

## Finance & Audit Scrutiny Committee Wednesday 7 July 2021

A meeting of the above Committee will be held in the Town Hall, Royal Leamington Spa on Wednesday 7 July 2021, at 6.00pm and available for the public to watch via the Warwick District Council [YouTube channel](#).

Councillor Nicholls (Chair)

Councillor M Ashford

Councillor G Illingworth

Councillor I Davison

Councillor N Murphy

Councillor R Dickson

Councillor S Syson

Councillor J Grey

Councillor N Tangri

Councillor T Heath

Councillor J Tracey

### Emergency Procedure

At the commencement of the meeting, the emergency procedure for the Town Hall will be announced.

### Agenda

#### Part A – General

#### 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 26 May 2021

**(Pages 1 to 6)**

## **Part B – Audit Items**

### **4. Anti-Fraud and Corruption Statement 2021/22**

To consider a report from Finance **(Pages 1 to 14)**

### **5. Measures taken to deter, detect, investigate and report fraud in respect of COVID business grants**

To consider a report from Finance **(Pages 1 to 8)**

### **6. Corporate Fraud Investigation Performance Report 2020/21**

To consider a report from Finance **(Pages 1 to 12)**

### **7. Audit of 2020/21 Accounts**

To consider a report from Finance **(Pages 1 to 3 and Appendix A & B)**

## **Part C – Scrutiny Items**

### **8. Approach to the Scrutiny of the Proposed Merger of Warwick District Council and Stratford-on-Avon District Council**

To consider a report from the Chief Executive **(Pages 1 to 5 and Appendix 1)**

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

To consider a report from Civic & Committee Services **(Pages 1 to 6)**

### **10. Cabinet Agenda (Non-Confidential Items and Reports) – Thursday 8 July 2021**

To consider the non-confidential items on the Cabinet agenda which fall within the remit of this Committee. The only items to be considered are those which Committee Services have received notice of by 9.00am on the morning after Group meetings.

**(Circulated Separately)**

### **11. Public & Press**

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

### **12. Cabinet Agenda (Confidential Items and Reports) – Thursday 8 July 2021**

To consider the confidential items on the Cabinet agenda which fall within the remit of this Committee. The only items to be considered are those which Committee Services have received notice of by 9.00am on the morning after Group meetings.

**(Circulated separately)**

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# Finance and Audit Scrutiny Committee

Minutes of the meeting held on Wednesday 26 May 2021 in the Town Hall, Royal Leamington Spa at 6.00pm.

**Present:** Councillors: Ashford, Davison, R Dickson, Grey, Illingworth, Luckhurst and Syson.

**Also present:** Councillor Hales (Portfolio Holder for Transformation).

## 1. Apologies and Substitutes

- (a) apologies for absence were received from Councillors Heath, Nicholls and Tracey; and
- (b) Councillor Luckhurst substituted for Councillor Tangri.

## 2. Appointment of Chair

It was proposed by Councillor Syson, seconded by Councillor Illingworth and

**Resolved** that Councillor Nicholls be appointed as Chair for the 2021/22 Municipal Year.

In the absence of the Chair it was proposed by Councillor Syson, seconded by Councillor Illingworth and

**Resolved** that Councillor Dickson be appointed as Chair for the 26 May 2021 meeting.

## 3. Declarations of Interest

There were no declarations of interest.

## 4. Minutes

The minutes of the meeting held on 21 April 2021 were taken as read and signed by the Chairman as a correct record.

## 5. Internal Audit Quarter 4 2020/21 Progress Report

The Committee received a report from Finance that advised Members on the progress in achieving the Internal Audit Plan 2020/21, summarised the audit work completed in the final quarter and provided assurance that action had been taken by managers in respect of the issues raised by Internal Audit.

At the start of each year Members approved the Audit Plan setting out the audit assignments to be undertaken. This year's Audit Plan had to be revised due to the impact of the Coronavirus Pandemic and a revised Audit Plan was approved by Members on 30 September 2020. A detailed analysis

of progress in completing the Audit Plan for 2020/21 was set out as Appendix 2 to the report.

An addendum circulated prior to the meeting advised Members of an amendment to page 23 of Appendix 3 to the report, which related to the Purchasing Card Recommendation.

In response to a question from Members, the Audit and Risk Manager advised that there had been a move to a more risk-based approach to audits.

Councillor Illingworth congratulated the audit team for the fact they were able to complete the audits given the circumstances faced as a result of the Covid-19 pandemic.

Councillor Hales, the Portfolio Holder for Transformation, also congratulated the Audit and Risk Manager and his team for the high quantity and quality of the reports that were completed under difficult circumstances, as a result of the Covid-19 pandemic.

**Resolved** that the report, including its Appendices 1 to 4 and A to N, be noted.

#### 6. **Internal Audit Annual Report 2020/21**

The Committee received a report from Finance. Forming part of the evidence for the Annual Governance Statement, the report presented a summary of the internal work undertaken during 2020/21 and provided a conclusion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

The Annual Report, in the format and comprising the topics prescribed by the Public Sector Internal Audit Standards, was set out as Appendix 1 to the report.

**Resolved** that the Annual Report of Internal Audit for the year ended 31 March 2021, including Appendix 1 to the report, be noted, as part of the consideration and approval of the Annual Governance Statement 2020/21.

#### 7. **Annual Governance Statement 2020/21**

The Committee considered a report from Finance that set out the Council's Annual Governance Statement for 2020/21 describing the governance arrangements that were in place during the financial year. The Statement would accompany the Council's Statement of Accounts.

Regulation 6 of the Accounts and Audit (England) Regulations 2015 required that a relevant authority must, each financial year prepare (and approve) an annual governance statement.

The Annual Governance Statement 2020/21 was attached as Appendix A to the report.

In response to a question from Members regarding the merger with Stratford-on-Avon District Council, the Audit and Risk Manager advised that for next two years the Council would continue to operate as WDC in terms of the functions/services it would provide. Separately, there would be an interest in the risks around the specific topic of the merger, and there could well be a separate topic undertaking a risk based review of the merger, and there would be discussions about this and the role of internal audit in that process, involving chair of the Finance and Audit Scrutiny Committee.

The Head of Finance advised Members that as part of the planned move towards the merger it was agreed that a further report should be coming back to the Committee in July 2021 setting out the programme of different workstreams that would be required. There was now a Programme Manager in place, and the idea was to bring back the full programme of activities to the Committee alongside a risk register, and how the progress of this work would be scrutinised was to be decided.

**Resolved** that the Annual Governance Statement for 2020/21 for Warwick District Council as set out at Appendix A to the report, be approved.

## 8. **Progress Report on Replacement IT Systems**

The Committee considered a report from Finance that provided a progress update on two large scale IT projects:

- the replacement of the corporate financial management system (Total FMS); and
- the replacement of the regulatory case management and waste services system (CivicaAPP) used by Health and Community Protection, Private Sector Housing and Neighbourhood Services.

The two projects represented key activities in the Business Strategy (2019/2023) to transform the Councils working practices and business processes, utilising technology and digital services to improve the customer experience and reduce costs.

The Executive approved the Financial Management System Replacement Project at its meeting in December 2019. An extensive procurement exercise launched early in 2020 ended with an award of contract to Technology One Ltd on 1 July 2020 and a finance system called Ci Anywhere.

Governance arrangements included the establishment of a Project Board under the lead of Andrew Jones, Deputy Chief Executive and sponsor of the project. On the request of the Finance and Audit Scrutiny Committee, Councillors Hales and Syson were invited onto the Project Board and had been fully engaged in progress reviews from the outset.

To support project performance monitoring, the Project Board received and reviewed a monthly project highlight report with a project status update. The highlighted report was also shared on the Council's Intranet to increase awareness of project progress.

The implementation project had made good progress despite the challenges of remote working, with all workshops and other meetings between the

Council project team, service teams and the supplier team carried out via video conferencing. Initial transition challenges to the new ways of working were quickly overcome and the relationship between the project and supplier teams had proven very positive and productive.

The initial (design) phase of the implementation project reviewed long established financial business processes at Warwick District Council, identifying which processes could be developed to take advantage of modern technology, removing areas of duplicated data entry and streamlining or automating other activities to reduce overall workloads. This included changes to how supplier purchase orders were raised, how supplier invoices were validated and paid, and how customer invoices were created.

These changes would reduce workloads and create opportunities for contributing to the efficiency savings targets included in the medium-term financial strategy from digital projects. Progress to identify potential efficiencies and how these would be realised once the new system was live were a key performance tracker that the Project Board reviewed regularly.

Configuration of the system to align with new ways of working was completed in January 2021, launching the initial loading of data from legacy systems. This had, as anticipated, proven a complex and time-consuming area which had undergone several iterations as of April 2021. This area was nearing completion but would undergo a further iteration or upload of data that would be reconciled to the legacy system (based on financial year end balances at 31 March 2021) during May 2021.

An important phase of the implementation project which determined readiness for going live was user acceptance testing. At April 2021, testing was progressing well with no major concerns identified. Testing would be scaled up through May and June, increasing the breadth and volume of testing to lower the risk of issues emerging after going live. Users of finance systems throughout the Council would participate in user acceptance testing from May, increasing the number of people with familiarity of the new system and business processes.

The Project Board would meet in May 2021 to review testing and other project updates to determine a preferred go live target date. This would be a timeline from July 2021 that ensured risks of disruption to financial management at the Council was avoided.

The target date for going live with the new system to be agreed by the Project Board at their meeting in May, would provide a timeline for the delivery of user training and user support arrangements.

The procurement of a Regulatory Services and Waste Management system replacement for CivicaAPP concluded in December 2020 with a contract award to Arcus Ltd, with the implementation project underway from February 2021.

Governance for the project was provided through a Project Board with Andrew Jones as lead and sponsor for the project. By April 2021, regular monthly meetings of the Project Board were underway, attended by supplier representatives.

The project would replace the legacy back office case management system and files in several services areas (Health & Community Protection, Housing and Neighbourhood Services) and additionally provide a front-end self-service portal where residents would be able to contact the Council on a range of matters such as licence applications or reports of fly tipping or missed bins.

Once established and in use by residents, the volumes of enquiries received by telephone or email should reduce, reducing the level of Council officer time engaged with enquiries and in creating the application or new process. At April 2021, it was too early to determine the scope and scale of efficiencies from the project. Identifying and evidencing efficiency opportunities would be a performance monitoring process within the Project Board governance

Unlike the replacement of the finance system which was based on moving from one system to another at a single point in time (commonly referred to a "big bang" approach in IT implementation projects), planning for the implementation of the regulatory services and waste management system was based on a phased go live approach.

The approach was to create multiple go lives, with a group of related processes bundled into one of several go lives. This approach would provide a smoother transition into new ways of working and should enable efficiency opportunities much sooner than the big bang approach and delaying go live until all processes had been migrated to the new technology.

The rationale and detail for the mini go lives would be reviewed by the Project Board at their meeting in May 2021. At April 2021, the draft proposal indicated all service area processes in scope of the project would be migrated to the new system by the end of 2021.

In response to question from Members, the Project Manager – Financial Systems advised that the Council was not the first Council to use the technology, though it was being used in ways that were slightly new and different to the way it was being implemented elsewhere, and the Council was learning from experiences of other implementations of this technology elsewhere. The technology was being tested robustly and was as user friendly as it possibly could be, much more than the current system was, and had received excellent feedback.

Councillor Hales congratulated Councillor Syson for her work on the project board, the project board as a whole, the Project Manager – Financial Systems, and the engagement of all the different teams that were using this system. The feedback had been overwhelmingly positive, and the rollout had been excellent.

The Chairman asked the Project Manager – Financial Systems to take back the thanks of the Committee to both project boards for their work.

**Resolved** that the detail of the progress on both projects, be noted.

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

The Committee considered a report from Democratic Services that informed the Committee of its work programme for 2020/2021 Municipal Year, as set out at Appendix 1 to the report, and of the current Forward Plan.

**Resolved** that the report be noted.

(The meeting ended at 7.20pm)

CHAIR  
7 July 2021

Finance and Audit Scrutiny Committee  
7 July 2021

**Title: Anti-Fraud and Corruption Statement 2021/22**  
**Lead Officer: Richard Barr**  
**Portfolio Holders: Councillors Day and Noone**  
**Public report / Confidential report: Public**  
**Wards of the District directly affected: Not applicable**

Contrary to the policy framework: No

Contrary to the budgetary framework: No

Key Decision: No

Included within the Forward Plan: Yes

Equality Impact Assessment Undertaken: Not applicable

Consultation & Community Engagement: Consultation with line management and SMT. None with community.

Final Decision: Yes.

**Officer/Councillor Approval**

<b>Officer Approval</b>	<b>Date</b>	<b>Name</b>
Chief Executive/Deputy Chief Executive	11/06/21	Chris Elliott/Andrew Jones
Head of Service	11/06/21	Mike Snow
CMT	11/06/21	Chris Elliott/Andrew Jones
Section 151 Officer	11/06/21	Mike Snow
Monitoring Officer	11/06/21	Andrew Jones
Finance	11/06/21	Mike Snow
Portfolio Holder(s)	11/06/21	Councillors Day and Hales (deputising for Councillor Noone)

1 **Summary**

- 1.1 The report presents an Anti-Fraud and Corruption Statement for review and approval by Members. The Statement provides a record of the Council's policies and objectives regarding countering fraud and corruption and is set out as Appendix A.
- 1.2 There are a number of actions that are being undertaken in order to prevent, deter and detect fraud and corruption and these are set out in Appendix B.

2 **Recommendations**

- 2.1 That Members should approve the Anti-Fraud and Corruption Statement.
- 2.2 That Members should note the actions to prevent, deter and detect fraud and corruption.

3 **Reasons for the Recommendations**

- 3.1 The recommendations help Members to fulfil their responsibilities for good governance.

4 **Policy Framework**

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

- 4.1.1 The Council's FFF Strategy is designed to deliver the Vision for the District of making it a Great Place to Live, Work and Visit. To that end amongst other things the FFF Strategy contains several Key projects.
- 4.1.2 The FFF Strategy has 3 strands, People, Services and Money, and each has an external and internal element to it, the details of which can be found [on the Council's website](#). The table below illustrates the impact of this proposal if any in relation to the Council's FFF Strategy.

4.2 **FFF Strands**

4.2.1 **External impacts of proposal(s)**

**People - Health, Homes, Communities**

**Services - Green, Clean, Safe**

**Money- Infrastructure, Enterprise, Employment**

Although there are no direct policy implications the Statement is part of the Council's overall governance arrangements and will help to shape the policy framework and Council policies.

4.2.2 **Internal impacts of the proposal(s)**

**People - Effective Staff**

## **Services - Maintain or Improve Services**

### **Money - Firm Financial Footing over the Longer Term**

Although there are no direct policy implications the Statement is part of the Council's overall governance arrangements and will help to shape the policy framework and Council policies.

#### **4.3 Supporting Strategies**

4.3.1 Each strand of the FFF Strategy has several supporting strategies but direct reference to them is not necessary in considering the subject matter of this report.

#### **4.4 Changes to Existing Policies**

4.4.1 This section is not applicable to this report.

#### **4.5 Impact Assessments**

4.5.1 This section is not applicable to this report.

### **5 Budgetary Framework**

5.1 All of the Council's services and activities can be affected by fraud and corruption but approval of the action plan does not have any direct impact on Council budgets. Having measures in place to deter fraud and corruption helps to ensure that resources are used efficiently and effectively.

### **6 Risks**

6.1 The risk of not approving the Statement relates to the perception that the individual declarations and assertions contained within it are not supported by the Council's leadership. This could impact on the level of fraud that the organisation faces.

### **7 Alternative Options Considered**

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

### **8 Background**

8.1 In the mid-1990s local authorities were encouraged to state publicly and formally their stance on fraud and corruption and as part of that to formulate and adopt an Anti-Fraud and Corruption Strategy. Accordingly, a Strategy was adopted in 1995. Since that time the Strategy has been subject to an annual review.

8.2 It is now considered that the term 'Statement' is a more appropriate term for the document as it is more of a statement of policies and objectives rather than a detailed description of how those policies and objectives are to be

## Agenda Item 4

achieved. Such information is contained elsewhere, principally in Service Area Plans and Appraisal documents. The Statement is set out as Appendix A.

- 8.3 Keeping the Statement under review and comparing it with those of other local authorities ensures that it remains relevant.
- 8.4 Appendix B provides a list of actions that are being undertaken to prevent, deter and detect fraud and corruption.
- 8.5 Undertaking the items set out in the action plan helps to maintain the overall control environment and raise awareness on fraud and corruption matters.

