

A meeting of the Finance and Audit Scrutiny Committee will be held remotely on Wednesday 27 May 2020 at 6.00pm and available for the public to watch via the Warwick District Council [YouTube channel](#).

Membership, subject to confirmation by Council on 20 May 2020:

Councillor L Bartlett
Councillor J Dearing
Councillor R Dickson
Councillor J Grey
Councillor Illingworth
Councillor Luckhurst

Councillor J Nicholls
Councillor S Syson
Councillor J Tracey
Councillor T Wright
Vacancy – Whitnash RA

Agenda **Part A – General Items**

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. Appointment of Chairman

To appoint the Chairman of the Committee for the municipal year 2020/21.

3. 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 declared during this item. However, the existence and nature of any interest that subsequently becomes apparent during the course of the meeting must be disclosed immediately. If the interest is not registered, Members must notify the Monitoring Officer of the interest within 28 days.

Members are also reminded of the need to declare predetermination on any matter.

If Members are unsure about whether or not they have an interest, or about its nature, they are strongly advised to seek advice from officers prior to the meeting.

4. Minutes

To confirm the minutes of the meetings held on 11 February 2020

(Pages 1 to 6)

Part B - Audit Items

5. **Internal Audit Quarter 3 2019/20 Progress Report**

To consider a report from Finance

**(Pages 1 – 64 &
Appendices A - L, online only)**

6. **Internal Audit Quarter 4 2019/20 Progress Report**

To consider a report from Finance

**(Pages 1 – 29 &
Appendices A - O, online only)**

7. **Internal Audit Annual Report 2019/20**

To consider a report from Finance

(Pages 1 – 12)

8. **Annual Governance Statement 2019/20**

To consider a report from Finance

(Pages 1 – 16)

9. **Internal Audit Strategic Plan 2020/21 – 2022/23 and Internal Audit Charter 2020**

To consider a report from Finance

(Pages 1 - 22)

10. **2019/20 Audit of Accounts**

To consider a report from Finance

(Pages 1 - 90)

11. **2019/20 Audit of Accounts – Update Report**

To consider a report from Finance

(Pages 1 - 8)

Part C – Scrutiny Items

None

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You can e-mail the members of the Committee at

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The agenda is available in large print on request,
prior to the meeting, by telephoning (01926)
456114

Finance and Audit Scrutiny Committee

Minutes of the meeting held on Tuesday 11 February 2020 at the Town Hall, Royal Leamington Spa at 6.00pm.

Present: Councillor Nicholls (Chair); Councillors: Bartlett, J Dearing, R Dickson, Jacques, Leigh-Hunt, Syson, Tangri, Tracey and Wright.

97. Apologies and Substitutes

- (a) there were no apologies for absence; and
- (b) there were no substitutes.

(The Chairman took the opportunity to welcome Councillor Grey to the meeting as she would be joining the Committee from March.)

98. Declarations of Interest

Minute 104 – Executive Agenda (Non-Confidential Items & Reports – Wednesday 12 February 2020)

Executive Item 6 - Warwick District Climate Emergency Action Programme

Councillor Nicholls declared he was predisposed on this item because he was part of working party but wanted to listen to the views of others before the Committee passed comments on the report to the Executive.

99. Minutes

The Minutes of the meeting held on 17 December 2019 were taken as read and signed by the Chairman as a correct record.

100. External Audit Progress Report

The Committee received a report from the Council's external auditors, Grant Thornton, that set out the Progress Report and Sector Update on their Audit of the Council.

The auditors had completed the audit of the 2018/19 Accounts in July 2019. Work had now commenced on the 2019/20 Audit. Details of the Audit Plan for the 2019/20 Audit were due to be presented to the Finance and Audit Scrutiny Committee in March 2020.

The auditors had completed the audit of the 2018/19 Housing Benefit, with details included in Appendix 1 to the report. Testing had been undertaken by officers and auditors as part of this audit, considering many samples. The audit letter highlighted that the overall claim was £28m, with amendments totalled £423. There were some errors identified but these had no overall impact on the level of subsidy being claimed. Due to the errors identified, the auditors were required to qualify the claim. However,

nationally it was the exception for the Benefits Subsidy claim not to be qualified.

The report also provided updates on various issues, including the review into local government audit and key development for 2019/20 accounts.

In response to questions from the Committee, Mr Patterson from Grant Thornton advised that:

- the District was well-positioned nationally in respect of both growth and wellbeing;
- there was a national issue with firms struggling to recruit and retain auditors to undertake public sector audits;
- since the contract was let for audit, the detailed work on the audit had been increased;
- auditors were discussing with the Minister for Housing Communities & Local Government for more time to complete audits, in light of the above points; and
- auditors were also working with the Chartered Institute of Public Finance & Accountancy to simplify the reporting framework so that it was easier for all parties to understand.

Resolved that the report be noted.

101. Executive Agenda (Non-Confidential Items & Reports – Wednesday 12 February 2020)

The Committee considered the following non-confidential item which would be discussed at the meeting of the Executive on Wednesday 12 February 2020.

Item 4 - 2020/21 General Fund Budget and Council Tax

The Committee noted the contents of the report but had concerns about how the work on Climate Change Action Plan would be funded if the proposed increase did not get approved and in what time scale the changes proposed would occur.

They noted the intense programme to bring proposals forward to mitigate the budget deficit that were set within the Medium Term Financial Strategy. Therefore, the use of the business rate volatility deficit as a one off use up to 2022/23 was acceptable.

They also noted it would be very important for Scrutiny and all Councillors to ensure if the Climate Action Fund was not used for works other than the action plan agreed by Council and to ensure this was communicated to the public.

The Committee recommended to the Executive that the cost of the referendum should come from the new homes bonus and the proposed allocation to the service transformation reserve for the next year was reduced by the same amount. The Executive were required to vote on this proposal because it included a recommendation from the Scrutiny Committee.

The Committee had concerns with the cost of the climate change programme director role being funded from the ring fenced climate change emergency because the original position was for this to be paid from the new homes bonus and this could be a cause of concern for the general public if a referendum was to take place. The Committee asked the Executive to check that it was comfortable with the proposed funding for the role and if it was not a correct use of the climate change emergency how would the post be funded without impacting on projects across the Council proposed within the new homes bonus funding plan.

The Committee asked for details to be circulated of how the Planning Appeals Reserves was calculated for future years.

102. **Public and Press**

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

103. **Executive Agenda (Confidential Items & Reports – Wednesday 12 February 2020)**

The Committee considered the following confidential item which would be discussed at the meeting of the Executive on Wednesday 12 February 2020.

Item 19 - Purchase of Land for Affordable Housing - Europa Way, Warwick

The Committee supported the recommendations in the report.

(The meeting resumed in public session.)

104. **Executive Agenda (Non-Confidential Items & Reports – Wednesday 12 February 2020)**

The Committee considered the following non-confidential items which would be discussed at the meeting of the Executive on Wednesday 12 February 2020.

Item 5 - Housing Revenue Account (HRA) Budget 2020/21 and Housing Rents

The Committee noted the report.

Item 6 - Warwick District Climate Emergency Action Programme

The Committee supported the recommendations in the report and thanked officers involved for the hard work in bringing the report forward.

Item 17(b) - Significant Business Risk Register

The Committee asked for the Executive to review Risk 16 for climate change, in light of the declared climate change emergency and associated report, because it had risk score of a low likelihood and low impact.

The Committee asked that in future Risk Registers should show an indicative timeframe for completion of actions listed within the mitigation.

