

## Finance & Audit Scrutiny Committee Wednesday 22 September 2021

A meeting of the above Committee will be held in the Town Hall, Royal Leamington Spa on Wednesday 22 September 2021, at 6.00pm and available for the public to watch via the Warwick District Council [YouTube channel](#).

Councillor J Nicholls (Chair)

Councillor M Ashford

Councillor I Davison

Councillor R Dickson

Councillor J Grey

Councillor T Heath

Councillor G Illingworth

Councillor M Luckhurst

Councillor N Murphy

Councillor S Syson

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 meetings held on

a. 7 July 2021

b. 11 August 2021

**(Pages 1 to 7)**

**(Pages 1 to 6)**

## Part B – Audit Items

### 4. **Internal Audit Quarter 1 2021/22 Progress Report**

To consider a report from Finance

**(Pages 1 to 52)**

### 5. **Annual Governance Statement Quarter 1 Action Plan Report**

To consider a report from Finance

**(Pages 1 to 6)**

### 6. **Progress on Audit of Accounts and associated matters from External Auditors**

To consider a report from Finance

**(Pages 1 to 44)**

## Part C – Scrutiny Items

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

To consider a report from Civic & Committee Services

**(Pages 1 to 7)**

### 8. **Cabinet Agenda (Non-Confidential Items and Reports) – Thursday 23 September 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)**

### 9. **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.

### 10. **Cabinet Agenda (Confidential Items and Reports) – Thursday 23 September 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 7 July 2021 in the Town Hall, Royal Leamington Spa at 6.00pm.

**Present:** Councillor Nicholls (Chair); Councillors: Ashford, Davison, R Dickson, Grey, Illingworth, Luckhurst, Murphy, Syson and Tracey.

**Also present:** Councillor Bartlett (Portfolio Holder for Culture, Tourism and Leisure) and Councillor Hales (Portfolio Holder for Transformation).

## 10. Apologies and Substitutes

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

## 11. Declarations of Interest

Minute 14 - Measures Taken to deter, detect, investigate and report fraud in respect of Covid Business Grants

Councillor Dickson declared an interest because he was a trustee of one of the organisations in receipt of grant funding and therefore subject to this work. However, the organisation was not one of those identified within the report as potential cases of fraud.

## 12. Minutes

The minutes of the meeting held on 26 May 2021 were taken as read and signed by the Chairman as a correct record.

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

The Committee received a report from the Chief Executive that brought forward outline proposals for detailed Scrutiny of the proposed merger of Warwick District Council and Stratford-on-Avon District Council.

At the Council meeting on 24 February 2021, the Chief Executives of both Councils were authorised to prepare a Programme of Implementation (PI) to integrate all of the activities of each Council, including the ambition of achieving a full merger by 1 April 2024, for consideration by Members no later than July 2021.

At their meetings in April, the Scrutiny Committees supported the proposals from the Chairs of the respective Committees to focus on 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.

- 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 was 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. (Committee Services to arrange a briefing session for Members on the differing roles of Town & Parish Councils across the District, what powers they currently held, what further powers and responsibilities could be delegated or devolved to them within the existing 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 would 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.

The Chairs of the Scrutiny Committees and Chief Executive met with Ed Hammond from the Centre for Governance and Scrutiny (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.

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 recognised the significant resource requirements this needed to both deliver and scrutinise. There was 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 would be the

feedback consultation approach, along with the remote scrutiny session and wider briefing for all Councillors on the PI.

Appended to the report was the overview of the consultation, which was being led by Stratford-on-Avon District Council and had been considered by the Stratford Overview & Scrutiny Committee on 30 June 2021.

It was important to keep Members informed on the PI ahead of the anticipated discussion on the submission document later in the year. This would form as appendix to the Work Programme each meeting of the Committee.

The Committees had previously committed to scrutiny of the merger at Warwick to be independent of Stratford-on-Avon but there was a need for liaison between the Councils to share experiences and ideas. Therefore, it was considered appropriate for dialogue to be between the three scrutiny Chairs at the two Councils.

In response to questions from the Committee it was explained that:

- All Councillors should have access to the performance measures for Warwick District Council, to enable scrutiny of performance of Council services;
- The themes overall should include reference to the business community; and
- There would be an opportunity for Members to see the questions to be used in the public consultation prior to it going live.

**Resolved** that

- (1) the scrutiny of the proposed merger between Warwick District Council and Stratford-on-Avon District Council as set out in the report be supported;
- (2) the consultation plan as set out at Appendix 1 to the report be supported subject to the active feedback on the consultation being provided to the two Scrutiny Chairs at Warwick District Council;
- (3) an online scrutiny session on the Programme of Implementation (PI) for Members of the two Committees, be arranged and authority be delegated to the Chairs of the Scrutiny Committees to formalise the response to the Leaders & Chief Executives of both authorities;;
- (4) the intention to provide a briefing for all Councillors on the PI for merger on 9 August at 6.00pm, followed by Group meetings, be noted;
- (5) 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; and

- (6) 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.

14. **Measures Taken to deter, detect, investigate and report fraud in respect of Covid Business Grants**

The Committee received a report from Finance in respect of details of the measures taken to deter, detect, investigate and report fraud in respect of COVID business grants.

The report had been requested by the Committee, so it was aware of the area of work and the issues that been identified and potentially stopped. The report set out the work of officers in respect of the various COVID Business Grants Funding Streams, including the Fraud Deterrence and Detection, investigation and reporting.

The Principal Internal Auditor informed Members that there had been 25 potential cases with three further details via the National Fraud Initiative later in the year. The work by officers had seen a number of applications rejected by primarily they were due to non-entitlement.

**Resolved** that the report be noted.

15. **Cabinet Agenda (Non-Confidential items and reports) – Thursday 8 July 2021**

The Committee considered the following item which would be discussed at the meeting of the Cabinet on Thursday 8 July 2021.

Item 7 - Significant Business Risk Register

The Committee asked the Cabinet to update Risk 8 to remove the details regarding the work on the commercial investment strategy to reflect the change in Risk 6.

The Committee noted that in the next update it was likely to include a specific risk in reference to the proposed merger with Stratford-on-Avon District Council.

16. **Public and Press**

**Resolved** that under Section 100A of the Local Government Act 1972 that the public and press be excluded from the meeting for the following items by reason of the likely disclosure of exempt information within the paragraph of Schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006, as set out below.

**17. Cabinet Agenda (Confidential items and reports) – Thursday 8 July 2021**

The Committee considered the following item which would be discussed at the meeting of the Cabinet on Thursday 8 July 2021.

**Item 12 - Future High Streets Fund Award for Royal Leamington Spa**

The Committee supported the recommendations in the report.

**Item 13 - Financial Support – Everyone Active Leisure Contract**

The Committee recommends that the wording within recommendation 2.4 is amended to correct the accounting year to 2021/22 and that the decision only be made in principle subject to a further report that will come forward in the autumn and will reflect further discussions with Everyone Active in the light of its updated financial projections following the easing of Covid restrictions and any other relevant factors.

The Committee noted the latest understanding is that all restrictions will end on 19 July and that officers were continuing to work with Everyone Active to confirm their programme.

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

**18. Cabinet Agenda (Non-Confidential items and reports) – Thursday 8 July 2021**

The Committee considered the following item which would be discussed at the meeting of the Cabinet on Thursday 8 July 2021.

**Item 14 - Costs of Proposals of Joint Senior Management Team**

The Committee noted the quarter 1 budget update will come to August Cabinet and will set out the progress in respect of the MTFs and the agreed savings being achieved.

**19. Audit of 2020/21 Accounts**

The Committee considered a report from Finance that presented the Draft Audit Plan for 2020/21 from Grant Thornton, the Council's external auditors.

The Grant Thornton had submitted the External Audit Plan for 2020/21, that was set out at Appendix A to the report. The timing of the receipt of the plan meant that officers had not had time to consider it in detail ahead of publication for the Committee. The Committee was requested to agree the Plan and encouraged to seek assurance from officers and auditors that all was being done to ensure the statutory requirement would be met.

The Informing the Risk Assessment, set out at Appendix B to the report, had been produced by the external auditors, bringing together details of responses from officers. The document was to assist in the communication

between members and the external auditors. The Committee should consider and agree the document and make any observations to the auditors.

The auditors had commenced work on the audit with the interim "visit" in April, and the final visit in the Summer.

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.

In response to questions from the Committee the proposed merger with Stratford-on-Avon could increase the cost of the audit due to additional considerations/assessments needing to be undertaken.

**Resolved** that

- (1) the 2020/21 Draft Audit Plan, Appendix A to the report, and the supporting document, Informing the Risk Assessment Appendix B to the report; be approved; and
- (2) the progress on the 2020/21 audit, be noted.

## 20. **Anti-Fraud & Corruption Statement**

The Committee considered a report from Finance that sought approval of the Anti-Fraud and Corruption Statement. The Statement provided a record of the Council's policies and objectives regarding countering fraud and corruption and was set out as Appendix A to the report.

There were a number of actions that are being undertaken in order to prevent, deter and detect fraud and corruption and these were set out in Appendix B to the report.

**Resolved** that the

- (1) the Anti-Fraud and Corruption Statement, be approved; and
- (2) actions to prevent, deter and detect fraud and corruption, be noted.

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

The Committee considered a report from Finance that provided details of the performance by the Corporate Fraud Investigation team for 2020/21.

The Committee were reminded that it was the Council's formal Audit Committee. The purpose of an audit committee was 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.

In response to a question from the Committee the Audit and Risk Manager explained that the savings from Fraud were calculated on an agreed formula with our fraud investigation team. This was based upon the level of fraud and the potential for it to continue rather than the amount recovered because recovery could take many years.

**Resolved** report, including its appendices, be noted

(Councillor Hales left the meeting during this item)

22. **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 7.30pm)

CHAIR  
23 September 2021

# Finance and Audit Scrutiny Committee

Minutes of the meeting held on Wednesday 11 August 2021 in the Town Hall, Royal Leamington Spa at 6.00pm.

**Present:** Councillor Nicholls (Chair); Councillors: Ashford, R Dickson, Heath, Illingworth, Jacques, Luckhurst, Murphy, Syson and Tangri.

**Also present:** Councillor Bartlett (Portfolio Holder for Culture, Tourism, and Leisure), Councillor Day (Leader and Strategic Portfolio) and Councillor Hales (Portfolio Holder for Transformation).

## 23. Apologies and Substitutes

- (a) apologies for absence were received from Councillor Tracey; and
- (b) Councillor Tangri substituted for Councillor Davison, and Councillor Jacques substituted for Councillor Grey.

## 24. Declarations of Interest

There were no declarations of interest.

## 25. Minutes

The minutes of the meeting held on 7 July 2021 had not been circulated so were not available for consideration by the Committee.

## 26. Annual Treasury Management Report 2020/21

The Committee received a report from Finance that reported the Council's Annual Treasury Management Activity for 2020/21, that was set out at Appendix A to the report.

The Council was required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2020/21. The report met the requirements of both the CIPFA Code of Practice on Treasury Management, (the Code), and the CIPFA Prudential Code for Capital Finance in Local Authorities, (the Prudential Code).

The Treasury Management Strategy for 2020/21 and the Council's Treasury Management Practices, in accordance with the Code of Practice for Treasury Management, required that the Treasury Management function reported on its activities during the year by no later than 30 September in the year after that being reported on. This date remained in place despite COVID-19.

The report commented, where appropriate, on the Council's actual performance against the forecast in the 2020/21 Treasury Management Strategy as well as, in certain instances, latest forecasts. The Council was required to comment on its performance against its Annual Investment Strategy for the year.

In response to questions from the Committee it was explained that:

- Officers were aiming for divestment from Carbon Based investments before 2025 but it would be next summer before a detailed plan for this would be considered;
- Training had been scheduled for Councillors on Treasury Management for January 2022, which could include a discussion on green/ethical funds;
- There could be merit in considering how Stratford-on-Avon District Council viewed investment to come to a collective understanding at an early stage;
- The proposals for the strategy would be a matter that would be brought through the Resources Programme Advisory Board before coming forward for approval.

**Resolved** that note the Council's Treasury Management activities during 2020/21, be noted.

**27. Annual Treasury Management Activity report October to March 2021**

The Committee received a report from Finance that detailed the Council's Treasury Management performance for the period 1 October 2020 to 31 March 2021.

The Council's 2020/21 Treasury Management Strategy and Treasury Management Practices (TMP's) required the performance of the Treasury Management Function to be reported to Members on a half yearly basis in accordance with the Treasury Management Code of Practice.

**Resolved** that the report be noted.

**28. Cabinet Agenda (Non-Confidential items and reports) – Thursday 12 August 2021**

The Committee considered the following item which would be discussed at the meeting of the Cabinet on Thursday 12 August 2021.

Item 4 - Final Accounts

The Committee supported the recommendations in the report.

Item 7 Risk Management Annual Report 2020/21 and Strategy

The Committee supported the recommendations in the report. Members wished to make clear that section 9.2 of the report should be clarified to reflect that the merger of Warwick District Council and Stratford-on-Avon District Council had not yet happened and was a possible merger at this stage.

Item 8 - Project Funding for Castle Farm Leisure Centre and Abbey Fields Swimming Pool

The Committee supported the recommendations in the report. Members noted the undertaking to align the categories of risk in the project risk register with the agreed categorisation of, and approach taken to, risks adopted by the Council in its Risk Strategy, and also noted that the project comprised of two separate contracts for Abbey Fields and Castle Farm.

## 29. **Update of work with Stratford-on Avon District Council**

The Committee considered a report from the Chief Executive which set out the progress of the work being done to enable effective Scrutiny of the proposals.

The report reiterated the vision agreed by both Councils and the reasons for undertaking this approach, set out work done to date, the next steps; the key benefits, and the key milestones and intended overall outcome.

Both Councils at their respective Full Councils agreed the following vision: *"To create a single statutory South Warwickshire Council covering all of the activities currently carried out by Stratford on Avon District Council and Warwick District Council by 1<sup>st</sup> April 2024."*

The reasons for undertaking this approach were:

- Both Councils had significant financial pressures;
- Both Councils wished to continue to provide valued services to residents/businesses/local communities and improve them if we could;
- The two Councils have a good track record of partnership;
- There was a shared economic geography between the two Councils;
- There was a shared sense of community between the two Councils' areas;
- There was a very strong political relationship in place; and
- The two Councils were within the same County Council area.

The work to date (including ongoing work) included:

- Deloitte Report commissioned and agreed by both setting out the high level business case for the creation of a single South Warwickshire Council;
- Vision stated above agreed by both Councils;
- The Cabinet Portfolios for both Councils were aligned;
- Jointly Tendering for the Refuse and Recycling Contracts;
- Developing jointly a South Warwickshire Local Plan;
- Developing a joint Regulatory Services Enforcement Policy;
- Developing a South Warwickshire Economic Strategy;
- Agreed a shared of ambitions regarding the Climate Emergency;
- Joint Staff/HR policies agreed;
- Agreed and appointed a Transformation Programme Manager;
- Established a governance regime via the creation of an officer Programme Board and the Councillor led Joint Arrangements Steering Group (Reports and Notes of meeting available on the Working Together Hub) which had met twice to date as set out in the governance structure chart, appended to the report;
- Due diligence financially undertaken by LGA consultant and reported to Joint Arrangement Steering Group;
- Regular meetings with Unison (both branches) on a fortnightly basis;
- Communication Hub had been established for all Staff and Councillors;
- The Leaders and Chief Executives met fortnightly;
- Joint Management Team had been operational from 2 August with Head of Place and Economy to be appointed on 4 August;

- Discussions had started with the Government regarding the creation of a single South Warwickshire Council;
- A paper for public consultation proposals had been agreed, with the schedule appended to the report; and
- Sharing experience and likewise gaining experience from joint work of other Councils including those who have merged and those who are also considering the same step.

The next steps include the following:

- the start of public consultation on proposal from end of August/beginning of September which was expected to end in early November;
- the Programme of Service Integration was being developed with criteria to help shape it, with this expected to be ready for September; and
- Both Councils were to consider the decision to make a formal application to merge the two organisations to create a single South Warwickshire Council on Monday 13 December 2021.

The expected benefits included:

- Delivery of significant net savings as envisaged in the Medium-Term Financial Strategy;
- Enhanced partnership working;
- Increased presence, influence, and strategic voice;
- Increased service resilience;
- Improved customer experience for both residents and business; and
- Strengthened workforce opportunities arising from a larger workforce.

The key milestones were:

- Agreement to the business case to be submitted to Government on 13 December 2021;
- Approval granted by the Secretary of State within a year of the submission date;
- Shadow Council in existence from April 2023 – elections inc. those of Parish deferred for a year;
- All services merged by; March 2024 having started the process in October 2021;
- New Council would come into life on 1 April 2024; and
- Elections to new Council in May 2024.

The overall outcome would be that a new South Warwickshire Council which had a sustainable financial foundation and so was able to deliver better, transformed, and relevant services for the residents, businesses, and communities of the area.

In response to questions from the Committee, Councillor Day explained that:

- the timetables for briefings would be coming forward in the next week to allow for Scrutiny of consultation;
- there had been excellent work undertaken by the Management Team of the Council's;

- there was a focus on minimising redundancies as a result of this work through the redeployment process;
- When Councillors took the decision on 13 December, it would need to be based on the evidence before them including the detailed analysis of the consultation;
- there would be a complex piece of work to come before Councillors in respect of the democratic merger compared to a merger of services and it was imperative that the report made clear the difference between the nature of these;
- there was a significant amount of work underway with Unions to keep them informed and provide assurance, and the focus was on minimal number of redundancies;
- it was expected that the Parish/Town Council elections in 2023 would also be deferred to 2024, but he would confirm this with the Chief Executive;
- if a member of the Joint Management Team left, for any reason, it would hurt the programme; and
- there had been the appointment of the Transformation Programme Manager, who would work with Councillor Hales as Transformation Portfolio Holder and would have allocated resources to the project, and to date the work had been achieved that many people thought could not be achieved and that was due to effort and commitment from all involved.

Councillor Hales informed the Committee that in respect of risk management there was ongoing work to look at expanding the transformation team, through the use of temporary contracts or secondments.

Councillor Nicholls thanked the Leader & Deputy Leader and highlighted that the Chief Executive had arranged a meeting with the Scrutiny Chairs to look at scrutiny of this area in more detail, but the Committee would need to be prepared to find time for this work later in the year.