## Actions to Prevent, Deter and Detect Fraud and Corruption

1. **OBJECTIVE: Undertake assignments in the 2021/2022 Audit Plan and any investigations required**
  - 1.1 Complete audits contained in the revised annual Audit Plan approved by members in March 2021, monitor progress regularly throughout the year and take appropriate remedial action if necessary. The scope and Objectives of the audits will include an assessment of the controls in place and confirming or improving those controls will indirectly assist in fraud prevention and detection.  
**Timescale:** 2021/22  
**Responsibility:** Audit and Risk Manager / Head of Finance
  - 1.2 Investigate any fraud or irregularity cases uncovered or referred to Internal Audit. If there are grounds for an investigation, report the circumstances, the approach adopted and the outcome to members. If the resources required to undertake an investigation have an impact on the Audit Plan and a shortfall is identified a report will be submitted to Finance & Audit Scrutiny Committee listing the possible options.  
**Timescale:** As and when / ongoing  
**Responsibility:** Audit and Risk Manager / Head of Finance
  - 1.3 Report the management responses to any recommendations contained in the action plans accompanying Internal Audit reports to Finance & Audit Scrutiny Committee.  
**Timescale:** Ongoing  
**Responsibility:** Audit and Risk Manager
2. **OBJECTIVE: Promote fraud awareness within the Council**
  - 2.1 Post a notice on the Council's Intranet reminding staff that fraud is an ever-present threat, how to identify the signs and what to do if fraud is taking place or suspected.  
**Timescale:** September 2021  
**Responsibility:** Audit and Risk Manager
  - 2.2 Undertake a staff survey to gauge the overall attitude to fraud and the awareness of how to respond to any occurrences or suspicions.  
**Timescale:** December 2021  
**Responsibility:** Audit and Risk Manager
  - 2.3 Continue to arrange and run fraud awareness courses.  
**Timescale:** During 2021/22  
**Responsibility:** Audit and Risk Manager

- 2.4 Compile a handout for new starters covering basic fraud awareness, how to deal with concerns, details of basic controls in place and contact details.

**Timescale:** October 2021

**Responsibility:** Audit and Risk Manager

- 2.5 Publicise details of any frauds perpetrated or attempted against the Council as they occur and details of any potential new fraudulent activity in local government received. If necessary, review procedures and controls to mitigate the risk.

**Timescale:** 2021/22 / ongoing

**Responsibility:** Audit and Risk Manager

### **3. OBJECTIVE: Participate in data exchange and research initiatives**

- 3.1 Provide data to the annual National Fraud Initiative (NFI) exercise and respond to referrals received as a result.

**Timescale:** 2021/22 / ongoing

**Responsibility:** Audit and Risk Manager

- 3.2 Present a report to Finance and Audit Scrutiny Committee on the outcome of the NFI exercise.

**Timescale:** During 2021/22

**Responsibility:** Audit and Risk Manager

- 3.3 Complete any appropriate surveys of fraudulent activity in local government undertaken by the recognised professional and government bodies.

**Timescale:** As and when

**Responsibility:** Audit and Risk Manager

### **4. OBJECTIVE: Enable public reporting of suspected fraud or corruption**

- 4.1 Review the Fraud pages on the WDC website and revise and update if necessary.

**Timescale:** 2021/22

**Responsibility:** Audit and Risk Manager

- 4.2 Ensure that there are no obstructions to members of the public that report fraud.

**Timescale:** Ongoing

**Responsibility:** Audit and Risk Manager

### **5. OBJECTIVE: Ensure Internal Audit staff remain aware of best practice and new developments**

- 5.1 Arrange for members of the Internal Audit Team to attend any appropriate, but affordable, training events and to attend the Warwickshire and Midlands professional networking groups.

**Timescale:** 2021/22 / ongoing  
**Responsibility:** Audit and Risk Manager

- 5.2 Arrange to run workshops for the Internal Audit staff on investigative practice following the successful completion of the CIPFA Certificate in Investigate Practice.

**Timescale:** 2021/22  
**Responsibility:** Audit and Risk Manager

**6. OBJECTIVE: Review Statement**

- 6.1 Review the content, currency and format of the Anti-Fraud and Corruption Statement. Compare the statement with those of the other Warwickshire authorities and a random selection from other authorities.

**Timescale:** As and when  
**Responsibility:** Audit and Risk Manager

- 6.2 Review any CIPFA or other relevant bodies' guidance on fraud and corruption issued during the year and consider if any of the recommendations require changes to WDC's fraud prevention procedures or the Anti-Fraud and Corruption Statement.

**Timescale:** As and when  
**Responsibility:** Audit and Risk Manager

- 6.3 Present the Anti-Fraud and Corruption Statement annually to Finance and Audit Scrutiny Committee for review and approval.

**Timescale:** 2021/22 / ongoing  
**Responsibility:** Audit and Risk Manager

**Warwick District Council  
Anti-Fraud and Corruption Statement 2021/22**

**1 Introduction**

- 1.1 Warwick District Council is a large organisation employing several hundred staff and spending around £100 million a year of taxpayers' money. Like most organisations it is a potential target for fraud and corruption which could be attempted by employees, external organisations or members of the public.
- 1.2 The Council is determined to do everything that it reasonably can to deter, prevent and detect fraud and corruption and it is committed to the Anti-Fraud and Corruption Statement.

**2 Policy Statement**

- 2.1 Warwick District Council aims to provide quality services that are accessible to all sections of the community and delivered fairly and efficiently. In doing so the Council is firmly opposed to fraud and corruption of any kind and will take prompt and decisive action to deal with any instances that are identified and will deal equally with perpetrators from inside and outside the Council.
- 2.2 At all times the Council will endeavour to ensure that all of its dealings are carried out with honesty and integrity with no thoughts of fraudulent or corrupt acts and in turn it will expect all partners, suppliers, contractors, organisations and individuals that it deals with to behave in the same way.
- 2.3 The Council's elected Members and staff will lead by example and ensure that they comply with all policies, codes, regulations and controls that are in place.
- 2.4 The Council will pursue all individuals or organisations suspected of having defrauded or having committed corrupt acts and will report them to the Police if appropriate.
- 2.5 This policy will be delivered by a series of measures contained in the Anti-Fraud and Corruption Statement.

**3 Definitions**

- 3.1 Fraud is the intentional distortion of financial statements or other records by persons internal or external to the authority which is carried out to conceal the misappropriation of assets or otherwise for gain or to mislead or misrepresent.
- 3.2 Corruption is the offering, giving, soliciting or acceptance of an inducement or reward which may influence the action of any person; or

the failure to disclose an interest in order to enjoy financial or other pecuniary gain.

#### **4 Statement**

- 4.1 The Statement comprises a series of measures and procedures, detailed below, that are designed to frustrate any attempted fraudulent or corrupt acts.

#### **5 Culture**

- 5.1 The Council wishes it to be known that the culture and tone of the authority is one of openness, honesty and equality with wholehearted opposition to fraud and corruption in any form.

- 5.2 Council Taxpayers are entitled to expect the highest standards of accountability, stewardship and probity from the Council. To an extent these expectations will be met by the Council complying with legislation. For example:

- The Council must appoint a Responsible Financial Officer who is responsible for the Council's financial strategy and direction and also for ensuring that there are sound systems of financial control in place;
- The Council is required to ensure the existence of adequate and effective internal audit arrangements;
- Independent external auditors are appointed to scrutinise the Council's business;
- Procedures exist for the public to inspect the Council's accounts and to question the external auditors;
- The Council is required to appoint a Monitoring Officer to monitor the lawfulness and fairness of decision making;
- Decisions are made in public meeting except in circumstances where the need for confidentiality is paramount;
- Members of the public can request the Local Government Ombudsman and Housing Ombudsman to investigate cases of alleged maladministration.

- 5.3 Additionally the Council will have:

- A Code of Corporate Governance
- A system of scrutiny whereby Members of the Council review past decisions and examine specific issues within service areas.

#### **6 Prevention**

##### **6.1 Staff**

- 6.1.1 The Council acknowledges that the recruitment and retention of high calibre staff is vital to the delivery of quality services and that staff have a key role to play in the prevention and detection of fraud and corruption.

- 6.1.2 When appointing to posts, written references will always be taken up and referees will be asked to give their views on candidates' honesty and integrity.
- 6.1.3 Confirmation of identity, academic qualifications and the right to live and work in the UK will be obtained before any offers of employment are made.
- 6.1.4 Depending on the duties of the post, the selection process will include reference to the Disclosure and Barring Service.
- 6.1.5 Council staff who are members of professional bodies will be expected to observe the standards advocated by those bodies which may be laid down in codes of conduct.
- 6.1.6 All staff of the Council will be bound by any National, Local or Departmental codes of conduct.
- 6.1.7 All staff must operate and adhere to all of the relevant procedures and codes that form the Council's overall control framework including an Employee Code of Conduct.

## 6.2 **Members**

- 6.2.1 Elected Members are expected to observe the highest standards of conduct which are enshrined in legislation, the Council's constitution and the Members' Code of Conduct.
- 6.2.2 Members are required to declare specific information concerning their financial and other interests and for ensuring that this information is kept up to date.
- 6.2.3 Members are required to declare their interests at all meetings, both internal and external, whether decision making or not.
- 6.2.4 The Council has a Standards Committee and has two Independent Persons from outside the Council in line with the Localism Act 2011. Its role is to promote and maintain high standards amongst Members and to investigate any alleged breaches of the Code of Conduct.

## 6.3 **Systems**

- 6.3.1 The Council is committed to operating financial and management systems and procedures which incorporate efficient and effective internal controls.
- 6.3.2 Senior managers with responsibility for systems are responsible for ensuring that such controls are achieved and maintained.
- 6.3.3 The Council's Internal Audit Service will carry out periodic reviews of all systems and activities to ensure that controls exist and are being adhered to and that senior managers are meeting their responsibility.

## 6.4 **Working with others**

- 6.4.1 Arrangements are in place for the regular exchange of information between the Council and Government agencies for the purpose of preventing and detecting fraud.
- 6.4.2 The Council will participate in data matching exercises with appropriate organisations to detect fraud.
- 6.4.3 Whenever any information is to be exchanged the person or organisation supplying the information will be advised accordingly.
- 6.4.4 Staff will be encouraged to participate in local and national professional groups and forums to exchange information, ideas and experiences.

## 6.5 **Internal Audit**

- 6.5.1 The Council is required to maintain an adequate and effective system of internal audit as part of the Responsible Financial Officer's duty to ensure that there are proper arrangements in place to administer the Council's financial affairs.
- 6.5.2 The adequacy and effectiveness of internal controls is monitored by the Council's Audit Section as part of their annual programme of work. Any weaknesses in internal control are reported to management whose duty it is to ensure that corrective action is taken.
- 6.5.3 The work of the Audit Section and their progress against the Audit Plan is overseen by a committee of the Council who receive summaries of all audit reports and management responses.
- 6.5.4 The Audit Plan is prepared following a risk assessment of audit areas which determines the frequency of audits and particular areas to focus attention on. The risk assessment process is subject to an ongoing review.
- 6.5.5 The Head of Internal Audit will ensure that all Internal Audit staff have the appropriate skills and expertise to carry out their duties.

## 6.6 **Fraud Investigation**

- 6.6.1 Sitting within the Audit and Risk function within Finance is a resource that investigates corporate fraud - all non-employee fraud - perpetrated against the Council.
- 6.6.2 In recent years this function has been outsourced and is currently being provided by Oxford City Council. Essentially, the City Council provides one FTE employee to assist with the investigation of fraud, as well as undertaking activities to deter and prevent fraud such as staff training and awareness campaigns. Although the resource is one FTE, several staff are provided which enables the availability of a range of skills.

## 6.7 **External Audit**

- 6.7.1 Independent external audit is an essential safeguard to the stewardship of public money. The Council's external auditors will carry out their duties in accordance with the Code of Audit Practice.
- 6.7.2 The Code emphasises management's role in preventing and detecting fraud and corruption. It is the external auditor's role to review the Council's arrangements for meeting this responsibility.
- 6.7.3 External Audit will be notified of all frauds involving sums over £1,000 and of any corrupt acts.

## **7 Detection**

- 7.1 Managers are responsible for the prevention and detection of fraud, corruption and other irregularities. Managers should pay special attention to circumstances that may indicate an irregularity.
- 7.2 Managers are required to notify the Head of Audit immediately if a fraud or other irregularity is discovered or suspected. They should also ensure that:
- any supporting documentation or other evidence is secured; and
  - confidentiality is maintained so as not to prejudice any subsequent investigation.
- 7.3 Staff should report any suspected irregularities to their line manager or they may use the Council's Whistleblowing Policy and Procedure.
- 7.4 Internal Audit will assist managers to discharge their responsibilities when they are conducting audits by establishing and testing expected controls. Any control weaknesses will be reported to managers and also to committee together with managers' responses.

## **8 Investigation**

- 8.1 If an act of fraud or corruption is discovered or suspected, the initial investigation will be conducted by Internal Audit.
- 8.2 If the initial investigation reveals that a full investigation is warranted Internal Audit will invoke the Council's Fraud Response Plan and Disciplinary Procedure.
- 8.3 The decision to involve the Police will be taken by the Head of Audit in consultation with the relevant managers and the Chief Executive. The Council will co-operate fully with the Police and Internal Audit will work closely with them to gather evidence and provide information.
- 8.4 Whenever possible the Council will seek restitution for any losses suffered. This may include recovery from a Pension Fund, an insurance claim or civil action.

8.5 At the conclusion of the investigation a report will be prepared for management and for committee. A review of the investigation will be carried out and any control weaknesses identified will be considered with a view to taking appropriate remedial action.

8.6 Allegations of fraud or criminal misconduct against Members will be considered under the procedure for handling complaints about the conduct of Members led by the Monitoring Officer. Where appropriate, partners such as the Police or Internal or External Audit will be involved.

## 9 **Deterrence**

9.1 The Council will state publicly at every appropriate opportunity that it is strongly opposed to all forms of fraud and corruption.

9.2 The Council will act firmly and decisively when fraud and corruption is suspected and proven e.g. the termination of contracts, the dismissal of staff, the prosecution of staff or other offenders.

9.3 The Council will take action to affect the maximum recoveries e.g. through agreement, court action, penalties, insurance, Pension Funds.

9.4 The Council's systems will contain sound internal controls that are kept under review to minimise the opportunity for fraud and corruption.

9.5 The Council's Anti-Fraud and Corruption Statement will be publicised to all staff and posted on the Council's website.

## 10 **Training**

10.1 The Council recognises that the success of its Anti-Fraud and Corruption Statement will very much depend on the effectiveness of staff throughout the authority.

10.2 The Council supports the concept of induction training and follow up training, particularly for those staff involved with internal control systems.

10.3 It is the responsibility of managers to ensure that their staff are adequately trained to carry out their duties.

10.4 Investigation of fraud and corruption will be undertaken primarily by Internal Audit. Staff of the section should receive appropriate training in this area.

10.5 Members of the Council will receive training on a wide range of topics including declarations of interest, the Code of Conduct and their role in promoting the Anti-Fraud and Corruption stance.

## 11 **Conclusion**

- 11.1 The Council has in place a framework of systems and procedures, to assist in the fight against fraud and corruption. It is determined to ensure that these systems:
- are complied with;
  - keep pace with future developments; and
  - are fully supported by staff and members.
- 11.2 This document will be subject to annual review to ensure its currency. The responsibility for this rests with the Head of Internal Audit and, ultimately, the Responsible Financial Officer.
- 11.3 The Council is committed to ensuring the wide circulation of this Statement within and outside the Council in order that all relevant parties appreciate the high standards which the Council is determined to observe in all its business.

**Title: Measures taken to deter, detect, investigate and report fraud in respect of COVID business grants**

**Lead Officer: Ian Davy**

**Portfolio Holders: Councillor Noone**

**Public report / Confidential report: No**

**Wards of the District directly affected: Not applicable**

Contrary to the policy framework: No

Contrary to the budgetary framework: No

Key Decision: No

Included within the Forward Plan: Yes

Equality Impact Assessment Undertaken: Not applicable

Consultation & Community Engagement: Consultation with line management. None with community.

Checked for Accessibility: Yes

Final Decision: Yes.

