TID: July 2023.
4.7.3	Staff should be reminded to date and issue Certificates of Delivery in a timely manner.	Low	Landlord Operations Manager & Senior Housing Officer	To be picked up with HMA supervisions. TID: July 2023.

Report Reference	Recommendation	Risk Rating ¹	Responsible Officer	Management Response and Target Implementation Date (TID)
Staff Health and Wellbeing – 5 June 2023				
4.5.1	Although both numbers allow access to the service, the BUPA phone number for Employee Assistance Support should be consistent across all HWB pages.	Low	Head of People & Communications	The number will be changed. TID: End of June 2023.
Catering Concessions – 22 May 2023				
No recommendations were required on this occasion.				
Sports Development – 18 May 2023				
4.3.1	The criteria for the sport and physical activity grant should be reviewed and reassessed on a regular basis to ensure it is available to the more deprived communities, thus providing justification as to why it is it being restricted to specific wards.	Low	Active Communities Officer	The grants for the current financial year have already received a number of applications based on the criteria in place. A review will be completed and any changes will be put in place ready for the start of the next financial year. TID: April 2024.
4.5.1	As the criteria specifies that the applicant should have specific policies in place as well as public liability insurance, copies should be included with the application.	Low	Active Communities Officer	The list of policies and documents an applicant is required to have will be reviewed and updated as they may no longer be relevant or required. A disclaimer will be added to the information removing liability from WDC for activities associated with the grants. Where it is identified that a policy or document is still required a copy of it will be requested. TID: April 2024.

Report Reference	Recommendation	Risk Rating ¹	Responsible Officer	Management Response and Target Implementation Date (TID)
Royal Pump Rooms (including Art Gallery) – 29 March 2023				
4.2.1	Officers should include the date that a service has been provided on all invoices.	Low	Arts Manager	All the team have been reminded to include dates on invoices from now on. TID: 1 April 2023.
4.7.2	Hire invoices should be raised prior to an event where possible; deposits should also be taken where necessary.	Medium	Programming & Marketing Manager	This was raised in another recent audit and has already been actioned. Programming & Marketing team now have Events Coordinator Post. TID: 1 April 2023.
	Staff should make notes on the invoice/hire agreement explaining why certain discounts have been awarded.	Low	Programming & Marketing Manager	All the team have been reminded to include notes on why discounts have been applied. TID: 1 April 2023.
	All invoices should include the hours charged.	Low	Programming & Marketing Manager	All the team have been reminded to include the hours charged on invoices. TID: 1 April 2023.
	All hires should have formal agreements in place, whether on a rolling basis or for one-off events.	Medium	Programming & Marketing Manager	This was raised in another recent audit and has already been actioned. Programming & Marketing team now have Events Coordinator Post. TID: 1 April 2023.

Appendix 3

Current Implementation Position for Recommendations Due for Completion by End of Quarter 1 2023/24

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE	TARGET DATE	TARGET DATE REVISED?	CURRENT STATE OF IMPLEMENTATION PER MANAGER
Financial Strategy, Planning and Budgetary Control (2022/23 Audit)				
Managers may be unaware of their budget management responsibilities.	A new training programme is to be established to support the use of the new Finance Management System, introduced in November 21. This was supported at launch by mandatory training sessions.	April 2023	Yes – revised to September 2023.	Support is currently offered by Assistant and Principal Accountants to assist all Finance system users (including Managers). A new Budgeting system is being developed and accompanying training. This will take place over the next couple of months with a view to having this live by September 2023.

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE	TARGET DATE	TARGET DATE REVISED?	CURRENT STATE OF IMPLEMENTATION PER MANAGER
Limits relating to capital expenditure set out in the Code of Financial Practice should be reviewed to ensure that they remain relevant.	Code of Financial Practice to be reviewed following recent appointment to Head of Finance.	April 2023	Yes – revised to April 2024.	The Code has been reviewed, and (the Head of Finance) will propose a number of changes, in particular to section 9.11 (linked to the recommendation). Further changes will reflect the new Committee structure, replacing 'Executive' with O&S. This will be completed ahead of the new Financial year commencing April 2024.
Processes not adhered to increasing opportunity for fraudulent / unauthorised expenditure.	Legacy documents to be removed from Intranet, and relevant pages reviewed and updated as necessary. Guidance for the new finance system is already available on the Intranet and will continue to be updated as the system evolves.	April 2023	Not applicable.	Legacy Documents have been removed from the intranet and current process notes added. This will continue to be added to during the financial cycle.
Corporate Health and Safety (2022/23 Audit)				
The links and information available to staff on the intranet should be reviewed to ensure it is up to date and relevant.	The links are being reviewed and updated or removed as appropriate.	April 2023	Not applicable.	Updated policies are now available on the intranet with the other updates being a work in progress awaiting the appointment of a new (full-time) H&S officer (post being advertised externally).
Open Spaces (2022/23 Audit)				

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE	TARGET DATE	TARGET DATE REVISED?	CURRENT STATE OF IMPLEMENTATION PER MANAGER
<p>An up-to-date water risk assessment should be conducted as soon as possible in conjunction with ROSPA.</p>	<p>Original: Agree - resources allowing.</p> <p>Updated: With additional staff resources being available from mid-February 2023, the completion of the water risk assessment will be completed by this revised date (April 2023).</p>	<p>April 2023 (Previous Target Date of December 2022)</p>	<p>Not applicable.</p>	<p>An up-to-date water risk assessment has been completed with the exception of a small number of sites and recommendations still under review with ROSPA.</p> <p>High priority recommendations from this assessment are being actioned now and will be fully completed by the end December 2023 and low priority recommendations to be completed by June 2024.</p>
<p>A review of the new Victoria Park play area should be conducted, to ensure that the equipment is appropriate.</p>	<p>Original: The play area is safe because it received a post installation independent safety inspection and is now on the inspection regime. Agree there is need to evaluate the play area success and failures. Plan to work with the Friends of Victoria Park in getting public feedback.</p> <p>Updated: We are currently working with Friends of Victoria Park (FoVP) on drafting a new Victoria Park Survey which is now planned to be undertaken in Spring 2023, with results of the survey,</p>	<p>June 2023 (Previous Target Date of December 2022)</p>	<p>Yes – revised to September 2023.</p>	<p>The Victoria Park Questionnaire Survey consultation period has ended (end of July 2023) with the results needing to be evaluated and written up. This then needs to be shared with Friends of Victoria Park group before being publicised. Generally positive feedback regarding the new play area and some lessons to be learnt.</p> <p>Anticipated end date of September 2023.</p>

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE	TARGET DATE	TARGET DATE REVISED?	CURRENT STATE OF IMPLEMENTATION PER MANAGER
	including feedback on the new play area, to be known by June 2023.			
Town Hall Lettings (2022/23 Audit)				
Risk assessments should be completed and uploaded to Artifax where the hirer is not using the facility for a meeting.	Risk Assessments are being obtained before the event. New post of Programme Coordinator already doing this. Template RAMs will be created in order to ensure all risks are picked up by hirers.	April 2023	Not applicable.	The RAMS template was created in April 2023 to be sent to hirers from May 2023.

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE	TARGET DATE	TARGET DATE REVISED?	CURRENT STATE OF IMPLEMENTATION PER MANAGER
Emergency Planning and Business Continuity Management (2022/23 Audit)				
Insurance cover should be specifically named in the EMP to ensure it is considered early on should an emergency situation arise.	The new plan will be reviewed and, if appropriate, insurance will be considered.	April 2023	Not applicable.	Whilst insurance is not specifically mentioned, the Head of Finance has been added to the 'Recovery' operational cell.
Whilst it is recognised that some staff have received training it should be ensured that the emergency management plans, or elements of them, are exercised and tested regularly to identify training needs or potential gaps in the response.	The Emergencies and Resilience Lead Officer is relatively new to role and has plans in place to run exercises of various aspects of the plan to train staff and to test the plan itself from April onwards after the new plan has been implemented.	April 2023 and ongoing	Not applicable.	Training on the plan has been delivered to SLT and Managers Forum.
Royal Pump Rooms (including Art Gallery) (2022/23 Audit)				
Officers should include the date that a service has been provided on all invoices.	All the team have been reminded to include dates on invoices from now on.	Completed at the time of the final report being issued.		
Hire invoices should be raised prior to an event where possible; deposits should also be taken where necessary.	This was raised in another recent audit and has already been actioned. Programming & Marketing team now have Events Coordinator Post.	Completed at the time of the final report being issued.		
Staff should make notes on the invoice/hire agreement explaining why certain discounts have been awarded.	All the team have been reminded to include notes on why discounts have been applied.	Completed at the time of the final report being issued.		

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE	TARGET DATE	TARGET DATE REVISED?	CURRENT STATE OF IMPLEMENTATION PER MANAGER
All invoices should include the hours charged.	All the team have been reminded to include the hours charged on invoices.	Completed at the time of the final report being issued.		
All hires should have formal agreements in place, whether on a rolling basis or for one-off events.	This was raised in another recent audit and has already been actioned. Programming & Marketing team now have Events Coordinator Post.	Completed at the time of the final report being issued.		
Payment of Creditors (2022/23 Audit)				
Staff should be reminded of the need to raise requisitions in a timely manner.	These issues can be covered by an annual e-mail to all users to remind them of the information. This email can also be used to target some of the common queries that we get from users.	April 2023	Not applicable.	Action completed - an annual calendar item has also been set up in the team calendar to send out the reminder.
Staff should be reminded of the need to check bank account details recorded on the invoice against the standing data before a payment is made.				
Allocations, Nominations and Lettings (2022/23 Audit)				
The HomeChoice contract should be monitored by an alternative contract owner.	Agreed. Contract owner is now the Housing Needs Manager.	3 April 2023	Not applicable.	As suggested, the contract owner is now the Housing Needs Manager.
Officers should be reminded to collect physical copies of ID verification and upload these to the Housing systems.	Agreed.	30 April 2023	Not applicable.	Action complete. Discussed in team meeting and all staff reminded of procedures.

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE	TARGET DATE	TARGET DATE REVISED?	CURRENT STATE OF IMPLEMENTATION PER MANAGER
The Housing Needs Risk Assessment should be updated.	Agreed.	30 April 2023	Yes – revised to October 2023.	There have been discussions regarding the need for separate risk assessments for the different types of housing visits, with the decision taken that there only needs to be one. There is a Landlord Services risk assessment that is still within the review period, although this still makes reference to visits during COVID so needs to be updated accordingly. However, the reviewing officer is currently unavailable so this has been left with her line manager (Landlord Operations Manager) to follow up. Subsequent discussion with the Landlord Operations Manager confirmed that he had now been assigned as the reviewer for the relevant risk but did not have the relevant access to AssessNet to enable him to update the assessment. This was to be flagged with the Health and Safety and Premises Manager.

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE	TARGET DATE	TARGET DATE REVISED?	CURRENT STATE OF IMPLEMENTATION PER MANAGER
Corporate Governance (2022/23 Audit)				
<p>A central database of Officer appointments should be collated and shared amongst the MO and DMO.</p>	<p>Original: Agreed to implement.</p> <p>Update: With other work demands this has not progressed as yet. However we intend to pick this up as part of the annual monitoring of outside bodies by Councillors which will commence in the new year in time recommendation to Annual Council in May.</p>	<p>May 2023 (Previous Target Date of September 2022)</p>	<p>Yes – but within this same reporting period.</p>	<p>Initial Response: Data has been received back from officers and needs to be collated and stored centrally. This should be completed by end of June 2023. We will then put in place a process for checking these each year.</p> <p>Update on subsequent chasing: Central record now in place and completed. Effectiveness will be reviewed during year as part of follow up check in the Autumn of 2023.</p>
<p>A brief summary should be published on the Council website relating to each external body and the work that they carry out and/or the benefits that their work brings to the community.</p>	<p>Original: Agreed that this should be completed by the Annual Review, so that this is in place for the new council.</p> <p>Update: The data is currently being collated from outside appointments, ready for publication as part of their annual reports. At present, information is awaited from three Councillors. It is intended to be published by early May 2023.</p>	<p>May 2023 (Previous Target Date of March 2022)</p>	<p>Not applicable.</p>	<p>Data has been collated and is held centrally but to publish on website within the Committee System would require a redesign which is not considered appropriate at this time. If the system allows this, in future we will add this detail.</p>

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE	TARGET DATE	TARGET DATE REVISED?	CURRENT STATE OF IMPLEMENTATION PER MANAGER
Community Services (2022/23 Audit)				
<p>There should be a procedure in place that allows other officers to check that income and expenditure in respect of dog services are correct.</p>	<p>Original: 'Stray Dog Registration form' to be introduced. Details also to be inputted onto stray dog register. Invoices to WDC will then have unique ref number on them which can be checked against register to ensure correct payment to PDK is made.</p> <p>Update: Additional time is needed to iron out the details on the invoices that are being sent to WDC from PDK. Action to be completed by (end of) May 2023.</p>	<p>May 2023 (Previous Target Date of February 2023)</p>	<p>Not applicable.</p>	<p>A new form has been developed and sent to our nominated kennels.</p>
Leaseholder Service Charges (2021/22 Audit)				
<p>An income recovery process should be established and followed.</p>	<p>Original: To create & implement procedure for management and recovery of leaseholder debt.</p> <p>Update (April 2022): Awaiting input from legal services regarding recovery options surrounding first tier tribunals for procedure to be written.</p> <p>Update (August 2022):</p>	<p>May 2023 (Previous target dates from April 2022 onwards)</p>	<p>Not applicable.</p>	<p>Leaseholder service charges now confirmed as part of sundry debt contract with Bristow & Sutor. Draft flow chart created for discussion with multiple teams that may be involved in billing process for week commencing 12/06/23 so that a procedure can be finalised.</p>

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE	TARGET DATE	TARGET DATE REVISED?	CURRENT STATE OF IMPLEMENTATION PER MANAGER
	<p>Still awaiting Legal input into recommended process as this is complex area of Law involving use of Tier 1 Tribunals. Have been promised a reply several times and told would have some advice back, but still outstanding.</p> <p>Update (November 2022): Legal Review has determined that leases need to have clause added to enable Authority to be able to take action to recover costs. Awaiting update from legal in terms of new leases to be used moving forward and what action will be taken to address leases already used that are missing this clause.</p> <p>Update (November 2022 v2): Following advice from Legal, it has been decided not to pursue this course of action, so I think we are now some way forward at looking at the possibilities, which will most likely be to develop a process whereby we look at the County Court route to obtain a money order to recover debt. We therefore have some basis now to start to try to look at developing a draft procedure, but this will take some weeks to put together.</p>			

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE	TARGET DATE	TARGET DATE REVISED?	CURRENT STATE OF IMPLEMENTATION PER MANAGER
	<p>Update (April 2023): The Christine Ledger Square response has delayed the finalising of this procedure, but works are currently underway to identify if leaseholder service charges can be recovered through the Sundry Debtor contract.</p>			
Electoral Registration (2022/23 Audit)				
<p>An (updated) risk assessment for canvassers should be performed and recorded on AssessNet before the next round of door-to-door canvassing is undertaken.</p>	<p>A new risk assessment will be completed for the personal canvassers carrying out the door knocking canvass ahead of the Canvass in 2023. As part this we will explore the potential of the staff alert list as set out within the advisory note.</p>	<p>June 2023 (in time for the next Annual Canvass)</p>	<p>Yes – revised to August 2023.</p>	<p>Unfortunately I (the new Electoral Services Manager) knew nothing about this as it was not added to my radar when I started. I currently do not have access to AssessNet nor have I been trained on any risk assessment work. I have asked to have access to the system so I can have a look and then the Head of Governance has offered to train me.</p> <p>It was hoped that the canvass would start on 25 July although this may be delayed until the new contract with the printers is in place, although the canvassers will not be employed until the end of September at the earliest.</p>

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE	TARGET DATE	TARGET DATE REVISED?	CURRENT STATE OF IMPLEMENTATION PER MANAGER
Microsoft 365 (2021/22 Audit)				
<p>The Security Incident Management Policy, Change Management Policy and System Lockdown Policy should be reviewed to ensure that they remain compliant with Council requirements.</p>	<p>A review of all ICT Policies is already underway. This was delayed during the merger process as many of our policies would have required integration with SDC, but this is no longer an obstacle.</p>	<p>30 June 2023</p>	<p>Yes – revised to December 2023.</p>	<p>The Policy Reviews indicated have not yet been completed due to resourcing constraints within ICT and the demand for resources in projects. This will however be concluded in Q3 2023/24 with a revised target date of 22/12/2023. Revised policies will be passed to SLT for approval until the ICT Steering Group is reformed.</p>
<p>Council management should ensure that work to agree and implement appropriate data retention policies as soon as possible. Doing so will help ensure a timely migration to OneDrive, whilst also ensuring that only the data that the Council requires is migrated. Minimising the amount of data to be migrated may also help reduce the cost of hosting the data in terms of the required storage capacity.</p>	<p>Work is already underway with the Council’s new Information Governance Manager to implement appropriate data retention policies that can be enacted across the organisation.</p>	<p>30 June 2023</p>	<p>Not applicable.</p>	<p>Progress has been made towards developing a data classification system with the assistance of the Information Governance team, but work toward this has not yet concluded as it is a complex area. ICT have however progressed to introduce basic information classification tools that allow users to protectively mark documents in both Office applications and email. Each classification has rules attached - for example, documents marked as Official Sensitive can only be opened by authenticated users and cannot be copied or printed by their recipients. Whilst</p>

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE	TARGET DATE	TARGET DATE REVISED?	CURRENT STATE OF IMPLEMENTATION PER MANAGER
				this does not apply to all document types, it is the first steps towards implementing a more complex data loss prevention system.
Planning Policy (2022/23 Audit)				
The Service Area Lone-Worker Policy should be updated.	<p>Original: The current lone worker policy remains largely relevant; however, it would benefit from being updated as it was prepared prior to the pandemic, when most staff were office-based for most of the time.</p> <p>Update: As per the Audit in December I committed to reviewing / updating the lone worker policy for the policy team. We indicated that we would look to do that by the end of March.</p> <p>However, owing to other pressing matters and the need to take annual leave before the end of the financial year this has not yet been possible.</p> <p>We have had a major consultation on the South Warwickshire Local Plan, I have led public examination hearings for the Council this month on the Net Zero Carbon DPD and I have been busy recruiting and then helping new</p>	June 2023 (Previous Target Date of March 2023)	Yes – revised to December 2023.	I have been unable to prioritise this owing to an extremely heavy workload. It remains on my long to-do list. Will be completed by end of 2023 - this feels appropriate given that it has a 'Low' rating.

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE	TARGET DATE	TARGET DATE REVISED?	CURRENT STATE OF IMPLEMENTATION PER MANAGER
	<p>staff settle in to the organisation (amongst lots of other things!).</p> <p>I do appreciate this is a priority but want to ensure I can commit the appropriate time to reviewing the corporate policy, what we currently have and what my colleagues in Development Management have in place. Therefore, I am requesting that I could have a bit longer to produce this – preferably a couple of months. Could we say 1st June please? I will be on leave for 2 weeks after this week and will no doubt have a mountain of work to get through upon my return before I can focus on tasks including this.</p> <p>In the meantime new starters are being told about the procedures for going on site and I have recently ensured our ICE information for my team is up-to-date, including for new starters.</p>			

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE	TARGET DATE	TARGET DATE REVISED?	CURRENT STATE OF IMPLEMENTATION PER MANAGER
Recruitment and Selection, Terms and Conditions (2022/23 Audit)				
The Recruitment and Selection training provided should highlight that essential criteria should be reviewed to ensure they are commensurate with the role in order to ensure that the pool of potential applicants is not unnecessarily reduced. This should also reference the HAY guidance in place and link to the HAY representatives.	Training provider to be advised to update material accordingly.	June 2023	Not applicable.	The information has been passed to training provider to ensure inclusion in next course.
The Recruitment and Selection training provided should highlight that the shortlisting and interview scoring should be provided to HR for retention in the case of challenges being received.	Training provider to be advised to update material accordingly.	June 2023	Not applicable.	The information has been passed to training provider to ensure inclusion in next course.
The Recruitment and Selection training provided should highlight that the checking of qualifications is the responsibility of the recruiting managers.	Training provider to be advised to update material accordingly.	June 2023	Not applicable.	The information has been passed to training provider to ensure inclusion in next course.

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE	TARGET DATE	TARGET DATE REVISED?	CURRENT STATE OF IMPLEMENTATION PER MANAGER
Staff Health and Wellbeing				
Although both numbers allow access to the service, the BUPA phone number for Employee Assistance Support should be consistent across all HWB pages.	The number will be changed.	June 2023	Not applicable.	Completed in June 2023.

FROM: Audit and Risk Manager
TO: Head of Place, Arts and Economy
C.C. Chief Executive
Head of Finance
Arts Manager
Portfolio Holder (Cllr Billiald)

SUBJECT: Catering Concessions
DATE: 22 May 2023

1 **Introduction**

- 1.1 In accordance with the Audit Plan for 2023/24, an examination of the above subject area has recently been completed by Jemma Butler, Internal Auditor, and this report presents the findings and conclusions for information and, where appropriate, action.
- 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 Catering is provided at a number of Council-owned sites. In most cases, the sites are leased with annual rental income being paid. Some sites, however, are operated as concessions. In January 2019 a three-year catering and events contract was agreed with Complex Development Projects (CDP), the creative quarter development partner. This contract included the catering concessions, essentially making them sub-contracts, with CDP as the main contractor. Previous to this the catering contract was held by Kudos.
- 2.2 Until November 2019 concessions were operated at two of the Council's most prestigious sites - the Royal Pump Rooms (housing the Assembly Rooms and Café) and the Glasshouse in the Jephson Gardens. Since then, after following a formal contract amendment process, the Royal Pump Rooms was removed from the contract. The management of the Assembly Rooms was tasked to the Arts team and the Café was offered as a leasehold. This left the Glasshouse as the only catering concession, where a percentage of their income is paid to the Council.
- 2.3 The concession within the Glasshouse covers day-to-day operations and special events. The provisions governing recharges for premises and equipment service, along with the criteria for determining concession charges, remain unchanged from the previous contract with Kudos.

3 **Objectives of the Audit and Coverage of Risks**

- 3.1 The management and financial controls in place have been assessed to provide assurance that the risks are being managed effectively. It should be noted that the risks stated in the report do not represent audit findings in themselves, but rather express the potential for a particular risk to occur. The findings detailed in each section following the stated risk confirm whether the risk is being controlled appropriately or whether there have been issues identified that need to be addressed.
- 3.2 In terms of scope, the audit covered the following risks:
1. Income due is not collected.
 2. Providers do not provide accounts to allow for monies due to be calculated accurately, or accounts provided have been falsified (where Council income is based on a percentage of sales).
 3. Risk of the contractor / leaseholder defaulting or being unable to offer the service (e.g. through loss of alcohol / premises license) will reflect badly on the Council.
 4. The concessions are not operated under the agreed terms.
 5. Security of Council-owned buildings due to the contractor being a key holder.
- 3.3 These risks, if realised, would be detrimental to the Council with regards to meeting the following corporate objectives, as set out in the Fit for the Future Strategy:
- The provision of catering at Council-owned properties within the district helps to meet the overall objective of the council, i.e. making the district a great place to live, work, and visit.

4 Findings

4.1 Recommendations from Previous Reports

- 4.1.1 The current position in respect of the recommendations from the previous audit reported in October 2020 were also reviewed. Although no recommendations were made, the audit had been given a moderate rating. This was due to there being no change in the controls or outcomes from the previous audit, and because some areas were unable to be reviewed due to concessions being closed as a result of the restrictions in place for the COVID-19 pandemic. As Internal Audit is required to provide a level of assurance, a moderate level of assurance was given.

4.2 Financial Risks

4.2.1 Potential Risk: Income due is not collected.

The previous audits of Catering Contracts reviewed the contracts in place for the concessions so these have not been reviewed again; only where any amendments have been made. Where the café has been changed from a contract to a lease the handover has been reviewed to ensure any outstanding debts and relevant requirements have been considered in the lease and fees.

The contract for the concessions at the Restaurant in the Park and the Café in the Pump Rooms had been transferred from Kudos to Just Inspire. At the time, Kudos owed the Council a large amount. Since then, however, this debt has been written off as legal advice was that it would be uneconomical for the Council to pursue it. Late in 2019 / early 2020 it was recognised that Just Inspire were struggling to make the concession at the café work for them and were having difficulties making payments to the Council. A decision was made to release them from the Café part of the contract and leave them running the Restaurant in Park only.

In January 2020, the Larder, who have the lease for the Aviary in Jephson's garden, took on the Café in the Pump Rooms. Due to the COVID-19 restrictions in place the Café was unable to open until the restrictions were lifted. The concession contract was changed to a lease which was signed in June 2020.

The contract for the Restaurant in the Park has various specifications including a requirement for the caterers to obtain their own insurance for £10 million public liability, employers liability and product liability. The Arts Manager meets with Just Inspire (the contractor) at least quarterly to check that the specifications are being met and reviews documentation on an annual basis. The documentation reviewed includes the insurance certificates, food hygiene certificates and training information and management accounts.

Just Inspire are invoiced for the utilities and the commission based on their income. This is calculated by a member of the Business Administration team. Utilities are invoiced quarterly and commission on a monthly basis.

Commission is calculated as follows: 15% facility hire, 5% food and drink sales and a fee of £150 for hire of the Temperate House. Just Inspire provide monthly spreadsheets showing the income for each event held and a breakdown of the commission owed. The figures can be corroborated against the management accounts reviewed annually by the Arts Manager.

Utilities are calculated using the meter readings for the restaurant sub meters. This includes gas, electricity and mains water. Monthly meter readings are taken by the Facilities Manager or Supervisor and input onto a shared spreadsheet so the business admin team can access them. The meter readings are used to calculate the units used which are then multiplied by the cost per unit. For the electricity and water costs this is straightforward - the gas has to be converted from units used to KWh which is then multiplied by the cost.

Just Inspire also have a payment plan in place for the costs incurred when they also had the café and Assembly rooms in the Pump Rooms. The payment plan is managed by the Purchasing and Payments Team and set up to be paid monthly. No payments have been missed.

There was one quarter identified where the pre-set formula hadn't been updated with the correct cost per KWh resulting in the tenants being undercharged by £41.47 for the gas used. The business admin officer was notified so this could be rectified. The pre-set formula used has also been

updated to take the data directly from the cells rather than the cells and the formula needing to be manually updated. No standing charge is paid by Just Inspire for the electricity; they are only charged for the units used. The electricity meter for the restaurant hasn't worked since an unknown point sometime during September / October 2022. Consequently the bills have been estimated based on previous usage. Invoices issued to Just Inspire are paid within the time frame specified on the document. In most cases the payment is received within days.

Although the Café in the Pump Rooms is now a lease, checks were completed to ensure any debts owed were transferred across and that any charges were in line with the lease. The lease is held by the Larder who also have the lease for the Aviary in Jephson's Gardens. The lease rent for the café in the Pump Rooms is £15,000 per year and the Building Surveyor confirmed that invoices for the lease payments are issued on a monthly basis and that payments are received from the Larder promptly. Meetings are held on a regular basis with the Purchasing and Payments Team to review missed payments so the tenants can be contacted early if they are facing difficulties in paying.

Utilities for the café in the Pump Rooms are invoiced by the Business Admin Officer. Calculated in the same way as the Restaurant in the Park using the meter readings and charging only for the units used, no standard day charge is added. The café is also charged a Climate Change Levy (CCL), based on the floor space. A review of the invoices revealed that the electricity costs and CCL had been calculated incorrectly. Previously the Assembly Rooms and the Café had been billed together but this approach had been carried over to the Larder without removing the Assembly rooms. As the Assembly rooms is run in-house the costs associated with it should not be recharged to the Larder.

Review of the invoices for the financial years 2021/22 and 2022/23 established that the Larder had been over-charged on the utilities for £2,702, as well as the climate change levy for the assembly rooms. The total over-charged could not be confirmed as the auditor didn't review the invoices for the 2020/21 financial year. With the CCL charge the final figure is estimated at circa. £4.5k.

The Arts Manager was made aware of the mistake during the audit so the issue was able to be corrected for the last quarter's bill, which had not yet been issued. Once the full amount overcharged has been calculated the Arts Manager will discuss with the tenant how they wish to proceed i.e. whether to reduce their bill or provide a refund.

A brief review of the Aviary was completed. Although this is now a lease, the review was completed to compare the way the recharges are carried out. There was no evidence to show that the Aviary pays for the utilities through the Council. No recharges are processed and the only payments received for the lease are the lease rent charges. As this is a standalone building the utilities are organised by the tenants and not completed through the Council as a recharge.

No audit recommendation is being made for the recharge issue as the matter was resolved during the audit. However, it does bring into question how

recharges are calculated, managed and monitored across the Council. There are various staff in different teams calculating and issuing recharges with no consistent approach and in the cases reviewed no standard charge is included. Therefore, it will be recommended to SLT that the way recharges are managed should be reviewed so a more centralised approach can be developed ensuring that recharges are completed consistently across the Council.

4.2.2 **Potential Risk: Providers do not provide accounts to allow for monies due to be calculated accurately, or accounts provided have been falsified (where Council income is based on a percentage of sales).**

The commission is not calculated by the Council. Instead the Council relies on Just Inspire to provide completed spreadsheets that detail the breakdown of their income and the percentage due to the Council as commission. Commission is billed on a monthly basis.

No formal accounts are provided with the spreadsheet but are available on request from Just Inspire. The Arts Manager also reviews the approved business management accounts on an annual basis allowing any differences to be highlighted.

The invoices issued to Just Inspire for commission over the last two financial years were reviewed. This confirmed that the commission billed matched that on the spreadsheets provided and that payments were made promptly.

The contract with Just Inspire is the only remaining catering concession so no other commission-based contracts were reviewed.