**Resolved** that contents of the report and appendices are noted.

### 30. **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

- (1) the report be noted; and
- (2) a review of the performance of the contract with Everyone Active, be added for November, as restrictions in the wider society eased.

(The meeting ended at 7.03pm)

CHAIR  
23 September 2021

Finance and Audit Scrutiny Committee  
22 September 2021

**Title: Internal Audit Quarter 1 2021/22 Progress Report**

**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.

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	26 Aug 2021	Chris Elliott/Andrew Jones
Head of Service	26 Aug 2021	Mike Snow
CMT	26 Aug 2021	Chris Elliott/Andrew Jones/Bill Hunt
Section 151 Officer	26 Aug 2021	Mike Snow
Monitoring Officer	26 Aug 2021	Andrew Jones
Finance	26 Aug 2021	Mike Snow
Portfolio Holder(s)	8 Sept 2021	Councillor Hales

### 1 **Summary**

- 1.1 Report advises on progress in achieving the Internal Audit Plan 2020/21, summarises the audit work completed in the first quarter and provides assurance that action has been taken by managers in respect of the issues raised by Internal Audit.

### 2 **Recommendations**

- 2.1 That the report, including its appendices, be noted and, where appropriate, approved. Specifically:
  - 2.1.1 That Appendix 1, containing guidance on the role and responsibilities of audit committees, be noted. (Paragraph 3.2 of this report)
  - 2.1.2 That Appendix 2, detailing the performance of Internal Audit in completing the Audit Plan, be considered. (Para. 8.1 of this report)
  - 2.1.3 That Appendix 3, setting out the action plan accompanying the Internal Audit report issued in the quarter, be reviewed. (Para. 10.3)
  - 2.1.4 That Appendix 4, recording the state of implementation of recommendations issued in previous quarters, be reviewed. (Para. 11.4)

### 3 **Reasons for the Recommendations**

- 3.1 Members have responsibility for corporate governance, of which internal audit forms a key part.
- 3.2 Finance and Audit Scrutiny Committee is operating, in effect, as an audit committee in the context of receiving and acting upon this report. Guidance on the role and responsibilities of audit committees is available from a number of sources. That which relates to audit committees' relationship with internal audit and in particular the type and content of reports they should receive from internal audit is summarised in Appendix 1.
- 3.3 Essentially, the purpose of an audit committee is:
  - To provide independent assurance of the associated control environment.
  - To provide independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment.
- 3.4 To help fulfil these responsibilities audit committees should review summary internal audit reports and the main issues arising and seek assurance that action has been taken where necessary.
- 3.5 The following sections provide information to satisfy these requirements.

## 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, internal audit is an essential part of corporate governance and will be a major factor in shaping the Policy Framework and Council policies.

#### 4.2.2 **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, internal audit is an essential part of corporate governance and will be a major factor in shaping the Policy Framework and Council policies.

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

**6 Risks**

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

6.2 It is impractical to provide a commentary on risks as the report is concerned with the outcome of reviews by Internal Audit on other services. Having said that, there are clear risks to the Council in not dealing with the issues raised within the Internal Audit reports (these risks were highlighted within the reports). There is also an overarching risk associated with the Finance & Audit Scrutiny Committee not fulfilling its role properly e.g. not scrutinising this report robustly.

**7 Alternative Options Considered**

7.1 This section is not applicable.

**8 Progress against Plan**

8.1 At the start of each year Members approve the Audit Plan setting out the audit assignments to be undertaken. A detailed analysis of progress in completing the Audit Plan for 2021/22 is set out as Appendix 2.

**9 Assurance**

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

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

**Assurance Levels**

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

Limited Assurance	The system of control is generally weak and there is non-compliance with the controls that do exist.
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These definitions have been developed following extensive investigation of other organisations' practices (including commercial operations).

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

- 10.1 Two audits were completed in the first quarter of 2021/22. Both audits were awarded a substantial assurance opinion.
- 10.2 The Internal Audit reports relating to the audits completed in the quarter are available for viewing on the online agenda for the meeting.
- 10.3 The action plans accompanying these reports are set out for separate scrutiny as Appendix 3. This details the recommendations arising together with the management responses, including target implementation dates. As can be seen in the Appendix, responses have been received from managers to all recommendations that were made.

**11 Implementation of Recommendations Issued Previously**

- 11.1 In a change to previous reports, a new method of following up on recommendations has recently been implemented. Rather than seeking to determine the implementation status of recommendations after a set period (either three or nine months, depending on the risk rating assigned to the recommendation), the recommendations are now followed up once the implementation date has passed. Officers are also now able to provide an update as soon as they have completed the agreed action, as opposed to waiting to be chased for a response.
- 11.2 As this is the first time that this process has been used, there are a relatively large number of recommendations included within this report. This is because there were a number that were due to be followed up under the old process where the implementation date has already passed in addition to those that were due to be completed within this quarter. In future, the reports will cover only those that were due to implemented in the relevant quarter.
- 11.3 Where officers have not completed the recommendation in line with the original target date, they are now being asked for a new date by which the agreed action will be completed. If this is not met, this will be flagged separately in future reports to Finance & Audit Scrutiny Committee (with, as per usual protocol, the option of Members asking the officers to attend to explain the lack of progress).
- 11.4 The state of implementation for all relevant recommendations is set out in Appendix 4, including **two recommendations where no response has been forthcoming.**

## Agenda Item 4

11.5 With regards to the outstanding responses, these relate to actions that were shown as completed at the time of the final report which, historically, wouldn't have been followed up. However, before agreeing to show the action as completed in the final reports, evidence is now sought of what has been done. Both these actions belong to the Development Services Manager.

11.6 No implementation dates have been amended.

### 12 **Review**

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

**Guidance on the Role and Responsibilities of Audit Committees**

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***Public Sector Internal Audit Standards 2013***

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Independence and Objectivity

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

Glossary

Definition: Audit Committee

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

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***Audit Committees: Practical guidance for Local Authorities  
(CIPFA)***

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Core Functions

Audit committees will:

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

Suggested Audit Committee Terms of Reference

Audit Activity:

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

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

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Monitoring Audit Performance

*Auditor/officer collaboration*

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

*Management response*

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

*Implementation*

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

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

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***CIPFA Technical Information Service Online***

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Audit Reporting

*Introduction*

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

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

during the period of the report. A summary of the scope of this internal work should also be included in the report.

#### *Periodic Internal Audit Reports*

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

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

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

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**9 Traits of an effective Audit Committee: Institute of Chartered Accountants in England & Wales – Technical Guidance**

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Having an effective Audit Committee is essential for good corporate governance as it leads on financial reporting, internal controls, risk management and external audit functions.

A group of Audit Committee Chairmen and Members, from FTSE 100 and FTSE250 businesses, identified these attributes during a roundtable event held at ICAEW in June 2018, as being qualities indicative of an effective committee:

1. Intellectual curiosity and professional scepticism
2. Courageous in making tough decisions
3. Balanced, ethical approach to whistleblowing
4. Oversight of key risks (not just financial)
5. Excellent relationship builders
6. Ability to build and develop a strong team
7. Able to challenge the external auditors
8. Good listening skills
9. Own the agenda

**Intellectual curiosity and professional scepticism**

Intellectual curiosity and professional scepticism are necessary attributes in an Audit Committee member. It's not enough to request confirmation from the external auditors and the executive team as this can provide a false sense of comfort. Members of the modern Audit Committee must understand the business and ask the right questions. Audit Committee members must take the time to visit the different parts of the business, particularly an international business, to scrutinise it and get a good understanding of its workings. They must also remember that they are non-executives and have a responsibility to remain objective.

Audit Committee Chairs and members may have more than one directorship and must be mindful of their time commitment to avoid becoming overwhelmed by any one role.

**Courageous in making tough decisions**

The toughest decisions generally concern people rather than numbers. Audit Committee Chairs have to have the strength and courage to tackle any under-performance in the finance team. In some cases, they will need to replace the existing team to ensure that they have a strong team in place to support them.

Other tough decisions are to:

- appoint new external auditors. If the new auditors take a harder line with the Board then there is the potential for a backlash to be directed at the Chair of the Audit Committee. The appointment of the auditor is a key responsibility of the Audit Committee.
- re-organise the internal audit function. When an organisation does not have the right skill-sets internally to perform the internal audit function, outsourcing and co-sourcing are the most popular solutions. Proponents of co-sourcing argue that it provides access to the expertise required whilst maintaining independence.

### **Balanced, ethical approach to whistleblowing**

The Audit Committee is responsible for ensuring that the whistleblowing process is balanced, ethical and effective. The culture of an organisation is clearly visible when a whistleblower comes forward particularly at Board level if the reported incident involves a director.

Culture is an intangible yet important aspect of all organisations. It is the responsibility of the Board but is often discussed by the Audit Committee. The Chairman of the Audit Committee needs to create a forum where people can discuss all issues openly. Recent high-profile company collapses highlight the issue of management override and company culture. The Audit Committee Chairman must take a balanced and ethical perspective, scrutinise and challenge any decisions to move away from the market standards in accounting and reporting.

A culture where people can admit mistakes and learn from them was identified as the ideal. 'Near misses' offer good opportunities to learn and improve without blaming individuals. The Audit Committee needs to ensure that its working culture is one where corporate governance requirements were valued rather than seen as a compliance issue.

### **Oversight of key risks (not just financial)**

Large scale IT projects and cybersecurity are often seen as two of the biggest risks facing a company. Solutions to these issues ranged from having a specialist presence on the Board to having a broader expertise on the Audit Committee. The use of advisors to consult on the risks is also an effective solution.

The financial services sector is subject to regulation which requires separate audit and risk committees, which emphasises the need for effective teamwork and communication between committees. When the committees are separated, greater care is necessary to ensure that some issues do not slip through the cracks. Other sectors are not required to separate the audit and risk committees but make the decision based on what is needed in the business.

### **Excellent relationship builder**

Inviting the Chairman, Chief Executive Officer and the Chief Financial Officer to attend the Audit Committee meetings alongside external and internal audit helps to create an open and transparent culture. It is also important to build strong working relationships with these key stakeholders. The challenge of having the Chairman attend Audit Committee meetings is that there is the possibility that they may take the lead in the meeting.

### **Build and develop a strong team**

The Nominations Committee is responsible for the membership of the Audit Committee. A Board of non-executive directors is selected and then split into committees. While this produces the correct numbers for committee membership, it does not necessarily allocate the correct skill-set. It is necessary to build and develop a strong team from this starting point.

Working relationships on the Audit Committee are important and difficult personalities need to be addressed in the feedback and performance evaluations. Facilitation skills are key and the Chair of the Audit Committee will use the evaluation process to develop the committee members.

### **Able to challenge the external auditors**

Business structures and the industries in which they operate are becoming increasingly complex. Auditors are called upon to give their judgement on a number of issues and there is a sense that the broad range of experience and understanding of complex business issues is often only found in the larger firms.

Auditors can be reluctant to give a qualitative opinion and more junior auditors don't always fully understand the business. Members of the Audit Committee need to challenge the external auditors to be assured that they understand the complexities and culture of the business and that their judgement is sound.

### **Good listening skills**

Audit Committees often receive large volumes of papers but need to listen to the messages delivered at Audit Committee meetings. Internal audit is widely considered to be a key element in an effective Audit Committee, often acting as their eyes and ears within the business. The Audit Committee Chairman needs to build a good working relationship with the Head of Internal Audit whilst remaining objective and independent. The head of internal audit should sit at the executive committee level, so that they have the status and opportunity to challenge the executive.

### **Own the agenda**

These traits are specifically for the Chairman of the Audit Committee as they will need to plan ahead to ensure that the Committee has time to cover all of

the issues on the annual agenda. In particular, the Audit Committee Chair will:

- Work with the company secretary to arrange the annual calendar of meetings and agendas well in advance, leaving time for new issues as they arise.
- Take control of each agenda – set out the essential issues to be discussed and manage any additional agenda items as they arise.
- Ensure a standard approach to papers, for example, requesting a one-page executive summary and clarity on whether a paper was for ratification or noting.
- Ensure you leave enough time to discuss the outcome with the Chairman of the Board before the Board meeting.
- Good time management – ensure that there is adequate time allocated to each topic and if more time is required to consider re-issued, revised versions of papers, postponing the meeting if necessary.

Each of these actions will allow the Audit Committee to operate effectively.

**Internal Audit Progress 2021/22: Quarter 1**  
**Analysis of Performance**

**Time Spent: Audit Plan – Planned Vs Actual**

ACTIVITY	ANNUAL ALLOCATION (DAYS)	PROFILE ALLOCATION (DAYS)	ACTUAL TO DATE (DAYS)	VARIATION (DAYS)
<i>Planned Audit Work</i>	339.0	84.8	60.6	+24.2
<i>Other Time</i>				
Sundry audit advice	20.0	5.0	2.1	+2.9
Contingency audit work	20.0	5.0	12.0	-7.0
Contingency non-audit work	14.0	3.5	0.1	+3.4
Other work	15.0	3.7	9.6	-5.9
Principal Internal Auditor non-audit work (incl. NFI)	70.0	17.5	12.0	+5.5
Non-chargeable activities	178.0	44.5	67.9	-23.4
Leave and other absences	139.0	34.8	42.7	-7.9
<i>Total Other Time</i>	456.0	114.0	146.4	-32.4
<i>Total Time</i>	795.0	198.8	207.0	-8.2

**Time spent: Assignments Completed – Planned Vs Actual**

AUDIT ASSIGNMENT	PLAN (DAYS)	TIME TAKEN (DAYS)	UNDER (+) / OVER (-)
Corporate Governance	5.0	6.0	-1.0
Insurances	10.0	11.4	-1.4

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

Not applicable.

**Completion of Audit Plan: Target Vs Actual**

NO. OF AUDITS PER AUDIT PLAN	PROFILED TARGET COMPLETION		ACTUAL NO. COMPLETED TO DATE		VARIATION	
	NO.	%	NO.	%	NO.	%
35	3.5	10	2	5.7	-1.5	-42.9

**Summary of Recommendations and Management Responses from Internal Audit Reports  
issued Quarter 1, 2021/22**

<b>Report Reference</b>	<b>Recommendation</b>	<b>Risk Rating<sup>1</sup></b>	<b>Responsible Officer</b>	<b>Management Response and Target Implementation Date (TID)</b>
<b>Corporate Governance: Council's response to Covid with specific focus on communication of the Council's objectives and outcomes – 21 June 2021</b>				
4.3.1	A review should be undertaken of the homeworking environment for staff and of the set-up of work equipment in home locations.	Low	Internal Health & Safety Officer	Ongoing: Internal H & S officer has DSE discussions with relevant staff and arrangements made for alternative equipment where necessary (including covid-secure visits to Riverside House to source/collect items such as chairs). An on-line DSE assessment form has been developed in June and AssessNET is able to email DSE assessments directly to staff working from home. TID: End of June 2021.

<sup>1</sup> Risk Ratings are defined as follows:

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

<b>Report Reference</b>	<b>Recommendation</b>	<b>Risk Rating<sup>1</sup></b>	<b>Responsible Officer</b>	<b>Management Response and Target Implementation Date (TID)</b>
	DSE information and advice be made readily available to staff working from home or remotely.	Low	Internal Health & Safety Officer	Health and safety page to be reviewed and updated with current advice. TID: End of July 2021.
<b>Insurances – 7 June 2021</b>				
4.3.2	The Senior Management Team should be reminded to contact the Insurance and Risk Officer when purchasing high value items or property to ensure they are included in the insurance policy.	Low	Audit and Risk Manager	A reminder will be issued at SMT. TID: End of June 2021

**Current Implementation Position for Recommendations Due for Completion by End of Quarter One 2021/22**  
**(including those not previously followed up under the previous process)**

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE	TARGET DATE	TARGET DATE REVISED?	CURRENT STATE OF IMPLEMENTATION PER MANAGER
<b>Management of Contracts (2020/21 Audit)</b>				
Before business commences with suppliers all contractual documents must be signed.	A reminder will be issued for the next Procurement Board (SPBP).	Aug-20	Not applicable.	The importance of contract-signing and correct storage was emphasised at the August 2020 Procurement Board and again at the April 2021 Procurement Board.

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE	TARGET DATE	TARGET DATE REVISED?	CURRENT STATE OF IMPLEMENTATION PER MANAGER
Performance measures should be included in the contract documentation.	The climate change report includes a recommendation that there should be a corporate set of processes and performance monitoring documents for contract managers so that everyone is working in the same way, creating a consistent approach.	Mar-21	Not applicable.	KPIs are encouraged as standard within Procurements, though their management post-award is still at the discretion of the Contract Manager. The recommendation to standardise contract management performance monitoring across the Council has not been included into the CEAP for 2021/22. Lack of resource within the current Procurement team to progress the recommendation independently has resulted in this action being postponed until additional resource can be funded.
The requirement to store contracts securely and correctly should be reinforced.	A reminder will be issued for the next Procurement Board (SPBP).	Aug-20	Not applicable.	The importance of contract-signing and correct storage was emphasised at the August 2020 Procurement Board and again at the April 2021 Procurement Board.