**Officer/Councillor Approval**

<b>Officer Approval</b>	<b>Date</b>	<b>Name</b>
Chief Executive/Deputy Chief Executive	23/06/2021	Chris Elliott/Andrew Jones
Head of Service	23/06/2021	Mike Snow
CMT	23/06/2021	Chris Elliott/Andrew Jones
Section 151 Officer	23/06/2021	Mike Snow
Monitoring Officer	23/06/2021	Andrew Jones
Finance	23/06/2021	Mike Snow
Portfolio Holder(s)	24/06/2021	Councillor Hales (for Councillor Noone)

### 1 **Summary**

- 1.1 This report provides details of the measures taken to deter, detect, investigate and report fraud in respect of COVID business grants.

### 2 **Recommendation**

- 2.1 That the report be noted.

### 3 **Reasons for the Recommendation**

- 3.1 Members have specifically asked for a report on this subject, so this report had been produced to meet this request.

### 4 **Policy Framework**

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

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

- 4.1.2 The FFF Strategy has three strands, People, Services and Money, and each has an external and internal element to it.

#### 4.2 **FFF Strands**

- 4.2.1 This report is for information only and, as such, contains no proposals. This section is not, therefore, applicable.

#### 4.3 **Supporting Strategies**

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

#### 4.4 **Changes to Existing Policies**

- 4.4.1 This section is not applicable.

#### 4.5 **Impact Assessments**

- 4.5.1 This section is not applicable.

### 5 **Budgetary Framework**

- 5.1 The grant funding was provided directly by central government so any fraudulent applications or awards should not directly impact the Council's own finances.

- 5.2 The Council has also been given 'New Burdens' payments to cover the cost of administering these grant payments.

**6 Risks**

- 6.1 As highlighted above, the funding for these grants was provided by central government, so there is no direct risk to the Council of paying these grants.
- 6.2 However, there are indirect risks insofar as the applicants may have claimed for properties that they do not operate, so the CIVICA system in respect of non-domestic rates may have been incorrectly amended to include this false information. The applicant may also attempt to perpetrate further frauds directly against the Council if they have been successful in fraudulently obtaining a COVID business grant.

**7 Alternative Options Considered**

- 7.1 This section is not applicable.

**8 Background – COVID Business Grants Funding Streams**

**8.1 Business Support Grants**

- 8.1.1 Announced by Government in March 2020 in response to COVID, the 'original' grants were split into two different 'strands', the Small Business Grant (SBG) Scheme (£10,000) and the Retail, Hospitality & Leisure Grant (RHLG) Scheme (either £10,000 or £25,000 depending on the rateable value of the property). These were non-repayable grants available to eligible businesses that were operating as at 11 March 2020.
- 8.1.2 The Council paid out £16,800,000 in relation to SBG (1,680 payments) and £14,810,000 in relation to RHLG (759 payments) before these schemes closed (30 September 2020). These figures, along with amounts for the other grants and fraud amounts detailed in the sections below, are included in a summary table at section 12.

**8.2 Discretionary Grant Scheme**

- 8.2.1 The next scheme announced was the Discretionary Grants Scheme. These grants were targeted at certain small businesses that were outside of the scope of the original schemes. Applications were invited during a number of 'windows', with the criteria being amended at different stages.
- 8.2.2 The Council paid out £1,733,000 against this scheme (367 payments) before this scheme was closed (again on 30 September 2020).

**8.3 Local Restrictions Support Grants**

- 8.3.1 Following the introduction of the 'tiering' system in November 2020, a number of new grants were introduced.
- 8.3.2 The Local Restrictions Support Grants (LRS) Closed scheme was put in place for those businesses that were legally required to close due to the new restrictions imposed (in Tier 3, 4 and national lockdown periods). The

amounts payable were again linked to the rateable value of the property, with the grants payable for each 14 or 28 day qualifying period.

- 8.3.3 This scheme was subsequently amended to include those that were not legally mandated to close but were severely impacted by local restrictions in tier 2 or tier 3 areas with a subsequent amendment following the January national lockdown.
- 8.3.4 There was also a LRSG (Open) scheme that allowed for some local discretion as to the level of grants paid and the specific criteria for eligibility although the Government expected it to be targeted at hospitality, bed & breakfasts and leisure businesses. This scheme was also subsequently amended to cover those that were severely impacted by local restrictions.
- 8.3.5 There was also a LRSG (Sector) scheme that covered those businesses that couldn't reopen during the move from lockdown and the subsequent tiering phases, such as nightclubs and shisha bars.
- 8.3.6 Across these various LRSG schemes, the Council paid out £10,357,686.84 in 4803 grants.

### 8.4 **Additional Restrictions Grants**

- 8.4.1 The Additional Restrictions Grants (ARG) schemes were discretionary schemes where the Council had to decide on its own criteria. The schemes have changed over time, and have been split into parts A to F which have covered different sectors.
- 8.4.2 The Council has paid out £3,824,000 to 1,745 businesses under these schemes.

### 8.5 **Wet Led Pubs**

- 8.5.1 An additional, one-off, 'Christmas Support' payment was made available to pubs that derive less than 50% of their income from food sales.
- 8.5.2 83 payments of £1,000 each were made by the Council under this scheme.

### 8.6 **Closed Business Lockdown Payments**

- 8.6.1 In addition to the latest amendment to the LRSG (Closed) scheme, eligible businesses (i.e. those that had been mandated to close) were able to obtain a further, one-off payment. These top-up payments were linked to the rateable value of the premises with payments being either £4,000, £6,000 or £9,000.
- 8.6.2 The Council made 1290 payments under this scheme, totaling £6,500,000.

### 8.7 **Restart Grants**

- 8.7.1 A scheme for Restart Grants was announced in the March 2021 budget with the payments being available from 1 April 2021. These are also one-off

payments for specific sectors such as non-essential retail, hospitality and leisure.

- 8.7.2 At the time of writing, payments totaling £8,877,400 have been made to 1,128 business under this scheme although the scheme is open until 30 June 2021.

### 9 **Fraud Deterrence and Detection**

- 9.1 For the majority of schemes identified above, businesses have had to submit an application in order to obtain their grants. These applications have then either been checked to supporting information supplied by the applicant and / or checked against information that the Council holds (e.g. business rates account details on the CIVICA system) or has access to (e.g. checking Google and social media sites to confirm the existence / operating status of the business, checking with other local authorities to see if they have applied in their area etc.).
- 9.2 Where the details didn't agree to the existing information held or there were gaps in the data provided, the applicant would then be contacted to ask them to provide further evidence. One specific further piece of evidence was a copy of the lease agreement when a new occupier notified the Council that their business now occupied a property.
- 9.3 There were also declarations on the application forms that applicants had to sign to confirm that their business was eligible for the grant.
- 9.4 Checks were also performed to ensure that duplicate applications were identified. Some of these may have been deliberate, fraudulent attempts to obtain further grant payments whereas some would have been genuine errors.
- 9.5 The checking of the applications and supporting documentation was undertaken by different 'teams'. The SBG, RHLG, LRSG, Wet Led, Closed Businesses and Restart grants have been administered and checked by staff from Revenues.
- 9.6 The Discretionary and ARG schemes have been administered by teams within Development Services (Enterprise, and Projects & Economic Development), with checks being performed by staff from amongst these teams with support from staff in Finance as well.
- 9.7 Despite all of these checks, a small number of fraudulent applications were successful in receiving grants (four grants totalling £57,000 plus some other overpayments in relation to 'automatic' grants in one of the cases totalling £12,143). These were 'detected' either when the correct liable person or their agents contacted the Council.
- 9.8 As well as the checks that the Council were doing as part of the processing, a specific checking tool was made available through the Cabinet Office (Spotlight). This enabled the details supplied to be checked against data held by Companies House and the Charity Commission. Internal Audit obtained

details of the applications and uploaded them onto Spotlight.

- 9.9 As there was a 'directive' to get payments out to businesses as quickly as possible in the early days of the first lockdown, the data supplied in relation to the SBG and RHLG schemes was submitted retrospectively. There was also no 'push' to supply this information in relation to the initial Discretionary scheme. For all subsequent grant schemes, this information was submitted prior to payments being made.
- 9.10 As suggested above, the tool verified details to data held by Companies House and the Charity Commission. The tool could, therefore, only be used for those businesses that were registered (i.e. not relevant for sole traders etc.). In cases where this information hadn't been supplied by the applicant (as it had not been a mandatory field on the application forms), attempts were made to obtain the relevant information from other sources, including directly from the Companies House website.
- 9.11 Where the information supplied did not match the data held, 'reg flags' were raised. Some of these could be disregarded (e.g. postcode mismatches, as the registered address for the business is not necessarily where the business is trading from, and sole directors, as this was not a consideration for these grants), but others were flagged for further review. These were:
- Age of the business / charity – may indicate that the business / charity was set up after the relevant date.
  - Company status – this flagged up any businesses that were in administration etc.
  - Late accounts – may indicate that the business is not trading
  - Previous insolvencies – general 'alert', especially when linked to company status red flags.
  - Charity income – may indicate that the charity is over-reliant on the grant and wouldn't be able to operate 'normally' outside of the pandemic due to the funding they received.
- 9.12 The system allowed for details of the checks to be exported onto Excel spreadsheets, and these were shared with the relevant officers to be followed up.
- 9.13 Reports were also being received from the National Anti-Fraud Network (NAFN) which made councils aware of any 'larger scale' frauds that were being perpetrated. These tended to be in relation to large high-street chains who often had managing agents to deal with their business rates. This alerted the Council to the fact that one such payment had been made (£10,000). However, four other payments were prevented following the receipt of these alerts.
- 9.14 The Cabinet Office also requested that details of all grants paid under the initial schemes (i.e. SBG, RHLG and Discretionary) be uploaded as part of the National Fraud Initiative (NFI). This yielded a small number of matches that are in the process of being reviewed. These will be covered in the next NFI update report to be presented later this year.

### 10 Investigation

- 10.1 As suggested above, the majority of grants required the submission of an application form along with supporting documentation, with any missing information being followed up at this stage. As such, there have not been many cases that have required 'investigating' although, as highlighted in 9.7 above, some 'cases' were identified following contact from the correct liable persons.
- 10.2 In each of these cases, further discussions were had or correspondence was entered into with the landlord of the property to try to establish the facts before the cases were reported to the Police for formal investigation.
- 10.3 Other 'investigations' have taken place as a result of the red flags raised through the Spotlight tool. For the red flags raised where the checks were performed prior to the payments being made, the 'investigation' by the assessor would depend on the type of flag, as each was considered (by the teams checking the applications) to carry a different level of risk:
- If the flag was raised in relation to a newly incorporated business, the assessor reflected on the information gathered and, if appropriate, asked for further information from the applicant to allow the Council to confidently award. Checks were undertaken to ensure that the business was actively trading, which could be determined through invoices and bank statements etc.
  - If the flag was raised because a business was behind on submitting their accounts, the assessor would try and understand if there was a reason for this and this was queried with the applicant. Again, checks were also undertaken to ensure that the business was still actively trading.
  - If the flag related to the 'more severe' issues (i.e. those where the company was shown as being in administration etc.). the applications were generally rejected, unless further information was obtained to allow the application to proceed.
- 10.4 Where the flags related to checks that were undertaken reactively, different methods were used to 'investigate' whether the company was eligible. Initially, Facebook and other social media sites were checked to ascertain whether the companies had been (or still were) trading, along with the use of 'local knowledge' (e.g. one of the people reviewing the cases had actually been to the shop that weekend!). Where these checks were not conclusive, 'site visits' were performed. These checks did not identify any issues.
- 10.5 It is important to note that some 'issues' raised have not been treated as fraudulent applications, even where the business was not entitled to the grant. Whilst, inevitably, some businesses have known they were not entitled but have applied anyway, others may have been unaware that they were not entitled due to the many different grants being offered and the complexity of the rules relating to each scheme.
- 10.6 In cases where it has been established that companies have had payments where they shouldn't have (other than the fraudulent applications referred to

## Agenda Item 5

previously), monies have either been repaid immediately or payments plans are in place.

### 11 Reporting

- 11.1 The cases referred to in 9.7 and 9.13 above have all been reported to the Police with those in 9.13 also being reported back to NAFN.
- 11.2 As well as reporting the suspected cases as identified above, regular returns have also been required by the Department for Business, Energy and Industrial Strategy (BEIS). Along with details of the total amount paid under each scheme, details were requested of the number of grants and the value of grants that were either paid in error or were fraudulent.
- 11.3 To date, these monthly returns have only covered the SBG, RHLG and Discretionary grant schemes (despite them closing on 30 September 2020 resulting in a number of identical monthly returns). However, a request from BEIS on 28 May 2021 has confirmed that they now want details of all schemes paid from April 2021, although the data collection details make no reference to the fraud and errors as required on the previous returns.

### 12 Summary Table

<b>Scheme</b>	<b>Number of Payments</b>	<b>Total Amount (£)</b>	<b>Number of Frauds</b>	<b>Total Amount (£)</b>
Small Business Grants	1,680	16,800,000.00	3	30,000.00
Retail, Hospitality & Leisure Grants	759	14,810,000.00	1	25,000.00
Discretionary Grants	367	1,733,000.00		
National lockdowns & Tier 4 Closed	3,425	9,315,645.68		
LRSB (Closed)	1,285	970,652.05		
LRSB (Sector)	20	13,357.91		
LRSB (Open)	73	58,031.20		
Additional Restrictions Grants – Parts A & B	664	673,000.00		
Additional Restrictions Grants – Parts C	249	498,000.00		
Additional Restrictions Grants – Parts D	277	1,108,000.00		
Additional Restrictions Grants – Parts E	435	1,305,000.00		
Additional Restrictions Grants – Parts F	120	240,000.00		
Wet Led Pubs Bonus Payment	83	83,000.00		
Closed Business Support Payments	1,289	6,500,000.00		
Restart Grants	1,128	8,877,400.00	1	12,000.00



## Agenda Item 6

Finance and Audit Scrutiny Committee  
7 July 2021

**Title: Corporate Fraud Investigation Performance Report 2020/21**

**Lead Officer: Richard Barr**

**Portfolio Holders: Councillor Noone**

**Public report / Confidential report: Public report**

**Wards of the District directly affected: Not applicable**

Contrary to the policy framework: No

Contrary to the budgetary framework: No

Key Decision: No

Included within the Forward Plan: Yes

Equality Impact Assessment Undertaken: Not applicable

Consultation & Community Engagement: Consultation with line management and SMT. None with community.

Final Decision: Yes.

### **Officer/Councillor Approval**

<b>Officer Approval</b>	<b>Date</b>	<b>Name</b>
Chief Executive/Deputy Chief Executive	11 June 2021	Chris Elliott/Andrew Jones
Head of Service	11 June 2021	Mike Snow
Section 151 Officer	11 June 2021	Mike Snow
Monitoring Officer	11 June 2021	Andrew Jones
Finance	11 June 2021	Mike Snow
Portfolio Holder(s)	11 June 2021	Councillor Hales (deputising for Councillor Noone)

1 **Summary**

- 1.1 Report provides details of the performance by the Corporate Fraud Investigation team for 2020/21.

2 **Recommendations**

- 2.1 That the report, including its appendices, be noted and, where appropriate, approved.

3 **Reasons for the Recommendations**

- 3.1 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 measures form a key part of each of those elements and so Members of an audit committee require assurance on anti-fraud and corruption activity.

4 **Policy Framework**

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

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

- 4.1.2 The FFF Strategy has 3 strands, People, Services and Money, and each has an external and internal element to it, the details of which can be found [on the Council's website](#). The table below illustrates the impact of this proposal if any in relation to the Council's FFF Strategy.

4.2 **FFF Strands**

4.2.1 **External impacts of proposal(s)**

**People - Health, Homes, Communities**

To ensure that services which the public can access such as social housing, council tax reduction and any discounts, are not obtained fraudulently. This contributes to ensuring these services are available for residents and businesses in most need.

**Services - Green, Clean, Safe**

The work of the Fraud Team helps to ensure that the resources of the Council are properly used in the provision of Council services.

**Money- Infrastructure, Enterprise, Employment**

The work of the Fraud Team helps to ensure that the resources of the Council are properly used in the provision of Council services.

#### 4.2.2 **Internal impacts of the proposal(s)**

##### **People - Effective Staff**

Although there are no impacts all staff have been given the opportunity to attend training sessions to assist them in recognising suspicious activity which potentially could be fraudulent.

##### **Services - Maintain or Improve Services**

The provision of our fraud service assists in ensuring that only those people who are entitled, receive the services thereby ensuring we focus on customers' needs.