4.3 **Reputational Risks**

4.3.1 **Potential Risk: Risk of the contractor / leaseholder defaulting or being unable to offer the service (e.g. through loss of alcohol / premises license) will reflect badly on the Council.**

There is no performance bond held as the contract with Just Inspire is a sub-contract between CDP and Holt Solutions (trading as Just Inspire). A performance bond with Just Inspire is not needed as the main contract is with CDP so if Just Inspire failed CDP would be responsible for the contract.

The contract sets out the specifications and the requirements. This includes meeting frequently with the Arts Manager and providing relevant supporting documents when required. The Arts Manager confirmed that various documents are reviewed on at least an annual basis. They include licenses, food certificates and insurance. If complaints or concerns are raised about the restaurant the Arts Manager is able to meet with Just Inspire and help support them.

The Arts Manager had noted that during the pandemic there had been an increase of rats in the park. He raised this with Just Inspire enabling them to put extra controls in place to prevent issues at the restaurant.

There are no contingency plans in place if the catering concession fails. This is because the contract is not with Just Inspire but with CDP who would be tasked to find new caterers.

Meetings are held on a quarterly basis with Just Inspire. This helps to ensure the terms of the contract are being followed and to highlight any issues or concerns.

The risk register includes a risk of failure of the catering and events concessions contract. As this contract is due to expire in January 2024 and plans are being made to renew it as a lease the risk is relevant but only until then. Once the lease is in place the risk of failure of the catering and events is the responsibility of the leaseholder. Although it may impact the Council reputationally as it is in a very public Council property it would in principle be no different to a leaseholder of a shop failing.

4.4 **Other Risks**

4.4.1 **Potential Risk: The concessions are not operated under the agreed terms.**

There are no monitoring measures included in the SAP for the provision of catering. The contract monitoring aspect is referred to in the service overview section and the projects section. The Arts Manager has been assigned responsibility for the support provided to Just Inspire.

The 2019 amendment of the contract includes various details and expectations of the caterers in place at both the pump room café and the restaurant in the park. These include general menu expectations and opening hours. KPIs include prompt service times and food temperatures for the restaurant. The 2020 amendment refers to contract measures but doesn't list them so it can be presumed that they remain the same as in the earlier contract.

The measures have been covered in earlier audits of the subject so haven't been reviewed this time. It has been confirmed that contract meetings are still held frequently and documents checked as specified in the original contract with Just Inspire.

4.4.2 **Potential Risk: Security of Council-owned buildings due to the contractor being a key-holder.**

Just Inspire are key-holders for the park enabling them to have access to and from the restaurant in the evenings when the park is closed to the public. There is no formal agreement in place for this in the contract but an informal arrangement with Green Spaces. Just Inspire are asked to ensure that the building and the park are securely locked up when they leave and follow the park procedures in place when using vehicles within the park. This includes using flashing lights on the vehicle where possible or having staff walk ahead of the vehicle to warn nearby pedestrians.

Access within the park is restricted in the evenings when the park is closed. Just Inspire provide an escort to walk customers to and from the restaurant and the gates. If the area outside of the restaurant is used, only plastic glasses are allowed and staff must check for litter when closing. There are also noise restrictions in place in the evenings. The Green Space Development Officer and the Park Rangers spot-check and report back any issues to the Arts Manager so they can be resolved immediately.

5 **Summary and Conclusions**

- 5.1 Section 3.2 sets out the risks that were being reviewed as part of this audit. Reassuringly, the review did not highlight any significant weaknesses against these risks.
- 5.2 In overall terms, therefore, we can give a SUBSTANTIAL degree of assurance that the systems and controls in place in respect of Catering Concessions are appropriate and are working effectively to help mitigate and control the identified risks.
- 5.3 The assurance bands are shown below:

Level of Assurance	Definition
Substantial	There is a sound system of control in place and compliance with the key controls.
Moderate	Whilst the system of control is broadly satisfactory, some controls are weak or non-existent and there is non-compliance with several controls.
Limited	The system of control is generally weak and there is non-compliance with controls that do exist.

Richard Barr
Audit and Risk Manager

FROM: Audit and Risk Manager **SUBJECT:** Grant Applications
TO: Head of Finance **DATE:** 9 June 2023
C.C. Chief Executive
Portfolio Holder (Cllr Chilvers)

1 Introduction

- 1.1 In accordance with the Audit Plan for 2023/24, an examination of the above subject area has recently been completed by Jemma Butler, Internal Auditor, and this report presents the findings and conclusions for information and, where appropriate, action.
- 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 Council has access to a number of grants and subsidies each year which can help support its objectives. In 2022/23 the sum of grants and subsidiary claims totalled £33,662,416. Grants and claims are not solely the responsibility of officers in one service area and instead they are dispersed across the Council depending on the provider or grant requirements.

3 Objectives of the Audit and Coverage of Risks

- 3.1 The management and financial controls in place have been assessed to provide assurance that the risks are being managed effectively. It should be noted that the risks stated in the report do not represent audit findings in themselves, but rather express the potential for a particular risk to occur. The findings detailed in each section following the stated risk confirm whether the risk is being controlled appropriately or whether there have been issues identified that need to be addressed.
- 3.2 In terms of scope, the audit covered the following risks:
1. Ongoing revenue costs are committed to once the grant funding has ceased.
 2. Available grants are not claimed.
 3. Grant funding is not spent appropriately or not spent within the appropriate timescales and have to be repaid.
 4. Lack of resource to monitor and manage the grants.
- 3.3 These risks, if realised, would be detrimental to the Council with regards to meeting the following corporate objectives, as set out in the Fit for the Future Strategy:

Available grants and subsidy claims are received to support all of the strands in the FFF strategy.

4 Findings

4.1 Recommendations from Previous Reports

4.1.1 The previous audit of the subject area was completed in 2009, the systems and processes have changed since then so this audit has been performed as if it was a new audit.

4.2 Financial Risks

4.2.1 **Potential Risk: Ongoing revenue costs are committed to once the grant funding has ceased.**

The majority of the grants and subsidies are government-led, most of which are available annually. Those which aren't provided by the government are often for specific reasons - for example, for an art exhibition purchase, disability improvements or access systems. In these cases there are potentially ongoing costs that should be considered such as repairs and maintenance or insurance implications.

When reviewing the budgets it is not clear if ongoing costs have been considered as the codes for maintenance (as an example) are generic to an area and do not specify what they cover. Only two of the cost codes used for the grants received in 2022/23 were carried over into the 2023/24 financial year with a budget allocated. In these cases the budgets do not provide detail as to what the funds are for and therefore it cannot be confirmed if it is ongoing funding or additional grant funding for other projects.

There is a grants register in place which details the grants and subsidies that the Council has successfully applied for or been allocated. Using the register for 2022/23, a selection of officers who were identified as responsible for grants were contacted to discover more about their involvement and to review the process followed. This selection of officers will be referred to throughout this report in various sections.

The ongoing funding had been considered by one of the officers interviewed. This was because it was a large grant in which the application had to be accompanied by a business case. The business case had included expected maintenance and energy costs of the project over a number of years. None of the other officers had considered ongoing funding needs for the projects which had been funded by the grants or subsidies. Many of the grants on the register were government-led subsidies which the Council has no choice but to claim; others were for one-off events, incurring no further funding needs. There were a few grants on the register where the consideration of ongoing funding or costs would have been beneficial; for example, purchasing of entry systems and security gates or to fund the set-up of long-term projects.

Recommendation

A process should be in place that ensures the potential for ongoing funding has been considered when applying for grants.

4.2.2 Potential Risk: Available grants are not claimed.

There is no set person charged with finding available grants and a complete list of the grants available to the Council does not exist. The majority of grants claimed are government subsidies so the council is automatically notified of them. Some grants are available annually so may be applied for repeatedly. Grants from local organisations are identified by working with local community groups or funding partners contacting senior officers. A few of the grants were identified through industry publications.

As the grants are available from a variety of sources it is not possible to compile a complete list as it would frequently change and require updating which would be resource-heavy to manage. There are some websites which compile details of local community grants such as WCAVA (Warwickshire Community and Voluntary Action) who gather details of small grants available for local community projects. There is also a database available called 'Grant Finder', a subscription-based website which collects information about grants available in the UK from charitable trusts, societies, research councils, national government, and corporate sponsors.

When officers are aware of grants or subsidies available, they review the criteria and, if suitable, the grant or subsidy is claimed or applied for. Officers interviewed confirmed that when applying for grants they ensure the Council meets the criteria and that the grant supports the corporate objectives set out in the 'fit for the future' strategy. In some cases where the terms had been more complicated, legal services had been consulted as there could have been wider repercussions. Grants always link to service area plans and for larger grant applications the Head of Service is involved, taking the application to SLT for review and approval.

Not all grants are applied for as the Council doesn't always meet the requirements. However, no details or information are kept of grants considered but not applied for. As grants can be applied for by a large number of officers across the various service areas it would be a poor use of resource to gather and maintain records of grants that have simply been considered but not pursued further.

4.2.1 Potential Risk: Grant funding is not spent appropriately or not spent within the appropriate timescales and have to be repaid.

The grants registers list grant applications which have been successfully applied for. The registers identify the relevant officer or officers, the nominated accountant, and other key information regarding the grant such as amount received, conditional information and crucial dates.

The grants register for 2022-23 was reviewed. All the grants on the register had an officer or budget manager identified as the responsible officer and an accountant identified. There were 56 grants on the register for 2022-23. The sum of grants and subsidies successfully received was £33,662,416.

From the register a sample of 24 grants and subsidies was selected. Half of the sample were conditional and the other half were non-conditional; other than this the sample was selected at random. All the sample had separate files set up containing additional information and supporting documents. All the sample files included documents detailing the amount of the grant or subsidy and details of the payment date. Five of the sample included application documents - this is because the majority are subsidies or grants where there is no application process to follow. All the sample had been coded to the correct ledger, although initially two were incorrect but this was quickly noticed by the Grants and Loans Manager who had provided details of the correct code so that the accountants could resolve it.

Not all grants required working papers or spending to be monitored. Within the sample, those that required it either had reports of how the grant had been spent or information that had been saved in preparation for the report or feedback. In some cases the grant period hadn't ended so the funds had not been fully used to allow detailing of the spending. Where spending feedback had been issued to the grant provider either screenshots or copies of emails had been saved in the file.

The staff selected for interview confirmed that the terms of some of the grants required frequent reporting. In most cases this was quarterly, to the grant provider. These staff were able to provide additional documents to support the frequent reporting which showed how the funds were used and any outcomes.

4.3 **Other Risks**

4.3.1 **Potential Risk: Lack of resource to monitor and manage the grants.**

Only one of the officers interviewed had reference to applying for grants in their job description; others either didn't or were unsure as they didn't have access to a current copy. All the officers interviewed commented that the role had always included finding, applying for and monitoring additional funding opportunities so a time allowance had been made for this.

There is no set procedure in place for the monitoring of grants. This is due to the grant providers stipulating how and when they require feedback and progress reports. One of the officers interviewed said that some of the government grants and subsidies are compulsory and usually no monitoring is required. Other officers confirmed that monitoring was completed and reports issued on a regular basis to the grant provider. Internal reporting is rarely completed unless the funding is part of a large project or for a significant amount.

Some of the officers interviewed did confirm that they don't actively look for additional funding as much as they feel they should as they don't have the time available. Instead, they opt to apply for grants which have been historically available or that are easier to identify through funding partners. One of the officers confirmed that they had previously looked into subscribing to the 'Grant Finder' site but with staff vacancies there hasn't been the opportunity to explore this further.

The officers interviewed were all aware of their responsibilities regarding grants and all understood the importance of monitoring and reporting in line with the terms set out.

5 **Summary and Conclusions**

5.1 Section 3.3 sets out the risks that were being reviewed as part of this audit. The review highlighted weaknesses against the following risks:

Risk 1 - Ongoing revenue costs are committed to once the grant funding has ceased.

5.2 In overall terms, however, we can give a SUBSTANTIAL degree of assurance that the systems and controls in place in respect of Grant Applications appropriate and are working effectively to help mitigate and control the identified risks.

5.3 The assurance bands are shown below:

Level of Assurance	Definition
Substantial	There is a sound system of control in place and compliance with the key controls.
Moderate	Whilst the system of control is broadly satisfactory, some controls are weak or non-existent and there is non-compliance with several controls.
Limited	The system of control is generally weak and there is non-compliance with controls that do exist.

Richard Barr
Audit and Risk Manager

Action Plan

Internal Audit of Grant Applications – June 2023

Report Ref.	Risk	Recommendation	Rating*	Responsible Officer(s)	Management Response	Target Date
4.2.1	Ongoing revenue costs are committed to once the grant funding has ceased.	A process should be in place that ensures the potential for ongoing funding has been considered when applying for grants.	Low	Head of Finance / Grant and Loans Manager	Guidance will be created to support a new grant process, in particular those that require ongoing funding. This will be accessible from the Intranet, where it will be necessary to complete a short form containing a section where any growth / funding requirements can be outlined for delegated approval.	April 24

* The ratings refer to how the recommendation affects the overall risk and 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.

FROM: Audit and Risk Manager **SUBJECT:** Royal Pump Rooms
(including Art Gallery)

TO: Head of Place, Arts and Economy **DATE:** 29 March 2023

C.C. Chief Executive
Director for Climate Change
Head of Finance
Arts Manager
Portfolio Holder (Cllr Bartlett)

1 Introduction

- 1.1 In accordance with the Audit Plan for 2022/23, an examination of the above subject area has recently been completed by Emma Walker, Internal Auditor, and this report presents the findings and conclusions for information and, where appropriate, action.
- 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 Royal Pump Rooms (RPR) comprise Leamington Spa Art Gallery and Museum (AG&M), the Visitor Information Centre (VIC) including the box office for the Royal Spa Centre, the Assembly Rooms, café, and library.
- 2.2 The various staff that work in the Pump Rooms, also cover the AG&M, VIC, Town Hall, and Royal Spa Centre (RSC).
- 2.3 At present, the total running costs of the Pump Rooms amounts to £1,030,700 for 2022/23.

3 Objectives of the Audit and Coverage of Risks

- 3.1 The management and financial controls in place have been assessed to provide assurance that the risks are being managed effectively. It should be noted that the risks stated in the report do not represent audit findings in themselves, but rather express the potential for a particular risk to occur. The findings detailed in each section following the stated risk confirm whether the risk is being controlled appropriately or whether there have been issues identified that need to be addressed.
- 3.2 In terms of scope, the audit covered the following risks:
1. Inaccurate recharging of costs.

2. Premises and collections insufficiently insured.
3. Loss of external grant funding.
4. Budget inappropriately monitored.
5. Theft/loss of takings.
6. Stock inappropriately monitored.
7. No monitoring of casual staff hours.
8. Failure of contracts at the Pump Rooms.
9. Lack of management of tenants/leaseholders (café and library).
10. Theft or damage to the exhibits/collections.
11. Inappropriate displays.
12. Premises insufficiently managed.
13. Loss of suppliers to shop.
14. Inappropriate sale of 'donated' items to the collection.
15. Goods and services improperly procured.
16. Security of the building/unauthorised access to buildings.
17. Safety of staff and customers.
18. Lack of staff to cover the venue.
19. Failure of collections monitoring system/room-booking system.
20. Flooding/leaks in the Pump Rooms causing water damage.

3.3 A 'risk-based audit' approach has been adopted, whereby key risks have been identified during discussions between the Internal Auditor and key departmental staff. The Place, Arts and Economy Risk Register has also been reviewed.

3.4 These risks, if realised, would be detrimental to the creative economy of the District. The Council is responsible for the development of new and existing partnerships with artists, organisations, and key funding bodies. It also ensures that there are opportunities for both visitors and residents to engage and participate in the Arts.

4 Findings

4.1 Recommendations from Previous Reports

4.1.1 The current position in respect of the recommendations from the audit reported in February 2019 was reviewed. The current position is as follows:

Recommendation	Management Response	Current Status
Invoices should be set up on the system (TOTAL) correctly to enable budget managers to account for them when budget forecasting. Staff should be trained on how to set up annual orders (for invoices paid in instalments).	Training on TOTAL and the correct procedures for annual orders will be given to all appropriate Collections & Engagement staff.	This recommendation is now out of date; however, the Collections & Engagement team have been trained on the new finance management system, Ci Anywhere. Purchase orders and invoices are regularly raised by staff.

Recommendation	Management Response	Current Status
A key signing-in/out procedure should be adopted for the safe keys. The security of storage for the safe key should be reviewed.	A signing in/out procedure will be implemented, and the storage of keys will be reviewed.	The signing out sheet is attached to the front of the key box. It lists the staff name, keys taken and date and time in/out. There is a key box in the Art Gallery office which holds the keys for locked doors and safes. There is also a key safe in the VIC office which holds the keys for the cash bags and float.

4.2 Financial Risks

4.2.1 Risk: Inaccurate recharging of costs.

All creditor invoices tested by the auditor corroborated with their relevant purchase orders. All debtor invoices that were tested correctly named the debtor, invoice number and service provided; however, seven of the twelve samples did not provide the date in which the service was provided. Two invoices were raised within one month after the service was provided. One invoice was raised within two months and another within six months. Only six debtors paid ahead of the due date.

Recommendation - Officers should include the date that a service has been provided on all invoices.

Advisory – Consideration should be given to reminding debtors to pay in a timely manner.

Fees and charges are advertised on the RPR website. These fees include the hiring of the Assembly Rooms, the Conservatory, the craft studio, and the AG&M. The Fees & Charges for 2022/23 were agreed by Cabinet on 4 November 2021. During testing it was found that, in thirteen of the twenty invoices sampled relating to room hire, there were no details of the hire stated on the invoice; this is therefore not an accurate reflection of the services provided.

Advisory – Consideration should be given to highlighting the rooms hired on all RPR invoices.

4.2.2 Risk: Premises and collections insufficiently insured.

The Insurance and Risk Officer confirmed that the building is insured for £24,528,200 and that the collection is insured for £8,719,428 of which £7,587,023 relates to the art collection. There has only been one claim for damage to a loan since September 2021, wherein a glass frame was broken which resulted in minor damage to the artwork. Damage caused by flooding is

also insured and specialist cover for the collection includes damage caused by issues with the humidity control system.

4.2.3 **Risk: Loss of external grant funding.**

The Arts Manager (AM) advised that the museum rarely applies for external grant funding. There are usually restrictions in place set by the grant providers.

The Arts Grants Programme is used by the Arts service to influence arts organisations, enable projects that would otherwise not occur, lever further investment, and nudge cultural activity towards meeting the aims of the Creative Framework. Warwick District Council's (WDC's) Creative Partner grant scheme recognises cultural organisations based within the district that make a significant contribution to the strategic goals of the creative sector. Organisations receive £2,500 annually for a period of three years.

WDC's Ignite Grants support the development and growth of arts organisations or freelancers based within Warwick District. Grants are between £500 and £5,000. This is development-based funding intended to help 'ignite' potential, increase resilience, or develop an organisation. Ignite Grants are aimed at new and emerging organisations, freelance creatives, or groups that wish to test innovative ideas. The fund is intended as a steppingstone towards being considered as a Creative Partner of the Council in the future.

Arts Project Grants are aimed at supporting community groups or smaller organisations who want to deliver a one-off cultural project. Grants are awarded for project revenue funding of between £500 and £2,000. Business cases are reviewed twice a year before each funding round, by the Arts Grants Steering Group to ensure that the grant scheme remains fit for purpose. Grant applications are assessed by the Steering Group within fifteen working days after the application closing date. The Arts Officer continues to monitor the performance of grant recipients to ensure that grant conditions are met, and that any potential issues are flagged. The service maintains a grants register in order to monitor these applications.

The grants budget for 2022/23 is £27,600; this has seen a slight increase from £27,100 in 2021/22 due to inflation. £10,000 is put towards Creative Partnership grants, £10,000 for Ignite Grants and £7,600 for Arts Projects.

All samples tested by the auditor stated the recipient, grant amount, reason for the grant, date awarded, and the funding period on the grant information form. All samples had been reconciled to the general ledger on Ci Anywhere. However, only 90% of these appeared on the grant payment register; eight of the eleven grants had signed agreements on file.

Advisory – Consideration should be given to reminding staff to maintain a record of all signed grant agreements and monitor grant payments on the grant payment reports, where relevant.

4.2.4 **Risk: Budget inappropriately monitored.**

Income for the AG&M is obtained through external funding, events, workshops, and school bookings. Income for the VIC and RPR comes from the sale of stock, box office sales and ticket sales for local events and theatres.

Till receipts for the VIC are stored for three months in a locked cabinet; hard copies of credit card information are shredded after one month. At the end of each shift the tills are reconciled by the relevant staff member. Till receipts and Z report readings are kept in envelopes in a locked cabinet. There are two separate bank books for takings: one for the box office and one for the VIC. Any discrepancies in the banking sheets are explained and verified before being sent to the nominated accountant.

All takings across the thirteen months reconciled to the relevant Ci Anywhere budget code; however, the income summaries for both December 2022 and January 2023 did not match the weekly banking sheets. This was discussed with the Sales and Information Supervisor (SIS), who confirmed that the numbers had been incorrectly entered onto the taking's spreadsheets. This was rectified during the audit and the nominated accountant was notified.

Advisory – Consideration should be given to ensuring that weekly banking sheets are checked for any inaccuracies.

There are numerous budgets in place for the RPR including Catering, Strategic Arts, Grants, Partnerships (i.e., schools and museums), Arts Development, Exhibitions, Events, Assembly Rooms, and Pump Room Management. During 2022/23 there was a slight overspend on the Catering Contract of £155. However, the expenditure for the VIC, RPR and Strategic Arts were all well within the allocated budget. During 2021/22, there was an overspend of £6,483 on the Catering Contract and £9021 on the Strategic Arts budget; however, expenditure against the Pump Rooms was well within budget. Overall, there has been an increase in expenditure across several areas compared to 2021/22, including wages, gas, water rates, insurance, and professional subscriptions, but this is to be expected.

4.2.5 **Risk: Theft/loss of takings.**

Keys to the banking safe and till receipts are kept in a locked key safe. All takings are counted and placed into bags for both the box office and the shop. A spot check of the £50 VIC float was conducted by the auditor which was found to be correct. The VIC safes are kept in an office which is accessible by keypad entry only. G4S collect the cash to be banked every Tuesday. All receipts for this are kept in the VIC office and these are then reconciled with the figures for year end. It is uncertain as to what will happen to these receipts when WDC vacate Riverside House, as archive space will be severely diminished. There is no segregation of duties in place as it is currently just the SIS and two-part time staff who deal with cashing up.

4.2.6 **Risk: Stock inappropriately monitored.**

The SIS manages the purchases for the VIC. There is currently no method of checking when stock is running low through the till; however, stock mainly consists of greetings cards. All stock-related invoices are stored on Ci Anywhere. Should substandard stock arrive, faulty products are returned to the supplier and a replacement is sent free of charge. There are currently nineteen local artists supplying artwork to the VIC. Artists are paid through PayPal on purchase cards which is then recorded through the general journal on Ci Anywhere. The SIS will only pay invoices upon acceptance of a goods receipt. All stock supplies tested by the auditor received a goods receipt; invoices were only paid after the goods receipts had been supplied. The invoices were, however, paid past the due date.

Formal stock checks should ideally be completed on a monthly basis; however, these often take place every three months, depending on the availability of staff. The information from stocktakes has to be input onto the system at the RSC; all outstanding stock checks are completed by year end. There is no holding stock stored at the RPR and, to avoid any surplus, the SIS will not re-order any new stock until year end. The SIS orders and checks the stock deliveries for the VIC by comparing the order with the delivery note and then confirms the quantities received and their prices. There are no perishables sold and thus there is no need for stock rotation. Older stock or stock that does not sell is reduced to clear but never below cost price.

4.2.7 **Risk: No monitoring of casual staff hours.**

The various sections within the RPR and AG&M all have their own pool of casual staff. The Collections & Engagement Managers (CEM) are responsible for the Collections, Learning & Engagement staff. Projected hours are logged onto a spreadsheet and then compared to actual hours worked. The CEM then checks whether the actual hours substantiate the hours projected. These are then matched to I-Trent and staff claims are authorised accordingly.

The customer service staff also work on a rota basis; the Customer Services Manager (CSM) is responsible for this team. VIC staff work on a fixed hours rota system where annual leave and overtime are monitored through timesheets and holiday cards. Casual staff claim their hours through the same means in which overtime and expenses are claimed. All permanent Gallery staff have set working hours.

Ten of the twenty casual staff hours sampled had pay slips that reflected the number of hours claimed. Five of the sample had not yet submitted their claim through I-Trent and one from the sample claimed hours after the cut-off date. One member of staff was being paid full time hours as they had taken on the role of Duty Manager (DM). Two from the sample had not submitted eight hour and six-hour claims respectively; however, they had correctly received payment for all previous claims. One of the sample had not had the payment authorised because the member of staff in question claimed the hours under the incorrect date. One staff member only claimed five hours instead of five and a half but also got paid for seven hours which were not recorded on the rota.

Advisory – Consideration should be given to reminding casual staff to submit hour claims in a timely manner. Consideration should also be given to reminding Managers to check that casual hours claimed match the rota; any deviances from this should be recorded.

4.3 **Legal and Regulatory Risks**

4.3.1 **Risk: Failure of contracts at the Pump Rooms.**

The RPR contracts mainly comprise external exhibitions and events; these contracts are drawn up by the Collections & Engagement team.

Agreements between grantees are also made with regards to grant funding. These outline the responsibilities of the recipient (in which it is stated that the grantee must meet regularly with WDC to monitor their performance). Should any part of the grant remain unspent at the end of the funding period, the recipient shall ensure that any unspent monies are returned to WDC. The recipient is also expected not to spend any part of the grant on the delivery of the funded activity after the funding period.

Events contracts set out the fees and expenses for which the artist must be reimbursed. These also outline the facilities to be provided by the Gallery as well as the obligations of the artist and copyright legislation. Artists must also be subject to DBS checks where applicable.

Exhibition contracts are made between the AG&M and the artist; these outline the exhibition venue, dates, the collection, delivery, installation and dismantling of artwork. These also highlight where work can be sold on an artist's behalf, how the gallery will care for the works whilst on display, how the works will be presented and any reproduction rights. It should be noted that these contracts are being re-arranged to bring them in line with those used by the RSC.

4.3.2 **Risk: Lack of management of tenants/leaseholders (café and library).**

The RPR have two sitting tenants: the café which is leased by The Larder at 23 Portland Ltd and the library, of which Warwickshire County Council (WCC) pays peppercorn rent.

The Café lease signed on 1 June 2020 is not due to expire until 31 May 2025. This outlines the café boundaries and other requirements such as opening hours and food hygiene laws. The library lease was signed on 7 October 2002. This states that WDC are responsible for repairs, fixtures and fittings, maintenance, insurance, and water/energy etc., providing that WCC pays the rent as demanded.

The Technical and Facilities Manager and Facilities Supervisor chair a quarterly joint operators meeting, in which day-to-day operational matters are discussed. The Business Administration Officer administers the utilities recharges for the café and library on a quarterly basis.

The in-house Arts teams have regular meetings to discuss performance. This includes acquisition meetings to discuss various items in the collection and exhibition planning meetings, including forthcoming exhibitions, programmed displays, gallery hangs and potential future events. The Collections & Engagements team also hold weekly operational team meetings in which service updates, and updates to the collections or exhibitions are also discussed.

4.4 **Reputational Risks**

4.4.1 **Risk: Theft or Damage to the exhibits/collections.**

Inventories are kept of all items; the Modes Database gives a location of every item, whether in store, on loan or on display. There is also an Accession Register of art items/museum items and museum slips. All items are logged on the catalogue database, including any limitations in place for items purchased with grant funds. The museum currently houses almost 14,000 objects.

A walkthrough of the Modes database was conducted by the auditor; the database states where an item has been inherited or received as a gift/donation. Historic items transferred to other places are maintained on the database for record purposes but are removed from the main catalogue. Modes also details the object's current location as well all other previously known locations. This ensures that should an item go missing, it can be traced back to its last known location.

Within the database is also the object description, size, condition, material history and a list of any publications or exhibitions in which it has featured. The object acquisition outlines whether it is a gift (donation), purchase or transfer. Modes also gives recent and previous valuation history and an audit trail of who has updated the records. Most items have been photographed or scanned onto the database. Where a copyright subsists, this notifies the user that permission must be obtained in order to reproduce the image. The database adheres to Spectrum, the UK collection management standard for cataloguing.

Paperwork relating to collections are kept in blue folders in a lockable room. This includes GDPR information and museum records of previous exhibitions/marketing. Equipment lists are maintained around the building. All items in storage are marked; blue stickers relate to items that have been photographed and scanned onto Modes. Green stickers indicate when the items were last packed by volunteers; repackaging takes place regularly to maximise preservation.

The collections rota allows staff to see when certain tasks were last completed. The CEM is also looking into digitising the pest management aspect of conservation. Any issues arising from environmental checks are discussed at weekly meetings; front-of-house staff also record these in daily reports. The daily report is also the forum through which casual staff hours, temperature and humidity readings and customer feedback is noted. Any details pertaining to the VIC, AG&M, box office, foyer, library, or café are also recorded via this method.

The cleaning procedure i.e., the dusting of items and frames, is a regular part of the collections management process. Whenever an art or ceramic store is cleaned, this is logged on the system. The temperature and humidity are monitored in the three storerooms as well as the main gallery and temporary exhibition gallery. The auditor observed staff removing a piece of artwork from the gallery; all staff were wearing appropriate clothing. There were also temporary storage areas where items had been moved to prevent damage from roof leaks.

Control checks have to be within a certain range (45-65 for humidity and under 21 degrees for temperature). These are checked every day on report sheets by the curators. The temperature in the arts store was recorded at 20.2 and the humidity at 37 by the auditor; the temperature was at 21.10 in the exhibition gallery and humidity was at 36.1. The art store has its own control environment as does the ceramic store. The DM and curators check the thermometers throughout the gallery on a daily basis. Pieces are packed into polythene bags in the art quarantine area, to prevent insect damage. Art is also securely packed into wooden crates when it is due to be shipped elsewhere.