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE	TARGET DATE	TARGET DATE REVISED?	CURRENT STATE OF IMPLEMENTATION PER MANAGER
<p>Before authorising expenditure, there should be checks in place to ensure the Council is not at risk of breaching procurement laws and legislation.</p>	<p>This will be considered at the next Procurement Board to ensure practices are in place within each Service Area, and Procurement are sought for advice if in doubt.</p>	<p>Aug-20</p>	<p>Not applicable.</p>	<p>It was highlighted in 2020 that the Council was at risk of regulation breaches due to off-contract agency spend in Housing. Despite this, a further analysis of spend in April 2021 identified that off-contract agency spend had escalated and we are now in breach of PCR2015 for one of the suppliers. Legal advice has been sought.</p>
<p>Before authorising expenditure, checks should be carried out to ensure spending is within contracted spend and relevant to the contract held.</p>	<p>Procurement Board to be reminded to ensure contract managers monitor spend against their contracts. Potential contract overspend has been included within the specification requirements for the new FMS, due to be progressed by end of financial year.</p>	<p>Mar-21</p>	<p>Not applicable.</p>	<p>Spend analysis was reported to August 2020 Procurement Board with a reminder about disaggregated spend and actions sought from Heads of Services.</p>

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE	TARGET DATE	TARGET DATE REVISED?	CURRENT STATE OF IMPLEMENTATION PER MANAGER
<p>Staff should receive purchasing training before being given access to the purchasing system. This should include a basic checklist so that staff can review whether there is or should be a contract in place and a review of the cumulative spend.</p>	<p>Training is provided on the use of the FMS (Total) before officers can raise and authorise purchase orders. Officers will be reminded (Procurement Board) to ensure there is or should be a contract in place and to review of the cumulative spend, and to seek support from Finance to assist to monitor spend. Training on the new Financial Management System will ensure these points are covered.</p>	<p>Aug-20</p>	<p>Not applicable.</p>	<p>No change to previous response.</p>
<p>There should be a 'rental' time imposed to help ensure that documents are returned in a timely manner to the Document Store.</p>	<p>Due to the current pandemic the majority of staff are working from home. Because of this, obtaining documents from the deed store is restricted and, therefore, forms a control in itself. Future processes to be agreed and put in place by the Democratic Services Manager.</p>	<p>End of December 2020</p>	<p>Not applicable.</p>	<p>Very few staff have requested contracts as many are now electronic. We amended the process to encourage officers requesting documents to book a room to peruse the item and then return it to us, advising it should not leave RSH.  Only one member of staff has requested a document since this process was put in place and the procedure was followed.</p>

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE	TARGET DATE	TARGET DATE REVISED?	CURRENT STATE OF IMPLEMENTATION PER MANAGER
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<b>Local Land Charges (2020/21 Audit)</b>				
The next Service Area Plan for Development Services should include reference to the remaining aspects of the land charges function.	Agreed.	To fit in with the preparation of the next Service plan.	Not applicable.	Being actioned in accordance with the Service Plan preparation schedule.
<b>Shared Legal Services (2020/21 Audit)</b>				
The user guide should be updated to provide accurate, up-to-date information and should be rolled out to relevant staff.	The guide has been updated on a number of occasions and posted on the intranet for staff viewing. Further relevant changes will be made.	Sep-20	Not applicable.	The Shared Legal Service user guide was updated accordingly and is available via the intranet.
The procedure for updating the authorised commissioning officers list should be reviewed and the list updated.	The list has been updated on a number of occasions and will be reviewed again to make sure it is up to date.	Sep-20	Not applicable.	The Shared Legal Service user guide was updated accordingly and is available via the intranet.
The monthly coding spreadsheets, supplied by Legal Services, should be made available to all relevant (commissioning) staff.	Agreed. I will speak with the relevant finance officer so we can disseminate the relevant information.	Sep-20	Not applicable.	The Assistant Accountant now circulates these on a monthly basis.

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE	TARGET DATE	TARGET DATE REVISED?	CURRENT STATE OF IMPLEMENTATION PER MANAGER
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<b>Corporate Governance (2020/21 Audit)</b>				
A template for addendums and appendices should be introduced to ensure that all relevant documents that are made exempt have received appropriate consideration.	A template is being tested. If this is considered appropriate following the test, the template will be rolled out for all relevant documents.	Oct-20	Not applicable.	The template is now available for use via the intranet.
<b>Housing Rent Collection (2020/21 Audit)</b>				
As agreed in the 2017-18 audit the write-off information should be included in the quarterly reports.	To be included in quarterly reports going forward, CR to liaise with BD & C Manager (PS) to have report written and included.	Dec-20	Not applicable.	The SAP for 2021-22 is waiting to be approved.
Management should review the KPI's in the Service Area Plan and consider including a relevant KPI for write-offs.	Agree this to be included in the performance monitoring, to be decided at DMT whether this is a core or an operational PI.	Dec-20	Not applicable.	I have recommended that we include a KPI for write offs and requested a report to be written and that this information is to be included in the quarterly management reports.
<b>Building Cleaning Services (2020/21 Audit)</b>				

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE	TARGET DATE	TARGET DATE REVISED?	CURRENT STATE OF IMPLEMENTATION PER MANAGER
The agenda for the monthly contract liaison meetings should include a standing item to review previous minutes for accuracy and to follow up on progress against agreed actions.	Agreed. The agenda for all future meetings will include the review of previous minutes and the status of agreed actions.	Jan-21	Not applicable.	Liaison meetings with Churchill now include reviewing previous actions on the agenda / minutes.
Variation orders in relation to additional works should be checked to prices included in the contract for day rates where applicable to ascertain whether the payments are in line with agreed rates.	Agreed. All future variation orders will be checked where additional staffing is included to ensure that the correct rates are being used.	Jan-21	Not applicable.	If a variation order is raised, additional staffing costs are checked against the (final, up-to-date) Bill of Quantities.
The Neighbourhood Services risk register should be updated to include reference to the building cleaning services contract.	Agreed. The issue will be raised at the next management team meeting when the risk register is reviewed to ensure that the contract is included.	Mar-21	Not applicable.	The Building Cleaning contract previously sat with Housing. From April 2021 it transferred to Neighbourhood Services and our risk register has been updated to reflect this.
<b>National Non-Domestic Rates (2020/21 Audit)</b>				
Staff should be reminded of the need to advise the VOA of all relevant change to non-domestic properties.	This has been raised in the team meeting and also the individuals' one-to-ones.	Completed	Not applicable.	Evidence provided by way of team meeting minutes and 1-1 extract to show that the recommendation had already been actioned.

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE	TARGET DATE	TARGET DATE REVISED?	CURRENT STATE OF IMPLEMENTATION PER MANAGER
The relief paid to the Community Interest Company should be reviewed, with a further check being undertaken to ascertain whether there are any other such accounts in place.	We will investigate the CIC identified that is receiving Mandatory Charity Relief and check to ensure they are eligible. This has never been picked up before so we were unaware of this issue.	Mar-21	Not applicable.	There appears to be no definitive answer as to whether a CIC can be in receipt of the 80% mandatory relief for charities, with Councils around the country providing different responses to this. Investigations will continue, and we may look to switch this to a discretionary relief in order to 100% satisfy the eligibility.
<b>MIS Housing and Corporate Property (ActiveH) (2020/21 Audit)</b>				
The accounts assigned to the internal auditors should be reviewed such that they are assigned read-only access at the most.	Agreed. The level of access permission to be adjusted to read only access. If the system does not facilitate the creation of Read Only accounts, accounts used for auditing purposes could be disabled or removed until they are required.	Feb-21	Not applicable.	As of 18/02/2021 the accounts assigned to the internal auditors in ActiveH have been re-assigned to read-only. Data can still be accessed but there are now restrictions on processing or interacting with the fields.

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE	TARGET DATE	TARGET DATE REVISED?	CURRENT STATE OF IMPLEMENTATION PER MANAGER
<p>Council management to work with relevant Information Governance colleagues to complete a DPIA on the MIS ActiveH Application in a timely manner.</p>	<p>Agreed. A Data Protection Information Assessment DPIA for the ActiveH application will be developed and signed off by the Council's Information Governance Manager.</p>	<p>Apr-21</p>	<p>Not applicable.</p>	<p>A Data Protection Impact Assessment (DPIA) has been produced and approved in principle by the Information Governance Manager on 28/04/2021. The final approval step for the document is that Lisa Barker, David Elkington, and Andrew Jones as SIRO sign off the document. The DPIA has been sent to David Elkington to start the cycle of final sign off. Subsequently advised that the DPIA has now been duly signed off.</p>
<p>All the UDE screens/ forms should be reviewed in order to apply appropriate validation to the relevant fields.</p>	<p>Agreed. To review existing UDE screens and forms, apply the appropriate validations and conditions to those still in use. This would have to be a joint undertaking between ICT, to support the changes, and the service area to identify which business items are crucial and must be updated.</p>	<p>Apr-21</p>	<p>Not applicable.</p>	<p>A detailed review of the UDEs has been performed. Due to issues encountered, alternative options are being considered in terms of how to report instances of erroneous data. These are to be developed, tested, and subsequently implemented as appropriate.</p>
<p><b>Health &amp; Wellbeing (COVID) (2020/21 Audit)</b></p>				

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE	TARGET DATE	TARGET DATE REVISED?	CURRENT STATE OF IMPLEMENTATION PER MANAGER
<p>The current advice and information should still be easily accessible to staff so it can be reviewed if their circumstances change or when there are new starters.</p>	<p>The up-to-date guidance has been reinstated on to the big button information. Guidance will be consolidated to ensure the up-to-date information is easy to find.</p>	<p>Completed</p>	<p>Not applicable.</p>	<p>Up to date guidance has been reinstated onto the big button information. Guidance will be consolidated to ensure the up-to-date information is easy to find.</p>
<p>Reminders or links to the support available should be an ongoing priority in the current pandemic.</p>	<p>Appropriate links and signposting are in place and managers will continue to be provided with information to share with their teams.</p>	<p>Completed</p>	<p>Not applicable.</p>	<p>A new Health &amp; Wellbeing page was developed to consolidate the information and is regularly reviewed and updated by the Health and Wellbeing club.</p>
<p>Messages should be continuously reviewed and adapted, including those delivered by managers. Managers should make regular contact with their staff enabling them to provide guidance and signpost them to support.</p>	<p>Managers have now all received the virtual working training. Appropriate links and guidance will continue to be shared with staff and managers.</p>	<p>Completed</p>	<p>Not applicable.</p>	<p>Managers have now all received the virtual working training. Appropriate links and guidance will continue to be shared with their teams. All updates regarding Health and wellbeing are discussed at the HWB Club meetings and discussed with Staff Voice as it's now a regular item on the Staff voice agenda. This allows objective sense checking of the style and tone of the comms.</p>

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE	TARGET DATE	TARGET DATE REVISED?	CURRENT STATE OF IMPLEMENTATION PER MANAGER
The Health and Wellbeing page should be kept up-to-date and include current links, promoting the services and resources the Council has available to staff.	The Health and Wellbeing page has now been updated	Completed	Not applicable.	The Health and Wellbeing pages have now been updated and are regularly reviewed by the HWB Club members.
The information relating to the support available to staff should have the relevant intranet tags so it appears in the search function.	This is something we are aware of and it is being addressed.	Ongoing		
As most staff cannot access virtual meetings through VMware, there should be alternative joining instructions issued to allow staff to access the sessions from the device used for virtual meetings.	We have been made aware of this and adapted the message to ensure links are accessible.	Completed	Not applicable.	A message was adapted to improve accessibility to meeting links, rather than embedding them into the intranet message. We now use the intranet, we send out individual calendar invites, and we email the links via the weekly email (The five things you need to know on Friday)
The health and safety page should be reviewed to ensure it is relevant and has current information and guidance available, including advice on how to set up their workstation.	We will review this to ensure this is regularly updated.	Ongoing	Not applicable.	All actions and recommendations completed and checked with the auditor to ensure satisfactory.

**Development Management (2020/21 Audit)**

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE	TARGET DATE	TARGET DATE REVISED?	CURRENT STATE OF IMPLEMENTATION PER MANAGER
Planning staff should be reminded to save all necessary documentation in Idox.	Agreed.	Feb-21	Not applicable.	Completed.
The percentage of applications with performance agreements should be included in the quarterly SAP figures.	Agreed subject to discussion with the Head of Service and Development Portfolio Holder.	Mar-21	Not applicable.	Discussions with the Head of Service and the Portfolio Holder are ongoing.
The Development Services risk register should be reviewed and updated on an ongoing basis.	Agreed.	Completed	<b>No update received (Development Services Manager).</b>	
Enforcement activity should be regularly publicised in local media and on social media.	Agreed. Consideration is already given to this on a regular basis.	Completed	<b>No update received (Development Services Manager).</b>	
The issues with Ripplestone should be identified and resolved.	Agreed.	Apr-21	Not applicable.	This task has been completed and we can produce lists of numbers of case closures and how they were resolved.
<b>Tenancy Management (2020/21 Audit)</b>				
A written procedure to guide staff on the recording of complaints should be established. Also, a lack of robust management information means that any necessary remedial action cannot be undertaken.	A procedure for managing complaint so Anti-Social Behaviour has been written. It is awaiting sign off by Landlord Services Manager. Training on the new procedure is arranged for 9 March 2021.	Mar-21	Not applicable.	The Anti-Social Behaviour procedure was launched in March 2021 and is been implemented across the service.

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE	TARGET DATE	TARGET DATE REVISED?	CURRENT STATE OF IMPLEMENTATION PER MANAGER
<p>A review should be completed of the phone duty rota and procedure to ensure busier shifts are covered and so calls abandoned are kept to a minimum.</p> <p>Call waiting messages could be played reminding customers of the other ways to make contact, encouraging a channel shift towards using the website or email.</p>	<p>A review of the phone rotas in line with housing officers' duties of been on patch will be undertaken in April.</p> <p>Opportunities to move more services online will be explored and comparisons of telephone performance will be undertaken.</p>	Apr-21	Not applicable.	<p>The staff rota'd for phone duty has been doubled on busier days of the week for phone enquires, with a new phone rota launched from April 2021.</p>
<p>There should be a procedure in place for Housing officers to follow to ensure the same process is followed when logging visits and saving relevant documentation.</p>	<p>The Landlord Operations Manager is working on a set of procedures for Officer's to follow, relating to all functions of the Landlord Operations Team.</p> <p>This will include Tenancy Visits and saving of relevant documentation.</p>	Jun-21	Not applicable.	<p>A new procedure was implemented May 2021 which details Tenancy Update Visits, including giving tenants relevant notice.</p>
<p>The application for the mutual exchange together with other relevant documents should be saved to the tenants or house file. A formal procedure for officers to follow when processing applications for mutual exchanges, should be produced.</p>	<p>The Landlord Services Management Team are working on a set of procedures for Officer's to follow, relating to all functions of the Landlord Operations Team.</p> <p>This will include a guide on handling applications for Mutual Exchanges on HPM.</p>	Jul-21	Not applicable.	<p>A new procedure on how to manage Mutual Exchange applications has just been finalised and will be implemented across the service in July 2021. This details what documents are needed and where they need to be saved.</p>

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE	TARGET DATE	TARGET DATE REVISED?	CURRENT STATE OF IMPLEMENTATION PER MANAGER
The duties for garage tenancy management should be agreed and documented in a formal procedure to ensure the Council's assets are maintained and rent is collected as due.	The Landlord Services Management Team are working on a set of procedures for Officer's to follow, relating to all functions of the Landlord Operations Team. This will include a guide on managing garages.	Jun-21	Not applicable.	There is now a procedure for managing garage sites.
To help ensure garages are used as intended and looked after by tenants, site checks on the external environment of the garages should be completed and logged onto the relevant file. A formal procedure detailing how officers should manage garages will need to be produced.	The Landlord Operations Manager is working on a set of procedures for Officer's to follow, relating to all functions of the Landlord Operations Team. This will include a guide on managing garages to include site checks.	Jun-21	Not applicable.	There is now a procedure for managing garage sites, which was implemented 5 July 2021.
<b>Communications (2020/21 Audit)</b>				
Training resources should be reviewed, updated, and made available to staff.	We will review our intranet pages and all the relevant documents to ensure they are easily accessible for staff.	Apr-21	Not applicable.	Our intranet pages have been reviewed to ensure training resources are easily accessible for staff.
Social media training should be amended to directly reference the Social Media Policy.	This will now be included in the social media training documents.	Apr-21	Not applicable.	The social media training has now been changed so that it references the social media policy.

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE	TARGET DATE	TARGET DATE REVISED?	CURRENT STATE OF IMPLEMENTATION PER MANAGER
Management should receive performance monitoring data for all Council social media accounts, including Instagram.	Instagram will now be added to our social media monitoring and included in our monthly media stats.	May-21	Not applicable.	Instagram is now included in our social media monitoring as you can see on page 3 of our media stats. These are recorded monthly and circulated to staff and councillors.
Social media performance targets should be reviewed and revised regularly to remain relevant.	A review of our social media accounts will be included in Kris Walton's objectives in his appraisal to review quarterly.	Ongoing from June 2021	Not applicable.	A review of our social media accounts has been included in the objectives of the Digital Content and Social media officer, so they are reviewed quarterly.
Social media performance targets should be reviewed and revised to ensure that they accurately describe the performance statistics.	A review of our social media accounts will be included in Kris Walton's objectives in his appraisal to review quarterly.	Ongoing from June 2021	Not applicable.	Social media targets are reviewed quarterly as part of the Digital Content and Social media role. They have recently been updated on the portal as shown below (file saved to relevant audit network folder).
<b>Nuisance and Other Protection Duties – Public Health Funerals (20/21 Audit)</b>				
There should be a written procedure in place setting out the processes for arranging a public health funeral.	A documented procedure will be agreed with the technical officer.	Apr-21	Not applicable.	A procedure document has now been drawn up.
<b>Income Receipting and Document Management (2020/21 Audit)</b>				

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE	TARGET DATE	TARGET DATE REVISED?	CURRENT STATE OF IMPLEMENTATION PER MANAGER
Access to post folders should be limited to the relevant team.	Agreed. The permissions on these folders were set in liaison with ICT based on available staff structures at the time on the intranet which were inconsistent. This will be reviewed with assistance from HR and within the capacity of the ICT team. The initial review will be completed by the end of April 2021.	Apr-21	Not applicable.	This is now a matter for IT & HR as is happening.
Staff should be reminded to regularly check folders for inbound post and to remove documents after use.	Agreed. A reminder will be sent to Managers Forum each quarter starting with one in late April 2021.	Apr-21	Not applicable.	These are happening.
<b>Information Governance (20/21 Audit)</b>				
A guidance document, pulling together all issues identified, should be drawn up and distributed to all staff.	Agreed. A guidance document will be drawn up and issued accordingly.	Jun-21	Not applicable.	A booklet guide for Officers relating to Data Protection with working from home is currently in draft and this will be sent to WDC's Media Team for presentational improvements prior to distribution.
<b>Cyber Security (2020/21 Audit)</b>				

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE	TARGET DATE	TARGET DATE REVISED?	CURRENT STATE OF IMPLEMENTATION PER MANAGER
<p>Regular reviews of the ICT Services – Change Management Policy should be conducted with the first one being as soon as possible.</p>	<p>A number of ICT’s key operational policies have not been reviewed according to the normal schedules, principally due to the impact of COVID-19 on capacity to carry out the work and the absence of key staff within the service. The Change Management Policy will be reviewed to ensure that it includes key principles from the ITIL change management framework.</p>	<p>Jun-21</p>	<p>Not applicable.</p>	<p>As part of the forthcoming merger process with Stratford District Council, and the undertaking of a similar cyber security at SDC now completed, the overall policies of both ICT departments will be reviewed and combined over the next six months. The current anticipated running order includes:</p> <ul style="list-style-type: none"> <li>• Review of Change Management</li> <li>• Review of Patch Management</li> <li>• Review of Security Management</li> <li>• Review of Cyber Incident Response</li> <li>• Review of Service Desk Policy</li> <li>• Review of Asset Control</li> <li>• Review of Backup policies</li> <li>• Review of PCI Compliance</li> </ul>
<p>Regular reviews of the “Major Virus Outbreak procedure” and “Removable Media Policy” should be conducted and communicated accordingly with the first ones being as soon as possible.</p>	<p>A number of ICT’s key operational policies have not been reviewed according to the normal schedules, principally due to the impact of COVID-19 on capacity to carry out the work and the absence of key staff within the service. The overall incident management policy and procedure, which includes the major virus outbreak procedure will be reviewed to ensure that it includes the latest guidance from NCSC. Removable media will also be reviewed as significant changes to its usefulness have taken place.</p>	<p>Jun-21</p>		<p>This is not a definitive list of policies and procedures. Others will be added to the list as required and as appropriate.</p>

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE	TARGET DATE	TARGET DATE REVISED?	CURRENT STATE OF IMPLEMENTATION PER MANAGER
<b>Insurances (2021/22 Audit)</b>				
The Senior Management Team should be reminded to contact the Insurance and Risk Officer when purchasing high value items or property to ensure they are included in the insurance policy.	A reminder will be issued at SMT.	Jun-21	Not applicable.	Recommendation addressed - Reminder issued to SMT on 16 June 2021. Auditor copied in to email.