Item 13 - Discretionary business rates relief as a tool for business growth and inward investment

The Committee supported the recommendation in the report

105. Strategic Leadership / Chief Executive – Service Area Update

The Committee received a report from the Chief Executive's Office that set out the contract register, risk register and budget for the Service.

The risk register was last reviewed on 31 January 2020. This version of the risk register was set out as Appendix A to the report.

The scoring criteria for the risk register was subjective and was based on an assessment of the likelihood of something occurring, and the impact that it might occur.

In line with the traditional risk matrix approach, greater concern should be focused on those risks plotted towards the top right corner of the matrix, whilst the converse was true for those risks plotted towards the bottom left corner of the matrix. The former-described set of risks were within the area shaded red, whilst the latter-described set of risks were within the area shaded green; the mid-range were in the area seen as yellow.

The Chief Executive's Office was responsible for a wide range of services, which consequently lead to a number of potential risks. There were 15 risks contained in the risk register.

As with all the risks in the register, it was the controls and mitigations that were being undertaken to control the risks that were of importance. These reflected the tangible actions over which there was more control. As a result, many of the risks had reduced in likelihood over time, which explained why a significant proportion were now within the "yellow" band.

The latest version of the contract register in so far as it related to the Chief Executive's Office was set out in Appendix B to the report.

Details of the budgets (as relevant to the Chief Executive's Office) were included as Appendix C to the report.

Management of the budget set was part of the ongoing processes which ensured that significant variances were discussed with Finance. The budgets were devolved to budget managers who were responsible for the delivery of specific services. Each budget manager was trained on their responsibilities. Those responsibilities included regular liaison with the relevant accountant in Finance to discuss and resolve issues and variances

associated with the budget. Managing expenditure in line with the budget was therefore part of the established practice of the service.

In response to questions from the Committee, the Deputy Chief Executive & Monitoring Officer explained that:

- the recruitment for the Head of ICT was underway and the recruitment for the new Director post would start shortly;
- the Director post would be a wide-ranging post and the time had been taken to ensure the right person with the appropriate skills was employed, with a view to improvement through refinement rather than a big bang;
- the new Director would be responsible for bringing change in respect of climate change agenda, the Deputy Chief Executive (BH) would be the responsible lead in respect of use of assets and commercialisation and the Deputy Chief Executive (AJ) would be responsible for the transformation agenda. As such, all three would need to work extremely closely to ensure work did not duplicate or have a negative impact on the other;
- in respect of Data Breaches, analysis had been undertaken to compare those at the Council with those reported to the Information Commissioner by all local authorities. This showed that the types of breaches by the Council, all of which were minor, reflected the national pattern; and
- the most common type of data breach was letters being sent to the wrong person i.e. two letters being caught together and posted to an address. This related to back to the transformation agenda where, as part of the mitigation, the Council should be challenging why it was posting a letter and looking for alternatives such as secure online portals.

The Committee recognised that a significant amount of work was put into the Portfolio Holder Service Area Update reports and the Scrutiny Committees needed to consider the value they added by these reports to both the Service Area and that of Councillors. While the report captured performance in the area, this was only a snapshot in time on an annual basis. Overall there was a need to reflect on the role and capacity of the Committee, looking ahead to the new Business Strategy and scrutiny of that, as well as the Climate Change agenda.

The Committee also recognised that the ongoing dialogue through shadow Portfolio Holders meetings was key to providing assurance and understanding/developing ideas.

Resolved that

- (1) the report be noted; and
- (2) the Committee will reflect on the value of Portfolio Holder reports as part of its Work Planning Process for 2020/21.

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

The Committee received a report from Committee Services which informed


the Committee of its work programme for 2020 as attached at Appendix 1 to the report, as well as the current Forward Plan.

The Chairman asked the Committee to reflect ahead of its next meeting on its work since May 2019 and what changes it could make or training it needed, to prepare itself for its work in the next 12 months.

Resolved that the work programme be amended to remove the review of closure of accounts in 2017/18 which was now completed.

(The meeting ended at 8.33pm)

CHAIR
17 March 2020

 Finance and Audit Scrutiny Committee 27 Ma7 2020		Agenda Item No. 5
Title	Internal Audit Quarter 3 2019/20 Progress Report	
For further information about this report please contact	Richard Barr Tel: (01926) 456815 E Mail: richard.barr@warwickdc.gov.uk	
Wards of the District directly affected	Not applicable	
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006	No	
Date and meeting when issue was last considered and relevant minute number	Finance and Audit Scrutiny Committee – 17 December 2019	
Background Papers	Internal Audit Reports	

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

Officer/Councillor Approval		
With regard to officer approval all reports <i>must</i> be approved by the report author's relevant director, Finance, Legal Services and the relevant Portfolio Holder(s).		
Officer Approval	Date	Name
Chief Executive/Deputy Chief Executive	19 Feb 2020	Chris Elliott
Head of Service	19 Feb 2020	Mike Snow
SMT	19 Feb 2020	SMT
Section 151 Officer	19 Feb 2020	As Head of Service
Monitoring Officer	19 Feb 2020	Andrew Jones
Finance	19 Feb 2020	As Section 151 Officer
Portfolio Holder	9 March 2020	Councillor Hales
Consultation and Community Engagement		
None other than consultation with members and officers listed above.		
Final Decision?	Yes	
Suggested next steps (if not final decision please set out below)		

1 **Summary**

- 1.1 Report advises on progress in achieving the Internal Audit Plan 2019/20, summarises the audit work completed in the third quarter and provides assurance that action has been taken by managers in respect of the issues raised by Internal Audit.

2 **Recommendations**

- 2.1 That the report, 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 plans accompanying all Internal Audit reports issued in the quarter, be reviewed. (Para. 10.2)
 - 2.1.4 That Appendix 4, containing the audit reports of assignments that were awarded a lower than substantial assurance opinion, be scrutinised. (Para. 10.4)
 - 2.1.4 That Appendix 5, recording the state of implementation of recommendations issued in previous quarters, be reviewed. (Para. 11.2)

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)

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

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

FFF Strands		
People	Services	Money
External		
Health, Homes, Communities	Green, Clean, Safe	Infrastructure, Enterprise, Employment
<u>Intended outcomes:</u> Improved health for all Housing needs for all met Impressive cultural and sports activities Cohesive and active communities.	<u>Intended outcomes:</u> Area has well looked after public spaces All communities have access to decent open space Improved air quality Low levels of crime and ASB.	<u>Intended outcomes:</u> Dynamic and diverse local economy Vibrant town centres Improved performance/productivity of local economy Increased employment and income levels.
Impacts of Proposal		
Although there are no direct policy implications, internal audit is an essential part of corporate governance and will be a major factor in shaping the Policy Framework and Council policies.		
Internal		
Effective Staff	Maintain or Improve Services	Firm Financial Footing over the Longer Term
<u>Intended outcomes:</u> All staff are properly trained All staff have the appropriate tools All staff are engaged, empowered and supported The right people are in the right job with the right skills and right behaviours.	<u>Intended outcomes:</u> Focusing on our customers' needs Continuously improve our processes Increase the digital provision of services.	<u>Intended outcomes:</u> Better return/use of our assets Full Cost accounting Continued cost management Maximise income earning opportunities Seek best value for money.
Impacts of Proposal		
Although there are no direct policy implications, internal audit is an essential part of corporate governance and will be a major factor in shaping the Policy Framework and Council policies.		

4.2 **Supporting Strategies**

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

4.3 **Changes to Existing Policies**

This section is not applicable.

4.4 **Impact Assessments**

This section is not applicable.