4.4.2 **Risk: Inappropriate displays.**

Any items received by the AG&M have to be signed into the Accession Register. Any artwork transfers to museums or loans of objects are recorded in entry forms. Loan entry forms are pre-printed and kept in a paper safe in the art store.

The service maintains a spreadsheet of donations received from the Friends of Leamington Art Gallery. Pieces on loan also receive an incoming and outgoing receipt to acknowledge that the borrower/lender has received the object. All loans into the gallery are recorded on a register. This provides a description of the piece and outlines the date that the piece was received, the agreed date of return and its location. This was found to be up to date during the audit and all pieces had been returned within five days of the agreed return date.

The Collections Documentation Policy outlines the procedures that must be adhered to regarding loans. Loans and identifications that are not collected/ returned after a period of no less than three months from the end of the agreed loan period will be disposed of in accordance with the procedures set out in the Collections Development Policy and after seeking appropriate legal advice. Loans in may be accepted for exhibition or display, photography or publication and research. Loans in will be accepted for a minimum of one week and a maximum of five years. Requests for loans out will be considered provided that the object(s) are in a suitable condition and are not required for display or other use by the AG&M. Objects may be loaned to other Accredited museums; other organisations and venues will be considered, providing that they meet the necessary standards for the care of the object. Objects may also be loaned for exhibition tours and conservators as and when necessary for work to be carried out. Loans out can be for up to five years, after which they may be considered for renewal, if appropriate.

Applications for loans should be submitted not less than three months before the date for which the loan is requested (or as agreed in writing with the AM). All loans can only be signed off by the AM, CEM or curator. All loans sampled by the auditor, had the loan date, and return date appropriately recorded and a signed agreement held on file. These contained a description of the item on loan, the value of the item and details of both the recipient and the lender.

There is a documentation procedural manual in place for the gallery dated 2021-2026. This lists all the procedures that the collections staff must adhere to with regards to objects coming into the museum and the labelling/cataloguing of items. This manual is due for review in June 2025. The manual also provides step-by-step instructions regarding how to process loans in and out of the museum.

The Exhibition Policy outlines the scope under which exhibitions must fall. This policy was adopted 16 March 2022 and will be reviewed in March 2027.

Proposals will only be considered if they meet a certain set of criteria:

- Engage with AG&M collections.
- Make and develop connections with AG&M audiences.
- Provide opportunities for local audiences to engage with a wide range of historical narratives and/or art forms by artists with a national reputation or a connection to Warwick District.
- Create opportunities for collaboration.
- Enhance the AG&M's reputation for quality and excellence.
- Deliver exhibitions within budget/attract additional income or funding.

The programme for display spaces is also confirmed up to one year in advance, which enables suitable time for artwork to be signed off as appropriate.

Proposals that meet the Exhibition and Displays Policy will be considered by the Collections & Engagement team. Displays must also:

- Complement the temporary exhibitions programme.
- Highlight objects or small groups of objects.
- Display the work of local artists.
- Display work or projects from the local community, including school groups.
- React to local and national events.

The policy provides step-by step-guidance on how to consider exhibition proposals from internal and external applicants. Applicants are asked to deliver a short presentation about the exhibition. If the Exhibitor comes from outside the AG&M, a Lead Curator will be assigned to the exhibition. They will liaise with the Exhibitor to guide them through the next stages of the project. The Lead Curator is the project manager and is responsible for the exhibition budget, content, interpretation, and resources. Exhibition Planning Meetings take place four times a year. Proposers also have a chance in the display proposal form to highlight the risk of artwork causing controversy or offence.

4.4.3 **Risk: Premises insufficiently managed.**

There is an Operational Plan in place that outlines the vision, mission, values, and objectives of the Arts section. It provides an analysis of performance during the previous year against set KPIs and outlines the priorities for each team during 2021/22. Through a PESTLE and SWOT analysis, the service has been able to review its strengths and weaknesses and devise a plan of action as a result of this. Much like a Risk Register, this is adapted over time to reflect completed projects or where steps are no longer relevant/new matters have arisen. The AM is in the process of updating the Operational Plan for 2023/24. An internal Service Area Plan also exists, devised by the Deputy Chief Executive and previous Head of Cultural Services. This outlines a service plan of delivery for the RPR and the estimated expected workload.

The Learning & Engagement team also abide by the Learning & Engagement Policy 2021. This was adopted 16 March 2022 although it has not yet been uploaded to the website as the team are still working on the activity plan. Laid out in this document is the mission, aims and objectives of the Learning & Engagement service. It also lists the KPIs against which the service monitors itself. These include:

- increased attendance at all events
- number of visits from schools/colleges/universities
- number of repeat visits/first visits
- number of students attending.

This Policy is next due for review in March 2027.

4.4.4 **Risk: Loss of suppliers to shop.**

There are no formal agreements between suppliers required as there are no set procurement practices for suppliers to the VIC; this is due to the minimal amount spent and the fact that the SIS can make purchases as-and-when with a purchasing card. Eight of the twenty invoices sampled were paid in the same month that the invoice was issued. Three were paid within one month; one within two months, one within five months and seven one month in advance of the due date. The VIC take 30% commission of anything the artist supplies. The invoices from local artists had all correctly deducted the 30% commission for the VIC from the total sum due. All ten invoices were paid within the same month of the invoice through purchase cards; all ten transactions were recorded on the card transactions spreadsheets.

One sample did not display the 30% commission charge on the invoice. This was identified because the artist in question is also a member of staff at WDC. This was discussed with the SIS who confirmed that the original sales report was for £297.50. Without the 30% commission this should have amounted to £208.25. The SIS advised that the artist had been underpaid by £20.30, taking the total to £187.95 which matched the invoice sent. This issue has since been rectified.

Advisory – Consideration should be given to reminding staff to pay invoices in a timely manner.

4.5 **Fraud Risks**

4.5.1 **Risk: Inappropriate sale of 'donated' items to the collection.**

Inventories identify pieces that have been donated to the gallery under acquisition history which is viewable by all staff. Pieces given to the museum by the Contemporary Art Society have stipulations that state the works cannot be sold; this is noted on Modes.

4.5.2 **Risk: Goods and services improperly procured.**

Procurement requirements are not relevant because the total value of orders placed with suppliers for the shop are never over £2,000. Only around Christmastime will the delivery amount to approx. £1,500 minus VAT.

Purchase cards are used for the majority of purchases. The SIS uses purchase cards to pay local artists through PayPal when artwork is sold through the VIC. The CEMs manage the art purchases for the gallery. All twenty purchases sampled were correctly reflected in the general ledger and noted on the purchase card journal.

4.6 **Health and Safety Risks**

4.6.1 **Risk: Security of the building/unauthorised access to buildings.**

The DM for the AG&M is in charge of conducting perimeter checks as well as opening and closing the facilities.

There is a key box in the AG&M office that holds the keys for the locked doors and safes; staff must sign out any keys that they use. Most locked doors require more than one key to be opened. Staff sign in and out of a book at the front desk for fire safety reasons. Volunteers are also signed in; however, members of the public and visitors to staff are not required to sign into the museum.

Advisory – Consideration should be given to signing in all staff visitors.

There are a number of CCTV cameras around the AG&M. Although the CCTV is not monitored, the main public areas are relayed to the main CCTV control room. The building is also fully alarmed.

General security arrangements were observed by the auditor on site. All keys were locked within relevant safety boxes around the building. Staff have keys to get into the building but cannot get upstairs without accessing a locked key box. The CEM advised that the firearms licence had recently been updated. The gun cabinet cannot be accessed without obtaining the keys from a locked key box upstairs in the safe which stores the gun cabinet key.

4.6.2 **Risk: Safety of staff and customers.**

There is a comprehensive Risk Register in place. It covers all the Arts facilities but incorporates several risks specific to the RPR; this was last reviewed in

November 2022. There are several risk assessments available for the Arts staff including the RPR, AG&M and Flood Barriers. There are also separate risk assessments for the various events, workshops, and school visits - these are all held on the network files. A copy of the school risk assessment is available to download on the webpage.

There is an emergency procedures manual available on the network. This includes fire evacuation procedures, power failure procedures, building maps and a list of all staff to be contacted in the event of an emergency.

Advisory – Consideration should be given to updating the Emergency Manual as this was last reviewed in July 2019.

The CEMs maintain a training spreadsheet for the Collections & Engagement team, to monitor the various training courses attended by staff on certain dates. The CSM has also compiled one of these for customer service staff. Staff receive emergency safety training on induction and can book onto refresher training through I-Trent if desired. Emergency procedures are led by the DM.

Front-of-house staff will report incidents through the daily report or speak to a senior member of staff directly. Diarised meetings take place weekly in which a representative from each team discusses any matters arising and what to expect over the next two weeks.

4.7 Other Risks

4.7.1 Risk: Lack of staff to cover the venue.

As well as a book with which staff can sign in and out, there are also formalised, electronic rotas held on file. It was found during the audit that the facilities had been covered sufficiently through several rotas.

4.7.2 Risk: Failure of collections monitoring system/room-booking system.

The RPR manage the Assembly Rooms which can be booked as a venue. The Conservatory and craft studio can also be hired for workshops and activities, but very few people hire the gallery itself. There is no formal hiring policy in place, as the terms and conditions of a hire are laid out in the hire agreement which is agreed to and signed by both parties.

Artifax outlines the cost of hires per hour, full day hires and half day hires. It also pre-calculates net, gross and discounted charges. The new cost codes for Ci Anywhere have not been plugged into Artifax so the Events Co-Ordinator (EC) has had to do these manually. As invoices are taken directly from Artifax, if these are not input correctly onto the system, the invoices will be incorrect.

Advisory – Consideration should be given to loading Ci Anywhere budget codes onto Artifax.

The service is looking to produce quotes directly from Artifax so that quotes will be based on an accurate approximation of time and costs. There is also the

potential to send risk assessments through Artifax to the hirer. The hirer will then be expected to complete the risk assessment before they can hire the RPR.

Negotiations are due to take place between the RPR and certain hirers including Leamington Music and Just Inspire, as the rates that they are currently being charged are based on old Town Hall fees and are therefore not aligned to the Pump Room costings. Any leaks in the areas being hired will result in a discounted fee; discounts of this nature have to be approved by the AM. Half-day costs include a DM and a Customer Service Assistant.

Hire agreements represent the initial contract and therefore negotiations will often result in the final invoice inaccurately reflecting the charges first quoted in the hire agreement. In four out of the twenty agreements sampled, the date that the service had been provided was not included on the invoice. Twelve invoices had been sent after the event had taken place. Seven invoices were paid after the due date; eleven were paid in advance. Twelve invoices matched the fees and charges quoted on the website; one invoice did not match the charges advertised. On two invoices, this test could not be completed as the charges had been lumped together in one sum with no indication of the hours charged. Seven of the hire agreements sampled could be substantiated by the charges outlined in the final invoice. However, on three agreements, the corkage charge had not been taken into consideration. Two invoices had the hirers insurance fee calculated incorrectly and in one case the cost of tablecloths, refreshments and security charges had not been included in the agreement.

Recommendation – Hire invoices should be raised prior to an event where possible; deposits should also be taken where necessary.

It is often the case that the hirer does not use the full time charged, as was the case with one sample. Moreover, with one function the number of attendees was much lower than expected and so catering costs were reduced. Certain hirers, such as Leamington Music and Just Inspire, are done so on an ad-hoc basis, meaning there are no formal hire agreements in place. Invoices should itemise charges rather than outline charges in one lump sum; this was made a recommendation under the Town Hall Lettings audit.

Recommendation - Staff should make notes on the invoice/hire agreement explaining why certain discounts have been awarded.

Recommendation - All invoices should include the hours charged.

Recommendation - All hires should have formal agreements in place, whether on a rolling basis or for one-off events.

There are measures in place to ensure the physical security and long-term preservation of all documentation records, whether paper-based or computerised. The collections management database is kept in the stores in a fireproof safe. There is also a digital copy of the information stored at the AG&M. The Modes server is backed up daily, weekly, and monthly as outlined in the Collections Documentation Policy 2018-2023.

4.7.3 **Risk: Flooding of areas in the Pump Rooms causing water damage.**

An audit of the Pump Rooms roof was recently conducted in which it was found that there are approximately 100 access points where the roof could leak. The team have therefore applied for a grant through the Arts Council (MEND Fund); the result of this will be communicated by the end of March. This is the highest point of priority on the risk register. Flood barriers are placed against the art stores to prevent damage to the art racks or costumes; these are serviced annually. Issues surrounding flooding, grounds and building maintenance issues and any issues with heating or alarms are recorded on the daily report. Flood Safe Projects carried out an inspection in which it was recommended that the service should make some minor repairs to the building. There is, however, currently no Planned and Preventative Maintenance programme in place.

5 **Summary and Conclusions**

5.1 Section 3.2 sets out the risks that were being reviewed as part of this audit. The review highlighted weaknesses against the following risks:

- Risk 1 – Invoices may not accurately reflect the date a service has been provided.
- Risk 19 – Hire agreements may not accurately reflect the hours charged or discounts awarded. Invoices relating to hire of the RPR are not being distributed in advance of the event.

5.2 Further 'issues' were also identified where advisory notes have been reported. In these instances, no formal recommendations are thought to be warranted, as there is no significant risk attached to the actions not being taken.

5.3 In overall terms, therefore, we are able to give a SUBSTANTIAL degree of assurance that the systems and controls in place in respect of the Royal Pump Rooms are appropriate and are working effectively to help mitigate and control the identified risks.

5.4 The assurance bands are shown below:

Level of Assurance	Definition
Substantial	There is a sound system of control in place and compliance with the key controls.
Moderate	Whilst the system of control is broadly satisfactory, some controls are weak or non-existent and there is non-compliance with several controls.
Limited	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 attached Action Plan (Appendix A) for management attention.

Richard Barr
Audit and Risk Manager

Action Plan

Internal Audit of Royal Pump Rooms (including Art Gallery) – March 2023

Report Ref.	Risk Area	Recommendation	Rating*	Responsible Officer(s)	Management Response	Target Date
4.2.1	Financial Risks: Inaccurate recharging of costs.	Officers should include the date that a service has been provided on all invoices.	Low	Arts Manager	All the team have been reminded to include dates on invoices from now on.	1 April 2023
4.7.2	Other Risks: Failure of collections monitoring system/room-booking system.	Hire invoices should be raised prior to an event where possible; deposits should also be taken where necessary.	Medium	Programming & Marketing Manager	This was raised in another recent audit and has already been actioned. Programming & Marketing team now have Events Coordinator Post.	1 April 2023
		Staff should make notes on the invoice/hire agreement explaining why certain discounts have been awarded.	Low	Programming & Marketing Manager	All the team have been reminded to include notes on why discounts have been applied.	1 April 2023
		All invoices should include the hours charged.	Low	Programming & Marketing Manager	All the team have been reminded to include the hours charged on invoices.	1 April 2023
		All hires should have formal agreements in place, whether on a rolling basis or for one-off events.	Medium	Programming & Marketing Manager	This was raised in another recent audit and has already been actioned. Programming & Marketing team now have Events Coordinator Post.	1 April 2023

* The ratings refer to how the recommendation affects the overall risk and 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.

FROM: Audit and Risk Manager **SUBJECT:** Sports Development
TO: Head of Safer Communities,
Leisure and Environment **DATE:** 18 May 2023
C.C. Chief Executive
Head of Finance
Active Communities Officer
Sports and Leisure Contract
Manager
Business Admin Officer
Portfolio Holder (Cllr Hunt)

1 **Introduction**

- 1.1 In accordance with the Audit Plan for 2023/24, an examination of the above subject area has recently been completed by Jemma Butler, Internal Auditor, and this report presents the findings and conclusions for information and, where appropriate, action.
- 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 Council operates two small grants schemes to assist qualifying organisations in meeting funding needs for projects which may range from procurements of essential equipment to running special sporting and physical activity programmes.
- 2.2 The allocation of grants through the schemes form part of the duties of a single officer. Their role involves collaborative working with various organisations ranging from community sports clubs to local and sub-regional partnership agencies. With an aim to encourage and increase opportunities for participation in sport and physical activity among the local community.

3 **Objectives of the Audit and Coverage of Risks**

- 3.1 The management and financial controls in place have been assessed to provide assurance that the risks are being managed effectively. It should be noted that the risks stated in the report do not represent audit findings in themselves, but rather express the potential for a particular risk to occur. The findings detailed in each section following the stated risk confirm whether the risk is being controlled appropriately or whether there have been issues identified that need to be addressed.

- 3.2 In terms of scope, the audit covered the following risks:
1. Resources are inappropriately allocated.
 2. Adverse publicity concerning the Council's role in funding activities.
 3. Inappropriate advice given or promoted.
 4. Council funding is obtained through false representation.
 5. Welfare and safety of participants are put at risk.
 6. Spending of funds not monitored or feedback not received from partners.
- 3.3 These risks, if realised, would be detrimental to the Council with regards to meeting the following corporate objectives, as set out in the Fit for the Future Strategy:
- Contributes to the Health and Wellbeing strategic theme under the Fit for the Future Strategy.

4 Findings

4.1 Recommendations from Previous Reports

- 4.1.1 There were no recommendations made in the audit completed in November 2018.

4.2 Financial Risks

4.2.1 Potential Risk: Resources are inappropriately allocated.

Service area plans are live documents allowing officers to review them frequently to ensure they are up to date. They detail the targets and objectives for the service and allow monitoring of key performance measures throughout the year. Over recent years there have been a number of organisational changes, resulting in a number of restructures which has included the removal of Cultural services, where sports development had previously sat. The new structure has sports development sitting within Safer Communities, Leisure and Environment.

There is reference to sports development within the service area plan recognising that the service is responsible for managing and processing small sports grants across the district. The plan has recorded some key figures for 2021/22 which were updated 23 May 2022. The figures recorded in the plan include the number of grants awarded, total amount and the number of participants benefiting from the scheme. There are no key performance measures or targets included in the plan for sports grants.

The service area plans are linked to the risk registers. By preparing them together it provides the opportunity for officers to identify risks which could prevent them from achieving their objectives. There were no risks identified in the register specifically for the sports grants schemes.

The Active Communities Officer (ACO) manages and maintains their own work plan, submitting it to their line manager for approval. The work plan for 2021 to present was shared detailing the various streams of work. The plan covers a number of years, necessary to enable grants that have been allocated previously to remain on the plan until all documents have been received at the end of the

project and subsequent closure of the file. Grant requests are detailed within the plan along with any follow up communication. The plan tracks the outcome of the sports grants showing the number of people who have benefited from the scheme, the number of grants awarded and total amount and the number of monitoring forms returned. This is maintained as a tally for each financial year.

The figures for grants awarded in 21/22 were recorded as:

- 6 Sport and physical activity grants, totalling £9412
- 5 monitoring forms returned.
- 201 number of young people to benefit.
- 84 number of adults to benefit.
- 21 Sports development grants, totalling £8740
- 21 number of monitoring forms returned.
- 933 number of young people to benefit.
- 306 number of adults to benefit.

The totals for 2022/23 have begun to be calculated but are not yet complete.

The plan lists other areas where support is provided for the applicants of the grants - for example, sharing details of events with the media team to help promote activity within the local community or providing advice on the help available.

Budget setting is completed annually with budget for grants agreed between the ACO and the Assistant Accountant Apprentice (AAA). The funds are taken from WDC accounts but it is unclear how they are funded. The AAA was also unsure. The budget allocated for grants for 2023/24 is approximately £15K.

4.3 **Reputational Risks**

4.3.1 **Potential Risk: Adverse publicity concerning the Council's role in funding activities.**

Criteria for the grants is set out online. There are two grant schemes available - one up to £2000 and the other for a maximum of £500. Further details are given for both schemes setting out the deadlines to apply, the projects that will receive priority and the expectations of the applicant should they be successful.

Grants are to benefit the wider community, not smaller groups - for example, they are not available for schools, PTAs etc. and there are details provided of what the grants don't fund (refreshments / food, building renovations / works). The ACO's contact details are provided should the applicant have any questions or require support with their application. A number of other sites are signposted for grants from other providers such as Sport England, The National Lottery and Warwickshire County Council.

The provision of sports grants links to the Council's Fit for the Future strategy through the people strand. "... *the contribution made through physical activity and sport provided by a wide range of opportunities in the district.*" The grants available to the community groups could be considered within these opportunities.

The scheme began in 2010/11 when the partnership between WDC and Campion School ended. Recognising that there was a need for activities that members of the community could take part in, the funds, which had previously been used for the partnership, became grants.

It was agreed to end the partnership at Executive committee on 10 August 2011. A further report was due to be presented to Executive at a later date detailing a sports development programme but this could not be found.

The scheme of delegation from 11 May 2022 details the Head of Culture, Tourism and Leisure as the delegated officer to "Determine grants to Sports and Cultural Organisations". Although there have been minor updates since this date, none could be identified, moving the responsibility to the Head of Safer Communities, Leisure and Environment in line with the changes of organisational structure. There was a revision of the Senior Leadership Team that was approved at Employment committee 6 September 2022.

At present the ACO recommends the approval or not for the applications for grants to the Sports and Leisure Contract Manager who approves the decision. This approval is then documented in the file for the applications.

There is no formal policy for the sports development grants. The two grant schemes are described thus on the website:

Sport and physical activity (SPA) grant 2023/24 (maximum grants of up to £2,000).

Must benefit one of the following wards:

Leamington Brunswick
Leamington Willes
Whitnash

Sports development grant 2023/24 (maximum grants of up to £500).

The application must be supported by the ward Councillor from the area the project is being delivered in.

Other than the above differences the criteria for the grants are similar, with aims to increase opportunities for local people to participate in sport and to encourage new people to take up sport. The applicants must demonstrate that there is a need for the project e.g. through providing evidence of any consultation that has taken place and confirmation that the project will continue to be delivered after the grant has been used for initial delivery. When applying for the grants there are links provided to maps showing the ward boundaries and Councillor details.

The decision to provide the SPA grant to applicants where the benefits would be within the three specific wards is a historical one due to the loss of the facilities previously available at Campion School. As this does not appear to have been formally documented and approved there seems to be no reason why this criteria couldn't be reviewed, either making it available to the whole district or allowing the funding to focus on areas within the district identified as having a higher need. As the sports facilities available throughout the district have changed over the last thirteen years it is likely that the level of support required has changed, thus adding to the case for a review.

Recommendation

The criteria for the sport and physical activity grant should be reviewed and reassessed on a regular basis to ensure it is available to the more deprived communities, thus providing justification as to why it is being restricted to specific wards.

Other criteria is reviewed and updated as needed to ensure it is clear which groups can apply for the grants. The most recent updates included clarifying that PTA groups cannot apply where the benefit is only for the school community.

A walkthrough of the application process was performed and the follow up steps were discussed with the ACO and the Business Admin Officer. The application forms are online forms that need to be completed before the page 'times out'. Because of this, the applicant is forewarned of the information they are expected to provide and of any documents that they will need to upload. When completing the form the first page details out-of-date information, referring to the Portfolio Holder for Cultural Services. However, this service area no longer exists. (The ACO has been informed so they can update it.)

The application form lists the eligibility criteria for the grant. Applicants must confirm they meet the criteria before they can advance to the next page. The application has 11 pages for the SPA grant and 21 for the sports development grant. Each page has a time limit of 20 minutes to input information. If the 'next' or 'previous' button is not pressed within this time the information that has been input is lost. The application collects a range of information about the project including: applicant details, reason for the application, amount requested and supporting information to be provided or uploaded. An email is automatically generated to the applicant on completion of the application.

4.3.2 Potential Risk: Inappropriate advice given or promoted.

Advice regarding sports development is readily available on the Council's website. The advice provided covers the grant schemes available from the Council, signposting to other local leisure information and activities like walking sports, community activities and inclusive sports and websites such as change4life and NHS Live Well.

The advice regarding Council-run activities is maintained and kept up-to-date. There are a large number of links to external sites and community pages within a directory. There isn't enough resource to check each link so the ACO relies on organisations or customer feedback to let the Council know of any issues or changes.

Local sports or community groups are able to contact the ACO with information or provide posters about projects they are running. The ACO shares these on the sports development pages or with other groups where appropriate.

The contact details of the ACO are provided on a number of different pages should the customer need additional advice or support. The ACO explained that they are contacted on average around three times per week asking for advice or

information. The grants pages encourage applicants to contact the ACO before applying.

4.4 **Fraud risks:**

4.4.1 **Potential Risk: Council funding is obtained through false representation.**

There are no documented processes and procedures for authorising and administering the sports grants, other than the criteria listed on the website. Payments are made to successful applicants using the standard finance creditor process, obtaining a copy of a recent bank statement to confirm the details before adding them to the finance system and issuing payments.

Once an application has been submitted online it is checked by a business admin officer to ensure the relevant documents have been uploaded and the information completed. The finance system is also reviewed to see if the applicant is already set up as a creditor. In some cases the applicant may have received a grant previously so the bank details provided are checked against those held to ensure they are still correct. A file is set up in the applications folder and the ACO is informed so they can review it, either approving or denying the application. A spreadsheet is maintained by the business admin officers listing the application details and whether they were successful or not.

The ACO emails their line manager listing the applications and whether they think the grants should be approved or not. If the former, then the line manager will sign off the approval. Business admin officers are then notified of the outcome and instructed to issue the funds. Applicants can apply for both grants and can apply for more than one opportunity but cannot have more than one award per financial year.

A sample of 20 grant applications was reviewed. The sample was extracted from a list of applications received since April 2021. The sample included applications from both sports development grant schemes. The total sum of grants applied for in the sample was £38,342. Three of the applicants had not included correct documents with their application so had been contacted to send them in. In some cases this was because the documents they had included weren't clear copies and others required correspondence from the Ward Councillor to confirm that they supported the application. Ten of the sample had returned monitoring forms and invoices or receipts to show how the funds had been spent. Where the monitoring form and invoices or receipts indicated that not all the grant had been spent the applicant had been contacted in order to dispense advice on how to use the rest of the funds. Where funds had been issued to applicants, the details shown on the bank statements were checked against those held on the system to ensure the correct bank account received the funding.

The checks completed help to ensure the funding is received by the correct applicant and that the reason for the grant meets the criteria set out.

4.5 **Health and Safety Risks**

4.5.1 **Potential Risk: Welfare and safety of participants are put at risk.**

The Eligibility Criteria includes a requirement that applicants have the relevant insurance and safeguarding measures in place. This is not checked but relies on the applicant confirming that they meet the criteria as part of the application form. By requesting that the applicant tick a check box if they meet all of the criteria. The list of criteria includes:

You have all the following policies and procedures in place: safeguarding, health and safety, equality and diversity, data protection and public liability insurance.

No documents are collected to confirm the applicant has them. This is because there isn't the resource available to check they have the right documents and there isn't the knowledge to understand them and confirm that they are adequate.

Recommendation

As the criteria specifies that the applicant should have specific policies in place as well as public liability insurance, copies should be included with the application. (The officers reviewing them would not necessarily be expected to fully understand them but by obtaining copies of the documents it would confirm that they exist.)

4.6 Other Risks

4.6.1 Potential Risk: Spending of funds not monitored or feedback not received from partners.

Monitoring forms are issued when the applicant is notified that they have been awarded the grant. The return of the forms is monitored and so where it hasn't been received the applicants are contacted every 2–3 months to obtain an update on the progress of their project and to remind them to return the monitoring form and invoices or receipts.

96% of monitoring forms were returned for grants issued in 2021/22 and 37% have been returned so far for 2022/23.

Spending of funds is monitored by reviewing the monitoring forms and comparing them to the original grant application to check that the funding has been used for the reason originally specified. This also ensures that the funds have been used as set out in the criteria. Where funding is underspent the ACO will discuss options with the applicant to help them to find other ways of spending it.

At present the outcome information on the monitoring form is used only in terms of numbers of participants in the scheme and to check the funding had been used appropriately. This is then recorded on the service area plan as an outcome of the grants.

Applicants for the SPA grants have to show they have researched the project and that there is a need for it within the community. For these applications feedback could be obtained to see if the outcome met the expectations of the

project. This is currently not being done due to a lack of available resource to obtain the feedback and collate it all.

Although there are no performance measures included in the service area plan, basic outcome figures are recorded detailing the number of grants issued, total sum of grants, monitoring feedback forms received and number of participants who took part.

5 **Summary and Conclusions**

5.1 Section 3.3 sets out the risks that were being reviewed as part of this audit. The review highlighted weaknesses against the following risks:

Risk 2 - Adverse publicity concerning the Council's role in funding activities.

Risk 5 - Welfare and safety of participants are put at risk.

5.2 In overall terms, however, we can give a SUBSTANTIAL degree of assurance that the systems and controls in place in respect of Sports Development are appropriate and are working effectively to help mitigate and control the identified risks.

5.3 The assurance bands are shown below:

Level of Assurance	Definition
Substantial	There is a sound system of control in place and compliance with the key controls.
Moderate	Whilst the system of control is broadly satisfactory, some controls are weak or non-existent and there is non-compliance with several controls.
Limited	The system of control is generally weak and there is non-compliance with controls that do exist.

Richard Barr
Audit and Risk Manager

Action Plan

Internal Audit of Sports Development – May 2023

Report Ref.	Risk	Recommendation	Rating*	Responsible Officer(s)	Management Response	Target Date
4.3.1	Adverse publicity concerning the Council's role in funding activities.	The criteria for the sport and physical activity grant should be reviewed and reassessed on a regular basis to ensure it is available to the more deprived communities, thus providing justification as to why it is it being restricted to specific wards.	Low	Active Communities Officer	The grants for the current financial year have already received a number of applications based on the criteria in place. A review will be completed and any changes will be put in place ready for the start of the next financial year.	April 2024
4.5.1	Welfare and safety of participants are put at risk.	As the criteria specifies that the applicant should have specific policies in place as well as public liability insurance, copies should be included with the application.	Low	Active Communities Officer	The list of policies and documents an applicant is required to have will be reviewed and updated as they may no longer be relevant or required. A disclaimer will be added to the information removing liability from WDC for activities associated with the grants. Where it is identified that a policy or document is still required a copy of it will be requested.	April 2024

* The ratings refer to how the recommendation affects the overall risk and 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.