<b>Corporate Governance (2021/22 Audit)</b>				
A review should be undertaken of the homeworking environment for staff and of the set-up of work equipment in home locations.	Ongoing: Internal H & S officer has DSE discussions with relevant staff and arrangements made for alternative equipment where necessary (including covid-secure visits to Riverside House to source/collect items such as chairs). An on-line DSE assessment form has been developed in June and AssessNET is able to email DSE assessments directly to staff working from home.	Jun-21	Not applicable.	All actions and recommendations completed and checked with the auditor to ensure satisfactory.



**FROM:** Audit & Risk Manager  
**TO:** Deputy Chief Executive  
**C.C.** Chief Executive  
Head of Finance  
Head of People and Communications  
Head of Health and Community Protection  
Food and Safety Team Leader  
Marketing and Communications Manager  
Portfolio Holders (Cllr Day / Hales / Noone)

**SUBJECT:** Corporate Governance  
**DATE:** 21 June 2021

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## 1 Introduction

- 1.1 In accordance with the Audit Plan for 2021/22, an examination of the above subject area has recently been completed by Jemma Butler, Internal Auditor, and this report presents the findings and conclusions for information and, where appropriate, action.
- 1.2 Wherever possible, findings have been discussed with the staff involved in the procedures examined and their views are incorporated, where appropriate, into the report. My thanks are extended to all concerned for the help and cooperation received during the audit.

## 2 Background

- 2.1 Each year the Audit Plan includes an allocation of time to examine selected key elements of the Council's framework for providing public assurance on corporate governance. The area(s) to be covered are normally agreed with senior management when the audit is scheduled to be undertaken.
- 2.2 Previous topics have included:
- 'Exempt' reports and delegated decisions;
  - significant governance issues in the Annual Governance Statement;
  - the effectiveness of the Citizens' Panel;
  - the Member Development Programme;
  - implementation of Executive decisions;
  - organisational culture;
  - Service Assurance Statements;
  - gifts and hospitality;
  - risk management framework.

2.3 On this occasion the topic focused on the Council's response to Covid with a specific focus on communication of the Council's objectives and outcomes.

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

3.1 The audit was undertaken to test the management controls in place.

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

- The tone, content and relevance of communications to residents, community organisations and external bodies may be inappropriate.
- Councillors could be promoting or sharing incorrect messages.
- The information provided on the Council's website, particularly regarding community organisations may not be correct or appropriate.
- The Council's use of social media platforms may be ineffective.
- The internal communication to and from individual members of staff may be ineffective, inappropriate or misunderstood impacting their health and wellbeing.
- The revised technology may be inappropriate for staff needs.
- The operation of teams may be ineffective.

3.3 These were drawn from risks identified in the Covid-19 'Step back' review and discussion between the Internal Auditor and the Deputy Chief Executive ('the auditee').

3.4 These risks, if realised, would be detrimental to the Council with regards to meeting the following corporate objectives, as set out in the Fit for the Future Strategy:

- Without appropriate governance in place, Council services may not be able to operate effectively, good corporate governance helps the Council to achieve all of the Fit for the Future (FFF) Strategy strands - People, Services and Money.

## 4 **Findings**

### 4.1 **Recommendations from Previous Reports**

4.1.1 As each audit of corporate governance examines different aspects, the recommendations from the previous report were not specifically reviewed as part of this audit.

### 4.2 **Reputational Risks**

4.2.1 **The tone, content and relevance of communications to residents, community organisations and external bodies may be inappropriate.**

The Council's Business Strategy clearly sets out the values that guide how employees work with each other, partners and with the communities:

Honesty and openness  
Fairness and equity  
Community focused  
Value for money  
Environmentally sensitive

These values relate directly to communication both through face-to-face discussions and social media postings. Additional guidance is provided within the strategy which further breaks down the meaning and expands on the core values. For example: Honesty and openness - "We will be truthful and transparent about how we run the Council".

The Business Strategy runs from 2020 until 2023 and was approved at Executive in February 2020. The strategy has remained the same throughout the ongoing pandemic.

Another document which helps to set the tone, content and relevance of communications of the Council is the Marketing and Communications Strategy – 2019–2023, approved January 2018 by SMT. The focus of the Marketing and Communications Strategy is "how the Council engage staff, managers, Councillors, partners and anyone connected to the Council in whatever capacity". The reason behind this is that engaged staff will be proud of where they work, communicate positively and consistently and they will adopt the values of the Council.

A sample of recent communications was reviewed; this included the WDC newsletter (issued weekly to residents), items on the "big buttons" on the intranet and the weekly update to staff from the Leader and Chief Executive of the Council. The communications fit the overall values of the Council delivering clear messages and varied information about local issues or events.

#### 4.2.2 **Councillors could be promoting or sharing incorrect messages.**

Councillors receive communication training when they are first elected in to post. This is usually delivered as part of the social media training.

Councillors are provided with reports for various committees which are written in line with the strategy in place. The information provided informs the councillor of the nature of the communication and the confidential status of it. This allows Councillors to share the correct information and messages, as appropriate, with the public.

#### 4.2.3 **The information provided on the Council's website, particularly regarding community organisations may not be correct or appropriate.**

The Council's website does not have a compiled list of the various community organisations within the district. However, they can be found individually within the relevant pages. Although the Council only provides links to the organisations, rather than information, this ensures that the updating of the information is the responsibility of the organisation and not of the Council.

#### 4.2.4 **The Council's use of social media platforms may be ineffective.**

The Council has a social media policy in place, dated 2018. There is no review-date published but it is available as the current policy in place on the intranet. The purpose of the social media policy is to guide interaction with the community and residents in a non-corporate environment. The policy states the terms for services wanting to set up social media accounts which

includes sharing password details with the media and gaining permission before setting up an account.

### **Advisory**

#### **The social media policy may need to be reviewed to ensure that the information and guidance provided is still accurate.**

The Council's website provides a list of the social media accounts managed by the Council. There are currently eight Twitter and Facebook accounts, two Instagram and YouTube accounts and one LinkedIn account. The accounts were reviewed and posts were found to be in line with both the policy and strategies in place. The accounts are all actively used apart from one account where no updates have been posted since 2017. The main WDC account posts current information about the district as well as gov.uk and NHS Covid-19 reminders.

### **4.3 Health and Safety Risks**

#### **4.3.1 The internal communication to and from individual members of staff may be ineffective, inappropriate or misunderstood impacting their health and wellbeing.**

Internal communication to staff is mainly carried out using the "big buttons" on the intranet. This allows new information, updates and news to be shared quickly without the need to search for it. Current "big buttons" provide information on Covid testing, the restrictions in place and the Council's plastics policy. Previous buttons have included staff survey results and general health and wellbeing information such as reminders to take regular breaks, how to keep warm in winter and a manager's guide to mental health.

Staff also have access to the Rumour Mill notice board where they can post anonymous questions or comments. The current focus of questions on the board is on the return to Riverside House. WDC are still following guidance from the Government which is still to work from home.

The Health and Safety at Work Act states that employers have a duty of care for staff when working from home, not just in the office. The employer is responsible for the protection of the occupational health and safety of staff who work from home as well as office-based workers. This duty cannot be delegated to the worker. Current advice to staff with concerns about their health, safety and wellbeing is that they should discuss them with their line manager.

It should be noted that, although at present there have been no insurance claims made by staff regarding health, safety and wellbeing issues, the Council would be liable to pay the initial £10,000 of the claim should such a claim arise. There would also be an impact on future insurance premiums.

A guide on how to set up equipment at home could not be found. A DSE assessment had been circulated in March 2020 and again in August 2020. This helped to identify staff who needed to return to the office at that time.

The exercise has not been completed since so there may be staff that are working in unsuitable conditions.

### **Recommendations**

**A review should be undertaken of the homeworking environment for staff and of the set-up of work equipment in home locations.**

**DSE information and advice be made readily available to staff working from home or remotely.**

#### **4.4 Other Risks**

##### **4.4.1 The revised technology may be inappropriate for staff needs.**

A list was circulated early in the first lockdown to review the equipment staff were using and to identify any additional needs, such as laptops, chairs, desk etc. (This was covered in detail as part of the audit of Health and Wellbeing of staff under COVID working arrangements.)

Where it was identified that staff needed an office chair or monitors plans were made enabling them to collect them from the office. The list also provided the opportunity to identify which staff needed computer equipment to successfully carry out their role. This led to a rollout of laptops, enabling staff to work remotely and to attend virtual meetings.

ICT have produced a number of user guides, available on the intranet, to help staff use the systems and to help them to work remotely. The ICT homeworking essentials guides include information on Jabber, MSTeams and Outlook.

##### **4.4.2 The operation of teams may be ineffective.**

Managers are encouraged to communicate with staff frequently to ensure the operational side of the business is working towards meeting Council objectives.

A review of the minutes and agendas of the Senior Management Team (SMT) meetings was undertaken. Messages and reminders are shared with SMT to cascade down to lines managers and employees. Recent messages have included a reminder to ensure there is a consistent work from home message shared with staff and another which was to encourage staff to attend Health and Wellbeing sessions that are being run.

Line managers have been encouraged to hold frequent team meetings throughout the pandemic and to continue holding regular one to ones with staff to enable them to be aware of any operational issues and to ensure staff are able to carry out their role from home. The regular team meetings help to keep communication lines open within the team ensuring operational goals or issues have an opportunity to be discussed.

There does not appear to be current service area plans so it was not possible to review the effect of Covid-working against service area objectives.

## 5 **Conclusions**

5.1 Following our review, in overall terms we are able to give a SUBSTANTIAL degree of assurance that the systems and controls in place in respect of Corporate Governance are appropriate and are working effectively to help mitigate and control the identified risks.

5.2 The assurance bands are shown below:

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

5.3 Issues were identified, however, that may affect the Council's adherence to Health and Safety Regulations.

5.4 In addition, an advisory has been noted.

## 6 **Management Action**

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

Richard Barr  
Audit & Risk Manager

## Action Plan

## Internal Audit of Corporate Governance – June 2021

Report Ref.	Risk Area	Recommendation	Rating*	Responsible Officer(s)	Management Response	Target Date
4.3.1	Health and Safety risks	A review should be undertaken of the homeworking environment for staff and of the set-up of work equipment in home locations.	Low	Internal Health & Safety Officer	Ongoing: Internal H & S Officer has DSE discussions with relevant staff and arrangements made for alternative equipment where necessary (including covid-secure visits to Riverside House to source/collect items such as chairs).  An on-line DSE assessment form has been developed in June and AssessNET is able to email DSE assessments directly to staff working from home.	End of June
		DSE information and advice be made readily available to staff working from home or remotely.	Low	Internal Health & Safety Officer	Health and safety page to be reviewed and updated with current advice.	End of July

\* The ratings refers to how the recommendation affects the overall risk and are defined as follows:

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

**FROM:** Principal Internal Auditor  
**TO:** Head of Finance  
**C.C.** Chief Executive  
Deputy Chief Executive (AJ)  
Audit and Risk Manager  
Insurance and Risk Officer  
Portfolio Holder (Cllr Noone)

**SUBJECT:** Insurances  
**DATE:** 7 June 2021

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## 1 Introduction

- 1.1 In accordance with the Audit Plan for 2021/22, an examination of the above subject area has recently been completed by Jemma Butler, Internal Auditor, and this report presents the findings and conclusions for information and, where appropriate, action.
- 1.2 Wherever possible, findings have been discussed with the staff involved in the procedures examined and their views are incorporated, where appropriate, into the report. My thanks are extended to all concerned for the help and cooperation received during the audit.
- 1.3 The audit was undertaken during the COVID-19 pandemic. This has meant a slightly different approach has been taken to complete the audit with staff interviewed via MSTeams, email and phone.

## 2 Background

- 2.1 Insurance premiums are unlike any other item of Council expenditure, in that they are governed by the state of the insurance market which, in turn, is governed by the effects of claims, national events and natural phenomena.
- 2.2 As a member of the Audit and Risk team, the Council's Insurance and Risk Officer (IRO) is the designated officer who provides oversight and operational management across the Council to manage the insurance risks associated with services and assets of the Council.
- 2.3 The total value of the insurance premiums payable for policies held for the period 1 November 2020 – 31 October 2021 is £421,715.13 which includes specialist cover such as: terrorism, leaseholder/shared ownership, engineering and fine art.

## 3 Objectives of the Audit and Coverage of Risks

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

- 3.2 In terms of scope, the audit covered the following risks:
- The insurance held may not be appropriate – e.g. maximum limit, unnecessary cover for redundant risks.
  - Poor procurement of insurance could result in inadequate cover or the Council paying more than necessary.
  - Failure to have fidelity guarantee in place.
  - Service areas failure or delay in informing the insurance office of new assets requiring insurance.
  - Poor claims processing and timeliness of reporting claims resulting in reputational damage.
  - False claims submitted.
  - Health and safety requirements not complied with resulting in claims against the Council.
  - Reliance on one insurance officer.
  - Poor information, incident reporting and monitoring resulting in the Council being liable for claims it could otherwise challenge.

3.3 These were drawn from a combination of risks identified in the Significant Business Risk Register, the departmental risk register, and discussion between the Internal Auditor and the Insurance and Risk Officer (IRO).

3.4 These risks, if realised, would be detrimental to the Council with regards to meeting the following corporate objectives, as set out in the Fit for the Future Strategy:

- Without appropriate cover in place, other Council services may not be able to operate, so the service indirectly helps the Council to achieve all of the Fit for the Future (FFF) Strategy strands - People, Services and Money.

## 4 Findings

### 4.1 Recommendations from Previous Reports

4.1.1 The current position in respect of the recommendations from the audit reported in October 2018 was also reviewed. The current position is as follows:

Recommendation	Management Response	Current Status
1 The Insurance & Risk Officer should obtain details of significant future high value investment programmes in relation to housing stock and future treasury investment plans to assess Fidelity Guarantee maximum limits, updating	All indemnity levels are kept under review. In assessing the limit, account has to be taken of the controls in place and the amount of money which it is felt could be taken before the loss is discovered. Increasing the limit will increase the premium payable and could make insurers feel that we are	The insurance contract has been renewed since the last audit, with the sum insured being reviewed as part of the renewal. The recent audit raised no concerns over the sums insured so this recommendation is considered completed.

Recommendation	Management Response	Current Status
insurance cover if appropriate.	<p>not confident about our controls. Insurers have been asked to provide an indicative quote to double the sum insured – it has been made clear this is to assist us in considering the audit recommendation.</p> <p>Consideration could also be given to having a higher level of cover for specified staff having regard to the levels of expenditure that they can authorise. It would take time to assess who this would apply to and appropriate levels to apply.</p> <p>During the audit the auditor quoted many authorities as having a limit of £10m but most of these were unitary, metropolitan or county councils.</p> <p>The IRO will contact Insurance Officers at District and Borough authorities in the Midlands asking for details of their limit of indemnity so we can compare.</p> <p>Advice will also be taken from our broker.</p>	
2 The Insurance & Risk Officer should update the insurance procedures manual for hirer's liability, insurance excess and provisions.	<p>Hirers' liability notes have been produced.</p> <p>Notes on calculation on insurance provisions and reserve will be produced when estimate figures for 2015/16 are done.</p>	The procedure manual is up to date and no concerns have been noted in the current audit, so this recommendation is considered completed.

## 4.2 Financial Risks

### 4.2.1 The insurance held may not be appropriate – e.g. maximum limit, unnecessary cover for redundant risks.

Valuations of Council assets are not routinely carried out, apart from the art collection which was last valued in 2020. There have been some ad-hoc

valuations of buildings carried out although the sums insured for buildings are inflated each year by a percentage set by the insurers. The sums insured for new property purchased are in line with the sums insured for similar sized existing housing property. If a building is accidentally underinsured, the claim would still be paid in full, subject to the Council paying the additional premium.

Where there are changes to the insurance requirements, for example when the Council purchases new property or changes a vehicle, the service areas are advised to inform the IRO.

The IRO requests inventory lists from service areas on a regular basis which allows the items covered to be checked and ensures that changes are picked up. Items with a value of £50 or higher are expected to be added to the list although computer equipment does not get included on service lists as the ICT department maintains a separate inventory.

Unfortunately, obtaining up-to-date lists is a challenge and the current lists may not, therefore, be accurate. To allow for some inaccuracies or discrepancies, there is a floating sum of ten percent to cover contents which, when checked, more than covers the inventories obtained.

It is understood that the office equipment inventory is likely to be out of date due to homeworking. Office equipment is covered within the UK, so staff have not needed to change their own insurance for the office equipment they use at home. Some office equipment may have been disposed of to accommodate the changes needed to make the office Covid secure. As this is a frequently changing situation, the floating sum would still cover any losses.

#### 4.2.2 **Poor procurement of insurance could result in inadequate cover or the Council paying more than necessary.**

There are three insurance-related contracts on file at the moment. One for the broker, one for the claims system and one for the insurance cover. The insurance cover, which is the main focus of this audit, is held with a number of providers and has been in place since 1 November 2019. The insurance contract, which is valued at approximately £2.13 million and was procured through OJEU, is a three-year agreement with an option to extend for an additional two years.