##### **Money - Firm Financial Footing over the Longer Term**

The work of the fraud team is crucial in ensuring public funds are protected.

#### 4.3 **Supporting Strategies**

4.3.1 Each strand of the FFF Strategy has several supporting strategies but direct reference to them is not necessary in considering the subject matter of this report.

#### 4.4 **Changes to Existing Policies**

4.4.1 This section is not applicable.

#### 4.5 **Impact Assessments**

4.5.1 This section is not applicable.

### 5 **Budgetary Framework**

5.1 Although there are no direct budgetary implications arising from this report, an effective control framework helps the Authority manage its resources economically, efficiently and effectively.

### 6 **Risks**

6.1 Effective fraud investigation should reduce and deter the risk of inappropriate use of public resources.

### 7 **Alternative Options Considered**

7.1 This section is not applicable as the report is not concerned with presenting alternative options for consideration.

### 8 **Background**

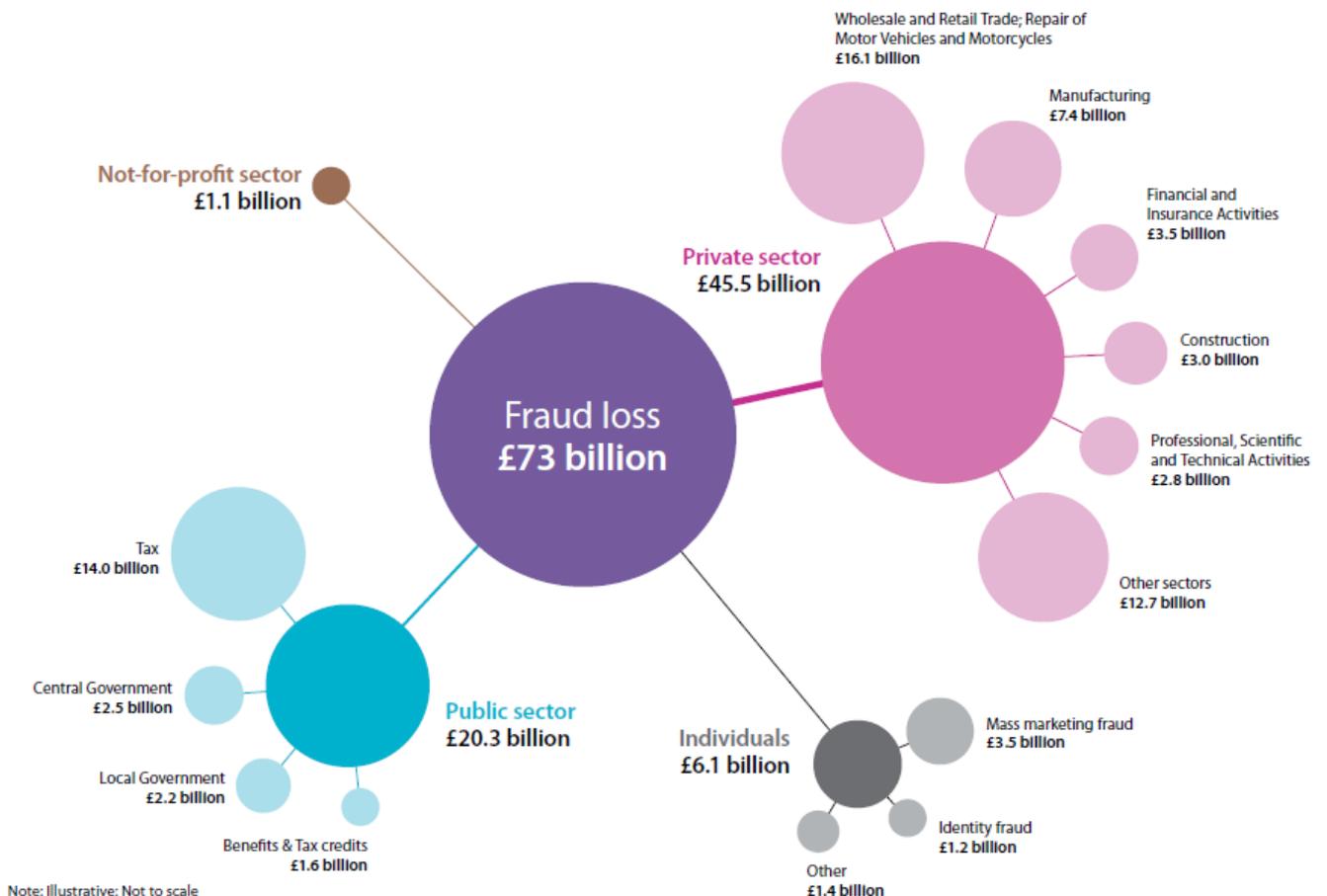
8.1 All references to fraud within this document include any type of fraud-related offence. Whilst the Fraud Act (2006) (the 'Act') does not provide a single definition of fraud, it may be described as 'theft by deception'. The key

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.

8.2 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.

8.3 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.

- 8.4 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.

<b>Fraud Type</b>	<b>Fraud Loss</b>
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

- 8.5 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.
- 8.6 In February 2015, the Housing Benefit fraud investigation function transferred to the Department for Work and Pensions under the auspices of the Single Fraud Investigation Service (SFIS). 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. The team at Oxford were the Institute of Rating Revenues and Valuation (IRRV) winners for Excellence in Corporate Fraud in 2016.
- 8.7 Warwick District Council pays for one full time equivalent employee from Oxford City Council. This is achieved through a small number of individuals (usually two or three) employed by Oxford. This provides a range of skills and expertise.
- 8.8 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.
- 8.9 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 the majority of matches received via the NFI. This is resource-intensive, however, and usually delivers very little in the way of results.

- 8.10 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.
- 8.11 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.

## 9 **Types of Fraud Investigated by Corporate Fraud Team**

### 9.1 **Council Tax Fraud**

This can be broken down into two main areas - Discount and Exemption fraud and Council Tax Support fraud.

#### 9.1.1 **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.

#### 9.1.2 **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.

### 9.2 **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.

9.2.1 **Housing tenancy fraud** includes offences such as unlawful subletting, false homeless applications, non-residency and unauthorised tenancy succession.

9.2.2 **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.

### 9.3 **Housing Benefit fraud**

9.3.1 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.

9.3.2 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.)

9.3.3 At the same time, Council Tax Benefit also ceased to exist and was replaced by Local Council Tax Support.

9.3.4 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.

9.3.5 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.

### 9.4 **National Non-Domestic Rates fraud**

9.4.1 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.

9.4.2 NNDR frauds are investigated by the Fraud team. However, no referrals were received during the year.

## 10 **Sanctions**

10.1 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 have not been issuing these so as not to put anyone under added financial pressure.

## 11 **Corporate Fraud identified during 2020/21 at Warwick District Council**

11.1 The total amounts of savings to Warwick District Council identified by the Corporate Fraud Investigation team for 2020/21 is £135,722.68. This includes cash and non-cash savings. Of this total, £68,532.47 represents cash savings. The remainder is non-cash savings based on predictions. The

## Agenda Item 6

predictions usually relate to estimates, from experience, of perpetuation of the fraud if it had not been discovered. Of this total, the majority - £84,200 - is based on the identification of a fraudulent Right-to-Buy.

- 11.2 An analysis of the savings identified by the Corporate Fraud Investigation team for 2020/21 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
- 11.3 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.

Summary of Corporate Fraud Performance 2020/21

Area of Result	Number	Value (£)	Caution	Ad-pen	Prosecution
Council Tax Reduction Overpayments	2	3,778.69	N/A	N/A	N/A
Council Tax Reduction Future Savings	2	4,117.52	N/A	N/A	N/A
Housing Benefit Overpayments	1	23,587.34	N/A	N/A	N/A
Housing Benefit Future Savings	1	11,100.96	N/A	N/A	N/A
Discretionary Housing Payment Overpayment	0	N/A	N/A	N/A	N/A
Council Tax Discount Removed	29	41,166.44	N/A	N/A	N/A
Council Tax Discount Future Increase	29	8,704.20	N/A	N/A	N/A
NNDR Increased Income	0	N/A	N/A	N/A	N/A
NNDR Future Income	0	N/A	N/A	N/A	N/A
Social Housing Properties Recovered	0	0	N/A	N/A	N/A
Housing Applications Cancelled	6	27,600	N/A	N/A	N/A
Right-to-Buy Cancelled	1	84,200	N/A	N/A	N/A
Totals: Cash and Non-Cash		204,255.15			
Totals: Cash Only		68,532.47			

**Key:** Cash Savings are yellow-highlighted. Other savings are predictions and therefore non-cash.

**NB** To comply with SCULPT requirements, the 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.



## Agenda Item 7

### Finance & Audit Scrutiny Committee 7 July 2021

**Title: Audit of 2020/21 Accounts**

**Lead Officer: Mike Snow**

**Portfolio Holder: Cllr Hales**

**Public report / Confidential report: No**

**Wards of the District directly affected: N/A**

Contrary to the policy framework: No

Contrary to the budgetary framework: No

Key Decision: No

Included within the Forward Plan: No

Equality Impact Assessment Undertaken: N/A

Consultation & Community Engagement: N/A

Final Decision: Yes

Accessibility checked: Yes

#### **Officer/Councillor Approval**

<b>Officer Approval</b>	<b>Date</b>	<b>Name</b>
Chief Executive/Deputy Chief Executive	2/7/2021	Chris Elliott
Head of Service	2/7/2021	Mike Snow
CMT	2/7/2021	
Section 151 Officer	2/7/2021	Mike Snow
Monitoring Officer	2/7/2021	Andrew Jones
Finance	2/7/2021	Andrew Rollins
Portfolio Holder(s)	2/7/2021	Richard Hales

### **1. Summary**

- 1.1 The External Auditors, Grant Thornton, have prepared their Draft Audit Plan for 2020/21 for members' consideration. This is supported by the "Informing the Risk Assessment" document.

### **2. Recommendation**

It is recommended that Finance and Audit Scrutiny Committee:-

- 2.1 Agree the 2020/21 Draft Audit Plan (Appendix A) and the supporting document, Informing the Risk Assessment (Appendix B).
- 2.2 Note the progress on the 2020/21 audit to date.

### **3. Reasons for the Recommendation**

- 3.1 The auditors have submitted the External Audit Plan for 2020/21 (Appendix A). This is included as Appendix A. It should be noted, the timing of the receipt of the plan means that officers have not had time to consider this in detail ahead of publication for the Committee. Members are requested to agree the Plan and may wish to seek assurance from officers and auditors that all is being done to ensure the statutory requirement will be met.
- 3.2 Appendix B, Informing the Risk Assessment (Appendix B), has been produced by the external auditors, bringing together details of responses from officers. The document is to assist in the communication between members and the external auditors. Members should consider and agree the document and make any observations to the auditors. Officers responses to the document have been included.
- 3.3 The auditors have commenced work on the audit with the interim "visit" in April, and the final visit in the Summer.
- 3.4 The Audited Accounts are due to be signed off and published by September 2021, with it planned for these to be reported to Finance & Audit Scrutiny Committee on 22 September.
- 3.5 As for the 2018/19 and 2019/20 Audits, active use is being made of Inflo. This is an on-line portal to securely share documents between the relative teams. Inflo has worked well to date, with all parties keen to continue with this for 2020/21.

### **4. Policy Framework**

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

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

4.1.2. The FFF Strategy has 3 strands, People, Services and Money, and each has an external and internal element to it, the details of which can be found [on the Council's website](#) FFF Strands.

### 4.2.1 **Impacts of proposals**

This report supports all strands of FF by seeking to ensure that the Council's accounts and finances are properly managed.

### 4.2. **Supporting Strategies**

N/A

### 4.3. **Changes to Existing Policies**

N/A

### 4.4. **Impact Assessments**

4.5.1. N/A

## 5. **Budgetary Framework**

5.1. The agreed planned fee charged for the 2020/21 Audit of the Accounts is £41,290, as agreed by Public Sector Audit Appointments (PSAA), who tendered for the audit work for the vast majority of local authority audits. This is the same fee as originally agreed for 2019/20, to which an additional £16,000 is being sought by the external auditors through relevant process with PSAA. The auditors have included in their report how they propose to charge £65,540, an additional £24,000 (58%) above the agreed scale fee. The Auditor's rationale for the increase is set out in their Audit Plan report. The proposed fee is in excess of the Budget allocated for the audit.

## 6. **Risks**

The requirement for external auditors is part of the assurance framework under which all local authorities operate. The audit of the accounts and associated grant claims seeks to provide assurance to all stakeholders that the Council's finances, as reported in the Accounts, are being properly managed.

## 7. **Alternative Option(s) considered**

7.1. None.

# **DRAFT** Warwick District Council Audit Plan

**Year ending 31 March 2021**

Warwick District Council  
July 2021



# Contents



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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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# Key matters

## Factors

### Council developments

The Council continues to operate in an uncertain and challenging environment due to the global pandemic, balancing service delivery against the impact on local citizens, Council staff and their families. Covid has had, and will continue to have a significant financial impact on the Council. The Council has suffered loss of operational income, and has had to deal with the allocation, distribution and provision of emergency loans and grants at sometimes relatively short notice, while continuing to provide “business as usual” services such as housing and waste collection.

The Council started the 2020/21 financial year with plans for a balanced budget and required savings plans successfully identified and planned out. The Council is now forecasting to achieve an improved position on its 2020/21 Budget compared to the position previously reported to Members, enabling a COVID Contingency budget to be established for 2021/22. However, to balance the budget in the current year, it has been necessary to make greater use of the Business Rates Retention Volatility Reserve (BRRVR). It was originally planned that £739k would be used to support the General Fund in 2020/21 but with the Council’s financial position having suffered in the current year, primarily as a result of the global pandemic, it has been necessary to increase the contribution to £2,321k to achieve a balanced position for 2020/21. Taking into account government funding, expenditure savings and re-profiling the Council’s MTFS now indicates that additional savings will not be required before 2023/24. However, the financial position does remain volatile and therefore maintaining reserve levels remains a priority.

On a longer timeline, the Council has plans to develop land in the area for provision of rental housing via a subsidiary and is also undertaking a project to implement a new finance IT system in the coming financial year.

The Council is working closer with Stratford on Avon DC (SAVDC) – In February 2021 both the Council and SACDC agreed to seek a merger by 1 April 2024. It was also agreed to seek a complete integration of the Heads of Service posts of both Councils - that work having in any case started in the summer of 2020 and was approximately 50 per cent completed by March 2021.

### Impact of Covid 19 Pandemic

The Council’s finance team, management and Members have adapted well to remote working arrangements. Processes and controls have been adapted where required to ensure that base level day to day financial management of the Council’s finances is maintained. Internal Audit continue to deliver their program, ensuring that assurance is provided to the governance function. However, the pandemic has affected the Council’s service provision, for example, leisure services facilities had to be closed due to lockdown restrictions. We will consider the impact on Council services as part of our VfM audit work and the ability of the Council to re-establish service provision once the impact of the pandemic lessens.

## Our response

- As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work and fee, as set further in our Audit Plan, is currently under discussion with management and our regulators and will be confirmed at a later date.
- We will consider your arrangements for managing and reporting your financial resources as part of our work in completing our Value for Money work.
- We will continue to provide you with sector updates via our Audit and Finance Scrutiny Committee updates.

# Key matters

## Factors

### Financial Reporting and Audit

The Financial Reporting Council (FRC) has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge, and to undertake more robust testing. There is a particular focus on estimates in 2020/21 with the introduction of ISA 540 (revised) (see pages 12 and 13 for more detail), and the Council should anticipate greater challenge and audit scrutiny in these areas.

### Accounting for grants

The Government has provided a range of financial support packages throughout the COVID-19 pandemic. These include additional funding to support the cost of services or offset other income losses and also grant packages to be paid out to support local businesses. There is nothing new about the accounting treatment for grants, but the Council needs to consider the nature and terms of the various COVID-19 measures in order to determine whether there is income and expenditure to be recognised in the Comprehensive Income and Expenditure Statement (CIES) in 2020/21. There are three main considerations:

- 1) Where the funding is to be transferred to other parties, is the Council acting as the principal or as the agent?
- 2) Are there grant conditions outstanding?
- 3) Is the grant a specific or non-specific grant?

We have shared our publication on grant funding considerations with the Council and discussed it with the finance team who have considered the above factors in their rationale and justification for the accounting treatment to be proposed. It is an evolving area that we will need to react to as the audit progresses.