INTERNAL AUDIT REPORT

FROM: Audit and Risk Manager
TO: Head of People and Communications
C.C.: Chief Executive
Deputy Chief Executive
Head of Finance
Portfolio Holder (Cllr Harrison)

SUBJECT: Staff Health and Wellbeing
DATE: 5 June 2023

1 Introduction

- 1.1 In accordance with the Audit Plan for 2023/24, an examination of the above subject area has recently been completed by Emma Walker, Internal Auditor, and this report presents the findings and conclusions for information and, where appropriate, action.
- 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 There is currently a Health & Wellbeing Strategy in place which sets out the approach and rationale in supporting workforce wellbeing. This reflects the priorities set out in the Council's People Strategy and the Warwickshire Health and Wellbeing Strategy. The Health & Wellbeing Strategy is aligned to the South Warwickshire Plan Delivery Group which is the vehicle for the high-level priorities agreed by the Warwickshire Health and Wellbeing Strategy.
- 2.2 The Health & Wellbeing Strategy works in conjunction with the Council's overall People Strategy 2023-2027, which ensures that staff work in an inclusive, positive, and supportive culture. The strategy is underpinned and monitored through the People Strategy Workplan which takes each theme of the strategy and provides implementation targets from 2023 through to 2027.
- 2.3 The Health & Wellbeing Strategy 2023-2027 focuses on five key pillars of integrated wellbeing, including mental health, work/life balance, self-development, communication and personal health and safety. To ensure that it remains relevant, the strategy is reviewed annually along with the Action Plan. Both the Health & Wellbeing Strategy and People Strategy Workplan were approved by Employment Committee on 14 March 2023.

3 Objectives of the Audit and Coverage of Risks

- 3.1 The management and financial controls in place have been assessed to provide assurance that the risks are being managed effectively. It should be noted that

the risks stated in the report do not represent audit findings in themselves, but rather express the potential for a particular risk to occur. The findings detailed in each section following the stated risk confirm whether the risk is being controlled appropriately or whether there have been issues identified that need to be addressed.

3.2 In terms of scope, the audit covered the following risks:

1. Staff insurance claims for health/wellbeing issues as a result of poor working conditions.
2. Lack of duty of care shown towards staff.
3. Reduction in staff morale leading to damage of the Council's reputation.
4. Lack of monitoring of agile-working policy leading to a poor service delivery level.
5. Inability to attract or retain staff if health and wellbeing benefits are not promoted.
6. Poor communication with staff leading to sense of disenfranchisement with the Council.
7. Lack of timely support provided to staff resulting in diminished health and wellbeing.
8. Extra workloads resulting in staff working excessive hours.
9. Diminished workforce due to absence leading to increased stress on residual staff.
10. Staff not taking frequent breaks.
11. Agile working resulting in staff feeling stressed and isolated.

3.3 A 'risk-based audit' approach has been adopted, whereby key risks have been identified during discussions between the Internal Auditor and key departmental staff. The People and Communications Risk Register has also been reviewed.

3.4 These risks, if realised, would be detrimental to the Council with regards to meeting the internal 'People' element of the Fit for the Future Strategy. The Council has a duty to maintain and improve the health and wellbeing of its employees.

4 Findings

4.1 Recommendations from Previous Reports

4.1.1 The current position in respect of the recommendations from the audit reported in July 2019 was reviewed. The current position is as follows:

Recommendation	Management Response	Current Status
Consider how action plans are managed with the possibility of them being maintained as separate plans for internal (staff), media and external actions with the overall aim of	The Health and Wellbeing Action Plan is currently being refreshed. As part of the process the recommendation around how action plans are managed and maintained will be built into the new approach. The HOG lead	Health and Wellbeing is now covered under three separate strands of governance. The overall Health and Wellbeing Strategy (including Thrive) has now been separated from WDC's People

Recommendation	Management Response	Current Status
the separate plans being entered on to the HOG action plan.	officer will put in place a mechanism for ensuring that relevant and updated information is on the HOG action plan.	Strategy. The Health and Wellbeing function therefore covers these topics at both a strategic and operational level.
Management should be aware of the commitment required from HOG members and ensure they are given the time to be able to commit to the meetings and provide input as required.	As part of the refreshed approach to the HOG, the membership has been reviewed to ensure specific teams across the Council have been targeted to form a new HOG group.	The HOG is represented by officers across several Council Service Areas, including Finance, Housing, People & Communications and Safer Communities, Leisure, and Environment. The Community Wellbeing Team Leader also sits on this group to ensure liaison between internal health and wellbeing and external community health and wellbeing. Attendance is always high at the HOG meetings as demonstrated through the minutes.
Management involvement with HOG could help to encourage named officers to update the plan.	As part of the HOG refreshed approach, a new system of version control on action plan updates is being introduced.	A new Health and Wellbeing Action Plan has been compiled for 2023. This is updated during HOG meetings which take place on a quarterly basis. All changes to the Health and Wellbeing Plan are sent to the Senior Leadership Team and the Transformation Steering Group as part of the governance process.

4.2 Financial Risks

4.2.1 Potential Risk: Staff insurance claims for health/wellbeing issues as a result of poor working conditions.

Any cost implications of successful insurance claims relating to poor working conditions fall under the remit of Corporate Health and Safety. The Insurance and Risk Officer advised that the employers liability insurance covers claims for injury or illness to staff caused by Council negligence, although there would need to be evidence of a legitimate medical condition in place for the claimant to be successful.

All staff receive Health & Wellbeing training. The mandatory induction courses for new starters includes Health & Wellbeing Resilience, although any member of staff can book onto these courses via I-Trent.

The Senior Leadership Team (SLT) has accountability for reviewing the Health & Wellbeing strategy, as well as monitoring its effectiveness. Whilst governance of staff health and wellbeing remains the responsibility of SLT, it is the Health Officer Group (HOG) who operationally deliver the Health & Wellbeing Strategy. The HOG identifies and prioritises actions and activities that promote and increase the sense of wellbeing among employees; this is monitored through an annual action plan in which recommendations are provided to SLT.

4.3 **Legal and Regulatory Risks**

4.3.1 **Potential Risk: Lack of duty of care shown towards staff.**

All areas of health and wellbeing are covered on the Health & Wellbeing Intranet pages. Managers should have an awareness of the support networks available to their staff. Likewise, staff also have a responsibility to ask for support when needed. The HOG act as a communications channel through which managers can facilitate staff support.

Included on the Intranet is a page entitled 'Mental Health Guidance for Managers.' This provides comprehensive guidance to managers to ensure that they know how to appropriately support staff in cases of poor health. Line Managers are also obligated to attend training on 'Long Term Sickness and Ill Health Capability' as well as 'Mental Health Awareness for Managers'. During the Thrive Survey, 58% of staff who completed the survey confirmed that they had attended mental health awareness training; 25% of staff who completed the survey confirmed that they had made changes in relation to their mental health related to information from the organisation.

4.4 **Reputational Risks**

4.4.1 **Potential Risk: Reduction in staff morale leading to damage of the Council's reputation.**

There are many ways in which the Council demonstrates that it values and supports its staff. There are several benefits in place that aim to boost staff morale, including a 25% discount on mobile phone airtime with O2 and up to 30% discount on Microsoft Office 365 subscriptions. Professional subscriptions are also paid, and long service is recognised at 20, 30 and 40-year intervals. These services are offered by very few local authorities.

There are also reward schemes in place that aim to recognise the commitment of Council officers. During 2022, it was decided by both SLT and Councillors to award an 'applause box' package to all members of staff as recognition of their hard work and dedication during the pandemic. This included:

- A one-off payment of £500
- 2 days extra leave on 29 & 30 December 2022
- A day supporting a charity or community project
- £10 per team member to spend on a team activity
- A free health check with Occupational Health
- £250 to staff who referred a friend to WDC (providing the individual remained with the Council after their 6-month probation).

The free health check with Occupational Health was successful, with 73 members of staff engaging with this service to date. It should be noted that this was the first year in which this scheme was launched. Eleven members of staff have also logged a total of nine volunteering days to date. From the 1 August 2022, a 'refer a friend' scheme was launched; however, the figures for this cannot be determined until a new starter passes their six-month probation period.

It was announced that from 1 April 2023, staff were to receive an increase in remuneration. The Working for Warwick Award saw salaries increase by one increment, in addition to any annually negotiated pay awards or increments. A further increment increase has been approved for 2024; this decision was fully supported by both Councillors and Unison.

The 'Work Perks' scheme allows staff to access discount vouchers on high street brands, restaurants, and travel; 311 members of staff currently subscribe to this scheme. There is also a WDC football team supported by SLT with kit sponsorship.

4.4.2 **Potential Risk: Lack of monitoring of agile-working practices leading to a poor service delivery level.**

The new agile-working policy states that 'regular contact should take place between the manager and the employee to discuss workloads, outputs, outcomes and maintain structured discussion and feedback.' It is also the employee's responsibility to keep in regular contact with their line manager and ensure performance targets and outputs are met as agreed.

It is the line manager's responsibility to maintain contact with employees on a regular basis, set performance expectations, manage outcomes, and promptly raise any concerns with agile working arrangements with the employee. This policy was approved by Employment Committee on 14 March 2023 and went live on 13 April 2023. This also saw approval from Managers Forum who have since been asked to distribute these policies to staff.

96% of managers surveyed through Thrive confirmed that they engage in wellbeing conversations with their staff; however, 29% confirmed that they do not feel confident to support those staff that they directly manage with mental health and stress. The introduction of Mental Health Awareness training for managers aims to rectify this.

4.4.3 **Potential Risk: Inability to attract or retain staff if health and wellbeing benefits are not promoted.**

Employee health and wellbeing benefits are advertised to potential candidates through the Council's website and internally through the Intranet for existing staff. There are several benefits in place including BUPA healthcare and the Cycle to Work scheme. The Cycle to Work Scheme has a designated page on the Intranet outlining the benefits of the scheme. 267 members of staff were registered with BUPA Healthcare as of 31 March 2023; 585 claims were made against the scheme from 2 April 2022 to 24 April 2023.

The Health and Wellbeing budget is mainly based on BUPA subscriptions and therefore the budget is dependent on the number of staff that subscribe; this offer is extended to Councillors. The HR Support team receive reports as to which staff have used the scheme and on which services e.g., dental appointments, physiotherapy, chiropractor etc.

With the current sign-up of staff, approx. £15-16k of the £20-25k budget is spent on BUPA. Funds left over are put towards health and wellbeing initiatives, such as training or anything that may be beneficial to the staff. There are also two contracts in place with Washington House who provide the Occupational Health facility. The approved Occupational Health contract limit is £75,000. As expenditure has only amounted to £44,608.91, this contract is well within budget and not due to terminate until 31 August 2024. There has been no contract expenditure against the Health and Wellbeing Training contract; this is a joint contract with Stratford District Council. The approved limit remains at £8,000 and is not due to end until 31 January 2024.

As part of the SLA between the Council and Washington House, it is stipulated that service reviews should take place at six-month intervals. The Head of People and Communications advised that contact is frequent, with a review having taken place on 17 April 2023.

4.4.4 **Potential Risk: Poor communication with staff leading to sense of disenfranchisement with the Council.**

There are several forms of communication that allow staff to engage with ways of working. These include both virtual and online team meetings, 1:1s and communications from the Media Team and working groups, such as Manager's Forum, Staff Voice, and the Transformation Steering Group. The Chief Executive (CEX) also issues weekly updates to all staff which ensures that staff are kept informed of any changes to the establishment or working practices. The CEX also provides occasional staff talks, which in recent months have included updates on office relocation and the decision not to merge with Stratford District Council. All staff-related news is published on the Intranet; the Media Team also issue a five-item weekly round-up containing bullet-pointed information. This is issued in conjunction with the CEX update.

Staff are often consulted on their opinions with regards to how well the health and wellbeing functions are managed at work. The Head of People and Communications advised that there have been a number of recent staff surveys in which the topic of Health & Wellbeing has been covered. 164 out of 480 members of staff completed the Thrive Survey (34%). An infographic of these results is being compiled and sent to various groups for comments. 109 members of staff completed the Health and Wellbeing Survey (2022) regarding working patterns and working spaces.

4.5 **Health, Safety and Wellbeing Risks**

4.5.1 **Potential Risk: Lack of timely support provided to staff resulting in diminished health and wellbeing.**

The Council has shown continued commitment to invest in health and wellbeing by providing resources to create a positive work environment. One of these resources include Employee Support Officers. These individuals act as immediate points of contact for employees experiencing a particularly difficult issue. They offer an impartial and confidential listening point and can help reduce escalation of an issue or assist and encourage the employee to take the appropriate action.

Unison confirmed that there are currently 205 staff members registered with the Union. The Bereavement Technical Officer is also the Welfare, Equality and Disability Officer who deals with Health & Wellbeing from a Union perspective.

The HOG is made up of representatives across a number of Council Service Areas, including Finance, Housing, People & Communications and Safer Communities, Leisure, and Environment. This Group periodically reports to the Transformation Steering Group and Employment Committee. The Group identifies and recognises the contributions made by the Council to the health and wellbeing agenda. They also collate initiatives onto an action plan with the goal of progressing the Health & Wellbeing Strategy. The Group meets quarterly but is also used as a medium in which informal ideas can be discussed on an ad-hoc basis.

Advisory – Consideration should be given to including an extra column in the HWB Action Plan, stating the ways in which each action has been achieved and how successfully this has been completed.

The HOG terms of reference include the purpose of the group, membership, and reporting lines. There is also a link to the action plan which contains a schedule of work and delivery dates.

Advisory – Consideration should be given to including information in the terms of reference relating to how often the group reviews its work, how often meetings occur, links to any important resources, common issues that are reported, outcomes of any implemented actions, high standards achieved etc.

The new Intranet has an easily accessible Health and Wellbeing page with a plethora of pages related to the various forms of staff support. This includes maintaining a work/life balance, looking after your mental health, and steps to quit smoking. There is a dedicated contact page of whom staff should speak to regarding health and wellbeing; this includes the 24-hour Employee Assistance BUPA Helpline. The BUPA contact information does, however, identify two separate telephone numbers on the Intranet.

Recommendation – Although both numbers allow access to the service, the BUPA phone number for Employee Assistance Support should be consistent across all HWB pages.

Several pages on the Intranet relate to physical wellbeing; there are also pages linked to the British Heart Foundation for tips on keeping healthy. Free workout sessions with Everyone Active were made available to employees during lockdown to support them in maintaining their physical wellbeing. Furthermore,

following a campaign to increase menopause awareness, menopause symptoms were included on the return-to-work sickness forms and discussed at Managers Forum (October 2022).

The Staff Voice Group aims to meet ahead of Transformation Steering Group either quarterly or bi-monthly. Staff Voice will discuss general wellbeing concerns and will then forward these concerns onto the HOG. Several members of the HOG also sit on Staff Voice meaning that overlapping issues are duly considered. Topics of discussion include ways of working, home-working environment, and staff morale. An infographic of ten ways for staff to look after their mental health is available on the Intranet as well as a designated page of useful links.

4.5.2 **Potential Risk: Extra workloads resulting in staff working excessive hours.**

As part of regular 1:1s, managers are frequently in touch with staff to ensure that hours worked are reasonable and workload is managed. It was recorded during the Thrive survey that 92% of staff take part in regular team meetings; 83% said Senior Managers are accessible for open communication and 88% felt that they meet regularly with their line managers. 93% said that they would feel happy to discuss health and wellbeing issues with their line manager and 88% of respondents confirmed that their line manager takes appropriate action with health and wellbeing concerns.

As per the new flexitime and recording policy, as well as the new agile-working policy, the determination of an employee's normal pattern of working is subject to the needs of the service and requires the agreement of the line manager. Employees are responsible for agreeing their working patterns with their manager and ensuring they remain accessible when working. This involves keeping Outlook calendars up to date and working in accordance with the needs of the role and the service. Employees must make sure that their flexi-time sheets are up-to-date and available to view at any time by their line manager.

Employees have a number of options to review their hours. This can be through compressed hours, part-time hours, or a temporary change. These will be agreed with the line manager considering the needs of the service and will be reviewed regularly to ensure that service requirements continue to be met. Employees whose role enables agile working may vary their start, finish, and break times, as long as they meet the agile working principles. Employees must agree these with their line managers ensuring consideration for colleagues and operational needs.

Advisory – Consideration should be given to requesting that staff keep their Outlook calendars up to date.

4.5.3 **Potential Risk: Diminished workforce due to absence leading to increased stress on residual staff.**

Managers have a duty of care for the health, safety and welfare of their staff and should work supportively in conjunction with HR and the Council's nominated Occupational Health provider to support staff with sickness absence.

Managers are also responsible for carrying out return-to-work discussions and other review meetings, promoting a positive working environment, motivating, and managing their team to maximise attendance.

An individual can be referred to Occupational Health at any time; findings from these meetings are shared with HR and the relevant line manager to encourage the individual back to work through a phased return programme.

Employees are responsible for their health and wellbeing and for minimising their own absence from work where possible. All managers are responsible for ensuring that they attend the relevant training. HR Business Partners are an integral part of the support to Service Areas and will work with managers and staff to facilitate a return to work, including provision of advice, support, and referrals to Occupational Health. They also provide appropriate training to support managers who are managing sickness absence issues and provide information updates to managers and staff on sickness issues, for example, to advise of changes in legislation and best practice.

4.5.4 **Potential Risk: Staff not taking frequent breaks.**

The organisation has consistently encouraged staff to take frequent breaks from the screen. There has, however, been more emphasis placed on this since the move to agile working. The HOG has compiled a list of 25 things to do during a work break.

4.6 **Other Risks**

4.6.1 **Potential Risk: Agile working resulting in staff feeling stressed and isolated.**

There is a page on the Intranet regarding how to get into a routine whilst agile working. The Council has the same legal obligations towards agile workers, including supporting their health and wellbeing. There was a monetary offering given to staff during the pandemic to ensure that they had an appropriate workstation i.e., chairs, desks etc. The employer's liability insurance also covers employees working at home as well as equipment provided by the Council.

5 **Summary and Conclusions**

5.1 Section 3.2 sets out the risks that were reviewed as part of this audit. The review highlighted a weakness against the following risk:

- Risk 7 – Although both numbers allow access to the Employee Assistance programme, the BUPA helpline number is inconsistently recorded.

5.2 Further 'issues' were also identified where advisory notes have been reported. In these instances, no formal recommendations are thought to be warranted, as there is no significant risk attached to the actions not being taken.

5.3 In overall terms, therefore, despite identifying a small number of risks, we are able to give a SUBSTANTIAL degree of assurance that the systems and controls

in place in respect of Staff Health and Wellbeing are appropriate and are working effectively to help mitigate and control the identified risks.

5.4 The assurance bands are shown below:

Level of Assurance	Definition
Substantial	There is a sound system of control in place and compliance with the key controls.
Moderate	Whilst the system of control is broadly satisfactory, some controls are weak or non-existent and there is non-compliance with several controls.
Limited	The system of control is generally weak and there is non-compliance with controls that do exist.

6 **Management Action**

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

Richard Barr
Audit and Risk Manager

Action Plan

Internal Audit of Staff Health and Wellbeing – June 2023

Report Ref.	Risk Area	Recommendation	Rating*	Responsible Officer(s)	Management Response	Target Date
4.5.1	Health, Safety & Wellbeing Risk: Lack of timely support provided to staff resulting in diminished health and wellbeing.	Although both numbers allow access to the service, the BUPA phone number for Employee Assistance Support should be consistent across all HWB pages.	Low	Head of People & Communications	The number will be changed.	End of June 2023.

* The ratings refer to how the recommendation affects the overall risk and 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.



INTERNAL AUDIT REPORT

FROM: Audit and Risk Manager
TO: Head of Housing
C.C.: Chief Executive
Deputy Chief Executive
Head of Finance
Landlord Services Manager
Landlord Operations Manager
Portfolio Holder (Cllr Wightman)

SUBJECT: Tenancy Management
DATE: 16 June 2023

1 Introduction

- 1.1 In accordance with the Audit Plan for 2023/24, an examination of the above subject area has recently been completed by Emma Walker, Internal Auditor, and this report presents the findings and conclusions for information and, where appropriate, action.
- 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 Tenancy Management refers to the processes involved in managing domestic Council tenancies, from their commencement to their termination. These processes ensure that all tenants adhere to Council regulations and receive high-quality customer service.
- 2.2 There are approximately 6000 tenancies currently managed by the Council; these are monitored by Housing Officers through the Active H system.

3 Objectives of the Audit and Coverage of Risks

- 3.1 The management and financial controls in place have been assessed to provide assurance that the risks are being managed effectively. It should be noted that the risks stated in the report do not represent audit findings in themselves, but rather express the potential for a particular risk to occur. The findings detailed in each section following the stated risk confirm whether the risk is being controlled appropriately or whether there have been issues identified that need to be addressed.
- 3.2 In terms of scope, the audit covered the following risks:
1. Loss of income where tenants have abandoned the property.
 2. Costs of repairing mistreated properties.
 3. Failure to respond to/comply with changes in legislation.

4. Breaches in tenancy agreements leading to loss of income/legal disputes.
5. Failure to provide tenants with quality service.
6. Failure to respond to tenant/anti-social behaviour complaints.
7. Housing staff unaware of the correct processes and procedures.
8. Mutual exchanges ineffectively managed.
9. Potential for illegal subletting to take place in Council properties.
10. Health and safety of staff conducting tenancy visits.
11. Tenancy update visits not completed in a timely manner.
12. Insufficient tenancy documentation/records held.
13. Deficiencies in garage tenancy agreements/garage tenancy arrears ineffectively managed.

3.3 A 'risk-based audit' approach has been adopted, whereby key risks have been identified during discussions between the Internal Auditor and key departmental staff. The Housing and Significant Business Risk Registers have also been reviewed.

3.4 These risks, if realised, would be detrimental to the Council with regards to meeting the external 'People' element of the Fit for the Future Strategy. The Council has a duty to effectively manage its properties and comply with all relevant legislation.

4 Findings

4.1 Recommendations from Previous Reports

4.1.1 The current position in respect of the recommendations from the audit reported in March 2021 was reviewed. It should be noted that a consultancy review of the service was conducted in November 2021. However, as several of the recommendations reported in March 2021 were resolved during that review they have been omitted from this report. The current position in respect of previously-issued recommendations is as follows:

Recommendation	Management Response	Current Status
A review should be completed of the phone duty rota and procedure to ensure that busier shifts are covered and abandoned calls are kept to a minimum. Call waiting messages could be used to remind customers of alternative ways to contact the Council, encouraging a channel shift towards using the website or email.	A review of the phone rotas in line with housing officer duties will be undertaken in April. Opportunities to move more services online will be explored and comparisons of telephone performance will be undertaken.	A new phone procedure is being finalised for the end of May 2023. A new duty rota has been compiled to ensure that busier shifts are covered.

Recommendation	Management Response	Current Status
<p>All relevant documentation should be stored and recorded correctly to show that the Council is compliant with the tenancy agreement.</p>	<p>The Landlord Operations Manager is working on a set of procedures for officers to follow, relating to all functions of the Landlord Operations Team. These procedures will include the storage of documents. Housing Services will review the use of IT equipment which could allow information to be uploaded to Active H whilst on site.</p>	<p>Several sets of testing conducted by the auditor revealed that this process has become much more streamlined. Whilst there are still inconsistencies with the storage of evidence, copies of relevant documentation have been appropriately recorded and uploaded to the DIP (Document Image Processing). The service has also procured several tablets for officers to use when conducting site visits.</p>
<p>There should be a procedure in place for Housing Officers to follow to ensure that the same process is followed when logging visits and saving relevant documentation.</p>	<p>The set of procedures currently being compiled by the Landlord Operations Manager includes instructions for staff to follow both when conducting Tenancy Update Visits and when saving relevant documentation.</p>	<p>Several procedure notes have been compiled and distributed by the Landlord Operations Manager. These include step-by-step instructions and flowcharts to ensure that all staff follow the same processes. There are a number of letter templates contained within these documents to ensure staff maintain consistency.</p>
<p>The application for the mutual exchange, together with other relevant documents should be saved either to the tenant or property files. A formal procedure for officers to follow when processing applications for mutual exchanges should be produced.</p>	<p>The set of procedures currently being compiled by the Landlord Operations Manager also includes a guide on handling applications for mutual exchanges.</p>	<p>A new mutual exchange procedure was launched in May 2023. This document details the necessary steps required of staff when managing property exchanges. Testing conducted by the auditor revealed that documents relating to mutual exchanges were all signed; however, only 60% of these had been saved to each tenant's file on the DIP.</p>

4.2 **Financial Risks**

4.2.1 **Potential Risk: Loss of income where tenants have abandoned the property.**

Reports of abandoned properties are investigated by Housing Officers (HO). Testing conducted by the auditor revealed that all reports of abandoned properties had been investigated, culminating in a site inspection by the relevant HO. In all cases, documentation was appropriately recorded and retained on the DIP (Document Image Processing). A Notice to Quit (NTQ) was served and the rent accounts closed within one month of the properties being abandoned.

4.2.2 **Potential Risk: Costs of repairing mistreated properties.**

The Council's insurance does not cover damage caused by lack of maintenance or general wear and tear; accidental damage is, on the other hand, included within the policy. Rent deposits are not taken from tenants to repair damage. Most repairs remain the responsibility of the tenant and repair fees are charged to the rent account. Tenants can only deduct the cost of repairs from rent where the Council has failed to carry out the repair. It was clear during audit testing that tenant repair costs had been effectively recharged to the relevant rent accounts. Tenants who move to another Council property within the district have any payable damage charges transferred to their new rent account. If a tenant has passed away, the repair bill is then taken from the estate.

4.3 **Legal and Regulatory Risks**

4.3.1 **Potential Risk: Failure to respond to/comply with changes in legislation.**

Changes in legislation are communicated to staff through a variety of methods including emails, team meetings or team calls which take place on a weekly basis. There have been no recent changes in legislation as the service is bound by the Housing Act 1996. Any changes in legislation would be reflected in procedure logs wherein updated versions of the procedure are displayed.

4.3.2 **Potential Risk: Breaches in tenancy agreements leading to loss of income/legal disputes.**

The Housing Tenancy agreement outlines the rights and responsibilities of the tenant. The tenant has the right to certain repairs, the right to be consulted on proposals for change and the right to exchange. They are, however, also required to maintain the property in good working order and ensure that the property is their principal home. The agreement also provides a list of prohibited activities such as damaging communal areas, parking unlicensed cars and allowing the garden to overgrow etc. Tenants are allowed to keep domestic pets if kept under proper control. However, animals such as cats and dogs are not allowed in flats and maisonettes which have communal entrances, staircases, or lifts.

As per the Anti-Social Behaviour (ASB) policy, during settling-in visits the rights and obligations of the tenant, as set out in the tenancy agreement, are explained, and reinforced by the HO. These first-contact visits aim to address any early signs of ASB or breaches of tenancy. Introductory tenancies are monitored to ensure that tenants comply with the tenancy agreement. Breaches in tenancy conditions are investigated and, if not resolved, tenancies are terminated. The Council can take action to end an introductory tenancy at any time. Serious breaches include drug dealing, using the property for immoral or illegal purposes, committing assault, and so on.

The Landlord Operations Manager (LOM) compiled an operating procedure for handling the breach of tenancy conditions; this was last reviewed on 30 May 2022. This states that in the event of a breached tenancy, a warning letter will be issued detailing the steps needed to rectify the problem. Visits to the property will be made in the first instance to try to resolve any issues. A second warning letter is then issued if a breach of tenancy ensues; re-visits to the property should take place within fourteen days. Testing conducted by the auditor revealed two strands of breached agreement: damaged properties and poor property conditions. There was just one case in the sample wherein the property had been damaged. The property was visited by the relevant area HO and costs to repair the damage were repaid by the tenant. Appropriate documentation was retained on the DIP and the introductory tenancy extended.

The remaining properties sampled were found to be in poor condition. Fourteen of the sixteen properties were visited by HOs; the remaining two could not be visited as the tenants were not present. Whilst there is no time requirement in which first visits must be conducted after a breach of condition, most visits were conducted in a timely manner. A warning letter was also issued in thirteen cases. Six of the property re-visits were conducted within fourteen days. The remaining properties were visited after this period, although it should be noted that in two of these cases several visit attempts were made before the actual visit took place. Documentation had also been appropriately retained against each property.

Recommendation - Staff should be reminded to conduct follow-up visits within fourteen days.

Introductory tenancies last for twelve months, after which a secure tenancy is granted unless steps are taken to terminate the introductory tenancy before the twelve months expire. Introductory tenancies are awarded if the tenant has never previously rented a home from the Council, has only rented from a private landlord or has had a period away from being a Council tenant. During an introductory tenancy, tenants cannot apply to buy their home, exchange homes with another tenant or sub-let the property.

The LOM has compiled a standard operating procedure for the management of introductory tenancies (July 2021). This contains steps to ensure a consistent process is followed by all HOs. The Landlord Operations Team (LOT) aim to visit all new residents within 4-6 weeks of the start of their tenancy, to ensure that they understand their responsibilities as tenants and that any support needs have been adequately gauged. Further reviews are undertaken at quarterly intervals throughout the introductory period.

At the time of the settling-in visit, the HO will arrange a date with the tenant for the next quarterly check in. These are undertaken at three, six and nine-month intervals. They provide opportunities to act upon breaches of tenancy and address any early concerns. At month nine, a visit should be made to the tenant to determine whether to end the tenancy, grant a secure tenancy or extend the introductory tenancy.