The insurance covers various items including (but not limited to): housing property, general properties, public liability, cash, and work equipment. The schedule is a thorough document which breaks down the cover provided, detailing claim limits, key dates, endorsements and the required excess. A number of individual items are covered for all risks as it is the only way they could be covered, especially if they are not in any of the Council's insured buildings.

### 4.3 **Legal and Regulatory Risks**

#### 4.3.1 **Failure to have fidelity guarantee in place.**

It is a statutory requirement for local authorities to take security against the infidelity of officers whose duties involve the custody and control of money. Section 114 of the Local Government Act 1972 reaffirms this. The Council currently has fidelity guarantee in place covering all employees, third party computer fraud and a sum towards the auditor's fees.

The policy provides cover in respect of loss of money, securities, goods or other property (either belonging to or in the trust or custody of the Council, for which they are legally responsible) as a direct result of fraud or dishonesty.

#### 4.3.2 **Service areas failure or delay in informing the insurance office of new assets requiring insurance.**

Staff are reminded when procuring items of value to notify the IRO ensuring there is appropriate cover in place. The Insurance page on the intranet provides information to staff in easy to understand language, as well as providing access to the policies in place. The information also covers some of the more frequently asked questions and reminders to staff to ensure they notify the IRO when purchasing or hiring items, such as work vehicles, so they can be added to the relevant policy.

There are reminders issued by the Procurement team when staff use the service for procuring items, with a further reminder on their intranet page to notify the IRO of purchases to ensure they are insured.

A review of the risk registers was completed to ensure insurance has been considered when reviewing the risks a service area may face. Although insurance is mentioned on some of the registers, only one register identifies not having appropriate insurance as a risk. Vehicle insurance is mentioned in a number of registers but only in the terms of staff driving their own vehicles for work purposes. One register identifies theft of Council vehicles as a risk but does not have a control to ensure there is insurance in place. Five service areas have access to a Council vehicle and a total of fifteen Council-owned vehicles are currently insured.

There have only been a few purchases made over the last year where insurance has been required. Unfortunately, officers do not always inform the IRO when they have purchased or hired items of value.

The IRO highlighted that a recent vehicle purchase was discovered when they happened to notice it in the Council's car park, by which point the vehicle could have been used and driven. The IRO had not been informed of its purchase and had not, therefore, added it to the policy. Sometimes the IRO has been notified after the purchase. One such example was given whereby housing stock had been recently taken on by the Council and the IRO was informed the day after.

#### **Recommendation**

**The Senior Management Team should be reminded to contact the Insurance and Risk Officer when purchasing high value items or property to ensure they are included in the insurance policy.**

The insurers also need to be notified of changes in ways of working, new services to be provided or major projects or where additional cover needs arranging. The IRO tries to be proactive by reviewing committee papers and contacting the Service Area Managers to try to ensure that any information which implies the insurance may need to be adjusted or added to is identified.

#### 4.4 **Reputational Risks**

##### 4.4.1. **Poor claims processing and timeliness of reporting claims resulting in reputational damage.**

There are clear processes to follow when managing claims. The processes include relevant information such as who to contact and how to log the claim on to the claims system. The Audit and Risk team have access to the insurance folder which has all of the relevant procedure and user guides available. The guides, written by the IRO, are clear and detailed including images to ensure the instructions are unlikely to be misunderstood.

Claims are reported to the IRO in various ways. For members of the public there is an online form for them to complete, whilst Council staff can email the IRO directly.

The IRO logs the claim on the JCAD LACHS (claims handling) system as soon as the information of an incident has been received where a claim is likely. Where there has been an incident but it is unlikely a claim will be made, the IRO inputs the information onto an incident policy within the claims system to ensure that, if a claim is made at a later date, the process of gathering the information has already begun, allowing it to be quickly converted into a claim.

In the last twelve months there have been 55 claims made and there are currently 59 incidents recorded where there is a possibility that a claim will be made. A sample of 20 claims was reviewed in detail. The claims in the sample all had regular notes recorded on the system showing when information had been requested or the insurance company had been contacted for an update. The information and notes for each claim showed that the IRO was managing the claims in a timely manner.

#### 4.5 **Fraud Risks**

##### 4.5.1 **False claims submitted.**

Evidence to support each claim, in the form of documents, photographs and email correspondence, was found on the system for all of the claims covered by the above sample. The evidence gathered was reliable enough to ensure the claims were valid, understand what had happened and to enable the insurance companies to investigate the claim thoroughly. The evidence gathered also helps the IRO to identify claims where the claimant has potentially exaggerated claims. Where there are concerns of fraudulent or exaggerated claims the IRO can raise it with the insurers who can get specialist teams involved.

## 4.6 **Health and Safety Risks**

### 4.6.1 **Health and safety requirements may not be complied with resulting in claims against the Council.**

In March 2020, most Council staff were moved to homeworking due to the Covid-19 pandemic. Since then there has been little change, with only a few staff members returning to the office. Homeworkers were able to arrange to collect monitors and chairs from Riverside House and desks could be purchased.

Throughout the pandemic, the insurance provider has echoed the guidance from various health and safety agencies regarding homeworking and has provided regular advice to employers, highlighting the need to ensure that staff have the right equipment, are taking frequent breaks and DSE measures are being taken.

The Health and Safety at Work Act states that employers have a duty of care for their employees wherever they are working. The employer is responsible for the protection of the occupational health and safety of staff who work from home as well as office-based workers. This duty cannot be delegated to the worker, even though the employer is not in the worker's home and cannot control what goes on there.

The Health and Safety Executive (HSE) also provides a range of guidance and information, encouraging employers to frequently review the DSE arrangements and to provide support where issues are identified (e.g. aches, pains and discomfort due to the temporary working arrangements, effects of lone working etc.) The advice provided from HSE, the insurance providers and other external bodies should, if followed, help to minimise the potential issues and, therefore, reduce the possibility of claims that could be made against the Council.

Staff have been reminded of the healthcare scheme and the HR team issue regular health and wellbeing guidance however, if there are issues with their working conditions it is up to staff members to discuss it with their line manager

As yet, there have been no claims from employees for health, safety and wellbeing issues as a result of working from home due to Covid-19 requirements. If there were to be a claim the Council would be liable to pay the first £10,000, this would also have an impact on insurance premiums going forwards.

To reduce the risk of claims from members of the public and customers, there are various service area procedures and programmes in place, covering issues such as repairs and maintenance of Council properties, ensuring public spaces (including parks and playgrounds) are maintained and monitored, and various other initiatives to help keep residents and visitors safe within the district.

## 4.7 **Other Risks**

### 4.7.1 **Reliance on one insurance officer.**

Cover for the IRO is provided as needed by the Audit team. On discussions with the Audit team members the procedure is as follows:  
When a call comes in, details would be taken from the caller and emailed to the IRO to manage and respond to as needed on their return. If the issue was urgent, the Audit team would access the insurance manual and contact the claims handler. Alternatively, they could review the progress of the claim on JCAD LACHS.

Forms completed on the intranet are forwarded directly to the IRO from the insurance email account. An automated response message is sent informing of them of the time frame that they should expect to receive a response by.

Similarly, if emails are sent in (e.g. from other service areas with a claim or enquiry), the IRO's 'out of office' message will inform them of the absence and the expected response date. The IRO also has an answerphone to take messages when they are absent for short periods and the recorded message will again highlight this information.

If the issue cannot be resolved by the above methods, the Audit team would email the IRO and mark the email as urgent. The IRO has previously taken their work mobile phone and personal laptop (with virtual access) on leave with them in case of urgent issues, this is no longer possible so appropriate cover will need to be arranged for absences.

### 4.7.2 **Poor information, incident reporting and monitoring resulting in the Council being liable for claims it could otherwise challenge.**

A sample of ten claims from within the last twelve months was reviewed. The claims were selected due to there being potential for the Council to challenge liability. All of the sampled claims were made following the Council's failure to carry out repairs or for damage caused as a result of the repairs.

Upon review of the housing management system (Active H), no notes or information of the repairs could be found prior to the tenant raising their complaint, so it could not be determined how or when the need for a repair had been reported or when the work was carried out, unless the tenant was not home when the contractors arrived.

The lack of information regarding the original repair or the monitoring of the condition of the property prevents the Council from being able to challenge the claim. This would normally warrant a recommendation. However; a recent audit has addressed this issue so, moving forward, it is expected that the information will be entered onto Active H allowing the insurance company to assess a claim and determine liability.

## 5 **Conclusions**

5.1 Following our review, in overall terms we are able to give a SUBSTANTIAL degree of assurance that the systems and controls in place in respect of Insurances are appropriate and are working effectively to help mitigate and control the identified risks.

5.2 The assurance bands are shown below:

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

5.3 One issue was identified which requires further action regarding the need to remind staff to ensure high value items and property are insured.

## 6 **Management Action**

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

Ian Davy  
Principal Internal Auditor

## Action Plan

## Internal Audit of Insurances – June 2021

Report Ref.	Risk Area	Recommendation	Rating*	Responsible Officer(s)	Management Response	Target Date
4.3.2	Legal and Regulatory Risks	The Senior Management Team should be reminded to contact the Insurance and Risk Officer when purchasing high value items or property to ensure they are included in the insurance policy.	Low	Audit and Risk Manager	A reminder will be issued at SMT.	End of June 2021

\* The ratings refer to how the recommendation affects the overall risk and are defined as follows:

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



Finance and Audit Scrutiny Committee  
22 September 2021

**Title: Annual Governance Statement 2020/21 Action Plan: Review of Progress**

**Lead Officer: Richard Barr**

**Portfolio Holders: Councillors Day and Hales**

**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 JMT. None with community.

Final Decision: Yes.

Readability Checked: Yes

**Officer/Councillor Approval**

<b>Officer Approval</b>	<b>Date</b>	<b>Name</b>
Chief Executive/Deputy Chief Executive	26 Aug 2021	Chris Elliott/Andrew Jones
Head of Service	26 Aug 2021	Mike Snow
CMT	26 Aug 2021	Chris Elliott/Andrew Jones/Bill Hunt
Section 151 Officer	26 Aug 2021	Mike Snow
Monitoring Officer	26 Aug 2021	Andrew Jones
Finance	26 Aug 2021	Mike Snow
Portfolio Holder(s)	8 Sept 2021	Councillors Day and Hales

1 **Summary**

- 1.1 The purpose of this report is for Committee to review the progress that is being made in addressing the 'Significant Governance Issues' facing the Council set out in its Annual Governance Statement 2020/21. The appendix accompanying this report sets out the progress in addressing the Significant Governance Issues.

2 **Recommendations**

- 2.1 That Committee should review the Action Plan set out in the Appendix and confirm whether it is satisfied with the progress being made in addressing the Significant Governance Issues pertaining to the Annual Governance Statement 2020/21.

3 **Reasons for the Recommendations**

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

4 **Policy Framework**

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

- 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 Annual Governance Statement is an essential part of corporate governance and will be a major factor in shaping the Policy Framework and Council policies.

#### 4.2.2 **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 Annual Governance Statement is an essential part of corporate governance and will be a major factor in shaping the Policy Framework and Council policies.

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

### 6 **Risks**

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

### 7 **Alternative Options Considered**

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

### 8 **Corporate Governance in Local Authorities**

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

*"How the local government bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. It comprises the systems and processes, and cultures and values, by which local*

*government bodies are directed and controlled and through which they account to, engage with and, where appropriate, lead their communities.”* CIPFA/SOLACE (Chartered Institute of Public Finance & Accountancy/Society of Local Authority Chief Executives)

- 8.2 CIPFA/SOLACE has issued a framework and guidance on delivering good governance in local government. The framework is built on the six core principles set out in the Good Governance Standard for Public Services that were themselves developed from earlier work by Cadbury and Nolan. The principles in relation to local government as set out in the framework are:
- a clear definition of the body’s purpose and focusing on the outcomes for the community and creating and implementing a vision for the local area;
  - members and officers are working together to achieve a common purpose with clearly defined functions and roles;
  - promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
  - taking informed and transparent decisions which are subject to effective scrutiny and managing risk;
  - developing the capacity and capability of members and officers to be effective;
  - engaging with local people and other stakeholders to ensure robust public accountability.

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

## 9 **Annual Governance Statement**

- 9.1 The production of an Annual Governance Statement is a statutory requirement for local authorities (Regulation 6 of The Accounts and Audit (England) Regulations 2015).
- 9.2 The CIPFA Financial Advisory Network has published an advisory document entitled “The Annual Governance Statement: Rough Guide for Practitioners”. Its advice is that the Annual Governance Statement is a key corporate document and the most senior member and the most senior officer (Leader and Chief Executive respectively) have joint responsibility as signatories for its accuracy and completeness. It advises that it should be owned by all senior members and officers of the authority and that it is essential that there is buy-in at the top level of the organisation. It advises that the work associated with its production should not be delegated to a single officer.
- 9.3 The Leader and Chief Executive of the Council as signatories to the Annual Governance Statement need to ensure that it accurately reflects the governance framework for which they are responsible. In order to achieve this they will rely on many sources of assurance, such as that from:
- Members of the Council
  - Deputy Chief Executives and Service Area Managers
  - the Responsible Financial Officer

- the Monitoring Officer
- the Audit and Risk Manager
- performance and risk management systems
- third parties, e.g. partnerships
- external audit and other review agencies.

### 10 **The Significant Governance Issues**

10.1 The governance issues facing the Council have been identified from production of the statutory Annual Governance Statement and are summarised in the Action Plan element of the Annual Governance Statement for 2020/21.

10.2 The appendix accompanying this report sets out the progress in addressing those issues. Progress is reported by the officers leading on them and has been endorsed by the WDC members of the Joint Management Team at a recent meeting.

## Annual Governance Statement 2020/21: Action Plan for Governance Issues

### Review of Progress

AGS Ref.	Governance Issue	Responsible Officer	Progress to Date: Position as at mid-August 2021
7.1	There are clearly major risks associated with the proposal to merge Warwick District Council and Stratford-on-Avon District Council. A comprehensive joint Risk Register in relation to this project needs to be prepared and monitored.	Corporate Management Team	It has been agreed that the Council's Significant Business Risk Register will be updated to include a specific additional entry regarding the merger. This will be included for the next time the SBRR is reviewed.
7.2	Business Continuity Plans have been neglected during the pandemic. In the light of extensive homeworking service business continuity plans need to be reviewed and updated.	Corporate Management Team	This review needs to be scheduled amongst all the other work that is being planned and as services are coming together with SDC, it is anticipated that this exercise should be done jointly.
7.3	The range and content of performance data that councillors receive is under review. As part of this, the review needs to consider how best Councillors can fulfil their scrutiny role of contract registers, service risk registers and performance data to ensure that the information can be accessed by Councillors and brought forward for detailed scrutiny as deemed necessary.	Corporate Management Team	This review needs to be scheduled amongst all of the other work that is being planned and as services are coming together with SDC, it is anticipated that this exercise should be done jointly.



## Agenda Item 6

Finance & Audit Scrutiny Committee  
22 September 2021

**Title: Progress on Audit of Accounts and associated matters from External Auditors**

**Lead Officer: Mike snow**

**Portfolio Holder: Richard Hales**

**Public report / Confidential report: Public**

**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	13/09/21	Tony Perks
Head of Service	13/09/21	Mike Snow
CMT	13/09/21	
Section 151 Officer	13/09/21	Mike Snow
Monitoring Officer	13/09/21	Phil Grafton
Finance	13/09/21	Andre Rollins
Portfolio Holder(s)	13/09/21	Richard Hales

### 1. Summary

- 1.1. In accordance with the agreed Audit Plan, the Audited Statement of Accounts were due to be signed off by this Committee at this meeting. With the current working arrangements, there have been some delays to the completion of the audit. This is discussed more fully within the attached Audit Progress Report from the External Auditors, with the intentions for the Accounts to be now signed off in November.
- 1.2. The External Auditors also provide the following documents for the Committee's attention:-
  - Sector Update Report
  - Lessons from recent Public Interest Reports

### 2. Recommendations

- 2.1. That the Committee note this report and the report of the External Auditors.
- 2.2. The Committee note the Sector Update Report and the Lessons from recent Public Interest Reports.

### 3. Reasons for the Recommendation

- 3.1. The draft 2020/21 Statement of Accounts was prepared ahead of the 31 July deadline, with the intention for the audits accounts to be published by the official deadline of 30 September. For reasons discussed within the attached report from the Council's external auditors, this will not be possible. The audit is still progressing, with Audit Findings Report due to be reported to the Committee's next meeting, so enabling the accounts to subsequently signed off.
- 3.2. Whilst it is disappointing that the accounts will not be signed off by the official deadline, the Council will be far from unique. Last year a large proportion of audits were not signed off by the deadline, with many bodies expecting to be in this position for the 2020/21 Accounts.
- 3.3. Grant Thornton have also provided the following documents for the Committee's attention:-
  - Sector Update Report
  - Lessons from recent Public Interest Reports

### 4. Policy Framework

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

- 4.1.1. The Audit of the Council's Accounts supports all of the Council's services and strategies.

**5. Budgetary Framework**

- 5.1. At this stage there are no changes to the cost of the audit ad reported to the Committee in July.

**6. Risks**

- 6.1. 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

# Warwick District Council Sector Update Report

**Year ending 31 March 2021**

22<sup>nd</sup> September 2021



# Introduction

## Your key Grant Thornton team members are:

### Grant Patterson

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The paper includes:

- a summary of emerging national issues and developments that may be relevant to you as a local authority; and
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider (these are a tool to use, if helpful, rather than formal questions requiring responses for audit purposes)

Members of the Finance and Audit Scrutiny Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications [www.grantthornton.co.uk](http://www.grantthornton.co.uk).

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

# Sector Update

Authorities continue to try to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider local government sector and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with audit committee members, as well as any accounting and regulatory updates.

- [Grant Thornton Publications](#)
- [Insights from local government sector specialists](#)
- [Reports of interest](#)
- [Accounting and regulatory updates](#)

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website by clicking on the logos below:

A teal rectangular button with the text "Public Sector" in white, sans-serif font, centered within the button.

Public Sector

A purple rectangular button with the text "Local government" in white, sans-serif font, centered within the button.