5 **Budgetary Framework**

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

6 **Risks**

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

7 **Alternative Options Considered**

- 7.1 This section is not applicable.

8 **Progress against Plan**

- 8.1 At the start of each year Members approve the Audit Plan setting out the audit assignments to be undertaken. An analysis of progress in completing the Audit Plan for 2019/20 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.

These definitions have been developed following extensive investigation of other organisations' practices (including commercial operations).

10 Internal Audit Assignments Completed During Quarter

- 10.1 Twelve audits were completed in the third quarter of 2019/20. Copies of all the reports issued during the quarter are available for viewing on the online agenda for the meeting.
- 10.2 The action plans accompanying all Internal Audit reports issued in the quarter are set out as Appendix 3. These detail the recommendations arising from the audits together with the management responses, including target implementation dates.
- 10.3 As can be seen, responses have been received from managers to all recommendations contained in audit reports issued during the quarter in question.
- 10.4 Four audits completed in the quarter were awarded a lower than substantial assurance opinion. These were in respect of the 'Cloud Applications', 'Information System Policies', Health and Safety Compliance of Council Buildings' and 'Catering Concessions'.

11 Implementation of Recommendations Issued Previously

- 11.1 Managers are required to implement recommendations within the following timescales:
- (a) Recommendations involving controls assessed as high risk to be implemented within three months.
 - (b) Recommendations involving controls assessed as low or medium risk to be implemented within nine months.
- 11.2 The state of implementation of **low and medium risk** recommendations made in the **fourth quarter of 2018/19** and **high risk recommendations** made in the **second quarter of 2019/20** is set out in Appendix 5 to this report.
- 11.3 As can be seen, responses have been received from all managers in order to

provide the state of implementation of recommendations issued in this earlier quarter.

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

Public Sector Internal Audit Standards 2013

Independence and Objectivity

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

Glossary

Definition: Audit Committee

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

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

Core Functions

Audit committees will:

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

Suggested Audit Committee Terms of Reference

Audit Activity:

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

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

Monitoring Audit Performance

Auditor/officer collaboration

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

Management response

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

Implementation

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

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

CIPFA Technical Information Service Online

Audit Reporting

Introduction

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

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

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

Periodic Internal Audit Reports

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

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

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

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

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 2019/20: Quarter 3**Analysis of Performance****Time Spent: Audit Plan – Planned Vs Actual**

ACTIVITY	ANNUAL ALLOCATION (DAYS)	PROFILE ALLOCATION (DAYS)	ACTUAL TO DATE (DAYS)	VARIATION (DAYS)
<u>Planned Audit Work</u>	337.0	252.7	255.4	-2.7
<u>Other Time</u>				
Sundry audit advice	17.0	12.8	12.9	-0.1
Special investigations (e.g. Fraud/Irregularities)	20.0	15.0	0.0	+15.0
Corporate and departmental Initiatives	28.0	21.0	18.2	+2.8
Non-chargeable activities	154.0	115.5	118.3	-2.8
Leave and other absences	120.0	90.0	101.5	-11.5
<i>Total Other Time</i>	339.0	254.3	250.9	+3.4
<i>Total Time</i>	676.0	507.0	506.3	+0.7

Time spent: Assignments Completed – Planned Vs Actual

AUDIT ASSIGNMENT	PLAN (DAYS)	TIME TAKEN (DAYS)	UNDER (+) / OVER (-)
Corporate Governance	5.0	5.5	-0.5
Planning Policy	10.0	9.4	+0.6
Sundry Debtors	10.0	10.7	-0.7
Treasury Management	10.0	10.7	-0.7
Infrastructure Security and Resilience	Contracted out		
Information Systems Policies	Contracted out		
Cloud Applications	Contracted out		
Catering Concessions	7.0	6.6	+0.4
Health and Safety Compliance of Council Buildings	10.0	13.9	-3.9
Food Safety	10.0	10.2	-0.2
Homelessness and Housing Advice	10.0	11.8	-1.8
Open Spaces	10.0	10.5	-0.5

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

Health and Safety Compliance of Council Buildings – This was a new audit, so the 'calculation' of the time required to undertake the audit was a best guess and this proved inadequate. There were also issues with getting information from some staff and one key

member of staff was off sick, so additional time was required to cover areas where he may have been able to provide more appropriate, and more timely, responses. In addition, he returned to work before the end of the audit, so some of these areas were revisited to ensure that the correct responses and documentation had been received.

Completion of Audit Plan: Target Vs Actual

NO. OF AUDITS PER AUDIT PLAN	PROFILED TARGET COMPLETION		ACTUAL NO. COMPLETED TO DATE		VARIATION	
	NO.	%	NO.	%	NO.	%
40	24	60	23	57.5	-1	-4.2

**Summary of Recommendations and Management Responses from Internal Audit Reports
issued Quarter 3, 2019/20**

Report Reference	Recommendation	Risk Rating¹	Responsible Officer	Management Response and Target Implementation Date (TID)
Corporate Governance – 5 December 2019				
4.2.12	Completed gifts and hospitality forms should be covered by the corporate document retention policy.	Low	Democratic Services Manager & Deputy Monitoring Officer	Details of how this will operate to be discussed with the Information Governance Manager with the aim of putting process in place by end of the financial year. TID: 31 March 2020
4.3.12	Minutes should be taken for all meetings of the Risk Management Group, with nominated 'deputies' taking minutes when the Insurance & Risk Officer is unable to attend.	Low	Audit & Risk Manager	Agreed. TID: Immediate

¹ Risk Ratings are defined as follows:

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

Report Reference	Recommendation	Risk Rating ¹	Responsible Officer	Management Response and Target Implementation Date (TID)
4.3.14	Consideration should be given to the remit of the group and whether there is a need for a specific group or if these discussions could be covered by SMT when they consider the Significant Business Risk Register.	Low	Audit & Risk Manager	We have considered this and feel that common themes are emerging, albeit not necessarily reflected in the minutes. There is tremendous benefit in hearing about other services' risks as there are always lessons to be learned corporately and we feel that this is the right forum to provide that opportunity. These issues do need to be captured better and, perhaps more importantly, communicated "outwards" more effectively so that, indeed, lessons can be learned across the organisation. This will be considered at the next meeting. TID: Not applicable.
Planning Policy – December 2019				
No recommendations arising from review on this occasion.				
Sundry Debtors – 28 November 2019				
4.2.3	Except in exceptional cases, which should be agreed by the Head of Finance, invoices should be issued before services have been provided. Where invoices are not issued in advance, the circumstances should be recorded and kept under review by the relevant Head of Service and Head of Finance. Where there is no pre-agreed reason for the delay, the relevant Head of Service should provide authorisation explaining the reason for the delay when submitting the documentation for the raising of the invoice.	Low	Head of Finance	A meeting is going to be held to decide how the recommendations will be actioned. TID: End of December 2019

Report Reference	Recommendation	Risk Rating ¹	Responsible Officer	Management Response and Target Implementation Date (TID)
Treasury Management – 9 October 2019				
4.2.3	The Treasury Management Practice statements should be revised to reflect the proper status of Internal Audit in the control environment and risk-based determination of audit frequencies.	Low	Principal Accountant (Capital and Treasury)	The Treasury Management Practices will be reviewed for the 2020/21 Treasury Management Strategy. TID: February 2020
Infrastructure Security and Resilience – 29 October 2019				
4.5.3	Firewall appliances should be upgraded to CISCO's recommended Code version.	Medium	ICT Services Manager	Agreed. Some of the Council's firewalls are currently being replaced. Once this is complete, all remaining Firewalls will be updated and maintained to Cisco's latest recommended code version. TID: April 2020
4.6.4	The Cisco 'Password Policy' security settings should be reviewed to enforce password history (12) and password minimum length (8).	Low	ICT Services Manager	Agreed. The Council operates several Firewalls and the changes need to be implemented cautiously to avoid lockouts. TID: January 2020