Eleven of the twenty cases tested by the auditor received a first contact visit following the start date of the tenancy; seven of these were conducted within the 4–6-week period. Although the remaining samples may have received a first contact visit, the relevant documentation had not been uploaded to the DIP to evidence this.

Advisory – Consideration should be given to reminding staff to conduct settling-in visit within six weeks of the introductory tenancy commencing.

It should be noted that in determining a testing sample, there were several properties that had not received any form of quarterly contact. One property also had two separately-addressed tenancies loaded onto the DIP. In five cases, a three-month visit was scheduled with the tenant after the initial visit took place. All ten properties sampled received a three-month visit, five of which were completed according to schedule. Only three cases received a six-month visit, and seven properties received a nine-month visit. In five cases, a secure tenancy was granted following the end of the introductory tenancy. All ten accounts did, however, have the relevant documents retained on file.

Recommendation - Staff should be conducting visits at quarterly intervals for new tenancies.

Advisory - Consideration should be given to reminding staff to grant a decision at the end of an introductory tenancy period.

Testing was performed on secure tenancies to check that these had been dealt with appropriately following the termination of introductory tenancy agreements. In all twenty cases, a signed introductory tenancy was held on the DIP. Ten of these cases had transferred to a secure tenancy one year after the introductory tenancy ended; three cases were still waiting for a secure tenancy to be signed. Eight cases had transferred to a secure tenancy but did not have the secure agreement attached to the DIP. Nine secure tenancies had corresponding agreements held on file.

Recommendation - Staff should be reminded to issue secure tenancy agreements in a timely manner following the end of an introductory tenancy.

The LOM advised that with the introduction of Active H mobile, staff are now able to automatically alter tenant details in real-time. This function also allows HOs to diarise where visits have taken place. As this process is still being streamlined, there is a mixture of evidence held on the DIP, DMS (Document Management System) and Active H.

Advisory – Consideration should be given to reminding staff to upload all tenancy-related documents to the DIP and receive appropriate signatures for these documents where necessary.

Residents can inform the Council directly of a change of tenant through an online form on the Council website. There are several different changes in circumstance for housing tenants:

- **Assignment** – When one tenant legally passes their tenancy onto another person. A tenant may have the right to assign their tenancy through legislation or as a condition of their tenancy agreement.
- **Succession** – When a tenant dies, the policy is to grant rights of succession to other occupiers in accordance with current legislation. In most cases, the tenant's spouse, civil partner, or partner may have a legal right to succeed a tenancy. The Council may also consider offering a new tenancy to an adult member of the family. For most tenancies, there is only one right of succession, meaning that if the tenancy has already passed to a joint tenant, spouse, civil partner, or family member, then no further right to succeed the tenancy will be granted.
- **Change of Name** – The Council will agree to amend the tenancy following a name change if sufficient legal evidence is provided.
- **Ending Tenancy** – Residents wishing to leave their home permanently, must give four weeks' notice. The Council should arrange a visit to inspect the property and the tenant will be recharged if the property is not left in the expected condition.
- **Someone Moving In/Out** – A sole tenant wishing to add someone to their tenancy must apply in writing. The Council usually only agrees to create a joint tenancy for married couples or people in a relationship that live together. If one tenant vacates, then both tenants remain liable for any unpaid rent.
- **End a Joint Tenancy** – If a joint tenant vacates the property, this ends the current tenancy.

An operating procedure for the succession of tenancies has been compiled by the LOM. This includes step-by-step instructions for Active H users and a flow chart depicting the rights to succession. Appendices to this procedure include a succession to tenancy acceptance form, NTQ and notice of seeking possession; this ensures that all letter formats remain consistent.

Changes to tenancies were also tested by the auditor to ensure that these were dealt with according to Council policy. In nine cases, sufficient supporting evidence through documentation and diary notes had been saved to Active H/DIP. Six cases received updated documentation following the change of tenancy, either in the form of a tenancy agreement, a use and occupation letter, or a secure tenancy acceptance form.

Advisory – Consideration should be given to reminding staff to issue updated tenancy documentation after a change in tenancy.

Where tenancies had been ended by the resident, testing revealed that four weeks' notice had been given by the tenant in six cases. This could not be determined for the remaining four cases, as the evidence to support this was

not uploaded to the DIP. The properties tested were not inspected prior to the tenant vacating. Although, there is no legal requirement to complete an end of tenancy property inspection, it would be good practice for the Council to do so. In nine cases, the keys were handed back to the Council in a timely manner with a signed key receipt held on the DIP to evidence this.

Advisory – Consideration should be given to inspecting properties prior to a tenant vacating, where possible.

4.4 **Reputational Risks**

4.4.1 **Potential Risk: Failure to provide tenants with quality service.**

Relevant information is issued to tenants in a timely manner. Testing revealed that in nineteen cases, relevant information pertaining to the tenancy agreement was effectively provided e.g., key receipts, data protection forms etc. Fifteen tenants received this information in the same month as their tenancy start date; four tenants received the information a month in advance.

Support networks are also offered to tenants; a list of contact options is located on the Council website. The LOT also signpost several support networks to tenants including P3 (a charity who provide housing advice and support) and Breathing Space, a debt respite scheme.

4.4.2 **Potential Risk: Failure to respond to tenant/anti-social behaviour complaints.**

ASB refers to any unreasonable behaviour or action that adversely affects the quality of life of people within the local community. Section 1 of the Crime and Disorder Act 1998 defines ASB as "behaviour which causes or is likely to cause harassment, alarm or distress to one or more people, who are not in the same household as the perpetrator". The definition of ASB is outlined in the tenancy agreement.

The Council take several steps to tackle ASB, including:

- Sending advisory letters about problems at specific locations.
- Sending letters to the individual involved (or their parents) warning them about their behaviour.
- Issuing Acceptable Behaviour Contracts to individuals.
- Issuing Parental Responsibility Contracts to parents.
- Serving Community Protection Notices to prevent anti-social activity.
- Securing Orders from the Court including Parenting Orders, to ensure that parents take responsibility for their children's actions.

There is an ASB procedure in place which ensures that staff respond to ASB complaints in a consistent manner. The Council's ASB policy outlines the different forms of ASB, including nuisance and forms of harassment. Residents of the district can make ASB enquiries directly through the Council website. Complaints can be received in any form; these do not have to be made in writing. Complainants are encouraged to contact the neighbour in the first instance to approach the issue politely and then report on the outcome of this to

the HO. If, however, this is unsuccessful, complainants are asked to keep an incident log through Nuisance Record Sheets for a period of 28 days. The Nuisance Records are then evaluated by the area HO who will consider whether other agencies could assist e.g., Social Services, Warwickshire Police etc.

If, after the assessment, the perpetrator is found to be acting unreasonably, the HO will then issue an ASB Action Plan, outlining the ways in which to address the issue; however, this is reliant on sufficient evidence having been compiled in the incident logs. The tenant causing the nuisance must be notified of the nature of the complaint and that incidents of ASB are being recorded; the complainant's identity remains confidential throughout this process. A warning letter is then issued to the perpetrator, detailing the nature of the nuisance and how others have been affected. Should the behaviour continue, the perpetrator is invited to attend an interview at Riverside House, where it is advised that legal action will be taken to enforce the Council's Conditions of Tenancy should the nuisance continue.

According to the ASB procedure, all complaints should be acknowledged by the Council. Six of the ten cases sampled by the auditor had some form of acknowledgement addressed to the complainant. In eight cases, the tenant was duly notified of the complaint and, in all ten cases, the complainant was kept well informed of proceedings. In five cases, nuisance logs and action plans had been completed, although one of these had not been uploaded to the DIP. A warning letter was appropriately distributed in all ten cases and nine properties were visited by the area HO. Whilst documentation was held on the DIP in eight cases, the case close dates were sporadic across the sample, with completion ranging from one month to nine months. One case was yet to be closed off on Active H despite having been resolved.

Advisory – Consideration should be given to reminding staff to acknowledge ASB complaints and distribute nuisance logs/action plans where appropriate.

Advisory – Consideration should be given to reminding staff that, as per the ASB policy, the perpetrator should be informed of any ASB complaints.

4.4.3 Potential Risk: Housing staff unaware of the correct processes and procedures.

Several procedure notes have been compiled and distributed by the LOM. These include step-by-step instructions on how to log the process through Active H. There are also flowcharts located within these notes to ensure that staff follow consistent processes. Procedure notes have been created for managing ASB, Introductory Tenancies, Mutual Exchanges, Breaches of Tenancy Conditions, Successions, Tenancy Update Visits and Garage Accounts.

4.5 Fraud Risks

4.5.1 Potential Risk: Mutual exchanges ineffectively managed.

A mutual exchange allows social housing tenants to swap properties. Each tenant moves into their exchange partner's property and then takes on the responsibility for that tenancy. It does not involve any property becoming empty. Tenants need the landlord's permission before any mutual exchange can take place and exchanges cannot occur where recovery/legal actions are taken against the tenant, or where the tenancy agreement does not allow it. Tenants may exchange to a larger or smaller property and/or they may move to a different location. Most tenants with a secure tenancy are eligible to carry out a mutual exchange. However, those with rent arrears, a history of ASB, or other breach of tenancy are not eligible.

The Council aims to inform applicants of the outcome within forty-two days of receiving mutual exchange application forms. Tenants are instructed not to make any arrangements to move until they have received written approval from all landlords and must not exchange the home without permission from the Council. The Council subscribes to the HomeSwapper service, which allows tenants to browse available properties. Membership to this service is free for tenants and is advertised through the Council website. A review of the application costings was conducted by the auditor. A contract for the HomeSwapper software has been in place since 1 December 2021. Thus far, contract expenditure is at £13,456.53. The contract limit is set to £45,000, meaning that expenditure is well within the allocated amount, with a predicted contract end date of 30 November 2024.

The testing of mutual exchanges conducted by the auditor confirmed that, in all cases, the rent accounts were clear before the exchange took place; a pre-transfer inspection was also conducted by the HOs and tenant details were checked during the process. Whilst documentation was signed in all cases, in two samples the documentation did not appear on the DIP for both exchange parties. The LOT had, however, been in contact with the applicants within forty-two days in all cases.

Advisory – Consideration should be given to reminding staff to save all exchange paperwork to the relevant rent accounts through the DIP.

The mutual exchange procedure document details the steps expected of staff when managing exchanges. This is a new procedure that was collated in May 2023. The procedure specifies where copies of the applications should be saved and asks staff to set diary reminders in order to monitor applications within the specified timeframe.

4.5.2 Potential Risk: Potential for illegal subletting to take place in Council properties.

Any illegal occupants i.e., people inhabiting the property that are not included on the tenancy agreement, are identified through Tenancy Update Visits (TUV). NFI (National Fraud Initiative) checks are conducted on tenants during the application stage; this is dealt with by the Lettings Team. Any instances of fraud found during the tenancy are referred to the internal investigation team. Staff are not required to sign conflict of interest forms; neither are duties formally segregated. Should a HO become aware that friends or family have taken on a

tenancy with the Council, they would be expected to inform the LOM and an alternative member of staff would be allocated to the case; this has never presented a significant issue.

Information regarding tenant ASB or rent arrears is communicated through Landlord References; however, these are rarely requested outside of the mutual exchange process. Tenants are required to show ID and provide updated details to HOs where necessary. However, it was revealed during testing that checks of tenant ID do not consistently take place; only eleven out of twenty tested cases received a resident ID check.

Recommendation - All officers conducting Tenancy Update Visits should check resident ID and note these checks on the visit sheets.

4.6 **Health and Safety Risks**

4.6.1 **Potential Risk: Health and safety of staff conducting tenancy visits.**

There is a Council vehicle in place which staff are expected to use when conducting site visits within a 30-mile radius of Riverside House. All staff who have completed the car induction have access to the vehicle; however, the MOT expired for this in April 2023 and so the vehicle is currently not in use. The LOM advised that the MOT is scheduled for renewal. Staff are not permitted to use their own vehicle for site visits if the pool car is available. Only if the car is in use or not roadworthy are staff then permitted to use their personal car for site visits; this policy aims to limit personal mileage claims. A risk assessment for the pool car was last conducted in August 2020 by the Senior Housing Officer (SHO). This is due to be updated in July 2023. The assessment outlines the risks associated with accessing, leaving, and using the vehicle as well as electric charging.

There is also a risk assessment in place related to external site visits. This was last conducted in July 2020 by the SHO and is due for renewal in October 2023. The assessment outlines the risks associated with COVID-19, travelling for work, violence or aggression and PPE.

The staff alert list is easily accessible on the Intranet. Before staff interview or visit an individual at a property, they should always check the staff alert list to establish whether there is any information pertaining to that individual. If staff have concerns about an individual that they have interviewed or visited, they should complete a staff alert list submission form. Active H also displays tenants and properties where two or more staff are expected to attend; warning messages also appear on properties where the Police would need to be contacted.

All members of the LOT have been issued with Solo Protect devices and mobile phones. There is no set ICE (In-Case of Emergency) list in place, but emergency information is obtainable by the LOM, Landlord Services Manager (LSM) and SHOs via I-Trent. Staff also note their whereabouts through their Outlook calendars or notify the SHOs.

As stated in the ASB policy, all members of the LOT receive lone-working and conflict management training. The LSM is a key contact in the Safeguarding policy; staff are able to book onto Safeguarding training through I-Trent, if necessary.

4.7 **Other Risks**

4.7.1 **Potential Risk: Tenancy update visits not completed in a timely manner.**

Tenancy Update Visits (TUV) take place every three years. Visits to high-rise flats take place annually due to fire safety requirements. Letters are distributed to the resident with appointment dates and times; these can be rearranged to suit the tenant. Diary notes on Active H display when visits have been completed. There is a specific TUV procedure in place which was last updated 1 May 2023. During a TUV, residents inhabiting the property are checked and verified against those listed on the tenancy agreement.

4.7.2 **Potential Risk: Insufficient tenancy documentation/records held.**

A sample of visits was tested by the auditor to ensure that these had been documented appropriately. The sample included ten high-rise flats, three houses and seven bungalows. In eleven of the twenty samples, the tenant had been duly notified of the upcoming visit. In seven of these cases, the tenant had been informed of the first TUV; however, they had not been informed of any subsequent visits. Only one of the twenty visits had been conducted by the due date. In nineteen cases the condition of the property had been noted. In all twenty samples, repairs and rent arrears had been considered during the visit.

Recommendation – Staff should be reminded to conduct tenancy update visits by their due date.

4.7.3 **Potential Risk: Deficiencies in garage tenancy agreements/garage tenancy arrears ineffectively managed.**

The terms set out in the garage tenancy allow the garage to be used for the sole purpose of housing private motor vehicles and not for the storage of any other items. Garages cannot be used for business purposes or by anyone other than the individual living at the address. Internal maintenance of the garage remains the responsibility of the tenant; only the garage exterior can be maintained by the Council.

A new garage procedure document is in place which sets out how to manage the collection of arrears. There are also a number of template documents to ensure that information shared with tenants remains consistent. The actual allocation of garages is undertaken by the Lettings & Allocations team. The LOT manage garage arrears and deficiencies in garage tenancies.

Warning letters are initially issued to the tenant to advise that they are in arrears for the garage rent. This also outlines the support that can be provided to the tenant if facing financial difficulty. Failure to clear arrears or contact the appropriate officer within seven days will result in the garage being lost.

A standard operating procedure for managing garage accounts has been compiled by the LOM; this was last updated July 2021. Each week a report is run giving details of all garages in arrears over £5. Accounts in arrears are first sent a warning letter. If the arrears have not been cleared within seven days, an NTQ is served on the tenant of the garage. A certificate of delivery must also be completed alongside this. If the arrears have not been cleared by the time the NTQ expires, then a request for an immediate lock change is forwarded to the Repairs Team.

Although not a statutory requirement, it may be considered good practice for the LOT to conduct annual inspections of Council-owned garages. The tenant is permitted to allow Council officers to enter and inspect the garage for any purpose or carry out repairs. Inspections will check that the garage is being used for the sole purpose of storing a motor vehicle, no belongings are stored in the garage, and that there are no signs of combustible substances or pressurised containers stored. Any breaches result in a warning letter being issued. Rent for garages is charged weekly; if payments are not made in accordance with this agreement, an NTQ is served. An NTQ is also served on any garage rented by a tenant whose main rent account falls into arrears, regardless of the balance on the garage account.

The LOM advised that garage inspections have not taken place in recent years; not only is there no legal requirement to do so, but this would be difficult to achieve due to lack of resources. The auditor did, however, test that garage arrears had been dealt with effectively. It was revealed that all fifteen accounts had appropriate warning letters issued, declaring that the rent should be cleared within seven days; however, only two NTQs were served within the seven-day limit. Eight certificates of delivery were issued at the same time as the NTQ. A date was not provided on four of the certificates of delivery and two certificates had not been uploaded to the DIP.

Recommendation - Staff should be reminded that NTQs should be served within seven days of a warning letter being issued.

Recommendation - Staff should be reminded to date and issue Certificates of Delivery in a timely manner.

5 Summary and Conclusions

5.1 Section 3.2 sets out the risks that were reviewed as part of this audit. The review highlighted weaknesses against the following risks:

- Risk 4 – Staff may not be conducting revisits to properties within fourteen days following a breach of tenancy. Staff may not be conducting visits at quarterly intervals for new tenancies. Staff do not always issue secure tenancy agreements in a timely manner following the end of an introductory tenancy.
- Risk 9 – Staff may not be checking resident ID during Tenancy Update Visits.
- Risk 12 - Staff may not be conducting Tenancy Update Visits in a timely manner.

- Risk 13 – Staff may not be issuing NTQ’s in a timely manner. Staff do not always provide a date on certificates of delivery.

5.2 Further ‘issues’ were also identified where advisory notes have been reported. In these instances, no formal recommendations are thought to be warranted, as there is no significant risk attached to the actions not being taken.

5.3 In overall terms, therefore, we can give a SUBSTANTIAL degree of assurance that the systems and controls in place in respect of Tenancy Management are appropriate and are working effectively to help mitigate and control the identified risks.

5.4 The assurance bands are shown below:

Level of Assurance	Definition
Substantial	There is a sound system of control in place and compliance with the key controls.
Moderate	Whilst the system of control is broadly satisfactory, some controls are weak or non-existent and there is non-compliance with several controls.
Limited	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 attached Action Plan (Appendix A) for management attention.

Richard Barr
Audit and Risk Manager

Action Plan

Internal Audit of Tenancy Management– June 2023

Report Ref.	Risk Area	Recommendation	Rating*	Responsible Officer(s)	Management Response	Target Date
4.3.2	Legal & Regulatory Risks: Breaches in tenancy agreements leading to loss of income/legal disputes.	Staff should be reminded to conduct follow-up visits within fourteen days.	Low	Landlord Operations Manager & Senior Housing Officer	This will be picked up in Team Meetings and at 1:1 supervisions with those responsible. A note will be added to the procedure to remind staff of the deadline.	July 2023
		Staff should be conducting visits at quarterly intervals for new tenancies.	Medium	Landlord Operations Manager	This will be addressed through implementation of management audits for how Introductory Tenancies have been managed.	September 2023
		Staff should be reminded to issue secure tenancy agreements in a timely manner following the end of an introductory tenancy.	Low	Landlord Operations Manager	This will be addressed through implementation of management audits for how Introductory Tenancies have been managed.	September 2023
4.5.2	Fraud Risks: Potential for illegal subletting to take place in Council properties.	All officers conducting Tenancy Update Visits should check resident ID and note these checks on the visit sheets.	Medium	Landlord Operations Manager	A note will be added to the procedure to this effect and the documentation will be amended to reflect fact that ID needs to be checked.	July 2023
4.7.2	Other Risks: Insufficient tenancy documentation/records held.	Staff should be reminded to conduct tenancy update visits by their due date.	Low	Senior Housing Officer	To be picked up at Team Meeting and in staff 1:1 supervisions.	August 2023

Report Ref.	Risk Area	Recommendation	Rating*	Responsible Officer(s)	Management Response	Target Date
4.7.3	Other Risks: Deficiencies in garage tenancy agreements/garage tenancy arrears ineffectively managed.	Staff should be reminded that NTQs should be served within seven days of a warning letter being issued.	Low	Landlord Operations Manager & Senior Housing Officer	To be picked up with HMA supervisions	July 2023
		Staff should be reminded to date and issue Certificates of Delivery in a timely manner.	Low	Landlord Operations Manager & Senior Housing Officer	To be picked up with HMA supervisions	July 2023

* The ratings refer to how the recommendation affects the overall risk and 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.

Title: Annual Governance Statement 2022/23 Action Plan: Review of Progress

Lead Officer: Richard Barr

Portfolio Holders: Councillors Davison and Chilvers

Wards of the District directly affected: None directly impacted

Approvals required	Date	Name
Portfolio Holder(s)	08/09/23	Councillors Davison and Chilvers
Finance	07/09/23	Andrew Rollins
Legal Services	Not applicable	
Chief Executive	07/09/23	Chris Elliott
Director of Climate Change	Not applicable	
Head of Service(s)	07/09/23	Andrew Rollins
Section 151 Officer	07/09/23	Andrew Rollins
Monitoring Officer	07/09/23	Graham Leach
Leadership Co-ordination Group	02/02/23	Various
Final decision by this Committee or rec to another Cttee / Council?	Yes/ No Recommendation to: Cabinet / Council Committee	
Contrary to Policy / Budget framework?	No/Yes	
Does this report contain exempt info/Confidential? If so, which paragraph(s)?	No/Yes, Paragraphs:	
Does this report relate to a key decision (referred to in the Cabinet Forward Plan)?	No/Yes, Forward Plan item – scheduled for (date)	
Accessibility Checked?	Yes/No	

Summary

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 as set out in its Annual Governance Statement 2022/23. The appendix accompanying this report details the progress in addressing the Significant Governance Issues.

Recommendation

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 2022/23.

1 Reason for the Recommendations

- 1.1 The recommendation will help fulfil Members' responsibility for effective corporate governance within the Council and provide assurance to Members that the governance issues identified as part of the compilation of the Annual Governance Statement are being addressed.

2 Background/Information

2.1 Corporate Governance in Local Authorities

- 2.1.1 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)

- 2.1.2 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.

2.2 **Annual Governance Statement**

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

2.2.2 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.

2.2.3 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. To achieve this they will rely on many sources of assurance, such as that from:

- Members of the Council
- Deputy Chief Executive 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.

2.3 **The Significant Governance Issues**

2.3.1 The governance issues facing the Council have been identified from production of the statutory Annual Governance Statement and are summarised in the Action Plan element of the Annual Governance Statement for 2022/23.

2.3.2 The appendix accompanying this report sets out the progress in addressing those issues. Progress is reported by the officers leading on them and has been endorsed by SLT at a recent meeting.

3 **Alternative Options**

3.1 The report is not based on 'project appraisal' so this section is not applicable.

4 **Legal Implications**

4.1 Include a summary of the legal or human rights implications of the proposal.
Not applicable.

5 Financial Implications

- 5.1 Include a summary of the financial implications of the proposal.
Not applicable

6 Business Strategy

- 6.1 Warwick District Council has adopted a Business Strategy which sets out key areas for service delivery. Each proposed decision should set out how the report contributes to the delivery of these strategic aims. If it does not contribute to these aims or has a negative effect on them the report should explain why that is the case.

6.1.1 External Impacts

**People - Health, Homes, Communities
Services - Green, Clean, Safe
Money- Infrastructure, Enterprise, Employment**

Although there are no direct policy implications, corporate governance will be a major factor in shaping the Policy Framework and Council policies.

6.1.2 Internal Impacts

**People - Effective Staff
Services - Maintain or Improve Services
Money - Firm Financial Footing over the Longer Term**

Although there are no direct policy implications, corporate governance will be a major factor in shaping the Policy Framework and Council policies.

7 Environmental/Climate Change Implications

- 7.1 Effective corporate governance can assist the Council achieve its environmental and climate emergency objectives.

8 Analysis of the Effects on Equality

- 8.1 Effective corporate governance can help the Council achieve its equality obligations.

9 Data Protection

- 9.1 Effective corporate governance can help the Council achieve its data protection objectives.

10 Health and Wellbeing

- 10.1 Effective corporate governance can help the Council achieve its health and wellbeing objectives.

11 Risk Assessment

- 11.1 The whole report is about risks and the risk environment. Clearly there are governance-related risks associated with weak internal control, risk management and governance processes.

12 Consultation

12.1 Please refer to 'header page' of this report.

Background papers:

All Papers referred to in this report are published documents.

Supporting documents:

Minutes of Joint Management Team and Senior Leadership Team.

WDC Annual Governance Statement 2022/23: Action Plan for Governance Issues

AGS Ref.	Governance Issue	Responsibility	Progress to Date
6.1.1	The breadth and volume of the Overview and Scrutiny Committee's workload.	Senior Leadership Team	A report was considered by the Overview & Scrutiny Committee on 8 August 2023. This was developed with the Chairman of the Committee sets an approach for developing any revisions to scrutiny for the 2024/25 municipal year. The capacity of the Committee has been increased for this year by four additional meetings plus the retention of the Budget Review Group.
6.1.2	The presentation of Cabinet reports that mitigate effective scrutiny of them.	Senior Leadership Team	This is covered at present by the ongoing work by the Overview & Scrutiny Committee on its workload. It has increased its number of meetings to enable greater time to focus on cabinet reports.
6.1.3	The range of skills that are required by the Overview and Scrutiny Committee to enable effective scrutiny, particularly in respect of financial expertise.	Senior Leadership Team	The report to Committee on 8 August 2023 also set out an agreed training plan for Councillors, including scrutiny, in Finance matters. This plan had been developed by the Head of Finance, Head of Governance, Chairman of Overview & Scrutiny Committee, Chairman of Audit & Standards and Portfolio Holder for Resources. Overview & Scrutiny Training has been provided post-election for all Councillors and more work is planned for this area.
6.1.4	The lack of clarity over the role and operation of Programme Advisory Boards.	Senior Leadership Team	This discussion is being led by the Leader in partnership with Group Leaders.

Title: Internal Audit Annual Report 2022/23

Lead Officer: Richard Barr

Portfolio Holder: Councillor Chilvers

Wards of the District directly affected: None directly impacted

Approvals required	Date	Name
Portfolio Holder	12/09/23	Councillor Chilvers
Finance	12/09/23	Andrew Rollins
Legal Services	Not applicable	
Chief Executive	12/09/23	Chris Elliott
Director of Climate Change	Not applicable	
Head of Service(s)	12/09/23	Andrew Rollins
Section 151 Officer	12/09/23	Andrew Rollins
Monitoring Officer	12/09/23	Graham Leach
Senior Leadership Team	12/09/23	Various
Final decision by this Committee or rec to another Cttee / Council?	Yes / No – Final Decision by this Committee. Recommendation to: Cabinet / Council Committee	
Contrary to Policy / Budget framework?	No/Yes	
Does this report contain exempt info/Confidential? If so, which paragraph(s)?	No/Yes, Paragraphs:	
Does this report relate to a key decision (referred to in the Cabinet Forward Plan)?	No/Yes, Forward Plan item – scheduled for (date)	
Accessibility Checked?	Yes/No	

Summary

Forming part of the evidence for the Annual Governance Statement, the Internal Audit Annual Report presents a summary of the internal work undertaken during 2022/23 and provides a conclusion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

Recommendation

- 1 That this Committee should consider the Annual Report of Internal Audit for the year ended 31 March 2023 as part of its consideration and approval of the Annual Governance Statement 2022/23.
-

1 Reason for the Recommendations

- 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 2022/23 and provides a conclusion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. The Committee is required to consider the Annual Report of Internal Audit for the year ended 31 March 2023 as part of its consideration and approval of the Annual Governance Statement 2022/23. This is because 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."

2 Background/Information

- 2.1 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.*

- 2.2 The Annual Report, in the format and comprising the topics prescribed by the Public Sector Internal Audit Standards, is set out as Appendix 1.

3 Alternative Options

- 3.1 The report is not based on 'project appraisal' so this section is not applicable.

4 Legal Implications

- 4.1 Not applicable.

5 Financial Implications

5.1 Not applicable.

6 Business Strategy

6.1 Warwick District Council has adopted a Business Strategy that sets out key areas for service delivery.

6.2 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.

7 Environmental/Climate Change Implications

7.1 An effective internal audit function can assist the Council achieve its environmental and climate emergency objectives.

8 Analysis of the Effects on Equality

8.1 An effective internal audit function can help the Council achieve its equality obligations.

9 Data Protection

9.1 An effective internal audit function can help the Council achieve its data protection objectives.

10 Health and Wellbeing

10.1 An effective internal audit function can help the Council achieve its health and wellbeing objectives.

11 Risk Assessment

11.1 The whole report is about risks and the risk environment. Clearly there are governance-related risks associated with weak internal control, risk management and governance processes.

12 Consultation

12.1 No external consultation was required.

Background papers:

All Papers referred to in this report are published documents.

Supporting documents:

Internal Audit Plan.

Internal Audit Reports.

**Head of Internal Audit's Annual Report and Presentation of
Audit Opinion 2022/23**

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 ancillary 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.

This, however, must be qualified by the non-completion of three IT audits primarily caused by the low priority given to these audits in his workload by the Head of Digital and Customer Services in terms of facilitating and assisting them. It is hoped that these can be completed in time to inform the final version of the Annual Governance Statement for 2022/23 that accompanies the Statement of Accounts for that year.

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 Audit and Standards Committee each quarter. 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.

Although not expressed as a further qualification, it must be confirmed that the internal audit opinion can only be based on the audits undertaken during that year and on information garnered more informally by the Internal Audit team; thus 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 that the level of agreed resources has not impacted adversely on the provision of the annual internal audit opinion.

Summary of the internal work undertaken during 2022/23 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 Audit and Standards 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 scheduled updates on the state of implementation of recommendations in order to obtain assurance that recommendations are actioned.

Just three audits undertaken during the year were awarded a less than substantial level of assurance – all receiving a moderate level of assurance, the middle ranking assurance opinion.