## Our response

- We have identified an increased incentive and opportunity for organisations in the public sector to manipulate their financial statements due to increasing financial pressures. We have identified a significant risk in regards to management override of control, refer to page 6.
- The Council's pension fund net liability, as reflected in the balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements due to the size of the numbers involved (£41 million in the balance sheet) and the sensitivity of the estimate to changes in key assumptions. We identified a significant risk in regards to the valuation of the pension fund net liability – refer to page 7.
- The Council's valuer reported a material uncertainty in regards to the valuation of properties in 2019/20 due to the Covid 19 pandemic. Whilst we anticipate markets will have returned to a degree of normality significant uncertainty will continue in 2020/21. We identified a significant risk in regards to the valuation of properties – refer to page 7.

# Introduction and headlines

## Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Warwick District Council ('the Council') for those charged with governance.

## Respective responsibilities

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

## Scope of our audit

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

- Council's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit and Accounts Committee); and
- Value for Money arrangements in place at the Council for securing economy, efficiency and effectiveness in your use of resources.

The audit of the financial statements does not relieve management or the Audit and Accounts Committee of your responsibilities. It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

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

## Significant risks

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

- Management override of controls
- Valuation of land, buildings and council dwellings (including investment properties)
- Valuation of net pension liability

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

## Materiality

We have determined planning materiality to be £1.6m (PY £1.2m) for the Council, which equates to approximately 1.6% of your prior year gross expenditure (cost of service). We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £0.08m (PY £0.06m).

## Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money have identified the following risks of significant weakness. This is not to say a significant weakness in arrangements actually exists but these are the areas of focus of our work requiring audit consideration and procedures to gain assurance that proper arrangements are (or are not) in place at Council:

- financial sustainability
- closer working with Stratford upon Avon District Council, and
- governance of the new established housing company.

## Audit logistics

Our interim visit took place in April and our final visit will take place over the summer. Our key deliverables are this Audit Plan, our Audit Findings Report and Auditor's Annual Report. Our audit approach is detailed in Appendix A.

Our audit fee is currently under discussion with management and our regulators. The final fee for the audit in 2019/20 was £57,290 inclusive of variations subject to PSAA approval. We anticipate that this will be uplifted to £65,540 in 2020/21, as a result of additional Value for Money requirements, changes to auditing standards in relation to estimates and operational challenges stemming from remote working conditions during the pandemic.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

# Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
The revenue cycle includes fraudulent transactions (rebutted)	<p>Under ISA (UK) 240, there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>As external auditors in the public sector, we are also required to give regard to Practise Note 10, which interprets the ISA in a public sector context and directs us to consider whether the assumption also applies to expenditure.</p>	<p>Having considered the risk factors set out in ISA 240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue and expenditure recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>- there is little incentive to manipulate revenue and expenditure recognition</li> <li>- opportunities to manipulate revenue and expenditure recognition are very limited; and</li> <li>- the culture and ethical frameworks of local authorities, including Warwick District Council, mean that all forms of fraud are seen as unacceptable.</li> </ul> <p>Therefore we do not consider this to be a significant risk for Warwick District Council.</p>
Management override of controls	<p>Under ISA (UK) 240, there is a non-rebuttable presumed risk that management override of controls is present in all entities. The Council faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• evaluate the design effectiveness of management controls over journals;</li> <li>• analyse the journals listing and determine the criteria for selecting high risk unusual journals;</li> <li>• test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration;</li> <li>• gain an understanding of the accounting estimates and critical judgements applied by management and consider their reasonableness with regard to corroborative evidence; and</li> <li>• evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.</li> </ul>

# Significant risks identified (continued)

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of land and buildings (PPE) and investment properties	<p>The Council revalues its land, buildings and council dwellings on a rolling five-yearly basis.</p> <p>This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (approximately £402m of council dwellings, £81m other land &amp; buildings and £10m of investment property in the prior period) and the sensitivity of this estimate to changes in key assumptions.</p> <p>Additionally, management will need to ensure the carrying value in the Council financial statements is not materially different from the current value of the fair value (for surplus assets) at the financial statements date, where a rolling program is used.</p> <p>We have therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will;</p> <ul style="list-style-type: none"> <li>- Evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work;</li> <li>- Evaluate the competence, capabilities and objectivity of the valuation expert;</li> <li>- Write to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the CIPFA code are met;</li> <li>- Challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding;</li> <li>- Test revaluations made during the year to see if they had been input correctly into the Council's balance sheet;</li> <li>- Evaluate assumptions made by management for assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end.</li> </ul>
Valuation of the net pension liability	<p>The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund liability is considered a significant estimate due to the size of the numbers involved (£41m as at 31 March 2020) and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Council's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatements.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>- Update our understanding of the processes and controls put in place by management to gain reasonable assurance that Council's net pension liability is not materially misstated and evaluate the design of the associated controls;</li> <li>- Evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;</li> <li>- Assess the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation;</li> <li>- Assess the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability;</li> <li>- Test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary;</li> <li>- Undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and</li> <li>- Obtain assurances from the auditor of Warwickshire Pension Fund as to the controls surrounding the validity and accuracy of membership data, contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.</li> </ul>

# Accounting estimates and related disclosures

The Financial Reporting Council issued an updated ISA (UK) 540 (revised): *Auditing Accounting Estimates and Related Disclosures* which includes significant enhancements in respect of the audit risk assessment process for accounting estimates.

## Introduction

Under ISA (UK) 540 (Revised December 2018) auditors are required to understand and assess an entity's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the entity's risk management process identifies and addresses risks relating to accounting estimates;
- The entity's information system as it relates to accounting estimates;
- The entity's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do the Audit and Finance Scrutiny Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?





### Additional information that will be required

To ensure our compliance with this revised auditing standard, we will be requesting further information from management and those charged with governance during our audit for the year ended 31 March 2021.

Based on our knowledge of the Council we have identified the following material accounting estimates for which this is likely to apply:

- Valuations of council dwellings and land & buildings (including investment properties)
- Depreciation (and useful economic lives of assets)
- Valuation of defined benefit net pension liabilities
- Fair value of financial instruments (investments)

### The Council's Information systems

In respect of the Council's information systems we are required to consider how management identifies the methods, assumptions and source data used for each material accounting estimate and the need for any changes to these. This includes how management selects, or designs, the methods, assumptions and data to be used and applies the methods used in the valuations.

When the models used include increased complexity or subjectivity, as is the case for many valuation models, auditors need to understand and assess the controls in place over the models and the data included therein. Where adequate controls are not in place we may need to report this as a significant control deficiency and this could affect the amount of detailed substantive testing required during the audit.

If management has changed the method for making an accounting estimate we will need to fully understand management's rationale for this change. Any unexpected changes are likely to raise the audit risk profile of this accounting estimate and may result in the need for additional audit procedures.

We are aware that the Council uses management experts in deriving some of its more complex estimates, e.g. asset valuations and pensions liabilities. However, it is important to note that the use of management experts does not diminish the responsibilities of management and those charged with governance to ensure that:

- All accounting estimates and related disclosures included in the financial statements have been prepared in accordance with the requirements of the financial reporting framework, and are materially accurate;
- There are adequate controls in place at the Council (and where applicable its service provider or management expert) over the models, assumptions and source data used in the preparation of accounting estimates.



### Estimation uncertainty

Under ISA (UK) 540 we are required to consider the following:

- How management understands the degree of estimation uncertainty related to each accounting estimate; and
- How management address this estimation uncertainty when selecting their point estimate.

For example, how management identified and considered alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the point estimate used.

The revised standard includes increased emphasis on the importance of the financial statement disclosures. Under ISA (UK) 540 (Revised December 2018), auditors are required to assess whether both the accounting estimates themselves and the related disclosures are reasonable.

Where there is a material uncertainty, that is where there is a significant risk of a material change to the estimated carrying value of an asset or liability within the next year, there needs to be additional disclosures. Note that not all material estimates will have a material uncertainty and it is also possible that an estimate that is not material could have a risk of material uncertainty.

Where there is material estimation uncertainty, we would expect the financial statement disclosures to detail:

- What the assumptions and uncertainties are;
- How sensitive the assets and liabilities are to those assumptions, and why;
- The expected resolution of the uncertainty and the range of reasonably possible outcomes for the next financial year; and
- An explanation of any changes made to past assumptions if the uncertainty is unresolved.

### Planning enquiries

As part of our planning risk assessment procedures we have made enquiries of management via our Informing the Risk Assessment report which we use as a vehicle for updating our understanding of the Council's controls framework. We will present this as a separate report and ask that the Committee review and approve the report to ensure we have a consistent understanding of the Council's arrangements.

### Further information

Further details on the requirements of ISA (UK) 540 (Revised December 2018) can be found in the auditing standard on the Financial Reporting Council's website:

[https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-\(UK\)-540\\_Revised-December-2018\\_final.pdf](https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-(UK)-540_Revised-December-2018_final.pdf)

# Other matters

## Other work

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

- We read your Narrative Report and Annual Governance Statement to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the Council.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under legislation and the Code, as and when required, including:
  - giving electors the opportunity to raise questions about your 2020/21 financial statements, consider and decide upon any objections received in relation to the 2020/21 financial statements;
  - issuing a report in the public interest or written recommendations to the Council under section 24 of the Local Audit and Accountability Act 2014 (the Act).
  - application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act
  - issuing an advisory notice under section 29 of the Act
- We certify completion of our audit.

## Other material balances and transactions

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

## Going concern

As auditors, we are required to obtain sufficient appropriate audit evidence regarding, and conclude on:

- whether a material uncertainty related to going concern exists; and
- the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements.

The Public Audit Forum has been designated by the Financial Reporting Council as a "SORP-making body" for the purposes of maintaining and updating Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom (PN 10). It is intended that auditors of public sector bodies read PN 10 in conjunction with (ISAs) (UK).

PN 10 has recently been updated to take account of revisions to ISAs (UK), including ISA (UK) 570 on going concern. The revisions to PN 10 in respect of going concern are important and mark a significant departure from how this concept has been audited in the public sector in the past. In particular, PN 10 allows auditors to apply a 'continued provision of service approach' to auditing going concern, where appropriate.

Applying such an approach should enable us to increase our focus on wider financial resilience (as part of our VfM work) and ensure that our work on going concern is proportionate for public sector bodies. We will review the Council's arrangements for securing financial sustainability as part of our Value for Money work and provide a commentary on this in our Auditor's Annual Report (see page 12).

# Materiality

## The concept of materiality

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

## Materiality for planning purposes

We have determined financial statement materiality based on a proportion of the gross expenditure of the Council for the financial year. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £1.6m (PY £1.2m), which equates to approximately 1.6% of your prior period gross cost of services (at the Surplus or Deficit on Provision of Services). We design our procedures to detect errors in specific accounts at a lower level of precision which we have determined to be £100k for senior officer remuneration owing to the sensitive nature of these disclosures.

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

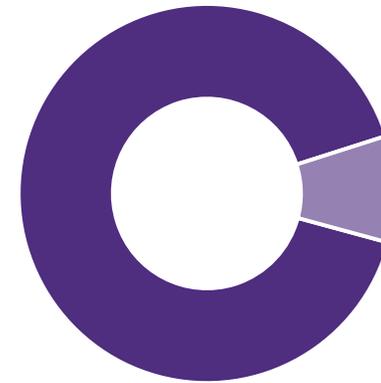
## Matters we will report to the Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit & Finance Scrutiny Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £80K (PY £60K).

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

## Prior year gross operating costs

£87m Council



■ Prior year gross operating costs

## Materiality

£1.6m

Council financial statements materiality (PY: £1.2m)



£0.08m

Misstatements reported to the Audit and Accounts Committee (PY: £0.06m)

# Value for Money arrangements

## Revised approach to Value for Money work for 2020/21

On 1 April 2020, the National Audit Office introduced a new Code of Audit Practice which comes into effect from audit year 2020/21. The Code introduced a revised approach to the audit of Value for Money. (VFM)

There are three main changes arising from the NAO's new approach:

- A new set of key criteria, covering financial sustainability, governance and improvements in economy, efficiency and effectiveness
- More extensive reporting, with a requirement on the auditor to produce a commentary on arrangements across all of the key criteria, rather than the current 'reporting by exception' approach
- The replacement of the binary qualified / unqualified approach to VFM conclusions, with far more sophisticated judgements on performance, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under three specified reporting criteria. These are as set out below:



### Improving economy, efficiency and effectiveness

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



### Financial Sustainability

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



### Governance

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



# Risks of significant VFM weaknesses

As part of our planning work, we considered whether there were any risks of significant weakness in the body's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. The risks we have identified are detailed in the first table below, along with the further procedures we will perform. We may need to make recommendations following the completion of our work. The potential different types of recommendations we could make are set out in the second table below.

## Risks of significant weakness

Those risks requiring audit consideration and procedures to address the likelihood that proper arrangements are not in place at the body to deliver value for money.



### Financial sustainability

The Council is now forecasting to achieve an improved position on its 2020/21 Budget compared to the position previously reported to Members. However, to balance the budget in the current year, it has been necessary to make greater use of the Business Rates Retention Volatility Reserve (BRRVR). Taking into account government funding, expenditure savings and re-profiling the Council's MTFS now indicates that additional savings will not be required before 2023/24. However, the financial position does remain volatile and therefore maintaining reserve levels remains a priority.

The Council will need to maintain focus on delivering its budget, and be agile in the face of any continuing impacts of the pandemic. We will review the Council's Medium Term Financial Statement and financial monitoring reports and assess the assumptions being used and savings being achieved.

### Governance and the 3Es

- The Council is working closer with Stratford on Avon DC (SAVDC) – in February 2021 both the Council and SACDC agreed to seek a merger by 1 April 2024. The councils are appointing joint Heads of Service and have established a Joint Cabinet. Savings are anticipated through greater integration and we will review progress and governance as part of our work.
- The Council established a Housing Company in March 2021. It is intended that the Company will primarily develop properties for market sale and market rent. The Company will be able to access loans of between £45-60m from the Council. As noted in recent Public Interest Reports at other councils the governance and accountability arrangements around such companies are important to ensure value for money for the public. We will therefore review the arrangements established by the Council as part of our work.

## Potential types of recommendations

A range of different recommendations could be made following the completion of work on risks of significant weakness, as follows:



### Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.



### Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.



### Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

# Audit logistics and team

Planning and risk assessment

Interim audit  
April 2021

Audit and Finance Scrutiny Committee  
7 July 2021

Audit Plan

Year end audit  
July-August 2021

A&FS Committee  
Est. Sept 2021

Audit Findings Report/Draft Auditor's Annual opinion Report

A&FS Committee  
Est. Nov 2021

Auditor's Annual Report



## Grant Patterson, Key Audit Partner

Grant leads our relationship with you and takes overall responsibility for the delivery of a high quality audit, ensuring the highest professional standards are maintained with a commitment to add value to the CCGs.



## Hamze Samatar, Audit Manager

As the interim engagement manager, Hamze was responsible for overseeing delivery of our audit planning and dealing with the audit team's queries.



## Neill Preece, Audit Manager

As the incoming engagement manager, Neil is responsible for overseeing delivery of our service and managing the audit process in respect of the Council. He will be in hand to answer any queries, whilst ensuring an efficient audit process.



## Aaron Smallwood, Audit Incharge

Aaron will work with relevant officers and our operational team to ensure the smooth planning and delivery of the audits. She will oversee the day to day running of the audit and discuss any issues with you during the audit process as well as any questions you may have throughout the year.

## Audited body responsibilities

Where audited bodies do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other audits. Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

## Our requirements

To minimise the risk of a delayed audit, you need to ensure that you:

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

# Audit fees

In 2018, PSAA awarded a contract of audit for Warwick District Council to begin with effect from 2018/19. The agreed fee for 2019/20 including the PSAA approved variation was £48,790. Since that time, there have been a number of developments, particularly in relation to the revised Code, ISA's and the continuing impact of remote working, which are relevant for the 2020/21 audit.

As referred to on page 12, the 2020/21 Code introduces a revised approach to our VFM work. This requires auditors to produce a commentary on arrangements across all of the key criteria, rather than the current 'reporting by exception' approach. Auditors now have to make far more sophisticated judgements on performance, as well as issue key recommendations if any significant weaknesses in arrangements are identified during the audit. We will be working with the NAO and other audit firms to discuss and share learning in respect of common issues arising across the sector.