Report Reference	Recommendation	Risk Rating¹	Responsible Officer	Management Response and Target Implementation Date (TID)
4.8.4	The Cisco IPS system should be actively configured to block all malicious network traffic.	Medium	ICT Services Manager	Agreed. IPS was originally configured to run in monitoring mode to obtain sufficient data to identify network false positives. Discussions were already being undertaken at the time of the audit to schedule an appropriate time for IPS to become active. TID: February 2020
Information Systems Policies – 25 October 2019				
4.3.3	The 'Information Security Incident Reporting' policy should be reviewed and updated.	Medium	Information Governance Manager	The policy is already under review with target completion date (for adoption) of December 2019. TID: 23 December 2019
4.4.1	Ongoing work to update data retention, data handling and classification policies should be completed and updated policies should be made available to staff.	Medium	Information Governance Manager	The policies are already under review with target completion date (for adoption) of December 2019. TID: 23 December 2019
4.4.2	Data retention schedules should be brought up to date and a regular review process should be introduced.	Medium	Information Governance Manager	This is not the responsibility of the IG Manager but the relevant service areas. However, the IG Manager is in the process of working with all Teams (within departments to remind them about these and to bring them up to date). TID: Not applicable

Report Reference	Recommendation	Risk Rating¹	Responsible Officer	Management Response and Target Implementation Date (TID)
4.7.3	All remaining policies should be reviewed and updated.	Medium	Information Governance Manager	The policies are already under review with target completion date (for adoption) of December 2019. TID: 23 December 2019
4.9.3	An exercise to review the accuracy and completeness of the Council's record of processing activities should be undertaken on a regular basis to ensure the record is up to date. Management should also consider audits of individual departments to verify the accuracy of data in the record.	Medium	Information Governance Manager	The IG Manager has been meeting with teams within Service Areas as in parallel to the retention schedules. However, part of this action should be for all Heads of Services (as Data Asset Owners) to ensure these records are correct. Also, both this and retention schedule should be an area that Audit test as part of their routine audits of each service area to validate the processes. Not applicable.
Cloud Applications – 25 October 2019				
4.2.3	The 'Privacy Impact Assessment Toolkit' document should be reviewed and updated.	Medium	Information Governance Manager (Shafim Kauser)	The review of the toolkit is currently under way, along with the rest of the Information Governance Framework, and this will be completed by 23 December 2019. TID: 23 December 2019
4.2.4	The 'Software Policy' should be updated to reference the 'Privacy Impact Assessment Toolkit' process.	Low	ICT Services Manager (Ty Walter)	Accepted: The Software Policy has been updated to reflect the PIA Toolkit requirements (03 Oct 2019), and this version is now available via the ICT Policy pages on the Intranet. TID: Not applicable.

Report Reference	Recommendation	Risk Rating¹	Responsible Officer	Management Response and Target Implementation Date (TID)
4.3.4	Management should liaise with the supplier to increase Get Scheduled password complexity requirements.	Medium	Get Scheduled System Owner (Jessica Craddock)	I had spoken with the system owner and system developer (Tom Douglas & Wojciech Dragan) to implement the complexity requirements. Passwords for each user now requires a minimum of 8 characters including 1 special character, 1 uppercase and 1 number. This was actioned by all users w/c 23.09.19. TID: Not applicable – recommendation actioned.
4.3.5	Management should investigate options around implementing two factor authentication to the ArtifaxEvent application.	Medium	ArtifaxEvent System Owner (Laura Wyatt)	We have tested the two-factor authentication provided by the ArtifaxEvent system. As the system heavily relies on mobile phone signage and the phone reception at the Royal Spa Centre being so poor we are unable to switch this on. It would potentially mean locking our users out of the system when they required necessary information for events. TID: Not applicable recommendation not accepted.
4.4.5	The privacy impact assessment process should be completed retrospectively for the ArtifaxEvent system.	Medium	ArtifaxEvent System Owner (Laura Wyatt)	To be arranged and completed. TID: 31 December 2019.
Catering Concessions – 19 December 2019				
No recommendations arising from review on this occasion.				

Report Reference	Recommendation	Risk Rating ¹	Responsible Officer	Management Response and Target Implementation Date (TID)
Health and Safety Compliance of Council Buildings – 4 November 2019				
4.2.9	A review should be undertaken of the properties with 'active' EICR attributes on Active H to ensure that this accurately reflects the properties for which EICR tests are required.	Low	Data Coordinator (DC) and M&E & Energy Officer (MEE0)	Agreed. DC and MEE0 to identify all stock requiring cyclical EICR's and update attributes in ActiveH accordingly. Further, a semi-automated programme of works can be generated as demonstrated in other areas. TID: 31 March 2020
4.2.12	A schedule of PAT testing should be set for each relevant Council property.	Low	DC and MEE0	Agreed. DC and MEE0 to identify all stock requiring cyclical PATesting and update attributes in ActiveH accordingly. Further, a semi-automated programme of works can be generated as demonstrated in other areas. TID: 31 March 2020
4.2.14	Inventories of electrical equipment that require PAT testing should be maintained for each relevant Council property.	Low	Asset Compliance & Delivery Group (AC&DG), MEE0 & Dodds	Agreed, the AC&DG need to agree that building managers maintain an inventory of equipment requiring PATesting. Dodds should be able to support with information of equipment currently tested. TID: 31 March 2020
4.3.3	The variation to the original contract should be confirmed with D&K.	Low	Compliance Team Leader (CTL)	A copy of the variation documentation has now been obtained. TID: Completed.

Report Reference	Recommendation	Risk Rating¹	Responsible Officer	Management Response and Target Implementation Date (TID)
4.5.12	Inventories of fire-fighting equipment should be kept up to date to ensure that contractors are aware of what needs to be tested.	Low	AC&DG, MEE0 & Baydale	Agreed, the AC&DG need to agree that building managers maintain an inventory of equipment pertaining to fire-fighting equipment. Baydale should be able to supply information of currently installed equipment. TID: 31 March 2020
4.7.5	Training on the need for Permits to Work should be provided to relevant staff, including individual building managers as appropriate.	Medium	CTL, Building Manager & H&S Coordinator (BM&HSC) and AC&DG	Agreed. CTL and BM&HSC to liaise on suitable training and audience. TID: 31 January 2020
Food Safety – 26 November 2019				
No recommendations arising from review on this occasion.				
Homelessness and Housing Advice – 5 December 2019				
4.3.11	Refresher training on the setting up of rent accounts on Active H should be given to relevant staff.	Low	Senior Housing Advice Officer	The team have a number of new and inexperienced staff. We will arrange refresher training for the relevant staff on setting up rent accounts. TID: 31 December 2019
4.5.4	Staff should be reminded of the need to ensure documents are attached appropriately to the system.	Low	Senior Housing Advice Officer	We will arrange refresher training for the relevant staff on document management. TID: 31 December 2019
Open Spaces – 14 October 2019				
No recommendations arising from review on this occasion.				

**Audit Reports with Moderate or Low Level of Assurance issued
Quarter 3 2019/20**

Cloud Applications – 25 October 2019

1 Introduction

1.1 In accordance with the Audit Plan for 2019/20 an audit review of cloud applications was completed in September 2019. This report presents the findings and conclusions drawn from the audit for information and action where appropriate.