The list of audits in Appendix 1A comprises almost exclusively risk-based audit reviews but also one consultancy-based review.

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 Leadership Team and by the Leader of the Council and the Chairs of the 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 Public Sector Internal Audit Standards 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 an external consultant, undertaken towards the end of the 2020/21, highlighted non-compliance with some elements of the Public Sector Internal Audit Standards. The Public Sector Internal Audit Standards require such external reviews to be undertaken at least once in a five-year period. (The previous review was completed in 2016.) An action plan was produced to address those areas of non-compliance and this was reported to Finance and Audit Scrutiny Committee, as was, in March 2021, together with the full results of the review. An update in addressing the areas of non-compliance was reported to Finance and Audit Scrutiny Committee in December 2021. This reported that all areas of non-compliance had been addressed.

Periodic internal assessments form part of the Quality Assurance and Improvement Programme, as described below. The results of internal assessments undertaken during 2022/23 are set out as Appendix 1C to this Annual Report.

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 and Risk Manager can 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 Quality Assurance and Improvement Programme comprises cyclical self-reviews against all element of the Public Sector Internal Audit Standards such that, over a 5-year period (i.e. up to when the next external review is due), all elements of the Standards have been assessed.

The results of the self-review in respect of 2022-23 (Year Two) of the current Quality and Assurance Programme are set out in Appendix 1C to this Annual Report.

The Internal Audit Quality Assurance and Improvement Programme also includes ongoing reviews of audit files by the Audit and Risk Manager before issue of final reports, plus external audit reviews of Internal Audit's work, as well as scrutiny by

Audit and Standards Committee. It also comprises completion by auditees, post audit, of questionnaires for audits.

In terms of the post audit questionnaires, no auditees awarded a "score" of less than four "marks" out of five in their assessment of the audit that they had received. Clearly this indicates very broad satisfaction with the audits undertaken. Appendix 1D sets out the questionnaire that is used (albeit this is now completed as an online form).

The results of the Internal Audit Quality Assurance Programme, in whatever form, are used to improve the service provided by Internal Audit.

Summary of Audits Undertaken 2022/23

Assignment	Client Service Area	Level of Assurance	No. of Recs.
<i>Quarter 1</i>			
Corporate Governance	Law and Governance	Substantial	2 + 2 advisories
Gas and Electrical Safety Checks	Neighbourhood and Assets	Substantial	3 + 1 advisory
<i>Quarter 2</i>			
Housing Stock Asset Management	Housing	Substantial	3 + 3 advisories
Sundry Debtors	Finance	Substantial	2 + 4 advisories
Payroll and Staff Expenses	Finance	Substantial	4 + 4 advisories
ICT Operations as a Joint Service	Customer and Digital Services	Consultancy-based review	
Financial Systems Interfaces	Finance	Substantial	2
CCTV Services	Safer Communities, Leisure and Environment	Substantial	4 + 5 advisories
Safeguarding Children and Vulnerable Adults	Safer Communities, Leisure and Environment	Substantial	3 + 6 advisories
Sustainability and Delivery Outcomes	Programme Director for Climate Change	Substantial	5
Open Spaces	Safer Communities, Leisure and Environment	Substantial	5 + 4 advisories
Homelessness and Housing Advice	Housing	Substantial	3 + 2 advisories
Right to Buy	Housing	Substantial	0
<i>Quarter 3</i>			
Financial Strategy, Planning and Budgetary Control	Finance	Substantial	8 + 2 advisories
Council Tax	Finance	Substantial	0 + 1 advisory
National Non-Domestic Rates	Finance	Substantial	0 + 4 advisories
Treasury Management	Finance	Substantial	2 + 3 advisories
Corporate Health and Safety	Neighbourhood and Assets	Substantial	7 + 3 advisories
Community Services	Safer Communities, Leisure and Environment	Substantial	5 + 1 advisory

Assignment	Client Service Area	Level of Assurance	No. of Recs.
Health and Safety Compliance of Council Buildings	Neighbourhood and Assets	Substantial	3
Bereavement Services	Neighbourhood and Assets	Substantial	3 + 4 advisories
Electoral Registration	Governance	Substantial	2 + 2 advisories
Planning Policy	Place, Arts and Economy	Substantial	1 + 1 advisory
<i>Quarter 4</i>			
Emergency Planning & Business Continuity Management	Safer Communities, Leisure and Environment	Substantial	4
Payment of Creditors	Finance	Substantial	2 + 1 advisory
Main Accounting System	Finance	Substantial	0 + 1 advisory
Microsoft 365	Customer and Digital Services	Substantial	3
Corporate Properties Repair and Maintenance	Neighbourhood and Assets	Substantial	2
Food Safety	Safer Communities, Leisure and Environment	Substantial	1 + 2 advisories
Leisure Facilities Contracts	Safer Communities, Leisure and Environment	Substantial	1 + 1 advisory
Royal Spa Centre	Place, Arts and Economy	Substantial	1
Town Hall Lettings	Place, Arts and Economy	Moderate	4 + 1 advisory
Affordable Housing Development Programme	Housing	Moderate	4 + 1 advisory
Allocations, Nominations & Lettings	Housing	Moderate	4 + 6 advisories
Recruitment and Selection, Terms and Conditions	People and Communications	Substantial	5
Royal Pump Rooms (including Art Gallery)	Place, Arts and Economy	Substantial	5 + 9 advisories

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, where there are controls, these are often not complied with.

Summary of Internal Audit Performance 2022/23

Performance Indicator	In-house Team	External Contractors	Overall for Service
Number of planned audits assigned	33	3	36
Number of planned audits completed	33	0	33
% assigned audits completed	100%	0%	91.7%
Number of audits completed within time allocation	18	N/A	N/A
% audits completed within time allocation	54.5	N/A	N/A
Number of audit days – planned	341.0	N/A	N/A
Number of audit days – actual	330.1	N/A	N/A
Productive time as % of available time – target	73.3%	N/A	N/A
Productive time as % of available time – actual	67.2%	N/A	N/A
Number of audit recommendations issued	103	0	103
Number of audit recommendations agreed	103	0	103
% audit recommendations agreed	100.0	0	100.0
Number of High Priority audit recommendations issued	0	0	0
Number of High Priority audit recommendations implemented	0	0	0
% High Priority audit recommendations implemented	N/A	N/A	N/A

Results of Internal Assessments

Checklist for Assessing Conformance with the PSIAS and the Local Government Application Note: Attribute Standards 1000 – Purpose, Authority and Responsibility

Review Programme: Core Principles

This checklist has been developed to satisfy the requirements set out in PSIAS 1311 and 1312 for periodic self-assessments and externally validated self-assessments as part of the Quality Assurance and Improvement Programme. It incorporates the requirements of the PSIAS as well as the Application Note in order to give comprehensive coverage of both documents.

For each check performed the relevant box should be ticked in accordance with the following levels of conformance:

GC – General Conformance

PC – Partial Conformance

DNC – Does Not Conform

Evidence for each response must be provided and reasons for any partial or full nonconformance should be given, together with any compensating measures in place or actions in progress to address this.

Programme/Checklist

Ref	Conformance with the Standard	GC	PC	DNC	Evidence
1	Purpose, Authority and Responsibility				
	Does the internal audit charter include a formal definition of: a) the purpose b) the authority, and c) the responsibility of the internal audit activity consistent with the Public Sector Internal Audit Standards (PSIAS)?	✓			<p>a) The Charter outlines that the purpose of internal audit is to provide optimum benefit to the Council and assist the organisation in achieving its objectives. This supports the 'Mission of Internal Audit' which is defined within section 3 of the PSIAS.</p> <p>b) In terms of authority, the Charter highlights that internal audit has direct, free, and unrestricted access to senior management, the board, the Chief Executive, and the Leader of the Council.</p> <p>With regards to responsibility, it is stated within the Charter that the CAE is responsible for</p>

Ref	Conformance with the Standard	GC	PC	DNC	Evidence
					ensuring that the resources of the internal audit section are sufficient to meet its responsibilities and achieve its objectives. It is also implied that the internal audit section should be suitably qualified. If the audit team do not possess the required skills and knowledge, resources from external providers are utilised.
	<p>Does the internal audit charter define the terms 'board' and 'senior management', for the purposes of the internal audit activity?</p> <p>Note that it is expected that the audit committee will fulfil the role of the board in the majority of instances.</p>	✓			<p>The Charter, in alignment with the PSIAS, defines the 'board' as usually taken to mean the audit committee. Its key responsibility is to maintain an overview on the adequacy of the Council's governance, internal control, and risk management process. The Charter does, however, need updating as it still refers to the board as the Finance and Audit Scrutiny Committee; this was changed to the Audit and Standards Committee at the beginning of 2022.</p> <p>Within the Charter, 'senior management' is defined as comprising the members of the Senior Management Team i.e., the Chief Executive, Deputy Chief Executive, and Heads of Service Areas. In terms of internal audit, senior management is responsible for helping to shape the programme of assurance work through analysis and review of key risks.</p>
	<p>Does the internal audit charter also:</p> <p>a) Set out the internal audit activity's position within the organisation?</p>		✓		<p>a) The Charter states that internal audit is responsible for reporting significant risk exposures and control issues to the Committee and to senior management. Internal audit operates within a</p>

Ref	Conformance with the Standard	GC	PC	DNC	Evidence
	<p>b) Establish the CAE's functional reporting relationship with the board?</p> <p>c) Establish the accountability, reporting line and relationship between the CAE and those to whom the CAE may report administratively?</p> <p>d) Establish the responsibility of the board and also the role of the statutory officers (such as the CFO, the monitoring officer, and the head of paid service) with regards to internal audit?</p> <p>e) Establish internal audit's right of access to all records, assets, personnel and premises and its authority to obtain such information and explanations as it considers necessary to fulfil its responsibilities?</p> <p>f) Define the scope of internal audit activities?</p> <p>g) Recognise that internal audit's remit extends to the entire control environment of the organisation?</p> <p>h) Identify internal audit's contribution to the review of effectiveness of the control environment, as set out in the Accounts and Audit (England) Regulations 2011?</p> <p>i) Establish the organisational independence of internal audit?</p> <p>j) Cover the arrangements for appropriate resourcing?</p> <p>k) Define the role of internal audit in any fraud-related work?</p> <p>l) Set out the existing arrangements within the organisation's antifraud and anti-corruption policies, to be notified of all suspected</p>	<p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>	<p>✓</p>		<p>framework that allows unrestricted access to senior management and members. There is, however, no indication as to where the internal audit activity is positioned within the structure of the organisation.</p> <p>b) It is documented in the Charter that the CAE will communicate and interact directly with the board. It also makes explicit reference to the functional lines of reporting (i.e., reporting to the board) including approval of the Charter and approval of the audit plan. There are no references to functional reporting duties such as the approval of budget plans or approving the appointment and remuneration of the CAE.</p> <p>c) The CAE administratively reports to senior management which is highlighted within the Charter. Senior management is responsible for responding to reports issued by internal audit and for implementing recommendations within agreed timescales.</p> <p>d) It is outlined that the board is responsible for overseeing the effectiveness of the internal audit function and holding the CAE to account for delivery, through the receipt of regular reports and updates. The Chief Executive or Deputy Chief Executive approves all decisions regarding the performance evaluation of the CAE.</p>

Ref	Conformance with the Standard	GC	PC	DNC	Evidence
	<p>or detected fraud, corruption, or impropriety?</p> <p>m) Include arrangements for avoiding conflicts of interest if internal audit undertakes non-audit activities?</p> <p>n) Define the nature of assurance services provided to the organisation, as well as assurances provided to parties external to the organisation?</p> <p>o) Define the nature of consulting services?</p> <p>p) Recognise the mandatory nature of the PSIAS?</p>	<p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>			<p>e) The Charter highlights that the internal audit activity has full and unrestricted access to all of the organisation's records, physical properties, and personnel.</p> <p>f) The scope of the internal audit activity is defined in the Charter as the examination and evaluation of the adequacy and effectiveness of the organisation's governance, risk management, and internal control processes.</p> <p>g) The Charter affirms that internal audit plays a key role in providing assurance on the effectiveness of the entire control environment.</p> <p>h) The Charter states that the board is responsible for the effectiveness of the control environment within the Council. The ways in which internal audit contributes to this activity is reiterated throughout the document. It is stated in the Accounts and Audit (England) Regulations 2011, that 'the relevant body, at least once a year, must conduct a review of the effectiveness of its internal audit function. This standard is fully conformed to.</p> <p>i) In line with PSIAS requirements, the CAE directly reports to the Head of Finance (a level within the organisation that allows the internal audit activity to fulfil its responsibilities). The CAE has unfettered access to the CEO, Deputy CEO, Finance Portfolio Holder, and Chair of the board. Organisational independence is also achieved through</p>

Ref	Conformance with the Standard	GC	PC	DNC	Evidence
					<p>functional reporting to the board. Where an audit is to be undertaken on a service area that is managed by the CAE, the audit will be reviewed and signed off by the Head of Finance. Confirmation of the internal audit's organisational independence is included in the annual report of the CAE.</p> <p>j) The Section 151 Officer and board jointly agree on the level of internal audit resource to be deployed at the Council. The CAE is responsible for ensuring that the resources of the internal audit section are sufficient to meet its responsibilities and achieve its objectives. If a situation arose whereby, it was the opinion that these resources were insufficient, this would be formally reported to the Head of Finance and the board.</p> <p>k) Although managing the risk of fraud and corruption is the responsibility of management, the Charter states that internal auditors will be alert in all their work to risks and exposures that could allow fraud or corruption.</p> <p>l) The CAE must be notified immediately of all suspected or detected fraud, theft, corruption, or any other impropriety. The Council's role in anti-fraud is defined within the Council's Code of Financial Practice and within the Anti-fraud and Corruption Strategy.</p> <p>m) Each auditor is required to declare proactively any potential 'conflict of</p>

Ref	Conformance with the Standard	GC	PC	DNC	Evidence
					<p>interest' prior to the commencement of each audit assignment. The CAE will consider the materiality of the conflict and if necessary, assign the audit to another team member or contract the audit work externally. All auditors are required to sign an annual declaration of interest. Audits are rotated within the team to avoid over-familiarity and complacency.</p> <p>n) The Charter outlines that the purpose of internal audit i.e., to add value and improve operations, is achieved through a mix of assurance work and consultancy and advice work. A footnote in the Charter outlines examples of the types of internal assurances provided, including financial, performance and compliance audits.</p> <p>o) Internal audit may perform consulting and advisory services appropriate for the organisation as determined by the CAE on a case-by-case basis. Consulting services are advisory, and the nature and scope of these activities are agreed upon with the client. Consulting activities include conducting internal control training, providing advice to management about the control concerns in new systems, drafting policies, and participating in quality teams.</p> <p>The Charter recognises the mandatory nature of PSIAS and includes the PSIAS Core Principles which underpin the effectiveness of internal audit.</p>

Ref	Conformance with the Standard	GC	PC	DNC	Evidence
					There are also many references within the Charter, to PSIAS requirements e.g., 'PSIAS standard 1112 requires that where responsibilities of the CAE fall outside of internal auditing, safeguards must be in place to limit impairments to independence or objectivity.'
	Does the chief audit executive (CAE) periodically review the internal audit charter and present it to senior management and the board for approval?	✓			Yes, the Charter is subject to annual review by the CAE and subsequent approval by the board. (Committee Agenda)
	Does the CAE attend audit committee meetings?	✓			Yes – see example Attendance Report in Committee minutes
	Does the CAE contribute to audit committee agendas?	✓			Yes – Committee Agenda includes IA progress reports, AGS, IA plan, IA Charter, and CAE annual report.
	Conclusion: Purpose, Authority and Responsibility				The Attribute Standard 1000, which outlines the Purpose, Authority and Responsibility of internal audit activity, is formally defined in the internal audit Charter. This is consistent with the Mission of Internal Audit and the mandatory elements of the PSIAS. Although the Charter requires some minor updates, it thoroughly complies with the Attribute Standard.

Checklist for Assessing Conformance with the PSIAS and the Local Government

Application Note: Attribute Standards 1100 – Independence and Objectivity

Introduction

This checklist has been developed to satisfy the requirements set out in PSIAS 1311 and 1312 for periodic self-assessments and externally validated self-assessments as part of the Quality Assurance and Improvement Programme. It incorporates the requirements of the PSIAS as well as the Application Note in order to give comprehensive coverage of both documents.

For each check performed the relevant box should be ticked in accordance with the following levels of conformance:

- GC – General Conformance
- PC – Partial Conformance
- DNC – Does Not Conform

Evidence for each response must be provided and reasons for any partial or full nonconformance should be given, together with any compensating measures in place or actions in progress to address this.

Programme/Checklist

Ref	Conformance with the Standard	GC	PC	DNC	Evidence
1	Organisational Independence				
	Does the CAE have direct and unrestricted access to senior management and the board?	✓			The CAE has a direct functional reporting line to the board and frequently consults Members on how to improve the internal audit service. Meetings with the board are held every quarter and attended by the CAE.
	Does the CAE have free and unfettered access to, as well as communicate effectively with, the chief executive (or equivalent) and the chair of the audit committee?	✓			The CAE often communicates with the CEO regarding current issues facing internal audit. The CAE has also spoken directly to the chair of the audit committee to discuss issues which have arisen during board meetings. The CAE has access to the Monitoring Officer.

Ref	Conformance with the Standard	GC	PC	DNC	Evidence
	<p>Are threats to objectivity identified and managed at the following levels:</p> <p>a) Individual auditor? b) Engagement? c) Functional? d) Organisation?</p>	<p>✓ ✓ ✓ ✓</p>			<p>a) Declarations of conflict of interest, audit planning process. b) When assigning internal auditors to specific engagements, the Principal Internal Auditor will consider potential objectivity impairments and avoid assigning team members who may have a conflict. c) Reported to board through quarterly reports/statements. d) Threats to objectivity reported to senior management, where appropriate.</p>
	Does the CAE report to an organisational level equal or higher than the corporate management team?	✓			The CAE has an administrative reporting line to the Head of Finance, who forms part of the senior leadership team. The Head of Finance, in turn, reports to the CEO.
	Does the CAE report to a level within the organisation that allows the internal audit activity to fulfil its responsibilities?	✓			Although the Audit & Risk section comes under 'Finance', internal audit is not positioned within an operation that is subject to audit. The Charter documents the CAE's position in the organisation.
	Have reporting and management arrangements been put in place that preserve the CAE's independence and objectivity?	✓			The CAE reports administratively to the Head of Finance and functionally to the board. The CAE has operational responsibilities beyond internal audit, such as risk management and insurance. Where appropriate, the CAE should discuss any independence concerns and potential objectivity impairment with the board and senior management.

Ref	Conformance with the Standard	GC	PC	DNC	Evidence
	<p>Does the CAE confirm to the board, at least annually, the organisational independence of the internal audit activity? The board:</p> <ul style="list-style-type: none"> a) approves the internal audit charter b) approves the risk-based audit plan c) approves the internal audit budget and resource plan d) receives communications from the CAE on the activity's performance (in relation to the plan) e) approves decisions relating to the appointment and removal of the CAE. f) approves the remunerations of the CAE g) seeks reassurance from management and the CAE as to whether there are any inappropriate scope or resource limitations. 	<p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>	<p>✓</p>	<p>✓</p> <p>✓</p>	<ul style="list-style-type: none"> a) The internal audit Charter is subject to annual board approval. b) The risk-based plan is subject to annual board approval. c) The budget for the internal audit service is presented as part of the Budget Report to Full Council. Details of the resource position in terms of audit days needed, audit days available and any resource implications are reported to the Audit and Standards committee. d) Progress against the plan is presented to the board quarterly. e) The responsibility for the appointment of the CAE is that of the S151 who is responsible for maintaining an adequate internal audit function. f) The remuneration of the CAE is set in line with the Council's pay scales. g) The Audit & Standards committee will challenge the level of resources if there is reason to question performance. A review of effectiveness is performed annually as part of the CAE's annual statement. The Committee's terms of reference are set out under the responsibility of functions of the Constitution; this is also available on the Council website. This clearly outlines the roles expected of the Audit & Standards Committee.

Ref	Conformance with the Standard	GC	PC	DNC	Evidence
	<p>Does the CAE's position in the management structure:</p> <p>a) Reflect the influence they have on the control environment?</p> <p>b) Provide the CAE with sufficient status to ensure that audit plans, reports and action plans are discussed effectively with the board?</p> <p>c) Ensure that the CAE is sufficiently senior and independent to be able to provide credibly constructive challenge to senior management?</p>	<p>✓</p> <p>✓</p> <p>✓</p>			<p>a) The CAE administratively reports to the Head of Finance. The CAE's full title is Head of Audit & Risk.</p> <p>b) Regular meetings are held with the board to review progress against the audit plan, issues and concerns, new risk exposures and any changes to the plan for the remainder of the year.</p> <p>c) All final reports issued are circulated to the CEO, Monitoring Officer or Director for Climate Change, Head of Finance, and relevant Portfolio Holder.</p>
	Does the chief executive (or equivalent) undertake, countersign, contribute feedback to or review the performance appraisal of the CAE?	✓			The Head of Finance, as the CAE's line manager, undertakes performance appraisals of the CAE. These are countersigned by the CEO.
	Is feedback sought from the chair of the audit committee for the CAE's performance appraisal?			✓	This is not something which is currently performed but could be requested if necessary.
2	Direct Interaction with the Board				
	Does the CAE communicate and interact directly with the board?	✓			The CAE is involved in crafting board meeting agendas and allows sufficient time to discuss internal audit performance relative to the audit plan. The CAE participates in audit committee meetings quarterly, to communicate the proposed internal audit plan, key findings and emerging risks that warrant the boards attention. The CAE's calendar substantiates his attendance at board meetings. The CAE also meets with the chair of the committee outside of committee meetings .

Ref	Conformance with the Standard	GC	PC	DNC	Evidence
3	Individual Objectivity				
	Do internal auditors have an impartial, unbiased attitude?	✓			An internal audit manual is in place which describes expectations and requirements for an unbiased mindset. This includes highlighting the critical importance of objectivity to the internal audit profession and actions the internal auditor should take if they become aware of a current or potential objectivity concern. The manual will need updating, as this still refers to the previous Head of Finance.
	Do internal auditors avoid any conflict of interest, where apparent or actual?	✓			Disclosures of impairments are documented. Standard performance evaluation is conducted through appraisals, working papers and engagement reports. Internal auditors understand the need to disclose potential conflicts of interest. This is outlined throughout the Employee Code of Conduct
4	CAE Roles Beyond Internal Auditing				

Ref	Conformance with the Standard	GC	PC	DNC	Evidence
	<p>Where the CAE has or is expected to have roles and/or responsibilities that fall outside of internal auditing, are adequate safeguards in place to limit impairments to independence or objectivity:</p> <p>a) Does the board periodically evaluate reporting lines and responsibilities?</p> <p>b) Does the board address any potential impairments to objectivity?</p>	✓	✓		<p>The CAE is responsible for Risk Management, Insurance and RIPA. The Charter states that audits conducted in these areas will be managed by an alternative officer, namely the Head of Finance. To ensure complete independence, audits can be outsourced if required.</p> <p>a) The committee should regularly review reporting lines.</p> <p>b) Impairments to objectivity are reported to the committee through quarterly reports/statements, where relevant. The Mission Statement of Internal Audit highlights the need for independence and objectivity. The Charter describes the nature of the CAE's role outside of internal audit.</p>
5	Impairment to Independence or Objectivity				
	If independence or objectivity is impaired in fact or appearance, are the details of the impairment disclosed to the appropriate parties?	✓			Impairment to objectivity is communicated to the CAE and reported to Head of Finance, auditees, and the board.
	Have internal auditors assessed specific operations for which they have been responsible within the previous year?		✓		The auditor reported this to the CAE, senior management, and the auditee. This is often unavoidable in a small team.

Ref	Conformance with the Standard	GC	PC	DNC	Evidence
	Have assurance engagements for functions over which the CAE has responsibility, been overseen by a party outside of the internal audit activity?		✓		The Financial Strategy, Planning and Budgetary Control audit was signed off by the Principal Internal Auditor and CAE. The Safeguarding audit, which analysed the Council's whistleblowing policy, was also reported to the CAE. Auditors should be reminded to send engagement papers to the Head of Finance, where the audit concerns a function overseen by the CAE. It is outlined in the Charter that an officer outside of the internal audit activity should perform these engagement reviews.
	Are assignments for ongoing assurance engagements and other audit responsibilities rotated periodically within the internal audit team?	✓			Annual meetings are held in which the Principal Internal Auditor distributes audit engagements. This ensures that no auditor undertakes the same engagement within a one-year cycle.
	Have internal auditors declared interests in accordance with organisational requirements?	✓			Auditors discuss concerns with the CAE to determine whether the situation is truly an impairment and how best to proceed. Consideration should be given to ensuring auditors sign annual declarations of interest, indicating that no potential threats exist.
	Where any internal auditor has accepted any gifts, hospitality, inducements or other benefits from employees, clients, suppliers or other third parties, has this been declared and investigated fully?	N/A			No such incidents have been identified.
	Have any instances been discovered where an internal auditor has used information obtained during the course of duties for personal gain?	N/A			No such incidents have been identified.

Ref	Conformance with the Standard	GC	PC	DNC	Evidence
	Have internal auditors disclosed all material facts known to them?	✓			All internal auditors are aware of the Standards with which they must conform. All work is reviewed by the CAE or Principal Internal Auditor.
	Have internal auditors complied with the Bribery Act 2010?	✓			Notes concerning the Bribery Act 2010, have been issued to Members, Managers and Staff. These are readily accessible on the Intranet.
	If there has been any real or apparent impairment of independence or objectivity relating to a proposed consulting services engagement, was this disclosed to the engagement client before the engagement was accepted?	N/A			No such issues have been identified. The internal audit manual describes the appropriate actions for an internal auditor to take should he or she become aware of, or concerned about, such impairments.
	Where there have been significant additional consulting services agreed during the year that were not already included in the audit plan, was approval sought from the board before the engagement was accepted?	✓			The board is aware of the external contracts with Oxford City Council and TIAA. There have been no significant additional consulting services outsourced from WDC this year. Any changes to the audit plan would be discussed with the CAE and reported to the board.
	Conclusion: 1100 – Independence and Objectivity				In summary, the internal audit activity generally conforms to the Independence and Objectivity Standards. There are, however, some advisory comments where improvements could be made.

Checklist for Assessing Conformance with the PSIAS and the Local Government Application Note: Code of Ethics

Introduction

This checklist has been developed to satisfy the requirements set out in PSIAS 1311 and 1312 for periodic self-assessments and externally validated self-assessments as part of the Quality Assurance and Improvement Programme. It incorporates the requirements of the PSIAS as well as the Application Note in order to give comprehensive coverage of both documents.

For each check performed the relevant box should be ticked in accordance with the following levels of conformance:

GC – General Conformance
PC – Partial Conformance
DNC – Does Not Conform

Evidence for each response must be provided and reasons for any partial or full nonconformance should be given, together with any compensating measures in place or actions in progress to address this.

Code of Ethics: Purpose and Requirements (From PSIAS)

Public sector requirement

Internal auditors in UK public sector organisations (as set out in the Applicability section) must conform to the Code of Ethics as set out below. If individual internal auditors have membership of another professional body, then he or she must also comply with the relevant requirements of that organisation

The purpose of The Institute's Code of Ethics is to promote an ethical culture in the profession of internal auditing. A code of ethics is necessary and appropriate for the profession of internal auditing, founded as it is on the trust placed in its objective assurance about risk management, control and governance.

The Institute's Code of Ethics extends beyond the definition of internal auditing to include two essential components:

Components

1. Principles that are relevant to the profession and practice of internal auditing;
2. Rules of Conduct that describe behaviour norms expected of internal auditors. These rules are an aid to interpreting the Principles into practical applications and are intended to guide the ethical conduct of internal auditors.

The Code of Ethics provides guidance to internal auditors serving others. 'Internal auditors' refers to Institute members and those who provide internal auditing services within the definition of internal auditing.

Applicability and Enforcement

This Code of Ethics applies to both individuals and entities that provide internal auditing services. For Institute members, breaches of the Code of Ethics will be

evaluated and administered according to The Institute’s Disciplinary Procedures. The fact that a particular conduct is not mentioned in the Rules of Conduct does not prevent it from being unacceptable or discreditable and therefore, the member liable to disciplinary action.