The new approach will be more challenging for audited bodies, involving discussions at a wider and more strategic level. Both the reporting, and the planning and risk assessment which underpins it, will require more audit time, delivered through a richer skill mix than in previous years. This is in line with increases we are proposing at all our local audits.

Additionally, across all sectors and firms, the FRC has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing, as noted in the number of revised ISA's issued by the FRC that are applicable to audits of financial statements commencing on or after 15 December 2019, as detailed in Appendix 1.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and public sector financial reporting. Our proposed work and fee for 2020/21 is still in discussion with management and regulators – for reference, we set out 2019/20 and 2018/19 fees below.

	Actual Fee 2018/19	Actual Fee 2019/20	Proposed fee 2020/21
Warwick District Council Audit	£45,790	£57,290	£65,540
Total audit fees (excluding VAT)	£45,790	£57,290	£65,540

## Assumptions

In setting the above fees, we have assumed that the Council will:

- prepare a good quality set of accounts, supported by comprehensive and well presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

## Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard \(revised 2019\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

# Audit fees – detailed analysis

Scale fee published by PSAA		£41,290
<i>Ongoing increases to scale fee first identified in 2019/20</i>		
Raising the bar/regulatory factors	£2,500	
Enhanced audit procedures for Property, Plant and Equipment	£1,750	
Enhanced audit procedures for Pensions	£1,750	
<b>Recurring element of 2019/20 fee</b>		<b>£47,290</b>
<i>New issues for 2020/21</i>		
Additional work on Value for Money (VfM) under new NAO Code	£10,000	
Increased audit requirements of revised ISAs	£6,500	
Local risk factors i.e. establishment of local housing company	£1,750	
<b>Proposed increase to agreed recurring 2019/20 fee</b>		<b>£18,250</b>
<b>Total audit fees (excluding VAT)</b>		<b>£65,540</b>

# Independence and non-audit services

## Auditor independence

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

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard (Revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

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

## Other services

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

None of the services provided are subject to contingent fees.

Service	Fees £	Threats	Safeguards
Audit related			
Certification of Housing Benefits Subsidy Claim	14,250	Self-Interest (because this is a recurring fee)	The level of these recurring fees taken on their own are not a significant threat to independence as the fee for this work is £16,550 in comparison to the expected total fee for the audit of £65,540. Furthermore these fees are not significant relative to Grant Thornton UK LLP's turnover overall. These are also fixed fees and there are no contingent elements to it.
Certification of Housing Capital receipts grant 2019/20	2,300	Self-Interest (because this is a recurring fee)	We are satisfied that these factors all mitigate the perceived self-interest threat to an acceptable level.
Total	16,550		

# Appendix 1: Revised Auditor Standards and application guidance

## FRC revisions to Auditor Standards and associated application guidance

The following Auditing Standards and associated application guidance that were applicable to 19/20 audits, have been revised or updated by the FRC, with additional requirements for auditors for implementation in 2020/21 audits and beyond.

	Date of revision	Application to 2020/21 Audits
ISQC (UK) 1 – Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Service Engagements	November 2019	
ISA (UK) 200 – Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing (UK)	January 2020	
ISA (UK) 220 – Quality Control for an Audit of Financial Statements	November 2019	
ISA (UK) 230 – Audit Documentation	January 2020	
ISA (UK) 240 – The Auditor’s Responsibilities Relating to Fraud in an Audit of Financial Statements	January 2020	
ISA (UK) 250 Section A – Consideration of Laws and Regulations in an Audit of Financial Statements	November 2019	
ISA (UK) 250 Section B – The Auditor’s Statutory Right and Duty to Report to Regulators of Public Interest Entities and Regulators of Other Entities in the Financial Sector	November 2019	

# Appendix 1: Revised Auditor Standards and application guidance continued

	Date of revision	Application to 2020/21 Audits
ISA (UK) 260 – Communication With Those Charged With Governance	January 2020	
ISA (UK) 315 – Identifying and Assessing the Risks of Material Misstatement Through Understanding of the Entity and Its Environment	July 2020	
ISA (UK) 500 – Audit Evidence	January 2020	
ISA (UK) 540 – Auditing Accounting Estimates and Related Disclosures	December 2018	
ISA (UK) 570 – Going Concern	September 2019	
ISA (UK) 580 – Written Representations	January 2020	
ISA (UK) 600 – Special considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)	November 2019	
ISA (UK) 620 – Using the Work of an Auditor’s Expert	November 2019	
ISA (UK) 700 – Forming an Opinion and Reporting on Financial Statements	January 2020	

# Appendix 1: Revised Auditor Standards and application guidance continued

	<b>Date of revision</b>	<b>Application to 2020/21 Audits</b>
ISA (UK) 701 – Communicating Key Audit Matters in the Independent Auditor’s Report	January 2020	
ISA (UK) 720 – The Auditor’s Responsibilities Relating to Other Information	November 2019	
Practice Note 10: Audit of Financial Statements of Public Sector Bodies in the United Kingdom	December 2020	



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# Informing the audit risk assessment for Warwick District Council 2020/21

**Year ending 31 March 2021**

July 2021

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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## Purpose

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

## Background

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

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

## Communication

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

- General Enquiries of Management
- Fraud,
- Laws and Regulations,
- Related Parties, and
- Accounting Estimates.

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

## General Enquiries of Management

Question	Management response
1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2020/21?	The impact of COVID-19, with a number of grants received during the financial year and a number of programmes of work set up to support the organisations response. The pandemic has also impacted on many items of income and expenditure, so requiring additional use of reserves.
2. Have you considered the appropriateness of the accounting policies adopted by the Authority? Have there been any events or transactions that may cause you to change or adopt new accounting policies?	Yes, policies reviewed with no changes required so far. As the Statements are compiled, changes may become appropriate and will be duly disclosed.
3. Is there any use of financial instruments, including derivatives?	Whilst the Council does not 'use' Financial Instruments such as derivatives it does hold financial instruments (as reported in Note 16 to the 2019/20 Statement of Accounts). Borrowings and some investments are held at amortised cost and investments in money market funds, corporate equity funds, certificates of deposit and bonds (no CDs or bonds in 20/21) are held at fair value through profit and loss. Various MMFs and 2 corporate equity funds are the main financial instruments. The Council also makes 'cash' investments to other local authorities. The Council uses experts (Link Asset Services as Treasury Management Consultants and King & Shaxson Ltd as custodian) to provide prices and advice on fair value valuations.
4. Are you aware of any significant transaction outside the normal course of business?	Management are not aware of any significant transactions outside the normal course of business.

## General Enquiries of Management

Question	Management response
5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets?	No, but all members of the Senior Management Team are aware that they should notify Finance if there has been a change in circumstances that would lead to impairment.
6. Are you aware of any guarantee contracts?	Some of the Council's contracts do include guarantees. The Council has insurances in place which may be regarded as a form of guarantee.
7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements?	Management is not aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements.
8. Other than in house solicitors, can you provide details of those solicitors utilised by the Authority during the year. Please indicate where they are working on open litigation or contingencies from prior years?	Legal Services are provided by Warwickshire County Council (WCC). Some items of work may be contracted out, with this work placed by WCC solicitors. Current areas of litigation are considered as part of our financial close process as part of the review of provisions and contingencies. Current issues include the establishment of a Local Housing Company, and the settlement agreement with PSP LLP.

## General Enquiries of Management

Question	Management response
9. Have any of the authority's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements?	No, with this having been ascertained as part of annual Service Assurance Statements.
10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	Consultants appointed for many Council projects, many being reported to Executive. Key projects include the set up of a Local Housing Company, to which KPMG, Trowers Hamblins and Bevan Britain have provided consultancy. VAT advice is provided by KPMG to the Council, given to support work relating to the May '21 Elections. The Council has a service level agreement with Warwickshire County Council for the provision of legal services.

# Fraud

## Issue

### Matters in relation to fraud

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

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

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

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

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

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

# Fraud risk assessment

Question	Management response
<p>1. Have the Authority assessed the risk of material misstatement in the financial statements due to fraud?</p> <p>How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process?</p> <p>How do the Authority's risk management processes link to financial reporting?</p>	<p>The financial statements are subject to internal quality assurance checks which are carried out by the Head of Finance and Strategic Finance Manager, and other members of the Finance Team.</p> <p>The monthly review of Service Revenue and Capital budgets will identify any material risk of material misstatement. Risk management processes drive good financial reporting.</p> <p>Each Service Area has a Risk Register which is considered regularly throughout the year. Alongside this, Services will be considering their Budget Monitoring.</p>
<p>2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?</p>	<p>The transactions most at risk of fraud relate to Benefit Payments and Council Tax Reduction. The Business Grants and other payments over the year in respect of the pandemic have been subject to additional assurance framework.</p>

## Fraud risk assessment

Question	Management response
<p>3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within the Authority as a whole or within specific departments since 1 April 2020?</p> <p>As a management team, how do you communicate risk issues (including fraud) to those charged with governance?</p>	<p>Management are not aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within the Authority as a whole or within specific departments since 1 April 2020.</p> <p>The Council's Significant Business Risk Register is reviewed quarterly by the Senior Management Team and reported to the Executive and Finance &amp; Audit Scrutiny Committee. The Finance &amp; Audit Scrutiny Committee receive annual reports on the work of the anti-fraud team. Any specific internal fraud investigations would be reported to the Committee also.</p>
<p>4. Have you identified any specific fraud risks?</p> <p>Do you have any concerns there are areas that are at risk of fraud?</p> <p>Are there particular locations within the Authority where fraud is more likely to occur?</p>	<p>Investigations of suspected fraud, as a result of cases brought to the attention of the Head of Finance or Audit and Risk Manager, are carried out by the Internal Audit team.</p> <p>No Significant Fraud risk identified. However, we are not complacent and are constantly looking to improve procedures.</p> <p>Locations handling income, particularly in the form of cash, are more likely to be at risk of fraud. However, cash is not significant, and has reduced over the last year. Procurement fraud is also identified as an area at risk of fraud.</p>
<p>5. What processes do the Authority have in place to identify and respond to risks of fraud?</p>	<p>All suspected cases of fraud, theft, corruption should be notified to Head of Finance or the Audit &amp; Risk Manager.</p> <p>Anti Fraud &amp; Corruption and Whistle Blowing Policies in place.</p> <p>Risk Registers in place for all services, where the potential for fraud is included, with controls and mitigations.</p> <p>The annual Internal Audit Plan has audits determined by risk ratings.</p> <p>Procurement fraud is mitigated through guidance issued on 'Preventing Procurement Fraud' and a 'Conflict of Interest' form that must be completed and signed by Officers for each individual procurement exercise they are involved in. All Procurement card activity is checked by the FSTeam and reviewed by Procurement to identify areas of misuse or disaggregation.</p>

## Fraud risk assessment

Question	Management response
<p>6. How do you assess the overall control environment for the Authority, including:</p> <ul style="list-style-type: none"> <li>the existence of internal controls, including segregation of duties; and</li> <li>the process for reviewing the effectiveness the system of internal control?</li> </ul> <p>If internal controls are not in place or not effective where are the risk areas and what mitigating actions have been taken?</p> <p>What other controls are in place to help prevent, deter or detect fraud?</p> <p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)?</p>	<p>By a systematic and ongoing process of internal audits together with a process for production of the Annual Governance Statement, supported by the Audit and Risk Manager's Annual Report that provides an opinion on the Council's control environment.</p> <p>Sound systems of internal control with roles and responsibilities are defined in various places such as the Constitution, Code of Financial Practice and Code of Procurement Practice.</p> <p>None known. Miscoding occurs to enable purchases to be made when budgets are not available. Training provided to seek to stop this. New Financial Management System should help to redress miscodings.</p>
<p>7. Are there any areas where there is potential for misreporting?</p>	<p>None known. Internal control systems are in place to ensure robust reporting procedures are adhered to.</p>

## Fraud risk assessment

Question	Management response
<p>8. How do the Authority communicate and encourage ethical behaviours and business processes of it's staff and contractors?</p> <p>How do you encourage staff to report their concerns about fraud?</p> <p>What concerns are staff expected to report about fraud?</p> <p>Have any significant issues been reported?</p>	<p>The Codes of Conduct for members and employees outline the Council's expectations for business practice and ethical behaviour.</p> <p>The Code of Conduct for Employees, was updated and agreed by Council in July 2019. Much of this Code is concerned with working practices and matters of ethical behaviour. The revised Code was extensively consulted on, including with staff, and was the main topic at a Managers Forum meeting. The presentation at Managers Forum ended with a group-based question and answer session covering various elements of the Code to promulgate and reinforce learning. A 'meta training' exercise took place on the Council's intranet on this topic which was mandatory for all employees to complete.</p> <p>Within procurement there is the Equality in Procurement Policy and Ethical Procurement Statement, which identifies ethical behaviours expected of officers when undertaking procurement.</p> <p>There is also the Local Code of Corporate Governance, which was approved by Executive in March 2018.</p> <p>Training sessions on 'Social Media Discrimination and the Law' have been delivered to the majority of staff across the Council and to some Members. This has included an overview of the responsibilities of staff in using Social media and the behaviour expected together with the repercussions from a law perspective relating to the Equality Act and protected characteristics. This also links with our Dignity at work Policy relating to ethical behaviour.</p> <p>Management also takes the opportunity to promote the Council's organisational values as and when appropriate values feature on the lanyard device that employees wear to hold their ID badges.</p> <p>Employees should be aware of the anti-fraud and corruption strategy and Whistle Blowing Policy, details are available on the Intranet and induction training for all new staff covers fraud and corruption awareness.</p> <ul style="list-style-type: none"> <li>• Staff undertake CPD, with ethics being a key element for professionals such as accountants.</li> <li>• Audits of Organisational Culture and, separately, Ethics have been completed by Internal Audit in recent years.</li> <li>• Staff are expected to report any and all concerns. When concerns are raised, these are investigated.</li> </ul>

## Fraud risk assessment

Question	Management response
<p>9. From a fraud and corruption perspective, what are considered to be high-risk posts?</p> <p>How are the risks relating to these posts identified, assessed and managed?</p>	<p>Those that have the scope to perpetrate fraud and corruption on a significant scale. Roles that are considered high risk include those in Benefits, Finance and Housing.</p> <p>Through the risk assessment process performed by Internal Audit when drawing up its Annual and Strategic Plans.</p>
<p>10. Are you aware of any related party relationships or transactions that could give rise to instances of fraud?</p> <p>How do you mitigate the risks associated with fraud related to related party relationships and transactions?</p>	<p>None known.</p> <p>Risks are mitigated by Councillors' declaration of interests and non-participation in debates. Officers are also expected to declare any potential interest or conflict. Senior Managers complete an annual Related Party Declaration. Officers and other individuals involved in tender processes over £50k are required to sign a declaration of interests and will not participate if any potential conflict.</p>

## Fraud risk assessment

Question	Management response
<p>11. What arrangements are in place to report fraud issues and risks to the Finance and Audit Scrutiny Committee ?</p> <p>How does the Finance and Audit Scrutiny Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control?</p> <p>What has been the outcome of these arrangements so far this year?</p>	<p>The reporting of fraud issues to Finance &amp; Audit Scrutiny Committee is made by various methods:</p> <ul style="list-style-type: none"> <li>i) investigation reports by the Audit and Risk Manager, as a result of the Whistleblowing Policy;</li> <li>ii) reports by the Head of Finance; and</li> <li>iii) Annual Governance Statement report for Internal Control to mitigate fraud risk.</li> </ul>
<p>12. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?</p>	<p>No.</p>
<p>13. Have any reports been made under the Bribery Act?</p>	<p>No reports have been made.</p>

# Law and regulations

## Issue

### Matters in relation to laws and regulations

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

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

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

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

## Impact of laws and regulations

Question	Management response
<p>1. How does management gain assurance that all relevant laws and regulations have been complied with?</p> <p>What arrangements does the Authority have in place to prevent and detect non-compliance with laws and regulations?</p> <p>Are you aware of any changes to the Authority's regulatory environment that may have a significant impact on the Authority's financial statements?</p>	<p>Through effective governance processes and review mechanisms such as internal audit. The Monitoring Officer will advise the Council's Corporate Management team and Councillors as appropriate.</p> <p>The Council has arrangements in place for legal advice to be provided by Warwickshire County Council. Employees are expected to keep themselves updated of laws and regulations related to their area of work. Suspected non-compliances with laws and regulations will be investigated.</p> <p>No</p>
<p>2. How is the Finance and Audit Scrutiny Committee provided with assurance that all relevant laws and regulations have been complied with?</p>	<p>Through audit reviews carried by Internal Audit and by the completion of self-assessment Service Assurance Statements performed by services as part of the Annual Governance Statement.</p>
<p>3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2020 with an on-going impact on the 2020/21 financial statements?</p>	<p>None known.</p>
<p>4. Is there any actual or potential litigation or claims that would affect the financial statements?</p>	<p>Any litigation or claims will be considered on a case by case basis as part of the financial statements preparation process.</p>

## Impact of laws and regulations

Question	Management response
5. What arrangements does the Authority have in place to identify, evaluate and account for litigation or claims?	All potential insurance claims should be notified by officers to the Council's Insurance and Risk Officer.
6. Have there been any report from other regulatory bodies, such as HM Revenues and Customs which indicate non-compliance?	WDC received a HMRC Penalty Explanation Letter dated 13/01/21, regarding Invoices relating to election expenses being incorrectly processed and the liability being treated incorrectly, as a result of a loss of knowledge due to staff change. Processes have subsequently been reviewed with a view of ensuring that compliance is maintained.