1.2 Wherever possible, findings have been discussed with the staff involved in the procedures examined and their views are incorporated, where appropriate, into the report. My thanks are extended to all concerned for the help and co-operation received during the audit.

2 Background

2.1 This audit was undertaken to ensure that adequate controls are in place to protect the security, integrity and availability of data stored on Council cloud-based applications.

3 Scope and Objectives of the Audit

3.1 The audit was designed to assess and provide assurance on the following key areas:

- Information security guidelines on Cloud applications
- Access control including two factor authentication
- Proxy server protection to prevent access to insecure or unauthorised cloud applications
- External security testing
- Resilience and Disaster Recovery protection
- 3rd party Contracts including confidentiality and GDPR agreements.

3.2 Testing was performed to confirm that controls identified have operated as expected with documentary evidence being obtained where possible, although some reliance has had to be placed on verbal discussions with relevant staff.

4 Findings

4.1 Recommendations from Previous Report

4.1.1 This section is not applicable as this the first audit of this area.

4.2 **Information security guidelines**

- 4.2.1 Key ICT policies and procedures relevant to the management and security of cloud-based applications were identified and obtained during the course of the audit. These were used in the process of reviewing the adequacy and completeness of the controls in place around cloud applications.
- 4.2.2 The policies identified as being of particular relevance in this review are the; 'Information Security and Conduct Policy', 'Privacy Impact Assessment Toolkit', and the 'Software Policy'.
- 4.2.3 Of the policies and procedures obtained and reviewed during the audit it was noted that the 'Privacy Impact Assessment Toolkit' document requires review and updating to reflect changes in the processes and procedures since the last update and to reference GDPR.

Risk

The privacy impact assessment process may be inconsistently performed.

Recommendation

The 'Privacy Impact Assessment Toolkit' document should be reviewed and updated.

- 4.2.4 It was also noted that the current version of the 'Software Policy' does not mention the privacy impact assessment process or reference the 'Privacy Impact Assessment Toolkit' document.

Risk

Privacy impact assessments may not be performed leading potential breaches of DPA and/or GDPR requirements.

Recommendation

The 'Software Policy' should be updated to reference the 'Privacy Impact Assessment Toolkit' process.

4.3 **Access control including two factor authentication**

- 4.3.1 Two cloud-based applications were selected in conjunction with management to be the basis for review as part of this audit. These were the ArtifaxEvent and Get Scheduled applications.
- 4.3.2 An understanding of the system management and access control arrangements in place for the applications tested was obtained through discussion with ICT and system owners and review of available process documentation.

4.3.3 User set up, change and removal processes were walked through and key application security controls including authentication controls and password settings were obtained and reviewed for each of the systems tested. This highlighted the issues detailed below.

4.3.4 It is good security practice to ensure complex passwords are in use and enforced by strong password security controls. A review of 'Get Scheduled' password parameters identified the system does not currently enforce strong password complexity requirements.

Risk

There may be unauthorised access to application data due to the use of weak passwords.

Recommendation

Management should liaise with the supplier to increase Get Scheduled password complexity requirements.

4.3.5 It was noted that the ArtifaxEvent application has the facility to implement two factor authentication but that this was not currently in use. It is recommended that management consider implementing this in order to provide improved security.

Risk

There may be unauthorised access to application data due to the use of weak passwords/ password sharing.

Recommendation

Management should investigate options around implementing two-factor authentication to the ArtifaxEvent application.

4.4 External security testing

4.4.1 An annual exercise of external penetration testing of the Council's infrastructure is undertaken as part of the annual IT Health Check (ITHC) exercise required as part of the PSN accreditation process. This is used to ensure the Council network is adequately protected against known vulnerabilities.

4.4.2 Additional ad hoc vulnerability scanning and penetration testing exercises are performed in conjunction with third party consultants on a risk basis, where deemed necessary throughout the year.

4.4.3 The two applications focused on as part of this audit are cloud-based services hosted by external suppliers, meaning the Council is reliant on the third party to secure the data appropriately.

4.4.4 A privacy impact assessment process is in place for use when implementing or making changes to systems, enabling management to gain some assurance around the security of data being held and processed. It was found during the work that this exercise had been completed for the Get Scheduled application but not ArtifaxEvent.

4.4.5 Although the risk is mitigated to some extent by the fact that the Council moved to a cloud-hosted service provided by the existing supplier that provided the previous version of the system, it is recommended that the privacy impact assessment be completed to ensure all privacy and security issues have been considered and documented.

Risk

Personal data may be held insecurely and/or breach DPA requirements.

Recommendation

The privacy impact assessment process should be completed retrospectively for the ArtifaxEvent system.

4.5 Resilience and Disaster Recovery protection

4.5.1 It was confirmed during testing that for both ArtifaxEvent and Get Scheduled backups of data and recovery arrangements are included as part of the service provided by the supplier. No recent outages or significant downtime was reported by management for either application.

4.6 3rd party Contracts

4.6.1 The contract and terms and conditions in place in relation to the Get Scheduled application were obtained and reviewed as part of the audit. It was found to have undergone review by the Council's procurement and information governance teams and to include the required references to GDPR obligations around data security.

4.6.2 It was not possible to obtain the ArtifaxEvent contract in the timescale required for this review. It is recommended that the privacy impact assessment recommended above (4.4.5) includes a review of the contract to ensure it meets Council requirements.

5 Conclusions

5.1 The audit did not highlight any urgent issues materially impacting the Council's ability to achieve its objectives. The audit did, however, identify four Medium rated and one Low rated issues which, if addressed, would improve the overall control environment.

Overall, the findings are considered to give MODERATE assurance around the management of cloud applications.

5.1 The assurance bands are shown below:

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

Information Systems Policies – 25 October 2019

1 Introduction

- 1.1 In accordance with the Audit Plan for 2019/20 an audit review of the Council's information system policies was completed in September 2019. This report presents the findings and conclusions drawn from the audit for information and action where appropriate.
- 1.2 Wherever possible, findings have been discussed with the staff involved in the procedures examined and their views are incorporated, where appropriate, into the report. My thanks are extended to all concerned for the help and co-operation received during the audit.

2 Background

- 2.1 This audit was undertaken to review the existence and adequacy of the Council's information systems policies.

3 Scope and Objectives of the Audit

- 3.1 The audit was designed to assess and provide assurance on the following key areas:
- Policy framework for data protection, records management, information security and data sharing
 - Information security policy
 - Policies are published on the Council's intranet
 - All policies follow an agreed format and styling
 - New and existing policies are subject to regular review
 - Information systems technical build standards.
- 3.2 Testing was performed to confirm that controls identified have operated as expected with documentary evidence being obtained where possible, although some reliance has had to be placed on verbal discussions with

relevant staff.

4 Findings

4.1 Recommendations from Previous Report

4.1.1 This section is not applicable as this the first audit of this area.

4.2 Policy framework

4.2.1 An understanding of the policies in place for the management of information systems was obtained through discussion with ICT management during the audit. An information security and governance policy framework incorporating key elements including data protection, records management, information security and data sharing was found to be in place at the Council.

4.2.2 Key policies making up the framework were identified and obtained during the review. These were used in the process of reviewing the adequacy of the policies in in operation at the Council and key findings are detailed below.

4.3 Information security policy

4.3.1 The high level 'Information Security and Conduct Policy' describes the overall approach to information security and details a number of sub-policies that make up the framework. This policy, and sub-policies, documents the controls and processes in place to ensure that information is appropriately secured against issues arising that impact the confidentiality, integrity, and availability of Council data.