Local  
government

# The new approach to Value for Money

## The nature of value for money work

Section 20 and 21 of the Local Audit and Accountability Act 2014 (the Act), require auditors to be satisfied that the body “has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources”. The auditor’s work on VFM arrangements is undertaken in accordance with the Code and its supporting statutory guidance. The Comptroller and Auditor General has determined through the 2020 Code and guidance that the key output from local audit work in respect of VFM arrangements is the commentary as reported in the Auditor’s Annual Report. It is therefore not a VFM arrangements ‘conclusion’ or an ‘opinion’ in the same sense as the opinion on the financial statements themselves. The Act and the Code require auditors to consider whether the body has put in place ‘proper arrangements’ for securing VFM. The arrangements that fall within the scope of ‘proper arrangements’ are set out in ‘AGN 03 Auditors’ work on VFM arrangements’, which is issued by the NAO. When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under three specified reporting criteria:

## Financial sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services, including how the body:

- ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;
- plans to bridge its funding gaps and identifies achievable savings;
- plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities;

- ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system; and
- identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.

## Governance

How the body ensures that it makes informed decisions and properly manages its risks, including how the body:

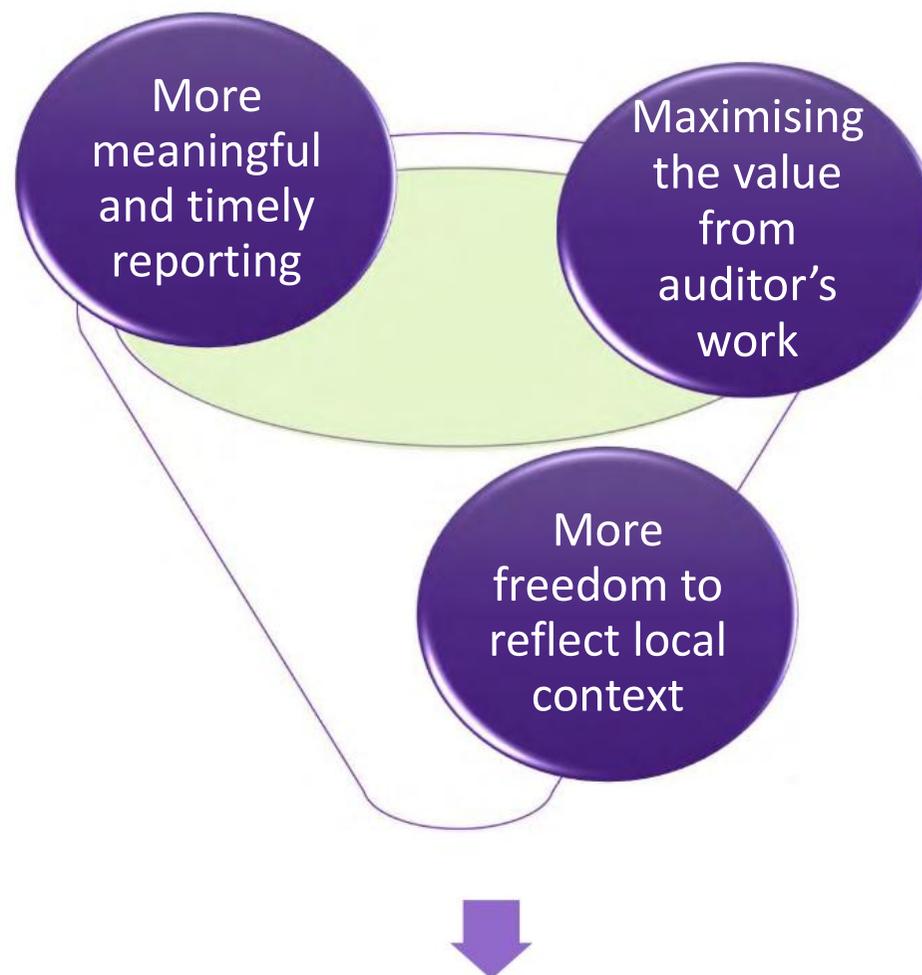
- monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;
- approaches and carries out its annual budget setting process;
- ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed;
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee; and
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests).

# The new approach to Value for Money

## Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services, including:

- how financial and performance information has been used to assess performance to identify areas for improvement;
- how the body evaluates the services it provides to assess performance and identify areas for improvement;
- how the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve; and
- where the body commissions or procures services, how the body ensures that this is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits.



**VFM arrangements commentary and recommendations**

# The new approach to Value for Money

## The table below details what will be reported in the Auditor's Annual Report:

Section of report	Content
Commentary on arrangements	An explanation of the VFM work that has been undertaken during the year, including the risk assessment and any further risk-based work. It will also highlight any significant weaknesses that have been identified and brought to the body's attention. The commentary will allow auditors to better reflect local context and draw attention to emerging or developing issues which may not represent significant weaknesses, but which may nevertheless require attention from the body itself.
Recommendations	Where an auditor concludes that there is a significant weakness in a body's arrangements, they report this to the body and support it with a recommendation for improvement.
Progress in implementing recommendations	Where an auditor has reported significant weaknesses in arrangements in the previous year, the auditor should follow up recommendations issued previously and include their view as to whether the recommendations have been implemented satisfactorily.
Use of additional powers	Where an auditor uses additional powers, such as making statutory recommendations or issuing a public interest report, this should be reported in the auditor's annual report.
Opinion on the financial statements	The auditor's annual report also needs to summarise the results of the auditor's work on the financial statements.

## The table below details the three types of recommendations that auditors can make. Auditors may make recommendations at any time during the year.

Type of recommendation	Definition
Statutory recommendation	Where auditors make written recommendations to the body under Section 24 and Schedule 7 of the Local Audit and Accountability Act 2014. A recommendation of this type requires the body to discuss and respond publicly to the report.
Key recommendation	Where auditors identify significant weaknesses in a body's arrangements for securing value for money, they have to make recommendations setting out the actions that the body should take to address them
Improvement recommendation	Where auditors do not identify a significant weakness in the body's arrangements, but still wish to make recommendations about how the body's arrangements can be improved

# Revised auditing standard: Auditing Accounting Estimates and Related Disclosures

In the period December 2018 to January 2020 the Financial Reporting Council issued a number of updated International Auditing Standards (ISAs (UK)) which are effective for audits of financial statements for periods beginning on or after 15 December 2019. ISA (UK) 540 (revised): *Auditing Accounting Estimates and Related Disclosures* 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 Finance and 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?

## Additional information that will be required for our March 2021 audits

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 in all areas summarised above for all material accounting estimates that are included in the financial statements.

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

- Valuations of land and buildings, council dwellings and investment properties
- Depreciation
- Year end provisions and accruals
- Credit loss and impairment allowances
- Valuation of defined benefit net pension fund liabilities
- Fair value estimates

## The Authority's Information systems

In respect of the Authority'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 Authority 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 Authority (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 (Revised December 2018) we are required to consider the following:

- How management understands the degree of estimation uncertainty related to each accounting estimate; and
- How management addresses 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 include:

- 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.

## How can you help?

As part of our planning risk assessment procedures we routinely make a number of enquiries of management and those charged with governance, which include general enquiries, fraud risk assessment questions, going concern considerations etc. Responses to these enquiries are completed by management and confirmed by those charged with governance at an Audit Committee meeting. For our 2020/21 audit we made additional enquiries on your accounting estimates in a similar way (which covered the areas highlighted above).

## 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)

# Insight into accounting for grants in local government financial statements – Grant Thornton

The government has provided a range of financial support packages throughout the COVID-19 pandemic.

We have issued a brief bulletin aimed at helping local government bodies identify the key things they should consider when determining the accounting treatment for these grants in their financial statements for 2020/21.

There are no changes to the accounting treatment for grants as required by the CIPFA Code of Practice on Local Authority Accounting. What has changed, is the extent of additional funding to support the cost of services, to offset other income losses along with grant packages to be paid out to support local business. Local authorities need 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 in 2020/21.

The report highlights the factors to consider, including:

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

Our bulletin provides you with links to further information on the various support packages and summarises features that may be relevant to your judgements as you determine the appropriate accounting treatment.

Local authorities need to demonstrate their judgements on the accounting treatment to be reasonable and soundly based and, where these have a significant effect on the accounts, to ensure they include sufficient disclosures to meet the requirements of IAS 1:122.

Please ask your audit manager for the full report:



# What can be learned from Public Interest Reports? – Grant Thornton

2020 will be remembered as a tumultuous year in local government, with the pandemic creating unprecedented pressure on the sector. It also saw the appearance of two Public Interest Reports (PIRs), followed by another in January this year – the first to be issued in the sector since 2016. PIR's can be issued by local auditors if there are significant concerns around council activity, such as major failings in finance and governance.

The recent PIRs have made headlines because, up to this point, very few have ever been issued. But, as our latest report “Lessons from recent Public Interest Reports” explores, all three illustrate some of the fundamental issues facing the wider sector and provide a lesson for all local authorities around: weaknesses in financial management; governance and scrutiny practices; and council culture and leadership; which, when combined, can provide fertile ground for the kind of significant issues we might see in a PIR.

The COVID-19 pandemic highlighted four essential factors we probably always knew about local government, have often said, but which are now much better evidenced:

- 1) Local government has provided fantastic support to its communities in working with the NHS and other partners to deal with the multifaceted challenges of the pandemic.
- 2) Britain's long centralised approach to government has been exposed to some degree in terms of its agility to tailor pandemic responses to regional and local bodies. This is recognised by the current government who continue to pursue the options for devolution of powers to local bodies. Track and Trace delivered centrally has not been as successful as anticipated and, according to government figures, local interventions have had more impact.

- 3) Years of reduced funding from central government have exposed the underlying flaws in the local authority business model, with too much reliance on generating additional income.
- 4) Not all authorities exercise appropriate care with public money; not all authorities exercise appropriate governance; and not all authorities have the capability of managing risk, both short and long term. Optimism bias has been baked into too many councils' medium-term plans.

The PIRs at Nottingham City Council (August 2020), the London Borough of Croydon (October 2020), and Northampton Borough Council (January 2021) are clear illustrations of some of the local government issues identified above. The audit reports are comprehensive and wide-ranging and a lesson for all local authorities. Local authorities have a variety of different governance models. These range from elected mayor to the cabinet and a scrutiny system approach, while others have moved back to committee systems. Arguments can be made both for and against all of these models. However, in the recent PIR cases, and for many other local authorities, it's less about the system of governance and more about how it operates, who operates it and how willing they are to accept scrutiny and challenge.

There are a number of lessons to be learned from the recent PIR reports and these can be broken down into three key areas which are explored further in our report:

- 1) The context of local government in a COVID-19 world
- 2) Governance, scrutiny, and culture
- 3) Local authority leadership.

The full report is available here:

[Lessons from recent Public Interest Reports | Grant Thornton](#)

# Annual Transparency Report – Grant Thornton

As auditors of several listed entities as well as nearly one hundred major local audits, we are required as a firm to publish an annual transparency report.

The report contains a variety of information which we believe is helpful to audit committees as well as wider stakeholders. The Financial Reporting Council (FRC) in their thematic review of transparency reporting noted that they are keen to see more Audit Committee Chairs actively engaging and challenging their auditors on audit quality based on the information produced in Transparency reports on a regular basis. We agree with the FRC and are keen to share our transparency report and discuss audit quality with you more widely.

The transparency report provides details of our:

- Leadership and governance structures
- Principle risks and Key Performance Indicators
- Quality, risk management and internal control structure
- Independence and ethics processes
- People and culture
- Compliance with the Audit Firm Governance code and EU Audit directive requirements

We have made significant developments in the year as part of our Local Audit Investment Plan to improve our audit quality. We welcome an opportunity to discuss these developments and our transparency report should you wish.



The full report is available here:

[Transparency report 2020 \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/transparency-report-2020)

# Local government finance in the pandemic – National Audit Office

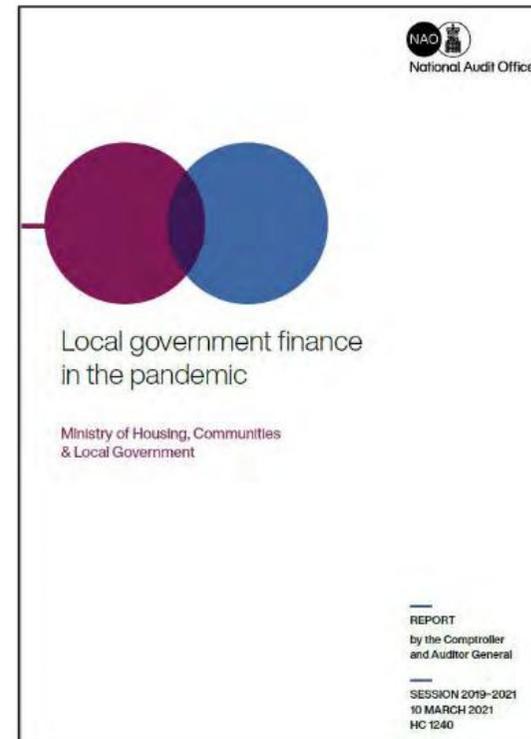
The National Audit Office (NAO) report, published in March, notes “The COVID-19 pandemic has been an unprecedented public health and economic emergency. Local authorities in England have made a major contribution to the national response to the pandemic, working to protect local communities and businesses, while continuing to deliver existing services. The pandemic has in turn placed significant pressure on local authorities’ finances, which in many cases were already under strain going into the pandemic.”

The NAO report examines if the Department’s approach to local government finance in the COVID-19 pandemic enabled it to assess and fund the costs of new services which local authorities have been asked to deliver. It also examines whether the Department fulfilled its responsibilities in securing financial sustainability across the sector.

The NAO report concludes “Steps taken by the government, led by the Department, have supported local authorities in the COVID-19 pandemic response. The Department’s successful monthly collection of data and continued intensive engagement with the sector provided a good evidence base to underpin the financial and other support provided by government. Action by the Department and wider government to support the sector has averted system-wide financial failure at a very challenging time and means that the Department has managed the most severe risks to value for money in the short term.

However, the financial position of local government remains a cause for concern. Many authorities will be relying on reserves to balance their 2020-21 year-end budgets. Despite continuing support into 2021-22 the outlook for next year is uncertain. Many authorities are setting budgets for 2021-22 in which they have limited confidence, and which are balanced through cuts to service budgets and the use of reserves.”

The NAO report found that “the combined impact on spending and non-tax income in 2020-21 is £9.7bn – equivalent to 17.6% of revenue expenditure. So far the government has announced £9.1bn of financial support, leaving a deficit of £605m.”



The full report can be obtained from the NAO website:

[Local government finance in the pandemic - National Audit Office \(NAO\) Report](#)

# Local authority Covid-19 pressures – MHCLG

Outturn figures from the Ministry for Housing, Communities and Local Government (MHCLG) show that local authorities in England reported additional cost pressures of £12.8bn relating to Covid-19 in 2020-21. Overall, local authorities spent £7.2bn responding to the pandemic last year, with the largest share of additional expenditure going on adult social care services at £3.2bn.

**Additional expenditure due to COVID-19 by class and service area (£ millions) (2020-21)**

	Shire District	Shire County	Unitary Authority	Metropolitan District	London Borough	Total
Adult Social Care – total	0.473	1,254.880	848.656	663.404	413.842	<b>3,181.254</b>
Children's social care - total (excluding SEND)	0.000	94.933	131.127	89.799	62.987	<b>378.846</b>
Housing - total (including homelessness services) excluding HRA	63.129	5.254	74.949	42.281	112.971	<b>298.584</b>
Environmental and regulatory services - total	33.564	68.097	67.512	66.704	63.556	<b>299.433</b>
Finance & corporate services - total	48.222	53.445	83.984	76.923	78.284	<b>340.858</b>
All other service areas not listed in rows above	184.550	634.578	584.924	564.737	395.137	<b>2,363.926</b>
<b>Total</b>	<b>329.937</b>	<b>2,111.187</b>	<b>1,791.153</b>	<b>1,503.848</b>	<b>1,126.777</b>	<b>6,862.902</b>



The figures are available in full here: <https://www.gov.uk/government/publications/local-authority-covid-19-financial-impact-monitoring-information>

**Income losses due to COVID-19 by class and source of income (£ millions) (2020-21)**

	Shire District	Shire County	Unitary Authority	Metropolitan District	London Borough	Total
Business rates	276.498	0.000	194.192	207.351	537.667	<b>1,215.708</b>
Council tax	399.037	0.000	217.633	191.219	232.727	<b>1,040.616</b>
Sales fees and charges	516.426	194.923	553.907	396.745	475.728	<b>2,137.728</b>
Commercial income	82.448	24.159	120.629	204.211	52.154	<b>483.600</b>
Other	33.494	39.947	27.163	53.664	45.166	<b>199.435</b>
<b>Total</b>	<b>1,307.903</b>	<b>259.029</b>	<b>1,113.524</b>	<b>1,053.190</b>	<b>1,343.441</b>	<b>5,077.087</b>

# CIPFA Financial Resilience Index

The Chartered Institute of Public Finance & Accountancy's (CIPFA) Financial Resilience Index is a comparative tool designed to provide analysis on resilience and risk and support good financial management.

CIPFA note "CIPFA's Financial Resilience Index is a comparative analytical tool that may be used by Chief Financial Officers to support good financial management, providing a common understanding within a council of their financial position.

The Index shows a council's position on a range of measures associated with financial risk. The selection of indicators has been informed by extensive financial resilience work undertaken by CIPFA over the past five seven years, public consultation and technical stakeholder engagement.

Section 151 officers may also use the index in their annual report to the council setting out the proposed budget for the year and medium-term financial strategy.

While the impact of COVID-19 resulted in a delay to the publication of the index, it is still able to provide a comprehensive pre-COVID baseline, illustrating the financial resilience of authorities as they entered the pandemic."

CIPFA found that "there was a real-terms reduction of £800m in the level of reserves in 2020 compared with the previous year. At the end of March 2020 council reserves levels stood at £24.6bn, around 3% lower than £25.4bn recorded at the same period in 2019."

CIPFA note "The index is made up of a set of indicators. These indicators take publicly available data and compare similar authorities across a range of factors. There is no single overall indicator of financial risk, so the index instead highlights areas where additional scrutiny should take place in order to provide additional assurance. This additional scrutiny should be accompanied by a narrative to place the indicator into context."



The Financial Resilience tool is available on the CIPFA website below:

<https://www.cipfa.org/services/financial-resilience-index-2021?crdm=0>

# Good practice in annual reporting – National Audit Office

The National Audit Office (NAO) state that the guide, launched in February, “Sets out our good practice principles for good annual reporting and provides illustrative examples taken from public sector organisations who are leading the way in this area.