# Related Parties

## Issue

### Matters in relation to Related Parties

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

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

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

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

## Related Parties

Question	Management response
<p>1. Have there been any changes in the related parties disclosed in the Authority's 2019/20 financial statements? If so please summarise:</p> <ul style="list-style-type: none"> <li>• the nature of the relationship between these related parties and the Authority whether the Authority has entered into or plans to enter into any transactions with these related parties</li> <li>• the type and purpose of these transactions</li> </ul>	<p>During 2020/21 the Council has commenced to work closely with Stratford on Avon District Council, with the intention of formally becoming a single Council in due course. During the course of the year, a number of shared Senior Manager posts have been created.</p> <p>The formal disclosure of this relationship in the Accounts is yet to be determined.</p>
<p>2. What controls does the Authority have in place to identify, account for and disclose related party transactions and relationships?</p>	<p>Officers and Councillors do not participate in decisions where they are a related party. Annual accounts disclosures for related parties and transactions are reviewed for completeness by the General Fund Accountant. Officers and other individuals involved in tender processes over £50k are required to sign declaration of interests and will not participate if any potential conflict.</p>
<p>3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?</p>	<p>Controls exist within the Code of Financial Practice and Code of Procurement Practice. Appropriate thresholds are agreed for entering into contracts and raising orders.</p>
<p>4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?</p>	<p>Again, the codes will cover these. The Code of Procurement Practice has a section over when exemptions to normal procedures may be applicable, and the processes that should be entered into in such cases.</p>

# Accounting estimates

## Issue

### Matters in relation to Related Accounting estimates

ISA (UK) 540 (Revised December 2018) requires auditors to understand and assess an entity's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the entity's risk management process identifies and addresses risks relating to accounting estimates;
- The entity's information system as it relates to accounting estimates;
- The entity's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Finance & Audit Scrutiny Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?

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

## Accounting Estimates - General Enquiries of Management

Question	Management response
1. What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures?	<ul style="list-style-type: none"> <li>• Pension Fund Actuarial gains/losses.</li> <li>• PP&amp;E – Estimated remaining useful lives / property valuations / impairments</li> <li>• COVID-19 SFC Income loss Compensation Scheme – tranche 3 for periods 9-12.</li> </ul>
2. How does the Authority's risk management process identify and addresses risks relating to accounting estimates?	Identification of key processes where significant accounting estimation is required, and where that can be managed internally within the Authority. Work with key Specialist stakeholders such as valuers and actuaries, ensuring that they are given an appropriate brief to work from. Sharing relevant information to allow them to provide the most up to date accounting estimates.
3. How do management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?	An open positive line of communication is maintained with the providers of specialist information, allowing the Authority to review and challenge where necessary. The data and methods used are reviewed in line with the most up to date code of practice and guidance.
4. How do management review the outcomes of previous accounting estimates?	Accrual estimates reviewed as part of current year budget monitoring, with significant variances needing further consideration, especially with approach to be made for the future.
5. Were any changes made to the estimation processes in 2020/21 and, if so, what was the reason for these?	No material changes have been made to the estimation processes for 2020/21. The Authority continually reviews processes and procedures as part of a process of continuous improvement.

## Accounting Estimates - General Enquiries of Management

Question	Management response
6. How do management identify the need for and apply specialised skills or knowledge related to accounting estimates?	Management identify the need for specialist skills or knowledge where estimates are a result of external factors, and where the relevant knowledge is not available in-house within the Authority.
7. How does the Authority determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?	The Authority procures relevant support from suppliers in Specialist fields. The Authority draws up a brief and agrees an appropriate scope of work to be carried out on behalf of WDC.
8. How do management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?	Review information returns and challenge where appropriate. Ensure appropriate timely deadlines are agreed to ensure sufficient time to review, and challenge / return for clarification and update as required.
<p>9. What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including:</p> <ul style="list-style-type: none"> <li>- Management's process for making significant accounting estimates</li> <li>- The methods and models used</li> <li>- The resultant accounting estimates included in the financial statements.</li> </ul>	<p>Set procedures agreed prior to reporting and communicated with relevant stakeholders. Working papers used to support estimates.</p> <p>Processes reviewed internally, with input by specialist and qualified members of the team.</p> <p>Significant judgements referred to Strategic Finance Manager and S.151 Officer.</p>

## Accounting Estimates - General Enquiries of Management

Question	Management response
10. Are management aware of transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in Appendix A)?	The 3rd round of the COVID Income Compensation scheme grant submission is due in April, and will run for 4 weeks, covering periods 9-12 of the 2020/21 financial year. An LGF update in March confirmed that there had been a delay to payments for the 2nd round, with the payment only being received in April. Therefore in the Statements, we will assume that the values included within our returns will be received when payments are made. However, these will be subject to confirmation from MHCLG once they have completed their checks and samples.
11. Are the management arrangements for the accounting estimates, as detailed in Appendix A reasonable?	Yes. Where estimation is necessary, appropriate estimating methodology is utilised. Estimates will be prepared by those best qualified, e.g. Pension Fund Actuary to supply estimates relating to IAS 19 – Employee Benefits, assets are professionally valued. In line with discussions with auditors, further evidence of challenge will be provided by the Accountants.
12. How is with the Finance and Audit Scrutiny Committee provided with assurance that the arrangements for accounting estimates are adequate ?	Details of estimates disclosed in accounting policies within Accounts. Finance & Audit Scrutiny Committee is responsible for agreeing the audited Statement of Accounts.

## Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Property Valuations	<ul style="list-style-type: none"> <li>Property valuations are made by the external valuer from Carter Jonas.</li> <li>Significant Heritage Assets valued by external valuer. Minor valuations provided by Art Gallery &amp; Museum staff.</li> </ul>	Valuer notified of changes to the estate from the prior year	Use the external valuer (RICS qualified) from Carter Jonas for PPE. Significant Heritage Assets valued by external valuer.	Valuations are made in-line with the CIPFA Code of Practice guidance - reliance on expert	No
Estimated remaining useful lives of PP&E	Assets are assigned to asset categories with appropriate asset lives.	Consistent asset lives applied to each asset category.	Use the external valuer (RICS qualified) from Carter Jonas	The useful lives of property are recorded in accordance with the recommendations of the external RICS qualified valuer.	No
Depreciation	Depreciation is provided for on property plant and equipment with a finite useful life on a straight-line basis	Consistent application of depreciation method across assets	No	The length of the life is determined at the point of acquisition or revaluation.	No

## Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Impairments	Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.	Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired.	Use the external valuer (RICS qualified) from Carter Jonas. Reliance on Art Gallery & Museum staff to assess whether or not a Heritage Asset needs to be impaired. If necessary, revised valuation will be provided by suitably qualified person.	Valuations are made in-line with the CIPFA Code of Practice guidance - reliance on expert	No
Expected loss model	Forward looking expected loss model. IFRS 9 removes delayed recognition in relation to credit losses, replacing it with a forward-looking expected loss model.	The finance team calculate.	No	Consistent proportion used across debt. Expected loss model is used.	No

## Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Measurement of Financial Instruments	Measurements are obtained from appropriate sources. The Authority follows the requirements of the CIPFA Code of Practice.	The financial instruments are measured by the Treasury Accountant and the accounts are reviewed by the Strategic Finance Manager .	No	The measurements are based upon the best information held at the current time and are provided by experts in their field.	No
Creditor accruals	Accruals are estimated by reviewing goods and services received prior to the end of the financial year for which an invoice has not been received.	The date of receipt of the goods and services is used in the estimation of the accrual.	No	The use of actual dates of receipt of goods and services gives a low degree of uncertainty.	No. No change to de-minimis introduced for 2018/19.

## Appendix A Accounting Estimates (Continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Net Pensions Liability	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets.</p> <p>There is a full triennial valuation every three years with annual updates through actuarial gains and losses calculated by the actuarial experts. Warwickshire County Council utilise a firm of consulting actuaries Hymans Robertson LLP to provide all Warwickshire authorities with expert advice about the assumptions to be applied.</p>	For the LGPS the Authority responds to queries raised by the administering authority Warwickshire County Council.	The Authority are provided with an actuarial report by Hymans Robertson (LGPS).	The nature of these figures forecasting into the future are based upon the best information held at the current time and are developed by experts in their field.	No
Overhead allocation	The accountants apportion central support costs to services based on appropriate bases.	All support service cost centres are allocated according to the agreed processes.	No	Appropriate bases are reviewed each year to ensure equitable.	No



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## Agenda Item 8

### Finance & Audit and Overview & Scrutiny Committees 6 and 7 July 2021

**Title: Approach to the Scrutiny of the proposed Merger of Warwick District Council and Stratford-on-Avon District Council**

**Lead Officer: Chris Elliott [chris.elliott@warwickdcb.gov.uk](mailto:chris.elliott@warwickdcb.gov.uk)**

**Portfolio Holder: Andrew Day**

**Public report**

**Wards of the District directly affected: All**

Contrary to the policy framework: No

Contrary to the budgetary framework: No

Key Decision: No

Included within the Forward Plan: No

Equality Impact Assessment Undertaken: No

Consultation & Community Engagement: No

Final Decision: Yes

Accessibility checked: Yes

#### **Officer/Councillor Approval**

<b>Officer Approval</b>	<b>Date</b>	<b>Name</b>
Chief Executive/Deputy Chief Executive	30 June 2021 30 June 2021	Chris Elliott Andrew Jones
CMT		
Section 151 Officer		
Monitoring Officer	30 June 2021	Andrew Jones
Finance		
Portfolio Holder(s)		Andrew Day

## **1. Summary**

- 1.1. The report brings forwards outline proposals for detailed Scrutiny of the proposed merger of Warwick District Council and Stratford-on-Avon District Council.

## **2. Recommendation**

- 2.1. The Committees confirm their support for the proposed scrutiny of the proposed merger between Warwick District Council and Stratford-on-Avon District Council as set out in this report
- 2.2. The Committees consider the proposed consultation plan as set out at Appendix 1 to this report and pass comment on it.
- 2.3. The Committees ask officers to arrange an online scrutiny session on the Programme of Implementation (PI) for Members of the two Committees and delegate authority to Chairs of the Scrutiny Committees to formalise the response to the Leaders & Chief Executives of both authorities.
- 2.4. The Committees note the intention to provide a briefing for all Councillors on the PI for merger on 9 August at 6.00pm, followed by Group meetings.
- 2.5. The Committees note that there will be an update, as part of their work programme, at each of their meetings on progress through the PI with the format to be agreed by the Chief Executive in consultation with the Chairs of the two Warwick Scrutiny Committees.
- 2.6. The Committee asks the Scrutiny Chairs of Warwick District to meet regularly with the Scrutiny Chair of Stratford-on-Avon District Council to discuss scrutiny of merger and cross cutting themes.

## **3. Reasons for the Recommendation**

- 3.1. At the Council meeting on 24 February 2021 it was agreed that "the Chief Executives of both Councils are authorised to prepare a Programme of Implementation (PI) to deliver the vision agreed at 2.4 above for consideration by Members no later than July 2021.
- 3.2. At their meetings in April, the Scrutiny Committees supported the proposals from the Chairs of the respective Committees as follows:

Five broad themes to guide the scrutiny:

- Impact on services to residents.
- Democratic representation.
- Impact on strategic priorities (e.g. CEAP).
- Finance and Council Tax.
- Communication and consultation.

These themes were supported with some additional focus on specific services (e.g. Neighbourhood Services, Green Spaces) and the importance of understanding the interrelation with Parish & Town Councils.

## Agenda Item 8

- Scrutiny for the merger should continue to be done separately by F&A and O&S but that the Chairs of scrutiny should consult frequently to ensure that there is good synergy between the work of the Committees.
- Scrutiny should be conducted in line with the five themes identified with specific service areas as identified being covered in the 'Impact on Services to Residents' theme, and the impact on Town and Parish Councils should become a cross cutting theme. (ask Committee Services to arrange a briefing session for Members on the differing roles of Town & Parish Councils across the District, what powers they currently hold, what further powers and responsibilities could be delegated or devolved to them within the exiting legal framework if those bodies agreed).
- Committee Services should be asked to prepare a scrutiny plan which outlines a timetable for scrutiny to consider these themes. This timetable needs to give sufficient scope for the Committee to influence the development of policy rather than simply reviewing it.
- The Council should seek additional resource to support the scrutiny of this programme both in terms of Council officer support and expert support from the Centre for Governance & Scrutiny (CfGS) (Formally CfPS).
- In terms of the joint local plan, this will be a joint exercise with Stratford-on-Avon District Council and the Chairs of Scrutiny to meet with relevant officers and agree an approach in the new council year.

3.3. The Chairs of the Scrutiny Committees and Chief Executive met with Ed Hammond of the CfGS. CfGS brought forward an outline proposal for Scrutiny of the proposed merger. Officers and the Chairs of the Scrutiny Committees considered the proposal, being mindful of the discussions at the Joint Arrangements Steering Group (which include representatives from both Councils) that had subsequently taken place. From this it was identified there were key steps for scrutiny to be involved in:

- Reviewing the proposed PI.
- Reviewing the process for the proposed consultation.
- Reviewing the proposed submission document at an early stage and just prior to submission.
- Monitoring the delivery of the implementation plan for the merger of the authorities.

3.4. The Chairs were mindful of the key strategic importance of the proposed merger and wanted to ensure that robust scrutiny, from a Warwick District Council perspective could be undertaken, and also recognised the significant resource requirements this will require to both deliver and scrutinise. There is a need for engagement with Councillors to both update them and enable meaningful feedback at relevant stages of the proposals, therefore they asked officers to provide a way for this to occur without significant resources to deliver it. Based on this, the first steps of this will be the feedback consultation approach, along with the remote scrutiny session and wider briefing for all Councillors on the PI.

3.5. The attached report on the consultation, which is being led by Stratford-on-Avon District Council was considered by the Stratford Overview & Scrutiny

Committee on 30 June 2021. This Committee is also requested to present its views on the consultation plan.

- 3.6. It is important to keep Members informed on the PI ahead of the anticipated discussion on the submission document later in the year. This will form as appendix to the Work Programme each meeting of the Committee.
- 3.7. The Committees have previously committed to scrutiny of the merger at Warwick to be independent of Stratford-on-Avon but there is a need for liaison between the Councils to share experiences and ideas. Therefore, it is considered appropriate for dialogue to be between the three scrutiny Chairs at the two Councils.

### 4. Policy Framework

#### 4.1. Fit for the Future (FFF)

- 4.1.1. The Council's FFF Strategy is designed to deliver the Vision for the District of making it a Great Place to Live, Work and Visit. To that end amongst other things the FFF Strategy contains several Key projects.
- 4.1.2. The FFF Strategy has 3 strands, People, Services and Money, and each has an external and internal element to it, the details of which can be found [on the Council's website](#). Section 4.2 below illustrates the impact of this proposal if any in relation to the Council's FFF Strategy.

#### 4.2. FFF Strands

##### 4.2.1 External impacts of proposal(s)

**People - Health, Homes, Communities** – The proposals within the report have no direct impact on this area, however they are designed to scrutinise the proposal to merge Warwick District Council and Stratford-on-Avon District Council to ensure those proposals are sound and robust and are likely to achieve the aims and aspirations as set out within the proposals.

**Services - Green, Clean, Safe** - The proposals within the report have no direct impact on this area, however they are designed to scrutinise the proposal to merge Warwick District Council and Stratford-on-Avon District Council to ensure those proposals are sound and robust and are likely to achieve the aims and aspirations as set out within the proposals.