4.3.2 This policy was reviewed and found to document and define key information security roles and responsibilities, the Council's approach to maintaining the security and confidentiality of information, and includes references to all relevant sub-policies.

4.3.3 A sample of sub-policies was selected and reviewed for completeness and adequacy. This identified that the 'Information Security Incident Reporting' policy is in need of updating to reflect changes to requirements around the reporting of security incidents introduced as a result of GDPR. The policy currently states, for example, that there is "*no legal obligation in the Data Protection Act to report losses*" to the ICO, and makes no reference to the 72-hour timescale introduced as part of GDPR.

Risk

There may be a potential breach of GDPR requirements regarding incident reporting.

Recommendation

The 'Information Security Incident Reporting' policy should be

reviewed and updated.

4.4 Information Governance Policies

- 4.4.1 It was noted in discussion with management that an exercise to review and update information governance policies and procedures was ongoing at the time of audit and that work was required to substantially update policies covering data retention, data handling and classification of data in particular.

Risk

There may be ineffective information governance processes and controls in the absence of documented policies.

Recommendation

Ongoing work to update data retention, data handling and classification policies should be completed and updated policies should be made available to staff.

- 4.4.2 It was noted during testing that there has not historically been a process in place to ensure that data retention schedules are regularly reviewed and updated. As information asset owners have recently been assigned to all information assets it is recommended that an exercise to review retention schedules to sure they remain valid is undertaken and that this is repeated on an annual basis.

Risk

Data may be held longer than required and/or disposed of in breach of legal requirements.

Recommendation

Data retention schedules should be brought up to date and a regular review process should be introduced.

4.5 Policies are published on the Council's intranet site

- 4.5.1 Information system security and governance policies tested as part of this audit were found to be made available on the Council's intranet site.
- 4.5.2 Key information governance policies including the Information Governance Management Framework, Data Protection and Privacy Policy, Information and Access Rights, Records Management Policy, Information Security Incident Management Policy are also published on the external-facing Council website.

4.6 Agreed format and styling

- 4.6.1 Policies reviewed during the audit were found to follow a standard template,

with some minor exceptions. The policy template includes: a revision and version history section listing the dates of review and detail of any changes made; a section covering policy governance requirements including detailing the person(s) responsible for developing and implementing the policy and the person ultimately accountable; the required distribution of the policy; and any relevant references to other Council policies or legislation.

4.7 Regular review of policies and procedures

4.7.1 There is a Council requirement that all policies should be reviewed on an at-least annual basis. Testing was undertaken to determine the date of last review for key policies reviewed during the audit.

4.7.2 Testing identified that, in the majority of cases, policies are reviewed and updated frequently in accordance with Council policy and that the documents revision history is updated to reflect the changes made.

4.7.3 It was noted, however, that a number of key information governance policies are overdue for updating having last been reviewed on dates ranging from February – April 2018. It is understood from discussion with management that this is due to the significant amount of work and changes to policies and procedures required as a result of GDPR and that work on bringing these up-to-date is underway.

Risk

There may be an impact to systems / services in the event of incorrect procedures being followed in the absence of up-to-date policies.

Recommendation

All remaining policies should be reviewed and updated.

4.8 Information systems technical build standards.

4.8.1 The Council's approach to build standards is documented as part of the 'ICT Services System Lockdown Policy'.

4.8.2 The policy includes the requirement that a standard build process should be used for all Council desktop computers in order to minimise the risk of damage to the network due to the lack of security software, ensure a standard environment to aid software deployment, and help ensure software licensing compliance. This process is monitored by the use of a checklist each time a desktop or 'thin client' is built. A similar checklist was found to be in place for virtual servers.

4.9 Record of processing activities

4.9.1 GDPR requirements state that organisations must "*maintain a record of processing activities under its responsibility*" and define the minimum criteria that must be recorded in relation to the data held.

4.9.2 Testing identified that the Council is currently working on a comprehensive record of processing activities. Although a record of processing activity spreadsheet is currently in place for each Council department, it is noted that these are at varying degrees of completion, with some containing missing data.

4.9.3 While individual service areas have a responsibility to review and update this record on a regular basis, it is recommended that a regular oversight exercise be undertaken to ensure the record of processing activity is kept up to date. An exercise to audit a sample of departments from across the Council to review the completeness and accuracy of this data is also recommended.

Risk

There may be a breach of GDPR requirements regarding the need to demonstrate compliance.

Recommendation

An exercise to review the accuracy and completeness of the Council's record of processing activities should be undertaken on a regular basis to ensure the record is up to date. Management should also consider audits of individual departments to verify the accuracy of data in the record.

5 Conclusions

5.1 The audit did not highlight any urgent issues materially impacting the Council's ability to achieve its objectives. The audit did, however, identify five Medium rated issues which, if addressed, would improve the overall control environment.

As a result, the findings are considered to give MODERATE assurance around the management of information systems policies.

5.1 The assurance bands are shown below:

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

Health and Safety Compliance of Council Buildings – 4 November 2019

1 Introduction

- 1.1 In accordance with the Audit Plan for 2019/20, an examination of the above subject area has been undertaken and this report presents the findings and conclusions drawn from the audit for information and action where appropriate.
- 1.2 Wherever possible, findings have been discussed with the staff involved in the procedures examined and their views are incorporated, where appropriate, into the report. My thanks are extended to all concerned for the help and cooperation received during the audit.

2 Background

- 2.1 The audit had been included in the plan as a result of a specific request from management. This was largely as result of a review performed by the Head of Health & Community Protection (HHCP) of the various health and safety related compliance issues that the Council was responsible for.
- 2.2 The HHCP advised that an 'Asset Baseline' spreadsheet had been produced covering all of the different checks that should be performed but highlighted that it had been produced at a certain point in time which was prior to the restructure of the Assets section and the associated formation of the Compliance team.
- 2.3 During the course of the audit, it was established that an 'Assets Compliance and Delivery Group' had been formed which was to involve staff from the Assets section as well as those who were responsible for the management of different buildings operated by the Council. The inaugural meeting of this group (planned for mid-September) was due to discuss the terms of reference which was proposed to include the oversight of the areas included on the Asset Baseline spreadsheet.

3 Scope and Objectives of the Audit

- 3.1 The audit was undertaken to test the management and financial controls in place.
- 3.2 The 'Asset Baseline' spreadsheet was the starting point in terms of the areas to be covered. However, due to the limited resources for the audit, not all areas identified could be reviewed. Therefore, in terms of scope, the following areas were covered:
- Electrical safety
 - Gas safety

- Legionella
- Fire safety
- Lifts and lifting equipment
- 'Permits to work'
- 'Section 4 conditions'

3.3 The control objectives examined were:

- Council buildings are free from electrical safety risks
- Electrical equipment used by staff and visitors is safe to use
- Council buildings are free from gas safety risks
- Staff and visitors to Council buildings are free from the risk of exposure to Legionella bacteria
- Fire alarms will sound as appropriate
- Fire extinguishers will work if, as and when required
- Council buildings are free from fire safety risks
- All lifts and lifting equipment in place within Council buildings are safe to use
- The Council complies with COSHH regulations in regards to permit to work procedures
- The Council complies with Section 4 of the Health & Safety at Work Act 1974 with regards to the health and safety risks at premises leased to others.

3.4 The audit was only concerned with 'operational' corporate properties. Some, related, testing had recently been carried out on housing properties under the audit of Gas and Electrical Safety Checks.