Public sector interpretation

The ‘Institute’ here refers to the IIA. Disciplinary procedures of other professional bodies and employing organisations may apply to breaches of this Code of Ethics

Public sector requirement

Internal auditors who work in the public sector must also have regard to the Committee on Standards of Public Life’s *Seven Principles of Public Life*, information on which can be found at www.public-standards.gov.uk

Programme/Checklist

Ref	Conformance with the Standard	GC	PC	DNC	Evidence
1	Integrity				
	<p>Using evidence gained from assessing conformance with other Standards, do internal auditors:</p> <p>a) Perform their work with honesty, diligence, and responsibility?</p> <p>b) Observe the law and make disclosures expected by the law and the profession?</p> <p>c) Not knowingly partake in any illegal activity nor engage in acts that are discreditable to the profession of internal auditing or to the organisation?</p> <p>d) Respect and contribute to the legitimate and ethical objectives of the organisation?</p>	<p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>			<p>a) The CAE cultivates a culture of integrity by periodically reviewing internal auditor performance. This is conducted through the approval of audit programmes, the reviewing of engagement reports and participation in the staff appraisal system. These activities provide auditors with the opportunity to discuss how integrity may be challenged. The use of working papers to document findings, allows auditors to include all observations in engagement reports, even if these observations are not favourable to the auditee, the board or senior management. Post-engagement questionnaires allow senior management to monitor how well internal auditors have demonstrated integrity.</p> <p>b) Each auditor is required to declare proactively any potential ‘conflict of interest’ prior to the</p>

Ref	Conformance with the Standard	GC	PC	DNC	Evidence
					<p>commencement of each audit assignment. The CAE will consider the materiality of the conflict and if necessary, assign the audit to another team member or contract the audit work externally. All internal auditors within the organisation are members of the IIA, and subsequently have agreed to follow the IIA's Code of Ethics.</p> <p>c) Internal auditors, as with all staff at the organisation, are expected to acknowledge their adherence to the Code of Conduct in writing.</p> <p>d) The internal audit function has a degree of involvement with the Meta Compliance policy, which manages the communication of ethical policies. Internal audit has also conducted an audit engagement specifically focussed on the ethics of corporate governance within the Council.</p>
2	Objectivity				
	<p>Using evidence gained from assessing conformance with other Standards, do internal auditors display objectivity by not:</p> <p>a) Taking part in any activity or relationship that may impair or be presumed to impair their unbiased assessment?</p> <p>b) Accepting anything that may impair or be presumed to impair their professional judgement?</p> <p>c) Disclosing all material facts known to them that, if not disclosed, may distort the</p>	<p>✓</p> <p>✓</p> <p>✓</p>			<p>a) The CAE is responsible for functions other than the internal audit activity, including risk management, insurance, and corporate fraud investigations. This work is overseen by senior management, who are a separate body to the internal audit activity. Some audit assurance work is currently outsourced externally, including the IT audits and fraud investigation work. The CAE and Principal Internal Auditor</p>

Ref	Conformance with the Standard	GC	PC	DNC	Evidence
	reporting of activities under review?				<p>frequently meet with these assurance providers to ensure adherence to the IPPF. This has been included in the contracts and service-level agreements – ‘the Supplier shall fully cooperate with any audits or investigations relating to information security...and shall provide full information as may be reasonably requested by the Authority in relation to such audits or investigations.’ (TIAA)</p> <p>‘For the purpose of providing the Investigation Services, the Oxford City Council (OCC) Client Manager shall be accountable to the Audit and Risk Manager of WDC, with performance being monitored at regular intervals. Any OCC officers shall be aware of compromising their integrity and shall declare any personal interest relevant to an investigation, claimant, or property.’ (OCC)</p> <p>b) There is a specific policy in place regarding the declaration of gifts and hospitality. Internal audit’s policy is to politely decline gifts or hospitality offered during engagement work. All gifts and hospitality above the value of £10, whether accepted or declined, should be reported to the CAE, Democratic Services Manager and Deputy Monitoring Officer. Failure to declare gifts or hospitality is considered a disciplinary offence.</p>

Ref	Conformance with the Standard	GC	PC	DNC	Evidence
					<p>c) Each auditor is required to disclose potential conflicts of interest and impairments to objectivity. The CAE considers these disclosures when assigning internal auditors to engagements. Engagement working papers approved by the CAE, evidence that internal auditors have conducted a balanced assessment. Assignment review schedules are completed by the CAE for each engagement.</p>
3	Confidentiality				
	<p>Using evidence gained from assessing conformance with other Standards, do internal auditors display objectivity by:</p> <p>a) Acting prudently when using information acquired in the course of their duties and protecting that information?</p> <p>b) Not using information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organisation?</p>	<p>✓</p> <p>✓</p>			<p>a) Upon completion of audit engagements, the auditor will purge the network files of all previously recorded observations. This ensures that only the data required to perform the assigned engagement is held on the system. Information is only used for the engagement's intended purposes and historic data is not retained unnecessarily. Audit files are restricted, and access has only been granted to those engaged in internal audit activity. Any FOI requests are dealt with either by the CAE or Principal Internal Auditor, who control access to the engagement records.</p> <p>b) Internal auditors consider the confidentiality of information when documenting internal audit work and observations in engagement working papers and reports. References to officer names, for example, are omitted from all reports. The appraisal system allows the CAE to include feedback about whether the auditor has followed policies and procedures relating to confidentiality and the disclosure of information. Attendance to GDPR training sessions is also retained by HR/CAE. There are no reports or investigations of individual auditors violating policies, procedures, and rules related to confidentiality, demonstrating that the internal activity as a whole is in conformance with this Standard.</p>
	Competency				

Ref	Conformance with the Standard	GC	PC	DNC	Evidence
	<p>Using evidence gained from assessing conformance with other Standards, do internal auditors display objectivity by:</p> <p>a) Only carrying out services for which they have the necessary knowledge, skills, and experience?</p> <p>b) Performing services in accordance with the PSIAS?</p> <p>c) Continually improving their proficiency and effectiveness and quality of their services, for example through CPD schemes?</p>	<p>✓</p> <p>✓</p> <p>✓</p>	<p>✓</p>		<p>a) All auditors within the activity have a PDP/career action plan which allows the CAE to regularly assess the competencies of individual internal auditors and subsequently, the internal audit activity as a whole. Greater consideration could be given to creating an inventory of the skills and experience of the individual auditors, aligning them to the competencies needed to fulfil the internal audit plan and identifying any gaps in coverage. This would give the CAE the opportunity to address deficiencies by providing training and mentorship, where needed.</p> <p>b) External audits of the service are conducted every 5 years. Constructive feedback is regularly sought throughout engagements, during supervisory reviews of working papers. If inappropriate or insufficient resources cannot be obtained during the audit, internal auditors will consult with the CAE to discuss alternative options.</p> <p>a) Auditors complete CPD to maintain membership status with audit bodies. Membership to these professional organisations helps auditors to stay current with relevant professional obligations. The CAE encourages</p>

Ref	Conformance with the Standard	GC	PC	DNC	Evidence
					educational and training opportunities where possible. Two auditors have attended the Midlands Chief Auditor Group and one is due to attend the IIA Conference. Two internal auditors are currently undertaking an MSc in Internal Audit Management, alongside the CIA qualification, evidencing the activity's commitment to continually improve its proficiency.
	Do internal auditors have regard to the Standards in Public Life's – The Seven Principles of Public Life?	✓			Yes – The Charter explicitly refers to how internal auditors have due regard to the 'Seven Principles of Public Life'. The Employee Code of Conduct is similarly based upon the Seven Principles of Public Life.
	Conclusion: Code of Ethics				Overall, the internal audit activity fully complies with the Code of Ethics and these ethics are visible throughout the internal audit processes.

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?			

Question	Yes	No	Comments (if applicable)
Were you given the opportunity to 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.

Agenda Item No 10
Audit and Standards Committee
25 September 2023

Title: Annual Governance Statement 2022/23
Lead Officer: Richard Barr
Portfolio Holders: Councillors Davison and Chilvers
Wards of the District directly affected: Not applicable

Approvals required	Date	Name
Portfolio Holder	12/09/23	Councillor Chilvers
Finance	12/09/23	Andrew Rollins
Legal Services	Not applicable	
Chief Executive	12/09/23	Chris Elliott
Director of Climate Change	Not applicable	
Head of Service(s)	12/09/23	Andrew Rollins
Section 151 Officer	12/09/23	Andrew Rollins
Monitoring Officer	12/09/23	Graham Leach
Senior Leadership Team	12/09/23	Various
Final decision by this Committee or rec to another Cttee / Council?	Yes/ No – Final Decision by this Committee. Recommendation to: Cabinet / Council Committee	
Contrary to Policy / Budget framework?	No/Yes	
Does this report contain exempt info/Confidential? If so, which paragraph(s)?	No/Yes, Paragraphs:	
Does this report relate to a key decision (referred to in the Cabinet Forward Plan)?	No/Yes, Forward Plan item – scheduled for (date)	
Accessibility Checked?	Yes/No	

Summary

This report sets out the Council's Annual Governance Statement for 2022/23 describing the governance arrangements that were in place during the financial year. The Statement will accompany the Council's Statement of Accounts.

Recommendations

- 1 That Committee should approve the Warwick District Council Annual Governance Statement 2022/23 as set out at Appendix A.
-

1 Reason for the Recommendations

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

2 Background/Information

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

- 2.2 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).

2.3 The Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (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)

2.4 **Process for Completion of the Annual Governance Statement**

2.4.1 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.

2.4.2 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.

2.4.3 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 Executive and Heads of Services
- 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.

2.4.4 '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 specified 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.

2.4.5 The Council's Annual Governance Statement has been produced in accordance with these stages.

2.4.6 Evidence sources collated for drafting the AGS were as follows:

- (a) Consultation with senior and other relevant officers.
- (b) Assurances provided by Heads of Services through the completion of Service Assurance Statements.
- (c) Consultation with a cross-party member review group comprising the Leader of the Council and Chairs of Committees.
- (d) Work undertaken during the year by Internal Audit and other review and inspection agencies.
- (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.

2.4.7 The process for drafting the AGS itself, and the systems of challenge and review were as follows:

- (a) The information described above was collated and an early draft Statement was circulated to relevant 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 Leadership Team and debated at a meeting, with 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) A draft was issued to the Council's External Auditors for their views.
- (e) Submission to the Finance & Audit Scrutiny Committee for its approval.

3 Alternative Options

3.1 The report is not based on 'project appraisal' so this section is not applicable.

4 Legal Implications

4.1 Production of an Annual Governance Statement is a statutory requirement for local authorities.

5 Financial Implications

5.1 Not applicable.

6 Business Strategy

- 6.1 Warwick District Council has adopted a Business Strategy that sets out key areas for service delivery.
- 6.2 Although there are no direct policy implications, production of an annual governance statement is an essential part of corporate governance and will be a major factor in shaping the Policy Framework and Council policies.

7 Environmental/Climate Change Implications

- 7.1 An effective governance framework can assist the Council achieve its environmental and climate emergency objectives.

8 Analysis of the Effects on Equality

- 8.1 An effective governance framework can help the Council achieve its equality obligations.

9 Data Protection

- 9.1 An effective governance framework can help the Council achieve its data protection objectives.

10 Health and Wellbeing

- 10.1 An effective governance framework can help the Council achieve its health and wellbeing objectives.

11 Risk Assessment

- 11.1 Clearly there are governance-related risks associated with weak internal control, risk management and governance processes.

12 Consultation

- 12.1 No external consultation was required.

Background papers:

All Papers referred to in this report are published documents.

Supporting documents:

SLT minutes.

WARWICK DISTRICT COUNCIL
ANNUAL GOVERNANCE STATEMENT 2022/23

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 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 effective leadership and high standards of behaviour.
- 1.4 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 processes and structures meet the principles of good governance set out in the Council's Constitution and how assurance is obtained that these are effective and appropriate. It is written to provide the reader with a clear and straightforward assessment of how the governance framework has operated over the past financial year (but also up to the time of approval of the financial statements) and to identify any weaknesses or gaps in our arrangements that need to be addressed.
- 2.2 The format and scope of this Statement follows that which is prescribed by the Chartered Institute of Public Finance and Accountancy (CIPFA).

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 try 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 as well as 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, 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 latest CIPFA/SOLACE¹ Framework for Delivering Good Governance in Local Government (2016).
- 3.7 The Council's current business strategy (known as Fit for the Future (FFF)) sets out the Council's objectives and priorities for the district and how these are to be achieved. The strategy is based around five themes and is used to identify and prioritise the work programme up to 2023. Officers will shortly commence work on a draft business strategy in readiness for discussions with the new administration to be elected in May 2023.
- 3.8 Delivery of the Council's business strategy 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 include agreed expectations and, where appropriate, service standards against which service quality and improvement can be judged. Performance is monitored by individual services and made available to all Councillors and Senior Officers through SharePoint. Through the last year training and individual support for Councillors on using this data has been offered.
- 3.9 Warwick District Council's Constitution establishes the roles and responsibilities for members of the Cabinet, Audit and Standards (A&S) Committee, Overview & Scrutiny (O&S) Committee, together with officer functions.
- 3.10 The Council revised its Scrutiny arrangements in May 2022, with scrutiny being undertaken by just one committee – the Overview and Scrutiny committee – with the scrutiny function being removed from the Finance & Audit Committee evolving into an Audit & Standards Committee but with the predominance of work being audit-related. This has continued to present challenges in establishing a firm understanding of the new roles and functions.
- 3.11 The Chair of Overview and Scrutiny Committee has also identified several other issues with the operation of the revised Overview & Scrutiny Committee, as follows:
- The breadth and volume of the Committee's workload.
 - The presentation of Cabinet reports that mitigate effective scrutiny of them.

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

- The range of skills that are required by the Committee to enable effective scrutiny, particularly in respect of financial expertise.

With regard to the last item, there is a feeling that the issue is wider than this, being about member engagement in finance generally, and the intention is to make training in respect of this topic mandatory for all Councillors post-election.

- 3.12 Similarly, the Chair of Audit & Standards has expressed concerns, in particular regarding clarity around the roles of the two committees and the pattern of meetings.
- 3.13 The Constitution includes details of delegation arrangements, the Councillors' Code of Conduct, and protocols for councillor/officer relations. From May 2022 the Council has operated under the Local Government Association Model Code of Conduct for Councillors. The Constitution is kept under review to ensure that it continues to be fit for purpose and within the year there has been a number of minor revisions. The Council has adopted a Standards regime pursuant to the Localism Act 2011 and appointed the Audit & Standards Committee to be responsible for such matters. 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.
- 3.14 The Constitution contains procedures, 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 ensure 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 Senior Leadership Team² (SLT).
- 3.15 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.
- 3.16 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.
- 3.17 The governance requirements in the CIPFA Statement are that the CFO should be professionally qualified, report directly to the Chief Executive and be a member of the Leadership Team³, with a status at least equivalent to other members of the team. The Statement requires that if different organisational arrangements are adopted the reasons should be explained publicly in the Council's Annual Governance Report, together with how these deliver the same impact.

² The Senior Leadership Team comprises heads of services together with the Chief Executive, Deputy Chief Executive and Programme Director for Climate Change.

³ In the Council's case, this is the Senior Leadership Team.

- 3.18 The Council's financial management arrangements conform to the CIPFA Statement other than in just one specific aspect:
- Head of Finance having responsibility for Asset Management (that is to say, the Head of Finance does not have responsibility for the Assets function).
- 3.19 With regard to asset management, responsibility for this comes under the post of Head of Neighbourhood and Assets. As with all heads of services, the Head of Neighbourhood and Assets is part of the Senior Leadership Team. The Council is firmly of the view that this is the best way to deliver this service.
- 3.20 The Cabinet provides the strategic direction for the Council, ensuring that the Council's priorities are established and that corporate objectives are set and achieved. In order to strengthen cross-party leadership of the Council's business, the Leader of the Council invited all the Council's Political Group Leaders to join the Cabinet on a non-Constitutional forum known as the Leadership Coordination Group (LCG). The role of the LCG is to try to ensure that there is a unified cross-party response to the challenges facing the Council. This forum is used to review all draft Cabinet reports and receive officer briefings on the most important Council matters. It has enabled the Council's business to continue unabated despite no one party or coalition having a majority.
- 3.21 The primary counterbalances to the Cabinet are the Audit and Standards Committee and the Overview & Scrutiny Committee. The roles of these committees include the opportunity to provide a robust challenge to the Cabinet.
- 3.22 'Task and Finish' Groups, comprising solely councillors, are appointed by the Overview and Scrutiny Committee to examine issues in detail. These Groups report back to the Committee with recommendations on improvements which are, when approved, taken forward.
- 3.23 The Audit and Standards Committee fulfils the core functions of a typical 'audit committee' in respect of External Audit, Internal Audit and Risk Management. The Committee seeks assurance from the relevant Cabinet Councillor (Portfolio Holder) and/or senior manager when it has concerns or queries in respect of matters relating to particular service areas.
- 3.24 The Council has a formal complaints procedure that allows the public or other stakeholders to make a complaint regarding the service received or the conduct of Councillors. The Audit and Standards Committee has responsibility for overseeing the investigation of complaints against Councillors.
- 3.25 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 employee induction process. Councillors review the Anti-Fraud and Corruption Strategy and the Whistleblowing Policy annually.

- 3.26 The Council has embedded 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 Leadership Team and then by the Audit and Standards Committee before being considered by the Cabinet who assumes overall responsibility for it.
- 3.27 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 skilled 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.
- 3.28 The individual performance appraisal system has been operated in the Council for many years, having been subject to regular review and refinement. Staff are measured against operational objectives that derive from the Business Strategy. The performance appraisal system also identifies learning and developmental needs to ensure that appropriate training is provided to staff to enable them to undertake their role effectively and have the opportunity to develop.
- 3.29 Programme Advisory Boards (PABs) have further developed in the year with one for each Portfolio Area. The PABs act in an advisory/guidance capacity in developing the projects/policies of Warwick District Council and, in doing so, enable backbench members to have greater involvement in shaping the executive decisions of the Council, particularly on services, key projects and programmes (but not day-to-day operations). This also helps to utilise the skills, knowledge, and talent of Councillors in a more effective way. There were further refinements to their operation for the current municipal year and it is recognised there is still inconsistent delivery of them. The intention is for them to continue after the election in May but there needs to be a clear understanding of their role and accountability for them. It is intended that the Democratic Services Manager will, after the election, meet with the Leader of the Council and fellow Group Leaders to discuss concerns regarding the operation of the PABs and that, prior to any appointment to the PAB, a briefing session will be provided for relevant Councillors on the role of the PABs. In addition, the Democratic Services Manager plans to attend the first meeting of each PAB to provide training and guidance on the role of Members working on PABs. Finally, the Democratic Services Manager intends to monitor the PAB meetings and discuss with Group Leaders on a quarterly basis.
- 3.30 The Council has also established a joint advisory group of Councillors and a Joint Cabinet Committee with Stratford-on-Avon District Council in respect of the South Warwickshire Local Plan. These have continued despite the decision by Members from both Councils not to proceed with a proposed merger.
- 3.31 The Council strives to be open and accessible to the community. All communication is delivered across a combination of platforms, including

website, social media, press releases, and printed leaflets and posters, to ensure it is accessible to all residents. In addition, consultations and surveys are carried out to encourage engagement and seek the views of residents when developing new policies and initiatives.

- 3.32 All Council committee meetings are open to the public, except where confidential matters are concerned and broadcast via YouTube. Agendas and minutes for Council meetings are placed on the website along with the Council's policies and strategies. Councillors are encouraged to submit questions in advance of committee meetings, to maximise the time available in formal meetings and enable greater focus on specific areas of concern. The responses to these pre meeting questions are made available to the public on the website.
- 3.33 There are terms of reference and constitutions set up for key partnerships that ensure that partners act lawfully throughout the decision-making process. Key partnerships include the Coventry and Warwickshire Local Enterprise Partnership and Community Safety Partnership. Warwick District Council also works closely with a number of other councils and agencies and operates shared services for Building Control, Business Rates, Corporate Fraud and Legal Services.
- 3.34 The Council complies with the 2015 Local Government Transparency Code by publishing specific information on the Council's website in prescribed format. The Council strives to publish information on the website that is accessible and understandable for the public and continues to seek to make improvements in this. An example of this is achievement of the required Website Content Accessibility Guidelines (WCAG 2.1). The Council's website accessibility is independently audited every two years and in monthly automated tests carried out by Silktide (who rate all Local Authority websites according to their compliance with WCAG 2.1) WDC has consistently achieved the highest ranking of any Warwickshire local authority over the past 12 months.
- 3.35 As a key element of the governance framework, Internal Audit reviews are undertaken regularly on a range of activities including one undertaken annually on an alternating aspect of governance.
- 3.36 The Governance framework for Milverton Homes is set out in the Articles of Association and the Shareholders Agreement. The latter sets out the parameters for decision making and requires the company to prepare and submit for approval an annual Business Plan, audited accounts, quarterly performance reports, cash flow statements and cash flow forecasts for the company. Work is still ongoing to ensure that these crucial governance arrangements are in operation. Reserved Matters as detailed in Schedule 2 of the Agreement, may not be carried out without the prior written consent of WDC as Shareholder. The company is only able to carry out business in accordance with its Business Plan which must be approved annually by the Cabinet.
- 3.37 The Council has appointed two Council Directors in accordance with the Articles of Association. It retains the right to appoint any person to be a Council Director and may remove from office any Council Director. The Council

appointed the Chair who has a casting vote if the number of votes for and against a proposal at a meeting of Directors are equal. The Directors must ensure that the Company keeps a record, in writing, for at least ten years from the date of the decision recorded of every unanimous or majority decision taken by the Directors. The Council, as sole shareholder, may by special resolution direct the directors to take, or refrain from taking, specified actions.

- 3.38 A re-emerging issue for the new Council will be its role in the region and particularly its non-membership of the West Midlands Combined Authority (WMCA). At present it only has Observer status whereas all the other authorities in the region are either constituent or non-constituent members. In the context of the Trailblazer Deal the WMCA has just signed with Central Government, the Council may need to revisit what role it would like to play on this body and explore how it is possible to fulfil any aspiration it has.

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 (also Deputy Chief Executive) has responsibility for overseeing the implementation and operation of the Council's 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 Cabinet, 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 Council for approval. The Section 151 Officer is also responsible for reporting any significant breaches of the Codes to the Cabinet and/or the Council. All reports to Cabinet, 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 2022/23 has concluded that, in overall terms, the Council has an effective internal control and governance environment. This statement is based, however, on those audits that were able to be completed - the inability to complete three planned ICT audits inevitably qualifies this assurance.

- 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 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.
- 4.8 Under regulation 13 of the Local Audit (Appointing Person) Regulations 2015, Grant Thornton was appointed as the Council's External Auditor with responsibility for reviewing the Council's Statements of Accounts for five years from 2018/19 to 2022/23. The auditors are still continuing their work on reviewing the 2021/22 Statement of Accounts and are expected to issue a formal opinion on the Council's arrangements, including those relating to securing value for money, before commencement of the 2022/23 audit, which is due to take place in December 2023. It is expected that they will conclude that the Council had made proper arrangements in all significant respects to secure economy, efficiency, and effectiveness in its use of resources.
- 4.9 In December 2022, under the same set of Regulations, Azets Audit Services Limited were appointed as the Council's External Auditor for the next set of five years - 2023/24 to 2027/28.
- 4.10 In December 2020, the Council's Executive approved the formation of a Local Housing Company. The Company – Milverton Homes Ltd. – is a separate legal entity, wholly-owned by the Council, set up to support the Council's housing development plans and objectives and provide the Council with housing-related commercial opportunities. The Company is 'Teckal-exempt' which means that, because it is wholly-owned by the Council and at least 80% of the work is for the Council, the Council can pass work to the Company without exposing it to competitive tender and the Company will be exempt from corporation tax.
- 4.11 The Teckal exemption is, however, subject to certain critical tests – the control test and the functional test. The control test means that the Council must control all the shares in the Company and exercise effective day-to-day control over its affairs; thus the relationship between the authority and the company is the same as the relationship between the authority and its internal services departments. The functional test ensures that the essential activities undertaken by the company are controlled by the Council.

- 4.12 Fortus, the External Auditor of Milverton Homes, is responsible for reviewing the accounts and financial systems of the company. The External Auditor supports the presentation of accounts to the shareholders at the Annual General Meeting (AGM), thus providing assurance to Shareholders. During the year, the Deputy Chief Executive and Monitoring Officer undertook the role of Shareholder Representative in liaison between the company and the Council.
- 4.13 A review of the governance arrangements in respect of Milverton Homes was undertaken by the Audit and Risk Manager and a report will be submitted to Cabinet in August 2023 that comprehensively addresses the review's findings.
- 4.14 Cabinet has agreed to establish a change management programme to ensure that a co-ordinated approach to service development is in place. The governance of this programme has been agreed but the content can only be fully determined when a new Council administration is in place.

5 Update on Joint Working and Merger with Stratford-on-Avon District Council

- 5.1 During 2020/21 the international accountancy and consultancy firm, Deloitte, was commissioned to undertake a review of the financial and non-financial benefits of integration between Warwick District Council and Stratford-on-Avon District Council, up to and including the possibility of a full merger between the organisations.
- 5.2 The principal recommendation from Deloitte was that to achieve the maximum potential financial and non-financial benefits for the residents of South Warwickshire a full merger of the two councils should be considered. (The report can be viewed by clicking on the following link: [Deloitte Report.](#))
- 5.3 In December 2021 both Councils committed to seeking a full merger to create a new single statutory council for South Warwickshire by April 2024.
- 5.4 By the end of the 2021/22 financial year, the following progress towards a merger of the two councils had been made:
- A public consultation exercise on the proposals had been undertaken.
 - Approval for the merger had been sought from the Secretary of State.
 - Operational integration between the two authorities was well advanced with all heads of services being joint appointments and some services being either jointly provided or provided from one authority to both.
 - In relation to joint contracts and arrangements, the Waste Management Contract had been procured jointly.
 - A detailed paper on preparing a Local Plan for South Warwickshire had been agreed.
 - Several key policies had been aligned, including:
 - Joint Organisational Change Policy Statement
 - Joint Redeployment Policy and Procedure
 - Joint Redundancy Policy and Procedure.
- 5.5 However, following a meeting between Council Leaders and Chief Executives on 14 April 2022, the Leader of Stratford-on-Avon District Council wrote to the

Secretary of State to request a delay pending further due diligence to be completed on Milverton Homes, a company set up and wholly-owned by Warwick District Council. Conversely, the Leader of Warwick District Council considered that ongoing due diligence should not prevent the service integration progressing as planned and felt that delaying the merger would create further uncertainty for residents seeking assurances about local services as well as greater uncertainty for staff, especially those facing redundancy, The Leader of Warwick District Council felt that further delay would result in trust being undermined, making it untenable for the two authorities to further integrate services or merge.

- 5.6 Consequently, the Leaders of both authorities concluded that the proposed merger could not go ahead as planned. It was felt that there was a significant difference between the approaches and ambitions of the two councils that were irreconcilable and that a joint request should now be made to the Government to cancel the merger process.
- 5.7 Some of the joint working arrangements already put in place are planned to continue, such as legal services and business rates collection. Others, however, including the Joint Management Team and the service integration programme, have ended.
- 5.8 Throughout the timeline of the merger, a communications and engagement plan ensured regular updates and engagement with staff from both councils. The plan included Joint staff briefings from both Chief Executives, Service Managers updates, team talks and regular liaison with Staff Voice and Unison reps from both councils. A new intranet page was developed to hold updates from committee meetings and minutes from Senior Management meetings. Staff from both councils could submit questions to that page and subsequently view all the answers.
- 5.9 Communication aimed to share the benefits of the proposed merger, as well as the impact of it not proceeding. Feedback to the joint site indicated a mixed response, from understanding the rationale, to concern about the impact on the Warwick DC identity.
- 5.10 It was recognised that the process impacted upon staff adversely. Clearly this can have implications for governance and therefore, immediately following the decision to cancel the merger, the process began to rebuild the relations with staff. This started as Chief Executive-led meetings with service managers, their teams and comprehensive communication activities. An Applause package Part 1 was developed and agreed by Councillors which has done much to restore staff morale and as part of the budget proposals the Council has made provision for a Recruitment, Retention and Remuneration Package which has been well-received by members of staff. In addition, the Council has agreed additional recruitment, retention and remuneration measures including an additional increment payment for all WDC employees for 2023/24 and for 2024/25.
- 5.11 The achievement of the 'Thrive' well-being award demonstrates the organisation's commitment to supporting staff in all aspects of health.

- 5.12 The Chief Executive has held a number of staff briefings to continue to update members of staff which will continue alongside other communication steps such as a weekly 5 things you need to know and a weekly letter from the Chief Executive and Leader of the Council.
- 5.13 The Council has now decided to vacate Riverside House and relocate its headquarters to a Warwickshire County Council office based in Warwick. This will be a landlord/tenant relationship with a break clause after three years enabling the Council to move elsewhere should it wish. A face-to-face service will remain in Leamington operating out of the Pump Rooms. Furthermore, the Council has agreed to sell Riverside House. It is anticipated that the conveyance will be completed by the end of April 2023. At the time of drafting this Statement, the proposed purchaser's details are private and confidential.

6 Significant Governance Issues

- 6.1 The following governance issues have been identified:
- 6.1.1 The breadth and volume of the Overview and Scrutiny Committee's workload.
- 6.1.2 The presentation of Cabinet reports that mitigate effective scrutiny of them.
- 6.1.3 The range of skills that are required by the Overview and Scrutiny Committee to enable effective scrutiny, particularly in respect of financial expertise.
- 6.1.4 The lack of clarity over the role and operation of Programme Advisory Boards.
- 6.2 These issues are included in an action plan, progress against which is monitored quarterly by the Council's Senior Leadership Team and by the Audit and Standards Committee.
- 6.3 The significant governance issues raised in last year's annual governance statement have all been addressed. This can be confirmed in Appendix 1, below.

7 Conclusion

- 7.1 The governance framework described in this document has been in place at Warwick District Council for the year ended 31 March 2023 and up to the date of approval of the annual statement of accounts.
- 7.2 We confirm our commitment to implementation of actions to address the governance issues identified in this Statement (and summarised in Section 7, above).

Signed:

Councillor Andrew Day
Leader of the Council during 2022/23

Dated:

XX XXX 2023

Signed:

Councillor Ian Davison
Leader of the Council

Dated:

XX XXX 2023

Signed:

Christopher Elliott
Chief Executive

Dated:

XX XXX 2023

NB. The Annual Governance Statement will be signed by the above parties after approval by Audit and Standards Committee and when presented to Full Council with the Statement of Accounts.

WDC Annual Governance Statement 2021/22: Action Plan for Governance Issues

AGS Ref.	Governance Issue	Responsibility	Progress to Date:	
			Previously-reported Positions	Latest Position
7.1	Performance management continues to be an issue, in particular the range and content of performance data that Councillors receive. When resolved, Councillors will need to be trained to enable them to access the information and scrutinise it effectively.	Senior Leadership Team	<p>End-July 2022: Cabinet has agreed the Council's Service Area Plans including the suite of measures for each Service Area. Officers are now working on making the measures accessible to Councillors so the measures can be interrogated on a rolling basis. Target for completion of this work is 1 September 2022.</p> <p>End-October 2022: These are now available via <i>Sharepoint</i> for all Councillors who have been briefed on how to access them. There is also a training session for Councillors on these which they have been invited to on 7 November 2022. In addition to this, the Performance Management Officer is now liaising with Heads of Services on migrating Service Area Risk Registers into the same documents to enable Members to have easier access to these as well.</p>	The risk registers are now available for Councillors to inspect in the single document and should be being reviewed by the relevant Head of Service at least quarterly.