**Money- Infrastructure, Enterprise, Employment** - The proposals within the report have no direct impact on this area, however they are designed to scrutinise the proposal to merge Warwick District Council and Stratford-on-Avon District Council to ensure those proposals are sound and robust and are likely to achieve the aims and aspirations as set out within the proposals.

##### 4.2.2. Internal impacts of the proposal(s)

**People - Effective Staff** – This report provides clear direction for officers on the approach the Committee wish to take on scrutiny.

**Services - Maintain or Improve Services** - This section needs to provide details in respect of the following intended outcomes: Focusing on our customers' needs; Continuously improve our processes and Increase the digital provision of services.

**Money - Firm Financial Footing over the Longer Term** - This section needs to provide details in respect of the following intended outcomes: Better return/use of our assets; Full Cost accounting; Continued cost management; Maximise income earning opportunities and Seek best value for money.

### 4.3. **Supporting Strategies**

4.3.1. Each strand of the FFF Strategy has several supporting strategies but this report does not directly impact upon them.

### 4.4. **Changes to Existing Policies**

4.4.1. This report does not bring forward any changes to current policies.

### 4.5. **Impact Assessments**

4.5.1. The consultation will be led by Stratford-on-Avon District Council however this Council should satisfy itself that the proposed approach does not discriminate against individuals with protected characteristics under the equality act and seek assurance from SDC on this point.

## 5. **Budgetary Framework**

5.1. There are no planned budgetary implications of the recommendations of this report.

## 6. **Risks**

6.1. The failure to undertake robust scrutiny of the proposals raises two significant risks for the Council. Firstly, it is essential that each steps of the proposal are scrutinised robustly by Councillors to ensure that it will bring forward the aims of the proposed merger. Secondly the Government will be looking to see engagement with all Councillors with the proposals and scrutiny will form a key part of that engagement process.

## 7. **Alternative Option(s) considered**

7.1. No alternatives have been considered as the proposals were developed in line with the request of the Scrutiny Committees.

**OVERVIEW AND SCRUTINY COMMITTEE****30 JUNE 2021**

**Subject:** Creation of South Warwickshire Council Consultation  
**Contact:** Simon Purfield, Performance, Consultation & Insight Manager  
*simon.purfield@stratford-dc.gov.uk*

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**1. Introduction**

This note sets out the possible processes to be used for a consultation in the district council areas of Stratford-on-Avon and Warwick on the creation of a South Warwickshire Council.

**2. The Requirement for Consultation**

The views of residents, businesses, partners and parish/town councils will have to be taken into account in any decision on the future of local government in South Warwickshire.

We would use the "Gunning Principles. They are the founding legal principles applicable to public consultation in the UK. They were first laid down in 1985 by Stephen Sedley QC and have stood the test of time in successive court judgements, making them applicable to all public consultations that take place in the UK.

They define that a consultation is only legitimate when these four principles are met:

1. Proposals are still at a formative stage - A final decision has not yet been made, or predetermined, by the decision makers.
2. There is sufficient information to give 'intelligent consideration' - The information provided must relate to the consultation and must be available, accessible, and easily interpretable for consultees to provide an informed response.
3. There is adequate time for consideration and response - There must be sufficient opportunity for consultees to participate in the consultation.
4. 'Conscientious consideration' must be given to the consultation responses before a decision is made. Decision-makers should be able to provide evidence that they took consultation responses into account.

It is also interesting to note that for a similar consultation, albeit for unitary government, that the previous Secretary of State included the following paragraph within the invitation to the councils in Northamptonshire, to submit proposals for unitary structures to replace the existing 2-tier system.

Extract:

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***"That there should be extensive local consultation about any proposal before it is made, seeking the views by appropriate means of residents, stakeholders and partners including local enterprise partnerships, health bodies, businesses, and other organisations including voluntary organisations. The means of seeking views may include professionally led open consultation questionnaires, representative household surveys, surveys of parish and town councils, workshops, telephone interviews with other major stakeholders, and inviting written submissions."***

### **3. Consultation Approach**

In the autumn/winter 2020/21, the five district/boroughs in the county undertook a pre-engagement consultation exercise with a wide range of people and organisations in the process, regarding the potential of unitary government in Warwickshire.

Some of the techniques used for this are included in the suggested approach for the consultation process on a possible South Warwickshire Council.

#### **3.1 Residents - Telephone Survey**

How - A sample of local residents in each council area would be contacted by telephone given background information before asking each question. This is a tried and tested formula for this sort of consultation.

Sample - The achieved sample would reflect the profile data for both districts, using age, gender, working status, disability and tenure, and subsequently weighted accordingly.

Number - 600 telephone interviews are suggested at this stage split equally between Stratford and Warwick District Councils. This gives statistical reliability based on the population.

#### **3.2 Open Questionnaire**

This would be predominantly online available for completion by anyone, available on the council websites and across social media.

The open consultation questionnaire provides information about the views of particular groups and individuals at very local levels, but it is less appropriate as a guide to overall opinion because the profile of people that respond will not match the overall Council population in terms of age, employment status etc. Nonetheless, the open questionnaire would be used to explore how people's views differ by location, gender, age and other characteristics. In this context, both the similarities and differences between the open questionnaire findings and the telephone survey would be reported fully.

This questionnaire would be completed accordingly by residents living in the two districts, people who live outside the area, businesses, parish/town councils, and from other organisations.

Additionally, any resident could request a paper copy for those without access to a computer.

Consultation Period - The online consultation online would run for a seven or eight week period.

#### **3.3 Residents - Focus Groups**

When we undertook the engagement work on unitaries we used focus groups. These are key as you use a 'deliberative' approach to encourage members of the public to reflect in depth about the case for change and the possibility of changing local government structures, while both receiving and questioning background information and discussing their ideas in detail. The meetings would last for two hours. I would suggest up to six be undertaken, three in both Districts.

### 3.4 ***Businesses***

A deliberative virtual focus group ran by the external research agency would be set up lasting around two hours. Promotion and recruitment of the focus group would be by the district councils utilising their contacts, i.e. Stratford District Council has a Business Sounding Board. In addition, any business in the two districts would be encouraged to complete the open questionnaire. We should also target the business organisations in our area such as the local Chambers of Commerce, etc.

### 3.5 ***Town and Parish Councils***

This will be a key consultee. A briefing session ran by each Council for their area is suggested, followed up by a survey to them directly.

A deliberative virtual focus group ran by the external research agency is also suggested lasting around two hours. For the unitary consultation we utilised WALC (Warwickshire Association of Local Councils) to help recruit their members to take part. This worked well.

### 3.6 ***Voluntary and Community Sector***

Utilising the contacts each district council has for the voluntary and community sector, invitations would be sent out inviting them to a deliberative virtual focus group ran by the external research agency lasting around two hours.

### 3.7 ***Stakeholders***

This will be important to satisfy the conditions for any submission to government.

Over the coming month's engagement would be encouraged with the major players in each district, other Warwickshire district and borough councils and adjoining councils such as Coventry, Solihull, Redditch, etc. Other public sector organisations would be included, for example; WCC, PCC, SWFT, CWPT, CCGS, LEP, University, Colleges, WMCA, MPs, etc. This could be done informally by the councils themselves or utilise the research agency to undertake depth interviews.

### 3.8 ***Staff and Councillors***

Staff cannot be ignored with this consultation. They should be offered an open meeting(s) to attend with a question and answer session following a presentation. A survey would follow and this element would be done in-house, with the use of an online questionnaire.

All councillors in both Stratford and Warwick District Councils would be consulted.

### 3.9 ***Other Consultation Methods***

Other techniques could be considered.

Face to Face interviewing of residents was considered at the time of writing, but current Market Research Society guidance is for this technique not to be used unless absolutely necessary due to the current restrictions. It would be prudent not

to plan for this at this time. Indeed the research agency I spoke to confirmed no clients were currently using face to face techniques.

Citizens juries is another technique mentioned. This is very expensive. An explanation of the technique is shown in **Appendix 1**.

A referendum / public vote is an option, but that would also be very expensive and is a non-binding vote. The five Somerset districts undertook one regarding unitary government in May 2021, at a cost of £310,000 resulting in a 25% turnout.

### 3.10 **Use of External Research Company**

I strongly recommend that the majority of the consultation is managed by an independent company. This independence is **crucial**.

We must consider that if the consultation was done in-house an “unconscious bias” may occur when analysing responses.

## **4. Supporting Information/Engagement**

Good supporting information will be key with this consultation and as/even more important than the consultation itself. It would be necessary to receive assistance from both district council communications teams to produce the material.

This will need to be well planned and financed. The better the information provided, the better the decision making. This will clarify plans on the part of the two councils as to what exactly will be involved in the process of going to an enlarged council area.

This supporting information should be in place before any consultation takes place in order for people to digest the information.

We would produce a document available on the website and used to inform those completing the open questionnaire – a good example is attached in **Appendix 2** from East Suffolk. The aim will be to give the information they need to understand the situation, so they can complete the consultation questionnaire in an informed way. This is crucial.

It would be good practice to provide a list of frequently asked questions.

Some of the methods used currently by colleagues undertaking the South Warwickshire Plan consultation should be considered. Namely a short video explaining the reorganisation plans and posted on the respective websites and via social media.

The use of open meetings (virtual or in person depending on when this could happen) to communicate what a South Warwickshire Council would look like. It would provide the opportunity to talk to local stakeholders, from businesses and voluntary organisations to parish and town councils, to answer any questions they have, and so they could find out how the proposals would affect them. There could be open meetings separate for residents.

Finance and Audit Scrutiny Committee  
7 July 2021

**Title:** Review of Work Programme and Forward Plan & Comments from the Executive

**Lead Officer:** Graham Leach  
(T. 01926 456114 or E. [committee@warwickdc.gov.uk](mailto:committee@warwickdc.gov.uk))

**Portfolio Holder:** Not Applicable

**Public report**

**Wards of the District directly affected:** N/A

**Accessibility checked:** yes

### 1. Summary

- 1.1. This report informs the Committee of its work programme for 2021/2022 Municipal Year (Appendix 1) and of the current [Forward Plan](#).

### 2. Recommendation

- 2.1. The Committee to consider the work programme attached as Appendix 1 to the report and make any changes as required.
- 2.2. The Committee to identify any Cabinet items on the Forward Plan which it wishes to have an input before the Cabinet makes its decision; and
- 2.3. The Committee to consider its workload for the coming months, specifically how it can accommodate the work within their scheduled meetings.

### 3. Reasons for the Recommendation

- 3.1. The work programme as attached at Appendix 1 to the report should be updated at each meeting to accurately reflect the workload of the Committee.
- 3.2. Two of the five main roles of overview and scrutiny in local government are to undertake pre-decision scrutiny of Cabinet decisions and to feed into policy development.
- 3.3. If the Committee has an interest in a future decision to be made by the Cabinet, or policy to be implemented, it is within the Committee's remit to feed into the process.
- 3.4. The Forward Plan is actually the future work programme for the Cabinet. If a non-cabinet Member highlighted a decision(s) which is to be taken by the Cabinet which they would like to be involved in, that Member(s) could then provide useful background to the Committee when the report is submitted to the Cabinet and they are passing comment on it.

### 4. Background

- 4.1. The five main roles of overview and scrutiny in local government are: holding to account; performance management; policy review; policy development; and external scrutiny.
- 4.2. The pre-decision scrutiny of Cabinet decisions falls within the role of 'holding to account'. To feed into the pre-decision scrutiny of Cabinet decisions, the Committee needs to examine the Council's Forward Plan and identify items which it would like to have an impact upon.
- 4.3. The Council's Forward Plan is published on a monthly basis and sets out the key decisions to be taken by the Council in the next twelve months. The Council only has a statutory duty to publish key decisions to be taken in the next four months. However, the Forward Plan was expanded to a twelve-month period to give a clearer picture of how and when the Council will be making important decisions. A key decision is a decision which has a significant impact or effect on two or more wards and/or a budgetary effect of £50,000 or more.
- 4.4. The Forward Plan also identifies non-key decisions to be made by the Council in the next twelve months, and the Committee, if it wishes, may also pre-scrutinise these decisions. There may also be policies identified on the Forward Plan, either as key or non-key decisions, which the Committee could pre-scrutinise and have an impact upon how these are formulated.
- 4.5. The Committee should be mindful that any work it wishes to undertake would need to be undertaken without the need to change the timescales as set out within the Forward Plan.
- 4.6. At each meeting, the Committee will consider their work programme and make amendments where necessary, and also make comments on specific Cabinet items, where notice has been given by 9am on the day of the Finance & Audit Scrutiny Committee meeting. The Committee will also receive a report detailing the response from the Cabinet, on the comments the Committee made on the Cabinet agenda in the previous cycle.
- 4.7. The Forward Plan is considered at each meeting and allows the Committee to look at future items and become involved in those Cabinet decisions to be taken, if members so wish.
- 4.8. At each meeting, the Committee will consider their work programme and make amendments where necessary, and also make comments on specific Cabinet items, where notice has been given by 9am on morning after Group meetings. The Committee will also receive a report detailing the response from the Cabinet, on the comments the Committee made on the Cabinet agenda in the previous cycle
- 4.9. Normally, if the Committee made a comment on a Cabinet report, a response will be provided to the Committee at its next meeting (Appendix 2). In reviewing these responses, the Committee can identify any issues for which it would like a progress report. A future report, for example, on how the decision has been implemented, would then be submitted to the Committee

## Agenda Item 9

at an agreed date which would then be incorporated within the Work Programme. Appendix 2 has not been attached to this report as there were no items called in by the Committee from the 27 May Cabinet agenda.

## Finance and Audit Scrutiny Committee WORK PROGRAMME

**11 August 2021**

Title	Audit Item or Scrutiny Item	Format	Lead Officer/ Councillor
Treasury Management Annual Report & TM Half Year Review (October to March 2021)	Audit	Written report followed by Q&A	Richard Wilson and Councillor Noone
Risk Management Annual Report	Scrutiny	Written report followed by Q&A	Richard Barr and Councillor Day
Budget Review Quarter 1	Scrutiny	Written report followed by Q&A	Tony Sidhu and Councillor Day
Final accounts 2020/2021	Scrutiny	See Cabinet Agenda	Andrew Rollins and Councillor Noone

**22 September 2021**

Title	Audit Item or Scrutiny Item	Format	Lead Officer/ Councillor
External Audit Findings Report	Audit	Written report followed by Q&A	Mike Snow and Councillor Noone
Statement of Accounts 2020/2021	Audit	Written report followed by Q&A	Andrew Rollins and Councillor Noone
IA Quarter 1 Progress Report	Audit	Written report followed by Q&A	Richard Barr and Councillor Noone

Annual Governance Statement Quarter 1 Action Plan Report	Audit	Written report followed by Q&A	Richard Barr and Councillor Day
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**3 November 2021**

Title	Audit Item or Scrutiny Item	Format	Lead Officer/ Councillor
National Fraud Initiative Update	Audit	Written report followed by Q&A	Richard Barr and Councillor Noone
Treasury Management Half Year Review	Audit	Written report followed by Q&A	Richard Wilson and Councillor Noone
Use of Parent Companies Update Report	Audit	Written report followed by Q&A	Mike Snow and Councillor Noone
Review of Significant Risk Register	Scrutiny	Written report followed by Q&A	Richard Barr and Councillor Day

**15 December 2021**

Title	Audit Item or Scrutiny Item	Format	Lead Officer/ Councillor

**9 February 2022**

Title	Audit Item or Scrutiny Item	Format	Lead Officer/ Councillor

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**9 March 2022**

Title	Audit Item or Scrutiny Item	Format	Lead Officer/ Councillor
IA Quarter 3 Progress Report	Audit	Written report followed by Q&A	Richard Barr and Councillor Noone
AGS Quarter 3 Action Plan Report	Audit	Written report followed by Q&A	Richard Barr and Councillor Noone
IA Strategic Plan (2022/22 3to 2024/25 plan)	Audit	Written report followed by Q&A	Richard Barr and Councillor Noone
External Review of Internal Audit Report	Audit	Written report followed by Q&A	Richard Barr and Councillor Noone

**13 April 2022**

Title	Audit Item or Scrutiny Item	Format	Lead Officer/ Councillor

**Date to be confirmed**

Title	Audit Item or Scrutiny Item	Format	Lead Officer/ Councillor
A follow up report looking into the progress made by Just-Inspire in terms of their recovery	Audit	Written report followed by Q&A	Rose Winship/David Guilding