3.5 Asbestos was also not included, as specific audits of Asbestos Management are undertaken, and other topics were also not to be covered where they are only related to individual specific assets.

3.6 The 'Section 4 Conditions' mainly apply to non-operational buildings. However, as these audits have recently been completed and this topic was not covered, it is being considered as part of this audit.

3.7 Whilst a number of building managers were spoken to as part of the audit, a specific review of their overall roles and responsibilities was not included within the scope. The HHCP advised that there is a general need for these roles and responsibilities to be clarified and communicated to all relevant staff and training is to be provided to them in due course.

4 Findings

4.1 Recommendations from Previous Report

4.1.1 This is the first audit of this topic, so this section is not relevant.

4.2 Electrical Safety

4.2.1 A contract is in place with Dodds Group (Midlands) Ltd (Dodds) for the Maintenance & Repair of Electrical Appliances & Installations. This covers

both domestic and corporate properties. The contract was reviewed under the recent audit of Gas & Electrical Safety Checks (for housing properties) so was not covered as part of this audit.

- 4.2.2 The M&E & Energy Officer (MEE0) advised that corporate properties are to be tested every three years. He suggested that there was no set programme, but the checks are easy to book in and would be done when it was noted that a building was due for a check with the checks being arranged with the relevant building managers.
- 4.2.3 Reports from the checks are scanned and held on the system with Active H being updated accordingly following the completion of the checks. The Data Coordinator (DC) provided an extract from the Active H system showing corporate properties that had various attributes, one of which was the EICR attribute.
- 4.2.4 An initial overview of the spreadsheet highlighted a number of properties for which the last cyclical (testing) date was either 1950 or 1955 so, before a sample of properties was chosen for testing, these were queried with the MEE0 in order to ensure that the sample chosen for testing was relevant.
- 4.2.5 A list was then sent to Dodds of all the properties that the MEE0 and the Compliance Team Leader (CTL) believed needed to be tested and Dodds provided the current status of those tests (i.e. whether they were required and in-date).
- 4.2.6 This list was compared to the Active H extract that had been provided initially and a number of gaps were noted. The MEE0 suggested that these properties may not need EICRs and the attributes could therefore be disabled. However, this needs to be confirmed.
- 4.2.7 The Dodds list also identified a number of properties that were overdue for the EICR test. The CTL advised that Dodds were working through these to get them up to date. As a result, no testing of this aspect was undertaken.
- 4.2.8 However, sample testing was undertaken to ensure that documentation was held as appropriate with a sample taken from the confirmed tests as per the Dodds list. This testing proved generally satisfactory although three more instances were identified which no longer required the EICR attribute to be active.
- 4.2.9 One of these related to a property that was leased out so it was no longer up to the Council to undertake the tests and the other two were cases where the tests were either undertaken on individual properties within a larger property (e.g. lodges within a cemetery) or vice versa (i.e. the individual building 'element' is covered within a larger structure (e.g. toilets within a car park).

Risk

Council properties may not be safe from electrical safety risks.

Recommendation

A review should be undertaken of the properties with 'active' EICR attributes on Active H to ensure that this accurately reflects the properties for which EICR tests are required.

- 4.2.10 In terms of any remedial works required, the MEE0 advised that Dodds would do the work although, if significant, further authorisation may be required. During testing, a number of notes were found to have been recorded on the certificates produced. The majority of these were recommended works (code C3) and this issue has been raised (as an advisory) in the recent Gas & Electrical Safety Checks audit report.
- 4.2.11 The MEE0 advised that portable appliance testing (PAT) is undertaken by Dodds as part of the abovementioned contract. Whilst the contract does not specifically mention PAT, the MEE0 advised that this is covered as part of the general works described in the corporate properties section of the specification.
- 4.2.12 The MEE0 advised that there should be a programme for portable appliances to be tested every twelve months, with other equipment being covered every three years. However, he suggested that he was reliant on building managers flagging up when testing needed to be undertaken and there is no 'scheduled' programme for the testing.

Risk

Electrical appliances used in Council properties may be unsafe.

Recommendation

A schedule of PAT testing should be set for each relevant Council property.

- 4.2.13 The MEE0 also advised that he thought Dodds would have a list of what had been tested, but there was no central inventory maintained. Part of the issue is due to new items being bought by individuals / teams and another issue is staff bringing in items of electrical equipment and the responsibilities for having them tested.
- 4.2.14 Building Managers spoken to confirmed that they did not generally maintain inventories of equipment that needed PAT testing, although the Technical & Facilities Manager (TFM) at the Royal Spa Centre advised that some technical equipment is (usually) tested by his own staff and a record of this is maintained.

Risk

Electrical appliances used in Council properties may be unsafe.
Recommendation

Inventories of electrical equipment that require PAT testing should be maintained for each relevant Council property.

4.3 Gas Safety

- 4.3.1 The extract from Active H (see 4.2.3 above) also included details of those properties where the Gas Safety attribute was active. This list included Jubilee House which had recently been switched to mains gas.
- 4.3.2 The MEE0 advised that it is only boilers that are generally serviced, so there is no requirement to list all individual appliances.
- 4.3.3 A contract is in place with D&K Heating Services Ltd (D&K) for Gas Servicing and Maintenance of **Domestic** properties. The MEE0 suggested that this had been varied to cover corporate properties as well. However, no evidence of this variation could be located at the time of the audit.

Risk

The Council may not have a contract in place for the undertaking of gas safety checks at operational Council properties.

Recommendation

The variation to the original contract should be confirmed with D&K.

- 4.3.4 Sample testing was undertaken to ensure that gas safety checks were being performed and documented as appropriate with the system being updated accordingly and any works identified as being required were undertaken as appropriate.
- 4.3.5 The only issue identified during the testing was that one certificate included a note about potential works required. However, the certificate stated 'see PDA' as opposed to detailing the issue encountered.
- 4.3.6 The MEE0 advised that a supporting email may have been sent, but this would not have been saved alongside the certificate.

Advisory

Contractors should be advised that any issues identified should be appropriately recorded on the certificates provided to the Council.

4.4 Legionella

- 4.4.1 A contract is in place with HSL (formerly Hertel Solutions Ltd) for Legionella and Water-Quality Management. The contract register suggested that no copy of the contract was held in the Document Store or in electronic format. However, the MEE0 advised that copies of the document had recently been located and a copy was provided.
- 4.4.2 The extract from Active H (see 4.2.3 above) also included details of those

properties where the Legionella Management attribute was active. The MEE0 advised that risk assessments will have been performed for each relevant building.

4.4.3 Sample testing was undertaken to ensure that the risk assessments are in place, monthly testing is being undertaken by the contractor and systems are being disinfected where appropriate. This proved satisfactory.

4.4.4 Testing was also to be undertaken on the weekly flushes that are meant to be undertaken at each building. However, the records are maintained at each site and were not readily available without performing individual site visits.

4.4.5 Copies were requested when meetings were held with building managers, but only one of three was returned during the timescales of the audit.

Advisory

The Assets Compliance & Delivery Group should reiterate the need for weekly flush records to be maintained by relevant building managers.

4.5 Fire Safety

4.5.1 The MEE0 advised that fire alarms are tested on a weekly basis by Fire Safe Services (see below). A test sheet is run through and a log is sent to building managers although no central record is maintained.

4.5.2 The MEE0 advised that he is (currently) having issues getting emails from the contractor relating to the tests at other sites. He used to get the emails relating to tests at Riverside House but these are currently not being received due to IT issues. However, he advised that he is confident that the tests are undertaken at Riverside House as he can hear them being tested.