The guide draws on examples of good practice from within each of the six sections of an Annual Report:

- Strategy
- Risk
- Operations
- Governance
- Measures of success
- Financial performance

The NAO also state that the guide “provides further examples where bodies have made their context more understandable to the reader through use of graphics and clear language and signposting.”

However, The NAO observe “Done well, reporting in the public sector enables the public and Parliament to understand – with ease and confidence – an organisation’s strategy and the risks it faces, how much taxpayers’ money has been spent and on what, and what has been achieved as a result.”

Further, the NAO note “The significant impacts of the pandemic emerged in the UK in mid-March 2020. This means that, for many organisations, the reporting impact will be greater in 2020-21 than in the prior year. Transparent annual reporting will help stakeholders understand the impact of COVID-19 on an organisation’s strategy, plans and operational and financial performance.”



The full report can be obtained from the NAO website:

<https://www.nao.org.uk/report/good-practice-in-annual-reports-february-2021/>

# Government response to Redmond review – MHCLG

Government has published an update on the Ministry of Housing, Communities & Local Government response to Sir Tony Redmond's independent review into the effectiveness of external audit and transparency of financial reporting in local authorities.

The MHCLG press release states "The Audit, Reporting and Governance Authority (ARGA) – the new regulator being established to replace the Financial Reporting Council (FRC) – will be strengthened with new powers over local government audit, protecting public funds and ensuring councils are best serving taxpayers.

The new regulator, which will contain a standalone local audit unit, will bring all regulatory functions into one place, to better coordinate a new, simplified local audit framework.

ARGA will continue to act as regulator and carry out audit quality reviews as the FRC does now. It will now also provide annual reports on the state of local audit and take over responsibility for the updated Code of Local Audit Practice – the guidelines councils are required to follow.

The government has confirmed that the Public Sector Audit Appointments (PSAA) will continue as the appointing body for local audit, in charge of procurement and contract management for local government auditors.

In the immediate term, MHCLG will set up and chair a Liaison Committee, which will comprise senior stakeholders across the sector that will oversee the governance of the new audit arrangements and ensure they are operating effectively."

The press release goes on to state the "measures finalise the government's response to Sir Tony Redmond's independent review into local audit, carried out last year.

The government has already announced £15 million to support councils with additional costs in audit fees, and recently consulted on the distribution of this funding. Government is also consulting on improving flexibility on audit fee setting and has extended the deadline for when councils must publish their audited accounts.



The press release can be found here:

<https://www.gov.uk/government/news/government-publishes-update-to-audit-review-response>

# Consultation on 2023-24 audit appointments – Public Sector Audit Appointments

Public Sector Audit Appointments (PSAA) is consulting on the Draft prospectus for 2023 and beyond.

PSAA state “Our primary aim is to secure the delivery of an audit service of the required quality for every opted-in body at a realistic market price and to support the drive towards a long term competitive and more sustainable market for local public audit services.

The objectives of the procurement are to maximise value for local public bodies by:

- securing the delivery of independent audit services of the required quality;
- awarding long term contracts to a sufficient number of firms to enable the deployment of an appropriately qualified auditing team to every participating body;
- encouraging existing suppliers to remain active participants in local audit and creating opportunities for new suppliers to enter the market;
- encouraging audit suppliers to submit prices which are realistic in the context of the current market;
- enabling auditor appointments which facilitate the efficient use of audit resources;
- supporting and contributing to the efforts of audited bodies and auditors to improve the timeliness of audit opinion delivery; and
- establishing arrangements that are able to evolve in response to changes to the local audit framework.”

The plans include proposals to adjust the procurement ratio between quality and costs from an equal 50:50 to 80:20, as well as trying to bring new suppliers in to the market.

The consultation on the PSAA’s proposals closes on 8 July.



The news article can be found here:

<https://www.psa.co.uk/about-us/appointing-person-information/appointing-period-2023-24-2027-28/prospectus-2023-and-beyond/draft-prospectus-for-2023-and-beyond/page/7/>

# Councils given power to build more homes for first time buyers and for social rent – MHCLG

The Ministry of Housing, Communities & Local Government (MHCLG) has announced that councils in England will have more freedom on how they spend the money from homes sold through Right to Buy to help them build the homes needed in their communities.

The MHCLG press release states the “package will make it easier for councils to fund homes using Right to Buy receipts, including homes for social rent, and give them greater flexibility over the types of homes they provide to reflect the needs of their communities.

It will also give councils more time to use receipts and to develop ambitious building programmes. The government wants homes supplied using Right to Buy receipts to be the best value for money, and to add to overall housing supply, to help towards delivering 300,000 new homes a year across England by the mid-2020s.”

The press release goes on to note “New measures include:

- extending the time councils have to spend Right to Buy receipts from 3 years to 5 years
- increased cap on the percentage cost of new homes councils can fund from Right to Buy receipts raised from 30% to 40% per home, making it easier to build replacement homes
- allowing receipts to be used for shared ownership, First Homes, as well as affordable and social housing, to help councils build the homes their communities need
- introducing a cap on the use of Right to Buy receipts for acquisitions to help drive new supply.”



The press release can be found here:

<https://www.gov.uk/government/news/councils-given-power-to-build-more-homes-for-first-time-buyers-and-for-social-rent>



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# Lessons from recent Public Interest Reports

2021



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# Summary

2020 will be remembered as a tumultuous year in local government. The COVID-19 pandemic highlighted four essential factors we probably always knew about local government, have often said, but which are now much better evidenced:

- 1 Local government has provided fantastic support to its communities in working with the NHS and other partners to deal with the multifaceted challenges of the pandemic.
- 2 Britain's long centralised approach to government has been exposed to some degree in terms of its agility to tailor pandemic responses to regional and local bodies. This is recognised by the current government who continue to pursue the options for devolution of powers to local bodies. Track and Trace delivered centrally has not been as successful as anticipated and, according to government figures, local interventions have had more impact.
- 3 Years of reduced funding from central government have exposed the underlying flaws in the local authority business model, with too much reliance on generating additional income.
- 4 Not all authorities exercise appropriate care with public money; not all authorities exercise appropriate governance; and not all authorities have the capability of managing risk, both short and long term. Optimism bias has been baked into too many councils' medium-term plans.

The Public Interest Reports (PIRs) at Nottingham City Council (August 2020), the London Borough of Croydon (October 2020), and Northampton Borough Council (January 2021) were the first issued since 2016. All three are clear illustrations of some of the local government issues identified above. The audit reports are comprehensive and wide-ranging and a lesson for all local authorities. There are some quotes that seem particularly apposite for all councils to consider.

## Governance models

Local authorities have a variety of different governance models. These range from elected mayor to the cabinet and a scrutiny system approach, while others have moved back to committee systems. Arguments can be made both for and against all of these models.

However, in the recent PIR cases, and for many other councils, it's less about the system of governance and more about how it operates, who operates it and how willing they are to accept scrutiny and challenge. There are a number of lessons to be learned from the recent PIR reports and these can be broken down into three key areas which will be explored further in this report:

- The context of local government in a COVID-19 world
- Governance, scrutiny, and culture
- Council leadership

“There has been collective corporate blindness to both the seriousness of the financial position and the urgency with which actions needed to be taken”.

**London Borough of Croydon**  
**Grant Thornton UK LLP October 2020**

“Overall, the governance arrangements were overshadowed by the Council's determination that the Company should be a success, and this led to institutional blindness within the Council as a whole to the escalating risks involved, which were ultimately very significant risks to public money”.

**Nottingham City Council**  
**Grant Thornton UK LLP August 2020**

“There was inadequate due diligence undertaken by the Director of Finance/Section 151 Officer, including an inadequate assessment of whether the work would generate assets capable of being refinanced by NTFC in order to repay the loans to the Council and of the financial viability of NTFC”.

**Northampton Borough Council**  
**KPMG LLP January 2021**

It is also very pertinent to reflect on what the Best Value Inspection of Northamptonshire in 2018 said in its summary.

“In Local Government there is no substitute for doing boring really well. Only when you have a solid foundation can you innovate”.

**Best Value Inspection by Max Caller CBE**  
**- March 2018**

An aerial photograph of a historic town, likely Oxford, showing a dense cluster of buildings with various rooflines, including a prominent stone building with a crenellated roof in the foreground. A large blue rectangular overlay is positioned in the upper right quadrant, containing white text. The background shows rolling green hills under a blue sky with light clouds.

# Local government in a COVID-19 world

There is no doubt that reduced central government funding has meant immense challenges for the local government sector. But, generally, councils have continued to provide good services to residents and, according to IPSOS MORI polling since 2010, the overall trust levels in councils have remained remarkably high in this period.

The reality of reduction in government grant has meant that councils have had to make considerable savings as well as draw on new income sources. Getting this balance right is difficult but it is a dilemma that has faced all councils. The levels of grant received by councils from government has varied considerably, as has their ability to raise income through council tax increases and to grow their business rates base due to differing local macro-economic circumstances.

### **Funding models**

There are a number of government reviews looking at council funding which would have led to a reset of the basis of funding, which have now been postponed due to COVID-19. There are long running and heated debates on the fairness of both the existing and the proposed systems. What is very clear is that, as the overall local government 'cake' gets smaller, the intensity of the debate over who gets what share tends to grow sharper.

The onset of the COVID-19 pandemic has only exacerbated the financial challenges faced by local authorities which have existed for some years including significant extra demand for services. In the financial year 2020/21 the government has largely funded additional costs incurred by the sector as a result of the pandemic and provided considerable support to make up for income losses.

The funding settlement announced for 2021/22 should ensure that most councils get through this financial year but, with the renewed surge of the pandemic, it's difficult to assess the financial impact this will have on councils and any further income losses or additional costs they may incur. Our analysis, and that of the Local Government Association (LGA) and other reviews, suggests a funding gap remains in the local government sector from the financial year 2021/22 onwards.

### **Financial sustainability**

To some extent, government support during the pandemic has frozen the financial sustainability of the majority of councils at the level it was pre-pandemic, and it's difficult to imagine a much better outcome in the circumstances, albeit from a challenging pre-COVID-19 base.

However, for a small number of councils, it has exposed their chronic financial instability. For other councils, even a net marginal downturn in their financial position has exposed insufficient reserves. There are many further risks posed from COVID-19 to all councils and their local economies, such as the future of the high street and increased demand pressures including for unemployment and care services linked to mental health.

Councils' financial sustainability is a topic that has been subject to very mixed messaging for a long period of time and government ministers have, in the past, complained about the high level of council reserves nationally. Some councillors themselves have also questioned locally why significant reserves are needed.

In our view, those councils who have, throughout the period of grant reduction, recognised and been committed to maintaining adequate reserves, have not only continued to provide strong services but have also put themselves in a position to ride out the current pandemic storm.

This, we believe, is the absolute and fundamental lesson from the PIRs issued in the last few months. Maintaining sound reserves is absolutely vital and a key indicator of sound financial governance. It should be at the heart of all medium-term financial plans. In our view, general fund reserves (including earmarked general fund reserves) should be a minimum of 5% of net spending and arguably should be somewhere between 5 and 10%. This level of reserves will provide councils with a vital cushion. The lower reserve levels are, and the more rushed, the more ill thought through and, in some cases, the more desperate some council schemes tend to get, leads to greater problems. Councils should ask themselves a simple question: can they balance their books without taking significant risks with taxpayers' money? If the answer is no, then a fundamental rethink of their business strategy is required, including a baseline assessment of the affordability of services in their current form.

# Governance, scrutiny and culture



The vast majority of councils do have adequate scrutiny arrangements in place on paper. Most councils have audit committee arrangements, most have scrutiny committees, and they also have the vehicle of the full council meeting, albeit one that often feels like a local government version of Prime Minister's Questions (PMQs), a spectacle for partisans rather than a serious examination of the council's work. While we would argue that, in the majority of councils the correct governance arrangements are in place, in structural terms they are often found wanting.

### Audit committees

Any committee with "audit" in its brief should provide an opportunity for councillors to examine the findings of internal and external audits and strongly challenge, and hold to account, officers and sometimes leading members for significant failings pointed out by the various audit functions.

Sometimes we find that audit committee structures are hindered by having too wide a brief. Some combine audit with a multitude of other functions including, finance, performance, HR, and IT, and this can mean that both internal and external audits are crowded out. Structurally, there needs to be more clarity on how both audit functions get a proper voice on the "audit committee".

There is also a clear case for more independent expertise as part of the audit committee as the complexity of accounting transactions as well as the wider accounting framework grows exponentially. Another important factor is to ensure that politics has no place in the audit committee. We believe this is largely achieved but, in some councils, the political nature of audit and scrutiny is not helpful.

Sir Tony Redmond in his report on local audit published in September 2020 has recommended that the external auditor reports to full council on audit findings at least once a year. Some councils have already maintained this tradition, which dates back to the Audit Commission era. One of the key lessons coming from the PIRs is the extent to which backbench councillors have represented that they felt disenfranchised and unaware of audit concerns and recommendations.

This plays to a much wider point, that all councillors need to be fully briefed on the views of audit and inspectorate findings including Ofsted or Care Quality Commission (CQC).

No councillor should be able to say they did not know. All members need to be very clear on the scope of external audit work and indeed its limitations. Neither internal nor external audit exists to capture every weakness in council controls. It is the responsibility of officers and members to ensure robust arrangements are in place internally to prevent and detect controls weaknesses.

### Quality of scrutiny

Our experience is that the quality of scrutiny varies considerably. The role model for rigour in scrutiny in the United Kingdom is probably the Public Accounts Committee (PAC) of Parliament. Albeit with the significant resource of the National Audit Office (NAO) and the ability to summon politicians, officials and wider stakeholders. The key tenet of the PAC is the fact that it is chaired by a member of the official opposition and its members of all political parties are required to demonstrate robust challenge.

In those councils where PIRs have been issued by auditors recently, the level and depth of challenge was nowhere near strong enough. Indeed, it is difficult to identify any outcomes from scrutiny that changed the approach or the path to the public interest reports. There have been longstanding calls for local PACs to be introduced to provide that level of challenge across all public services in a geography. Reflection on the outcomes of the pandemic raised questions for central and local government as to how the scrutiny of the performance of local public services can be improved.

Even if setting up new scrutiny functions feels difficult at the moment, it's undoubtedly true that scrutiny functions in councils need more resources, need to be better briefed and need to hold political and officer leadership to account in a more robust and sustainable way. If scrutiny does not achieve change it has failed. No political or officer leadership is infallible. Scrutiny should be the keyway of ensuring that council policies are open to proper challenge and focus.

## Culture

The recent PIRs showed that for some councils the culture is not right. Culture must be about selflessly following the Nolan Principles in all aspects of political and officer life. These principles are set out below:

- 1 Selflessness**  
Holders of public office should act solely in terms of the public interest.

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- 2 Integrity**  
Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family or their friends. They must declare and resolve any interests and relationships.

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- 3 Objectivity**  
Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.

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- 4 Accountability**  
Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.

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- 5 Openness**  
Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.

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- 6 Honesty**  
Holders of public office should be truthful.

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- 7 Leadership**  
Holders of public office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.

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An open culture encourages challenge and criticism, it listens to ideas from opposition parties and it holds its leaders and officers to account for their actions. This needs to start with the political leadership and embed itself throughout the organisation. Being willing to listen to the perspectives of others is not only healthy in a democracy, it facilitates better decision making. In councils where PIRs were issued, auditors identified aspects of political culture that were not receptive to challenge, scrutiny or different perspectives. This meant that ill thought-out proposals, personal projects and poor stewardship of public funds were able to go unchecked.

# Council leadership



The role of council leader is an extremely important one. The council leader should set the vision for the organisation, work in partnership with political colleagues and embrace key stakeholders in the council's broader community role. The leader or mayor should command respect based on their behaviours and values. Where it works well, an effective leader embraces change, embraces difference, and embraces different perspectives and welcomes challenge and scrutiny. This applies equally to cabinet members and portfolio holders.

In our view, one of the main reasons for the poor outcomes reflected in the recent PIRs was either the absence or the ineffective execution of the qualities described above. This led to the pursuit of political objectives with no effective scrutiny and challenge. Auditors have described outcomes which have led to:

- Failure to understand the inherent risk around investing in particular markets
- Failing to understand the crucial need to ensure financial sustainability of existing services before embarking on major new projects which brought extra layers of complexity and risk
- Salutary lessons to councils about conducting appropriate due diligence for investing and lending to third parties, however important they are to the local community.

# A question of degree



The recent PIRs have made headlines because, up to this point, they stand out as rare examples of their kind. However, our work across a broad range of audit and consulting clients leads us to believe that it is often a question of degree, and perhaps a matter of timing, that separate these from a wider pool of councils with potentially similar governance failings.

The era of reduced central government grants, closely followed by the wholly unprecedented and as yet not fully understood post-COVID-19 landscape, is testing financial governance arrangements and risk mitigation strategies to breaking point. It is also bringing to light weaknesses in financial decisions that may have been made years ago and may otherwise have remained hidden. At an operational level, some of the common early indicators of future governance failings that we have seen over the past couple of years include:

- Lack of strategic alignment between financial, operational and political agendas, sometimes linked to a lack of corporate ownership of the medium-term financial plan and savings commitments.
- Disharmony or performance issues within the senior management team (or between members and officers) not being dealt with effectively. This results in poor co-operation, reinforces silos and in some circumstances can lead to directorates acting as semi-independent fiefdoms within the organisation.
- Financial and commercial decisions being made without sufficient transparency and consultation. In some cases, these are driven by trusted individuals in circumstances where there is a lack of opportunity for proper scrutiny.
- A lack of understanding of how to manage financial and commercial uncertainty and risk in the medium to long term. This can result in short-term financial strategies or, conversely, to overly risky long-term investments.
- Directorates left to develop financial plans and business cases, or manage commercial relationships, without sufficient oversight expertise, capacity, or resources. This heightens the risk of poor outcomes.
- Undue pressure placed on senior managers to set budgets using over-optimistic assumptions. This can allow a 'balanced budget' to be superficially achieved, but the issues inevitably manifest as recurring overspends at year-end which councils then struggle to mitigate.

- Gradual loss of financial control as roll-forward budgets become increasingly detached from actual activity and overspends are habitually netted off against underspends. This can disguise the root causes of directorate cost pressures and prevent them being addressed in a timely and effective way.
- Knowledge of how things really work or why decisions were made, becoming vested in a few key individuals. This makes the council vulnerable if these people were to leave. In some cases it grants them inappropriate levels of influence.
- Lack of control over financial and operational delivery, including remedial action plans. This is often due to insufficient oversight or a lack of timely and accurate management information, and timely and decisive action taken at corporate or committee level when issues are identified.
- Awareness of the significance of audit recommendations and qualifications and ensuring they are responded to properly and not ignored or side-lined.