AGS Ref.	Governance Issue	Responsibility	Progress to Date:	
			Previously-reported Positions	Latest Position
7.2	The new Overview & Scrutiny and Audit & Standards Committees will present challenges in terms of clarity of role. Councillors will need to be trained on the operation of the new Overview & Scrutiny and Audit & Standards Committees to enable them to participate more confidently.	Senior Leadership Team	<p>End-July 2022: Training has been arranged for 3 August 2022 for the Audit & Standards Committee on the role of the Audit Committee. The Overview & Scrutiny Committee have also been invited to attend. Civic & Committee Services are in the process of organising training for the Members of Overview & Scrutiny Committee on financial/budget and performance training which once agreed Audit & Standards members will also be invited to attend.</p> <p>In respect of remit it is early days for the new Committees and this will be discussed with the relevant Chairs before each meeting.</p> <p>End-October 2022: Training has taken place for Councillors of both these Committees in relevant areas and positive feedback has been received.</p> <p>There will need to be a continued theme of briefing Audit & Standards Members in respect of new aspects along with detailed Treasury Management training. However, the focus on this aspect will be very much after elections in May 2023.</p>	The training plan for post-election is being developed around core themes and responsibilities of Councillors. There will be a report on this to the Audit & Standards Committee in February.

AGS Ref.	Governance Issue	Responsibility	Progress to Date:	
			Previously-reported Positions	Latest Position
7.3	Staff morale has been impacted adversely as a result of the merger process. A strategy to improve staff morale is required.	Senior Leadership Team	<p>End-July 2022: Cabinet has approved "Applause" which seeks to help address staff morale through several personal, professional and health initiatives. More broadly, the Senior Leadership Team is working on policies in respect of recruitment, retention, and reward. This is an ongoing piece of work.</p> <p>End-October 2022:</p> <ul style="list-style-type: none"> ➤ The positive feedback from the 'Applause' scheme launched August 2022 has considerably impacted on staff morale by including the range of support and recognition including monetary, health, team 'get-togethers', 'refer a friend' for recruitment and voluntary days off. It is important to recognise that this was not planned as a 'one-off' initiative and the benefits are being realised on an ongoing basis with regular updates through engagement and communication. ➤ An externally assessed 'staff survey' and facilitated face to face sessions linked to the 'Thrive award' was launched the beginning of October in conjunction with Unison. Further analysis is expected in December to inform further actions to support the health and well-being of staff. <p>(Continued overleaf)</p>	<ul style="list-style-type: none"> ➤ The impact of the Applause initiative launched in Aug 2022 continues to resonate across the Council with over 60 staff to date who have received the 'Health Check' which includes mental well-being, menopause, diet, and any other areas of support requested. ➤ There have been many examples of staff using the 'team get-together funding' for Christmas and other meetings. ➤ We are pleased to announce the achievement of the Bronze award for 'Thrive'. This accreditation has included considerable evidence based qualitative and quantitative information as well as face to face meetings and a staff survey which has been promoted in conjunction with Unison. The awards ceremony in November included an acceptance speech from Cllr Jody Tracey, Chris Elliott, Chief Executive, and key members of the team who co-ordinated the award including a special mention to Karen Weatherburn, Learning & Development Officer. Further analysis on the report is planned for Jan 2023.

AGS Ref.	Governance Issue	Responsibility	Progress to Date:	
			Previously-reported Positions	Latest Position
7.3 (Cont.)			<p>➤ Targeted 'awareness' campaigns continue to inform and engage managers and staff. October links to the education and support linking with Unison on the 'Menopause', from all aspects and different perspectives.</p> <p>A report for Employment Committee 29.11.22 will include positive updates on the WDC Apprenticeship scheme and further plans to 'grow our own'.</p>	<ul style="list-style-type: none"> - An update was provided to the last PAB on the area of Health & Well-being and the progress within the organisation to support this key area. The Well-being of our staff is an ongoing priority with emphasis on blended support through training, briefings, and other sources. - Dedicated intranet pages to health and well-being for resources and signposting as well as regular reminders of what help is available recently updated to include support for the Menopause based on our awareness session in October Manager's Forum - Communications continues to be a key area to support our staff with the weekly '5 things' e-mail some examples include: <ul style="list-style-type: none"> - Black History Month - Updates on our Portfolio Holders - Cost of living support - Thrive Survey - An Action for Happiness calendar to support Health and Wellbeing. <p>Our Staff Voice group continues to monitor and review the internal projects, providing regular feedback to the Transformation Steering Group.</p>

AGS Ref.	Governance Issue	Responsibility	Progress to Date:	
			Previously-reported Positions	Latest Position
7.3 (Cont.)				<p>The Apprenticeship update to Employment Committee 29.11.22 details:</p> <ul style="list-style-type: none"> - Funded opportunities for 23 apprenticeships. - To date 10 have secured alternative employment with the Council – this includes five in the last year. - 5 are still undertaking their apprenticeships. - 8 successfully completed their apprenticeships and left for other opportunities. - We are in the process of recruiting 5 more apprentices.

Agenda Item No 11
Audit and Standards Committee
25 September 2023

Title: Corporate Fraud Investigation Performance Report 2022/23

Lead Officer: Richard Barr

Portfolio Holder: Councillor Chilvers

Wards of the District directly affected: None directly impacted

Approvals required	Date	Name
Portfolio Holder	12/09/23	Councillor Chilvers
Finance	12/09/23	Andrew Rollins
Legal Services	Not applicable	
Chief Executive	12/09/23	Chris Elliott
Director of Climate Change	Not applicable	
Head of Service(s)	12/09/23	Andrew Rollins
Section 151 Officer	12/09/23	Andrew Rollins
Monitoring Officer	12/09/23	Graham Leach
Senior Leadership Team	12/09/23	Various
Final decision by this Committee or rec to another Cttee / Council?	Yes / No – Final Decision by this Committee. Recommendation to: Cabinet / Council Committee	
Contrary to Policy / Budget framework?	No/Yes	
Does this report contain exempt info/Confidential? If so, which paragraph(s)?	No/Yes, Paragraphs:	
Does this report relate to a key decision (referred to in the Cabinet Forward Plan)?	No/Yes, Forward Plan item – scheduled for (date)	
Accessibility Checked?	Yes/No	

Summary

The Report provides details of the performance by the Corporate Fraud Investigation team for 2022/23.

Recommendations

- 1 That the report, including its appendices, be noted.
-

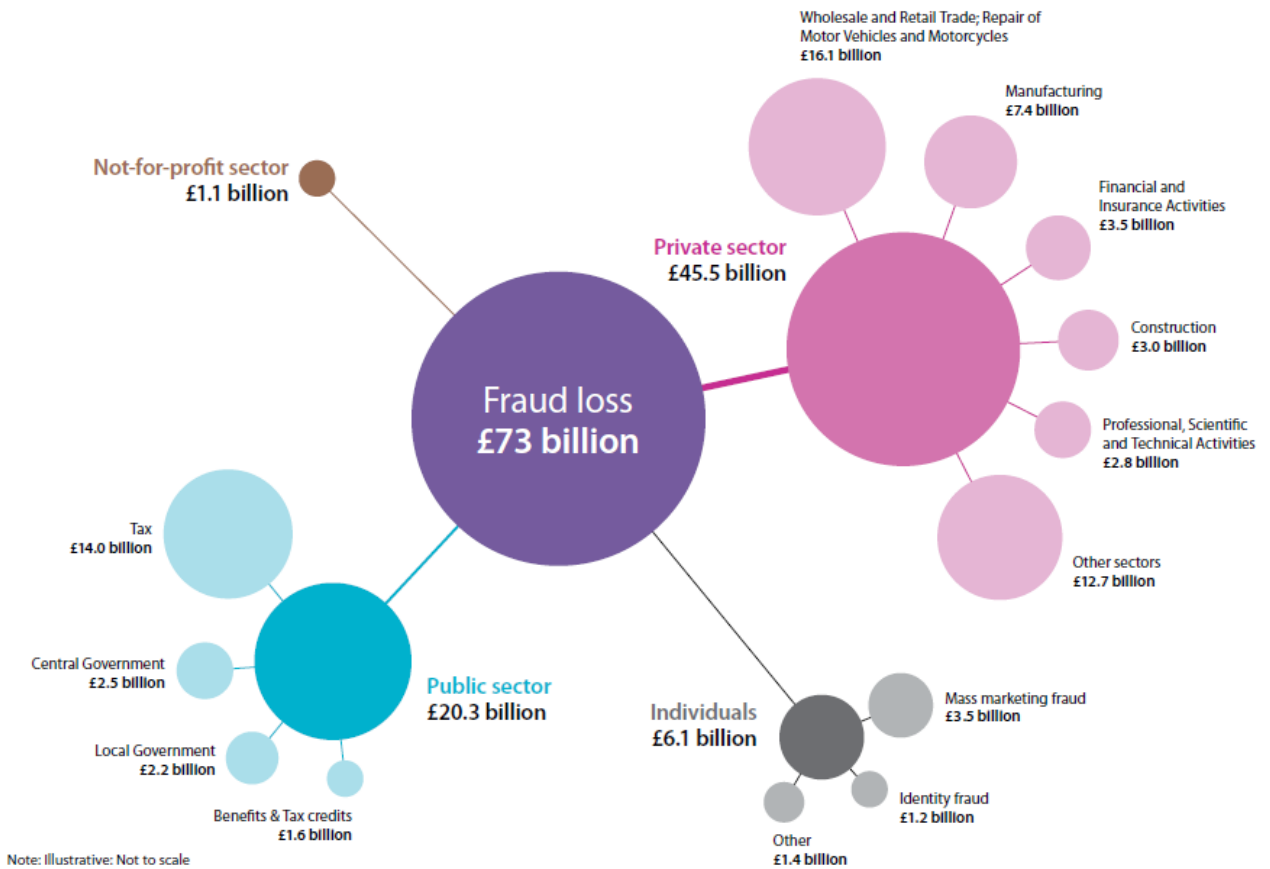
1 Reason for the Recommendations

- 1.1 The purpose of an audit committee is to provide to those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes. Counter-fraud activity forms a key part of each of those elements thus providing the required assurance to Members.

2 Background/Information

1.1 Definitions, types, and scale of fraud

- 1.1.1 All references to fraud within this document include any type of fraud-related offence. Whilst the Fraud Act (2006) (the 'Act') does not provide a single definition of fraud, it may be described as 'theft by deception'. The key characteristics of fraud include an individual acting dishonestly and with the expectation of either making a gain for themselves or another person, or causing loss to a third party.
- 1.1.2 The Act identifies fraud as a single offence that can be committed in three separate ways:
 - Fraud by false representation – A person dishonestly makes a false representation, intending to make a gain for himself or another, or to cause loss another or to expose another to a risk of loss. The legal definition of 'representation' is broad and includes written, verbal, and non-verbal communication.
 - Fraud by failing to disclose information – A person dishonestly fails to disclose to another person information which they are under a legal duty to disclose, and intends, by failing to disclose the information to make a gain for himself or another, to cause loss to another or to expose another to a risk of loss.
 - Fraud by abuse of position – A person abuses their position, intending to make a gain for themselves or another or to cause loss to another.
- 1.1.3 In 2012 the government set up a body to examine fraud in local government. It culminated in the production of a paper entitled "Fighting Fraud Locally: The Local Government Strategy". The diagram below, contained in that paper, depicts the estimate of loss to fraud in the UK across all sectors:



To comply with SCULPT readability requirements, the key points from this diagram are set out below.

1.1.4 As at 2012, of the total sum estimated to be lost each year to fraud, around 30 per cent occurs in the public sector, with estimated losses of around £20 billion a year. Although the majority of this loss is the result of fraud against the tax system, about £6 billion is estimated to be in areas such as payroll, procurement, grants, and pensions. Fraud in local government accounts for around 11% of total public sector fraud, costing taxpayers about £2.2 billion a year. The table below provides a breakdown of this figure.

Fraud Type	Fraud Loss
Housing Tenancy fraud	£900 million
Procurement fraud	£890 million
Payroll fraud	£153 million
Council Tax fraud	£131 million
Grant fraud	£41 million
Pension fraud	£5.9 million

1.1.5 Estimates of the value of fraud perpetrated in the UK vary from year to year but in recent years have been heading towards £100 billion annually. The estimated annual loss to fraud in councils continues to exceed £2 billion.

1.2 Arrangements at WDC

- 1.2.1 In February 2015, the Housing Benefit fraud investigation function at Warwick District Council transferred, like others, to the Department for Work and Pensions under the auspices of the Single Fraud Investigation Service (SFIS).
- 1.2.2 Following several unsuccessful attempts to recruit suitably-qualified investigation staff, alternative options for providing the service were considered. In February 2016 arrangements were agreed with Oxford City Council to provide a Corporate Fraud Service for Warwick District Council. The Fraud Unit at Oxford City Council had been, and still are, providing a fraud investigation service for a number of other councils including Oxfordshire County Council. Over the years, the service at Oxford has won many 'industry' awards from bodies such as the Institute of Rating Revenues and Valuation (IRRV), including 'Excellence in Corporate Fraud'.
- 1.2.3 Warwick District Council pays for one full time equivalent employee from Oxford City Council. This is achieved through a small number of individuals (mainly two) employed by Oxford. This arrangement provides a range of skills and expertise.
- 1.2.4 Most of the investigations undertaken by the team are 'reactive' investigations. These involve the search for and the gathering of evidence following an allegation or fraud referral, or the discovery of a set of circumstances which amount to an offence. In these cases, the offence is usually already being committed. An example would be where a member of the public contacts a council to inform them that one of their council tenants is unlawfully sub-letting their council property.
- 1.2.5 One source of referral is the National Fraud Initiative (NFI). The NFI, coordinated by the Cabinet Office, matches electronic data within and between public and private sector bodies to help prevent and detect fraud. These bodies include police authorities, local probation boards, fire and rescue authorities as well as local councils and a number of private sector bodies. Participation in the NFI is mandatory for councils who are required to submit data to the National Fraud Initiative on a regular basis. The Council has always sought to investigate most matches that are received from the NFI, despite the exercise being resource-intensive and usually delivering very little in the way of results.
- 1.2.6 In addition to the normal matches, NFI provided an additional single person discount (SPD) report that matches data to other external sources such as blue badge and concessionary travel data. However, due to the timing of when data is collected and the length of time before the matches were received, a view was taken that only the high-risk cases would be checked and the team would undertake a separate SPD review. The Team has access to a data matching system and, using this technology to review single person discount cases, will ensure that any data submitted is matched and returned daily.
- 1.2.7 As part of the contract, the team from Oxford also provides fraud awareness training sessions to staff across the Council, and this has now been incorporated into the corporate induction training sessions. More recently, as part of their fraud prevention work, the team have been providing additional assistance to staff in the housing advice team, to assist with their investigative interviewing skills when interviewing customers who present as homeless.

Further guidance has also been provided to help them interpret information obtained through the national anti-fraud network.

1.3 Types of Fraud Investigated at WDC by the Corporate Fraud Team

1.3.1 Council Tax Fraud

This can be broken down into two main areas - Discount and Exemption fraud and Council Tax Support fraud.

Discount and Exemption fraud

The owner, leaseholder or tenant of a property is responsible for paying Council Tax. The amount paid is based on the banding of the property. The full liability is based on two or more adults being at the property and a full bill is paid unless an exemption or discount is granted. Fraud can occur when an individual intentionally gives incorrect or misleading information in order to pay less or no council tax. Examples include someone stating that they live alone when another adult also lives there or someone claiming to be a student when they aren't or claiming Empty property exemption when the property is occupied.

Council Tax Support fraud

The Department of Work and Pensions (DWP) is responsible for the investigation of Housing Benefit (means tested help with paying rent) fraud however Council Tax Support (means tested help with paying Council Tax) fraud is often associated with Housing Benefit fraud and it is the Council's job to investigate this. Examples of Council Tax Support fraud include making a false statement about one's household, income or capital and failing to report a change of circumstances.

1.3.2 Social Housing Fraud

The unlawful misuse of social housing can be broken down into two main areas – Housing Tenancy fraud and Right to Buy fraud.

Housing tenancy fraud includes offences such as unlawful subletting, false homeless applications, non-residency, and unauthorised tenancy succession.

Right to Buy fraud includes fraudulent applications under the right to buy/acquire schemes.

Unlawful occupation of social housing has a direct financial impact on local authorities because they are responsible for providing and paying for temporary accommodation for homeless people who could otherwise be housed in permanent social housing.

1.3.3 Housing Benefit fraud

Housing Benefit and Council Tax Support, where they are still paid, are administered by the Council on behalf of the Government. They are paid to people who are liable to pay rent and/or Council Tax and who have a low income, whether they are working or not. Benefit fraud is defined as someone obtaining state benefit they are not entitled to or deliberately failing to report a

change in their personal circumstances e.g. failure to disclose financial assets and/or changes to employment or individual(s) residing at a property.

Since the introduction of Universal Credit in 2013, to help with housing costs, the majority of eligible residents receive Universal Credit payments from the DWP rather than Housing Benefit from their local authority. For some claimants, however, Housing Benefit can still be claimed from the local authority. This includes people on low incomes who are pensioners (both members of a couple must be pensioners), live in supported (specified) accommodation, or are in receipt of a severe disability premium (and who are not claiming Universal Credit). (It only applies to rent; it is not available for mortgage repayments.)

At the same time, Council Tax Benefit also ceased to exist and was replaced by Local Council Tax Support.

DWP have the responsibility of investigating all HB fraud and will work jointly with local authorities where Local Council Tax Support is also claimed. Although councils are no longer responsible for the investigation of this fraud, as administrators of this benefit there is a responsibility to try to prevent fraud and to notify the Department of Work and Pensions (DWP) of any suspected fraudulent activity including false applications and failures to declare changes in circumstances.

Discretionary Housing Payment (DHP) is a discretionary scheme where the local authority can provide extra money to help a claimant meet their housing costs such as helping with a rent shortfall, a rent deposit and rent in advance. DHPs are only for extra help towards Housing Costs and are not for help with Council Tax. When investigating a Housing Benefit fraud, if it is discovered that the customer has received DHP an attempt would be made to recover it. It is not covered in the same legislation as HB or CTR overpayments, however, and therefore cannot be included as part of any sanction.

1.3.4 **National Non-Domestic Rates fraud**

National Non-Domestic Rates (NNDR), more commonly referred to as Business Rates, is paid by all businesses unless they qualify for a relief or an exemption. Examples of NNDR fraud include:

- A business falsely claiming that a property is unoccupied to obtain an empty property exemption.
- A charity or not for profit organisation registered as the occupier of a property to claim mandatory and discretionary rates relief whilst the property is actually being used by a profit-making organisation.
- A business falsely claiming insolvency with the intent to avoid paying rates.

NNDR frauds are investigated by the Fraud team. However, no referrals were received during the year.

2 Sanctions

- 2.1 Investigations where fraud is proven are punishable either by issuing a formal caution or an administrative penalty (known as "ad-pen") is an agreement with the claimant that in addition to the repayment of the debt they will pay a

further amount. This amount is determined by legislation and is calculated as a percentage of the debt. The level of the percentage differs depending on the period in which the overpayment occurred. Neither of these sanctions results in a criminal record. In more severe cases, a claimant will be prosecuted.

Sanctions are increasingly less common since DWP took over HB investigations – administrative penalties and cautions can still be offered but are only done so on very rare occasions. Joint cases with the DWP, on the other hand, will often result in ad-pens or prosecutions. We can offer a civil penalty in respect of council tax and this is £70 penalty added to the account following an investigation but due to COVID-19 the Revenues team has not been issuing these so as not to put anyone under added financial pressure.

3 Fraud and Error identified during 2022/23 at Warwick District Council involving the work of the Corporate Fraud Investigation Team

3.1 The total amounts of savings for 2022/23 made by Warwick District Council that involved the work of the Corporate Fraud Investigation team amounts to £457,016.56. This includes cash and non-cash (i.e. notional) savings. Of this total, £55,727.75 represents cash savings. The remainder is non-cash savings based on predictions. The predictions usually relate to estimates, from experience, of perpetuation of the fraud if it had not been discovered. Of this total, the majority - £348,800 - is based on the identification of fraudulent Right-to-Buys.

3.2 An analysis of the savings involving the Corporate Fraud Investigation team for 2022/23 is set out as Appendix 1 to this report. Of these savings, it should be noted that a proportion will benefit other bodies. For example, the savings in respect of Council Tax will be shared with relevant precepting authorities as part of the council tax setting process. The savings do not all accrue to Warwick District Council. It should also be noted that the savings achieved cannot be attributed wholly to the work of the Corporate Fraud Investigation Team. In nearly all cases, other parties such as the Council's Visiting Team and other staff within Revenues and Benefits, as well as staff in Housing, have been involved, often taking the primary role with the Corporate Fraud Investigation Team having a subsidiary role. Ultimately, most fraud and error is identified through teamwork and coordinated working across the Council as well as with other agencies such as the DWP.

3.3 An explanation of each of these types of savings together, in the case of non-cash savings, with an explanation of how they have been calculated is set out as Appendix 2.

3 Alternative Options

3.1 The report is not based on 'project appraisal' so this section is not applicable.

4 Legal Implications

4.1 Not applicable.

5 Financial Implications

5.1 Not applicable.

6 Business Strategy

6.1 Warwick District Council has adopted a Business Strategy that sets out key areas for service delivery. Each proposed decision should set out how the report contributes to the delivery of these strategic aims. If it does not contribute to these aims or has a negative effect on them the report should explain why that is the case.

6.1.1 External Impacts

People - Health, Homes, Communities

Services - Green, Clean, Safe

Money- Infrastructure, Enterprise, Employment

Although there are no direct policy implications, counter fraud measures are an essential part of corporate governance and will be a major factor in shaping the Policy Framework and Council policies.

6.1.2 Internal Impacts

People - Effective Staff

Services - Maintain or Improve Services

Money - Firm Financial Footing over the Longer Term

Although there are no direct policy implications, counter fraud measures are an essential part of corporate governance and will be a major factor in shaping the Policy Framework and Council policies.

7 Environmental/Climate Change Implications

7.1 Counter fraud activities will comply with the Council's environmental and climate emergency objectives.

8 Analysis of the Effects on Equality

8.1 Counter fraud activities will comply with the Council's equality obligations.

9 Data Protection

9.1 Counter fraud activities will comply with the Council's data protection objectives.

10 Health and Wellbeing

10.1 Counter fraud activities will comply with the Council's health and wellbeing objectives.

11 Risk Assessment

11.1 There is a financial risk to the Council in making payments to people that are not entitled to receive them. There are health and safety risks to staff associated with investigating suspicious claims. There are also reputational risks to the Council from such activities. These are detailed in the service's risk register, assessed, and managed through various mitigations and controls.

12 Consultation

12.1 No external consultation required.

Background papers:

All Papers referred to in this report are published documents.

Supporting documents:

Fraud statistics.

Summary of Corporate Fraud Performance 2022/23

Area of Result	Number	Value
Council Tax Reduction Overpayments	2	£6,089.09
Council Tax Reduction Future Savings	1	£791.92
Housing Benefit Overpayments	2	£30,956.31
Housing Benefit Future Savings	0	£0
Discretionary Housing Payment Overpayment	0	£0
Council Tax Discount Removed	10	£18,682.35
Council Tax Discount Future Increase	5	£9,626.89
Ctax £70 Penalty	1	£70
NNDR Increased Income	0	0
NNDR Future Income	0	0
Social Housing Properties Recovered	1	£42,000
Housing Applications Cancelled	0	£0
Right To Buy Cancelled	4	£348,800
Totals: Cash and Non-Cash (Notional)		£457,016.56
Totals: Cash Only		£55,727.75

Key: Cash Savings are yellow-highlighted. Other savings are predictions and therefore non-cash i.e. notional.

NB To comply with SCULPT requirements, key points from this table are discussed in the covering report.

The types of savings and, in the case of non-cash savings, how they have been calculated

Council Tax Reduction (CTR) Overpayments

These overpayments of CTR have resulted from an investigation and deemed recoverable unless the claimant could show the overpayment was caused by official error and they could not reasonably have known they were being overpaid. Council Tax is a daily charge and therefore the overpayment figures reflect this.

Council Tax Reduction Future Savings

The future savings are based upon a 104-week multiplier of savings identified. This is the average amount of time that a customer takes to notify the authority of a change to their circumstances.

Housing Benefit (HB) Overpayments

HB Overpayments are overpaid amounts of Benefit that have been paid (whether to the claimant their landlord or someone else) and to which the claimant was not entitled. These overpayments are calculated weekly by the Benefits team.

Housing Benefit Future Savings

The future savings are based upon a 104-week multiplier of savings identified. This is determined to be the average amount of time that a customer takes to notify a local authority of a change to their circumstances.

Discretionary Housing Payment (DHP)

This is a discretionary scheme where the local authority can provide extra money to help a claimant meet their housing costs; examples include help with a rent shortfall, rent deposits and rent in advance. The local authority looks at how much they can pay and for how long the customer can receive the payment. DHPs are only for extra help towards Housing Costs and are not for help with Council Tax. Thus, when investigating a Housing Benefit fraud, if it is discovered that the customer has had this extra help towards their housing costs (i.e. received DHP) we would seek to recover it. However, it is not covered in the same legislation as HB or CTR overpayments and therefore cannot be included as part of any sanction.

Council Tax Discount

Claimants may qualify for a Council Tax reduction if they are living on their own or with students, or providing care for, or living with, people with special circumstances. The main discount the Fraud team deals with is Single Person Discount (SPD) which is a 25% reduction when there is one adult occupant in the property.

Council Tax Discount Future Increase

The future savings are based upon a 104-week multiplier of savings identified. This is determined as the average amount of time that a customer takes to notify the authority of a change to their circumstances.

Social Housing Properties Recovered

Social Housing is more affordable than private renting and usually provides a more secure long-term tenancy. These properties are owned by the local authority or Housing Associations and are, in the first instance, for homeless people, people in cramped conditions or people that have medical conditions made worse by their current home. If people are not living in their Social Housing property as their main and principal home or are illegally subletting then the landlord can recover the property and re-allocate it to somebody else on the waiting list. The value of recovering a property is calculated currently at £18K.

Housing Applications Cancelled

Customers apply for Social Housing by completing a form declaring their circumstances. If they have lied on the form or not provided their true circumstances then their application is stopped. The value attributed to each application is £4,600, which is derived from the average cost of temporary accommodation for each family that is housed.

Right to Buy (RTB) Cancelled

RTB is a government scheme designed to help tenants in council housing to buy their homes with, very often, a very large discount. Tenants get 35% discount if they have been a tenant for 3-5 years; after 5 years the discount goes up by 1% for every year they have been a tenant, up to 70% or £84,200, whichever is the lower figure.

Audit & Standards Committee
25 September 2023

Title: Work Programme
Lead Officer: Sophie Vale, Committee Services Officer
Portfolio Holder: Not applicable
Public report
Wards of the District directly affected: Not applicable

Summary

This report informs Members of Audit & Standards Committee of the Committee's work programme for 2023/24 (Appendix 1).

Recommendations

That Members consider the work programme (Appendix 1) and agree any changes as appropriate.

1 Background and Reasons for the Recommendation

- 1.1 The Audit & Standards Committee has two main purposes: (1) to promote and maintain high standards of conduct and governance within the Council and within the Parish and Town Councils within the District; (2) to act as the Audit Committee for the Council.
- 1.2 The Work Programme will ensure that Members are aware of the workload of the Committee and any changes to upcoming reports.
- 1.3 The Significant Business Risk Register report has been deferred at Cabinet until after the new Corporate Strategy has been considered to allow for a thorough review. As such, the Significant Business Risk Register report has also been deferred for the Audit & Standards Committee. It is anticipated this will be brought to the Committee in December 2023 but this is TBC at the this time.
- 1.4 The Review of the 2023 Local Elections has been deferred from this meeting to December 2023. This was to allow officers to consider the findings within the [Electoral Commission Report](#) and [Local Government Information Unit](#) report on the impact of voter ID at the elections and if there was any additional learning for the Returning Officer to bring forward as a result. Neither of these reports were available in time to allow sufficient consideration and response to them within this report.

Audit & Standards Committee WORK PROGRAMME

19 December 2023

Title	Purpose	Lead Officer
Quarterly IA Progress and AGS Review Reports		Richard Barr
Treasury Management Activity Report for period 1 April 2023 to 30 September 2023	This report details the Council's Treasury Management performance for the period 1 April 2023 to 30 September 2023	Richard Wilson
Polling District Place and Station Review	To seek approval for the outcomes of the review	Leanne Marlow
Treasury Management 2022/23 Annual Report	<p>The Council is required by regulations issued under the Local Government Act 2003 to produce an annual Treasury Management review of activities, and the actual prudential and treasury indicators each financial year.</p> <p>This report meets the requirements of both the CIPFA Code of Practice on Treasury Management, (the Code), and the CIPFA Prudential Code for Capital Finance in Local Authorities, (the Prudential Code).</p>	Richard Wilson & Karen Allison
Final accounts 2021/2022		Andrew Rollins
Review of Elections	To report back from the returning officer on the delivery of the 2023 Warwick District Council elections	Graham Leach

27 February 2024

Title	Purpose	Lead Officer
Quarterly IA Progress and AGS Review Reports		Richard Barr
Statement of Accounts 2022/2023	To note the Audit Findings Report and approve the letter of representation for the 2022/23 SOA	Andrew Rollins

Without a confirmed date

Title	Purpose	Lead Officer
Review of Significant Business Risk Register	To provide assurance to Members on the Council's risk environment.	Richard Barr