When combined with the more general weaknesses in governance, scrutiny, culture and leadership, these more functional and operational weaknesses provide fertile ground for the kind of significant issues we might see in a Public Interest Report.

# Recommendations



So, what can councils do now to root out some of these weaknesses and deal with them before they burst out on their own terms?

- Councils are now required to consider how they measure up against the Chartered Institute of Public Finance and Accountancy (CIPFA's) new Financial Management Code. This was greeted with some scepticism at first, but many are now seeing its value as a 'gold standard' against which arrangements can be tested. The Code emphasises that financial sustainability is the responsibility of all senior leaders, not just the finance team. Councils progress on delivering the Code will be a key part of auditors' value for money work going forward.
- Councils need to ensure that they are mindful of reserve levels at all times and ensure there is a clear strategy for maintaining adequate reserves. In our view this needs to be at least 5% of net General Fund expenditure flexed upwards to consider the macro-economic and local risks the council faces.
- Internal audit and risk assurance arrangements can be strengthened and emphasised as an asset to the organisation, rather than being side-lined. This will involve extra investment in these services but will have long-term benefits for the council's governance. External expert support should also be brought in at the right time and councils should open themselves up to a broad range of external perspectives, including benchmarking and LGA peer reviews.
- Greater focus on establishing a healthy management culture – starting with the “tone from the top” - that welcomes and encourages challenge rather than suppresses dissenting voices. Strong leaders are vital to getting things done, but it can be dangerous to vest too much unchecked influence in individuals.
- Look for opportunities to learn from the council's past experience and that of others. Use this to identify training needs for officers and members and make time to address them – common areas include options appraisal, optimism bias and prioritisation.
- Politics will always be there in the background, but council members should strive to work more collegiately, particularly when it comes to making strategic decisions with implications that reach many years into the future. Efforts to engender better cross-party co-operation, to improve transparency and embrace challenge from a wider cohort of members are likely to reap dividends in the long run, beyond the short-term expediency of decisions made behind closed doors.

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DS2373

# Warwick District Council Audit Progress Report

Year ending 31 March 2021

22<sup>nd</sup> September 2021



# Contents

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## Section

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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 Authority 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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# Summary of Progress at 10 September 2021

This paper provides the Finance and Audit Scrutiny Committee with a report on progress in delivering our responsibilities as your external auditors.

## Financial Statements Audit – Delay in audit completion

We undertook our initial planning for the 2020/21 audit in March 2021, the results of which formed the basis for our Audit Plan which was reported to the Finance and Audit Scrutiny Committee on 7<sup>th</sup> July 2021. As reported at the Committee meeting our planning work started later than last year as a result of the pandemic.

We received the Council's draft financial statements on 19<sup>th</sup> July 2021 and we commenced our updated risk assessment and substantive audit work on the same date.

The Accounts and Audit (Amendment) Regulations 2021 push back the date by which principal authorities need to publish their draft financial statements to the first working day of August. In 2020 this date was pushed back to 31 August. The date by which authorities are required to publish audited financial statements is 30<sup>th</sup> September. In 2020 this date was pushed back to 30<sup>th</sup> November.

Our original resourcing and delivery timetable was based upon attaining audit sign-off by 30<sup>th</sup> September. However, as our work has progressed we have encountered delays. We are now planning to substantively complete our audit testing by mid October and present our Audit Findings Report to you on 3<sup>rd</sup> November. We would then plan to issue our audit opinion shortly after, in early November. We recognise this is after the 30<sup>th</sup> September 2021 publishing date. The reason for this delay is the result of a combination of factors including;

- Our journals testing has taken longer than in previous years. Firstly because of extended sampling to meet the increasing quality expectations and secondly the need to work with the Council to obtain reports in the right format to look to enable use of new audit software designed to further increase the quality of our work in this area.
- As we have reported in previous years, our audit of your bank reconciliation and property revaluations is more challenging than we normally encounter elsewhere and requires significant amount of auditor and officer time to resolve. We recognise that the Council is investing in a new financial system which should help address these in future years.
- Grant income has increased significantly in 2020/21, largely as a result of Covid specific grants. As flagged within our audit plan understanding the Council's judgments on principal and agent and reviewing the Council's accounting judgments on individual grants has resulted in further audit procedures in this area.
- Two key members our audit team have been off work unexpectedly for lengthy periods. Additional resource has been allocated to the audit to make up the shortfall but due to resourcing constraints this has had to be at a later date than originally planned impacting upon delivery. A small number of Council officers who have been responding to audit queries have also been off work unexpectedly.
- The challenges of remote auditing, as we reported last year, remain.

# Summary of Progress at 10 September 2021

## Financial Statements – Progress as at 10<sup>th</sup> September

We have performed an initial review of the financial statements and a number of points have been raised with management.

As at the date of this report we have significantly progressed our work on the Council's draft financial statements in the following areas:

- Cash
- Creditors
- Borrowing
- Investments
- Provisions
- Fees & Charges income
- Collection Fund
- Housing Revenue Account
- Employee benefits
- Other expenditure

The main areas needing completion are:

- Journals testing
- Property revaluations
- Net Pension liability
- Debtors
- Housing benefit expenditure

## Value for Money

The new Code of Audit Practice (the "Code") came into force on 1 April 2020 for audit years 2020/21 and onwards. The most significant change under the new Code is the introduction of an Auditor's Annual Report, containing a commentary on arrangements to secure value for money and any associated recommendations, if required.

The new approach is more complex, more involved and is planned to make more impact.

Under the 2020 Code of Audit Practice, for relevant authorities we are required to issue our Auditor's Annual Report no later than 30 September or, where this is not possible, issue an audit letter setting out the reasons for delay. As a result of the ongoing pandemic, and the impact it has had on both preparers and auditors of accounts to complete their work as quickly as would normally be expected, the National Audit Office has updated its guidance to auditors to allow us to postpone completion of our work on arrangements to secure value for money and focus our resources firstly on the delivery of our opinions on the financial statements. The extended deadline is now no more than three months after the date of the opinion on the financial statements. We are still required to issue a letter setting out for the reasons for the delay which is shown on page 6.

We plan to report our VFM work to the Finance and Audit Scrutiny Committee on 15 December.

# Audit Deliverables

2020/21 Deliverables	Planned Date	Status
<p><b>Audit Plan</b></p> <p>We are required to issue a detailed audit plan to the Finance and Audit Scrutiny Committee setting out our proposed approach in order to give an opinion on the Authority's 2020/21 financial statements and the Auditor's Annual Report on the Authority's Value for Money arrangements.</p>	July 2021	Complete
<p><b>Progress report</b></p> <p>We will report to you the progress made to date</p>	September 2021	Complete
<p><b>Audit Findings Report</b></p> <p>The Audit Findings Report will be reported to the Finance and Audit Scrutiny Committee.</p>	September 2021 – deferred to November 2021	Not yet due
<p><b>Auditors Report</b></p> <p>This is the opinion on your financial statements.</p>	September 2021 – deferred to November 2021	Not yet due
<p><b>Auditor's Annual Report</b></p> <p>This Report communicates the key issues arising from our Value for Money work.</p>	December 2021	Not yet due

# Audit letter in respect of delayed VFM work

Note that this letter does not form part of our formal communications under ISA 260 (Communication with Those Charged with Governance) but is included here for ease of reference.

Jonathan Nicholls  
Finance and Audit Scrutiny Committee Chair  
Warwick District Council  
Riverside House  
Milverton Mill  
Leamington Spa  
CV32 5HZ

Dear Jonathan, Chair of Audit Committee as TCWG,

Under the 2020 Code of Audit Practice, for relevant authorities other than local NHS bodies we are required to issue our Auditor's Annual Report no later than 30 September or, where this is not possible, issue an audit letter setting out the reasons for delay.

As a result of the ongoing pandemic, and the impact it has had on both preparers and auditors of accounts to complete their work as quickly as would normally be expected, the National Audit Office has updated its guidance to auditors to allow us to postpone completion of our work on arrangements to secure value for money and focus our resources firstly on the delivery of our opinions on the financial statements. This is intended to help ensure as many as possible could be issued in line with national timetables and legislation.

As a result, we have therefore not yet issued our Auditor's Annual Report, including our commentary on arrangements to secure value for money. We now expect to publish our report no later than 31 December 2021.

For the purposes of compliance with the 2020 Code, this letter constitutes the required audit letter explaining the reasons for delay.

Yours faithfully

**Grant Patterson**

Director and Key Audit Partner  
for and on behalf of Grant Thornton UK LLP, Local Auditor



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Finance and Audit Scrutiny Committee  
22 September 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. 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

## Agenda Item 7

been implemented, would then be submitted to the Committee at an agreed date which would then be incorporated within the Work Programme.

## Finance and Audit Scrutiny Committee WORK PROGRAMME

### 22 September 2021

Title	Audit Item or Scrutiny Item	Format	Lead Officer/ Councillor
IA Quarter 1 Progress Report	Audit	Written report followed by Q&A	Richard Barr and Councillor Hales
Annual Governance Statement Quarter 1 Action Plan Report	Audit	Written report followed by Q&A	Richard Barr and Councillor Day
Budget Review Quarter 1	Scrutiny	See Cabinet Agenda	Andrew Rollins and Councillor Hales
Audit Progress Report	Audit	Written report followed by Q&A	Mike Snow and Councillor Hales

### 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 Hales
Treasury Management Half Year Review	Audit	Written report followed by Q&A	Richard Wilson and Councillor Hales

Use of Parent Companies Update Report	Audit	Written report followed by Q&A	Mike Snow and Councillor Hales
Review of Significant Risk Register	Scrutiny	Written report followed by Q&A	Richard Barr and Councillor Day
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 and Councillor
External Audit Findings Report	Audit	Written report followed by Q&A	Mike Snow and Councillor Hales
Statement of Accounts 2020/2021	Audit	Written report followed by Q&A	Andrew Rollins and Councillor Hales

**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

**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 Hales
AGS Quarter 3 Action Plan Report	Audit	Written report followed by Q&A	Richard Barr and Councillor Hales
IA Strategic Plan (2022/22 3to 2024/25 plan)	Audit	Written report followed by Q&A	Richard Barr and Councillor Hales
External Review of Internal Audit Report	Audit	Written report followed by Q&A	Richard Barr and Councillor Hales

**13 April 2022**

Title	Audit Item or Scrutiny Item	Format	Lead Officer/ Councillor
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**Response from the meeting of the Cabinet on the  
F&A Committee's Comments**

**4 Final Accounts 2020/21**

The Finance & Audit Scrutiny Committee supported the recommendations in the report.

Cabinet Response: The recommendations in the report were approved.

**7 Risk Management Annual Report 2020/21 and Strategy**

The Finance & Audit Scrutiny Committee supported the recommendations in the report. Members wished to make clear that section 9.2 of the report should be clarified to reflect that the merger of Warwick District Council and Stratford-on-Avon District Council had not yet happened and was a possible merger at this stage.

Cabinet Response: Councillor Hales was happy to accept the amendment from the Finance & Audit Scrutiny Committee to section 9.2 of the report to read "**Proposed** Merger of Warwick District Council and Stratford-on-Avon District Council", and he then proposed the report as laid out with the above amendment.

**8 Project Funding for Castle Farm Leisure Centre and Abbey Fields Swimming Pool**

The Finance & Audit Scrutiny Committee supported the recommendations in the report. Members noted the undertaking to align the categories of risk in the project risk register with the agreed categorisation of, and approach taken to, risks adopted by the Council in its Risk Strategy, and also noted that the project comprised of two separate contracts for Abbey Fields and Castle Farm.

Cabinet Response: Councillor Bartlett thanked the Finance & Audit Scrutiny Committee for a good debate and for the pertinent questions it raised. He then proposed the report as laid out.



Finance & Scrutiny Committee  
22 September 2021

**Title: Update on Joint Work with SDC**  
**Lead: Chris Elliott**  
**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: No  
Accessibility checked: Yes

**Officer/Councillor Approval**

<b>Officer Approval</b>	<b>Date</b>	<b>Name</b>
Chief Executive	13/9/2021	Chris Elliott
Transformation Programme Manager	13/9/2021	Tim Oruye
CMT	13/9/2021	Chris Elliott, Andrew Jones, Dave Barber, Tony Perks
Section 151 Officer	13/9/2021	Mike Snow
Monitoring Officer	13/9/2021	Phil Grafton
Finance	13/9/2021	Andrew Rollins
Portfolio Holder(s)	13/9/2021	Andrew Day

## **1. Summary**

- 1.1. It was agreed at a previous meeting of the Overview and Scrutiny Committee and of the Finance and Audit Committee that a report would be brought to each meeting to set out the progress of the work being done to enable effective Scrutiny of the proposals.

## **2. Recommendations**

- 2.1 That the contents of the report and appendices are noted and any comments arising are presented to the Cabinets of both Councils and the Joint Advisory Steering Group (JASG).

## **3. Reasons for the Recommendations**

- 3.1. This report re iterates the vision agreed by both Councils and the reasons for undertaking this approach; sets out work done to date; the next steps; the key benefits; and the key milestones and intended overall outcome.
- 3.2. Vision – both SDC and WDC at their respective Full Councils agreed the following vision:

To create a single statutory South Warwickshire Council covering all of the activities currently carried out by Stratford on Avon District Council and Warwick District Council by 1<sup>st</sup> April 2024.

- 3.3. Reasons for undertaking this approach:

- Both Councils have significant financial pressures
- Both Councils wish to continue to provide valued services to residents/businesses/local communities and improve them if we can
- The two Councils have a good track record of partnership
- There is a shared economic geography between the two Councils
- There is a shared sense of community between the two Councils' areas
- There is a very strong political relationship in place
- The two Councils are within the same County Council area.

- 3.4. Work done to date (including ongoing work) includes:

- Deloitte Report commissioned and agreed by both setting out the high level business case for the creation of a single South Warwickshire Council
- Vision stated above (para 3.2) agreed by both Councils
- The Cabinet portfolios for both Councils are fully aligned
- Jointly Tendering for the Refuse and Recycling Contracts
- Developing jointly a South Warwickshire Local Plan
- Developing a joint Regulatory Services Enforcement Policy
- Developing a South Warwickshire Economic Strategy
- Agreed a shared set of ambitions regarding the Climate Emergency
- Joint Staff/HR policies agreed
- Agreed and have appointed a Transformation Programme Manager and Programme Support Officer
- Established a governance regime via the creation of an officer Programme Board (which meets weekly) and the Councillor led Joint

Arrangements Steering Group (Reports and Notes of meeting available on the South Warwickshire Together Hub)

- Work on due diligence financially undertaken by LGA consultant and reported to JASG
- Regular meetings with Unison (both branches) on a fortnightly basis
- Communication Hub for all Staff and Councillors of both Councils established – South Warwickshire Together Hub
- Leaders and CEOs meet fortnightly
- Joint Management Team meets weekly (started from 2<sup>nd</sup> August with Head of Place and Economy appointed on 4<sup>th</sup> August – (2 vacancies immediately saved)
- Discussions have started with the Government regarding the creation of a single South Warwickshire Council
- Agreed paper for public consultation proposals
- Sharing experience and likewise gaining experience from joint work of other Councils including those who have merged and those who are also considering the same step
- Update presentations given to Councillors, members of staff and Service Managers
- Scrutiny Chairs of SDC/WDC have met
- Start of public consultation on proposal from 6<sup>th</sup> September to 24<sup>th</sup> October – 600 representatives of the community directly surveyed; open form available for all to make their comments; stakeholders notified and asked for comments; focus groups for local residents; parish/town council; community/voluntary; business.

3.5. The next steps include the following:

- Programme of Service Integration is subject to a separate report that will be considered by WDC's Cabinet on 23<sup>rd</sup> September and SDC's Cabinet in early October.
- Business Case for Joint Legal Service integration is subject to a separate report that will be considered by WDC's Cabinet on 23<sup>rd</sup> September and SDC's Cabinet in early October.
- Joint Policy for Enforcement and Business Regulation is subject to a separate report that will be considered by WDC's Cabinet on 23<sup>rd</sup> September and SDC's Cabinet in early October.
- Both Councils to consider the decision to make a formal application to merge the two organisations to create a single South Warwickshire Council – on Monday 13<sup>th</sup> December

3.6. The expected benefits include:

- Delivery of significant net savings as envisaged in the Medium-Term Financial Strategy
- Enhanced partnership working
- Increased presence, influence, and strategic voice
- Increased service resilience
- Improved customer experience – residents and business
- Strengthened workforce opportunities arising from a larger workforce

3.7. The key milestones are:

- Agreement to the business case to be submitted to Government on 13<sup>th</sup> December 2021
- Approval granted by the Secretary of State within a year of the submission date
- Shadow Council in existence from April 2023 – elections inc. those of Parish deferred for a year
- All services merged by March 2024 having started the process in November 2021
- New Council comes into life on 1<sup>st</sup> April 2024
- Elections to new Council in May 2024

3.8. The overall outcome will be that a new South Warwickshire Council which has a sustainable financial foundation and so is able to deliver better, transformed, and relevant services for the residents, businesses, and communities of the area.

## 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** - The report will have no direct impact for the community at this stage, but the overall programme will assist with the ability to continue to provide services.

**Services - Green, Clean, Safe** – As above.

**Money- Infrastructure, Enterprise, Employment** – As above.

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

**People - Effective Staff** – The joint work will offer better protection to staff than the alternatives and by being part of a larger workforce it will offer more opportunities for training and progress.

**Services - Maintain or Improve Services** – The joint work is intended to enable the two Councils to maintain or improve their services.

**Money - Firm Financial Footing over the Longer Term** – It is intended that the work does provide for a firm financial footing over the longer term.

4.3. **Supporting Strategies & Changes to Existing Policies** – The joint work will impact on the two Council's policies across the piece. Part of the Programme of work will be to bring the policies of the two Councils into line over the period to 2024 and in some cases beyond that.

4.4. **Impact Assessments**

High level impact statement prepared in conjunction with public consultation. Can be seen on the consultation website and will also be published on the South Warwickshire Together Hub.

**5. Budgetary Framework**

5.1. This report does not impact on the budgetary framework or budget, but the subject matter of the report will have an impact.

**6. Risks**

6.1. A risk register for the joint work is being developed.

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

7.1. Strategic options were evaluated as part of the work done for the public consultation and can be seen at the hub.