4.5.3 In terms of Oakley Woods Crematorium, the Bereavement Services Development Manager (BSDM) advised that there were issues with their alarms in that the alarm for one building cannot be heard in the other and vice versa. However, she advised that this is being looked into. Other building managers spoken to confirmed that tests were operating satisfactorily.

4.5.4 A contract is in place with Fire Safe Services for the Service and Maintenance of Corporate Fire Alarms. Similar to the Legionella contract, the contract register suggested that no copy of the contract was held in the Document Store or in electronic format. However, the MEE0 advised that copies of the document had recently been located and a copy was provided. He also provided a copy of the list of 'assets' that Fire Safe Services cover under the contract.

4.5.5 The MEE0 advised that the systems are serviced on a quarterly basis, with different aspects covered each quarter against a plan / routine ensuring all aspects are covered over course of the year. This 'plan' is detailed on copies

of the servicing worksheets provide.

- 4.5.6 Sample testing was undertaken to ensure that fire alarm systems are being maintained appropriately with documentation being held to support the tests undertaken. This test proved generally satisfactory although the latest service for one sampled building (Victoria Park Cricket Pavilion) was overdue at the time of the audit.

Advisory

The quarterly service of the fire alarm at Victoria Park Cricket Pavilion needs to be followed up with the contractor to establish why it had not been performed.

- 4.5.7 A contract is in place with Baydale Control Systems Ltd for the 'servicing, testing, certification, reactive maintenance and ad-hoc installation of Fire Fighting Equipment'. This was a variation to their existing contract that covers Door Entry Systems, CCTV, Security Doors and Fire Alarm Systems Maintenance and Upgrade.
- 4.5.8 In terms of 'programming' the intention is that all equipment is checked every twelve months and the contractors know when they are due to be checked. These checks are booked in with the individual building managers with the contractors having contact details. However, the MEE0 suggested that some equipment has been missed from the programmed checks.
- 4.5.9 This was corroborated by BSDM who advised that their visit had not been booked on an appropriate date, so some equipment had been missed as a service was ongoing.
- 4.5.10 Sample testing was undertaken to ensure that inventories of relevant fire fighting equipment are maintained and that maintenance had been undertaken for each item held with replacement equipment being provided where necessary.
- 4.5.11 Inventories were found to be in place for each sampled building and maintenance records were provided for each one. In two instances some of the extinguishers were found to be in need of replacement and these replacements had subsequently been ordered.
- 4.5.12 The inventories do not go into detail as to serial numbers etc. so replacements do not need to be reflected on the inventory (assuming like-for-like replacements). However, a number of handwritten amendments were found to be detailed on two maintenance records and these had not been reflected on the inventories held. The MEE0 advised that the updating of inventories was a known issue and responsibility needed to be assigned to this task.

Risk

Fire fighting equipment may be omitted during programmed maintenance and testing and may not work if required.

Recommendation

Inventories of fire fighting equipment should be kept up to date to ensure that contractors are aware of what needs to be tested.

- 4.5.13 The Building Manager & H&S Coordinator (BMHSC) advised that Fire Risk Assessments are undertaken for all relevant Council buildings on a regular basis by staff from Building Control. The assessments are then loaded onto AssessNet.
- 4.5.14 The Principal Building Consultant (PBC) advised that, due to staffing levels, the frequency of assessments has been assessed to ensure that the buildings with the higher risk are covered more frequently.
- 4.5.15 A report was produced from the system that showed all of the assessments that had been performed and this confirmed that the review dates (where stated) were all in the future. One assessment was due in the near future, but the PBC highlighted that that type of building (toilet blocks) was very low risk so this was not a high priority.
- 4.5.16 One assessment did not include any review details (re Saltisford Gardens Community Centre). However, the BMHSC confirmed that the record was covered under another assessment which was for the same building.
- 4.5.17 The BMHSC advised that AssessNet also includes a record of all the 'tasks' that are associated with the fire risk assessments (i.e. issues that need to be addressed). These are assigned to staff at the individual buildings to resolve and sample 'tasks' were covered during the meetings with building managers.
- 4.5.18 The tasks shown as being relevant to the Arts buildings and the Enterprise buildings were shown as being complete. However, a number of tasks appeared to be outstanding against Bereavement Services buildings.
- 4.5.19 The BSDM raised a number of issues with the assessments, including tasks appearing to be superseded by subsequent actions and system access allowing relevant staff to update the system as required. The Business Support & Development Manager advised that this was now being addressed following meetings with the BSDM, the BMHSC and Building Control staff.
- 4.6 **Lifts & Lifting Equipment**
 - 4.6.1 A contract is in place with Stannah Lift Services Ltd for the 'provision of lift service and maintenance'. This just covers the items detailed in the spreadsheet.
 - 4.6.2 In terms of lifting equipment, the BSDM advised that the equipment is maintained under the cremator plant equipment contract at Oakley Woods and the TFM advised that the equipment at the Royal Spa Centre had previously been maintained under warranty by the company that had

provided the system. However, it is due to be undertaken by another contractor this year although this had not yet been timetabled so no formal agreement was in place.

4.6.3 Sample testing was undertaken to ensure that lift servicing and maintenance was being performed as required with documentation being provided. The test proved satisfactory.

4.6.4 The MEE0 advised that any remedial works picked up as part of the servicing are covered by the contract in place and, whilst not specifically identified upon review of the test documentation reviewed, it was clear that work was being undertaken as required through direct observation at Riverside House.

4.7 **Permits to Work**

4.7.1 The BMHSC advised that there are three main areas where permit to work procedures are required at the Council, i.e. working at height, 'hot work' and working in confined spaces. These issues would be picked up as part of the normal risks assessment process and via the method statements provided by the contractors.

4.7.2 A sample RAMS (Risk Assessment Method Statement) document was provided by the MEE0 for Lightning Protection works and this makes specific reference to the requirement for permits within the risk assessment.

4.7.3 The current permits to work are recorded on AssessNet. However, the BMHSC highlighted that older documents had been 'lost' following a system upgrade, so there were only a few recorded on the system with the majority relating to the lightning protection works. The system also includes the sign-off declarations from relevant parties.

4.7.4 The BMHSC also highlighted that some of the permits to work shown on AssessNet are noted as being 'handed back'. In these instances, the permits cannot be used again so, if the same / similar job needs to be undertaken, a new permit will be required.

4.7.5 The MEE0 advised that he is generally reliant on contractors to flag that permits are required and that it was up to individual building managers and contract managers to identify risks and, therefore, some works that require permits may be missed. In general, he felt that there was an education need and this was echoed by the building managers spoken to.

Risk

Permits to work may not be in place where appropriate.

Recommendation

Training on the need for Permits to Work should be provided to relevant staff, including individual building managers as

appropriate.

4.8 **Section 4 Conditions**

- 4.8.1 Section 4 of the Health and Safety at Work Act 1974 places a duty on those in control of premises, which are non-domestic and used as a place of work, to ensure that they do not endanger those who work within them. Where the Council leases a building to a tenant, the Council still has responsibilities to ensure that the buildings are being appropriately maintained (either themselves or by the tenant depending on the terms of the lease).
- 4.8.2 The Estate Management Surveyor advised that checks to ensure that the conditions are being met are not currently being performed and that they haven't been undertaken for a number of years due to varying factors such as staffing and responsibility changes. However, he advised that the need for compliance reviews has been recognised and a recruitment process is currently underway for a number of new Building Surveyors.
- 4.8.3 The Technical Manager advised that interviews were to be undertaken during the course of the audit for two fixed term appointments and that an advert was also out for other posts; it is hoped that, once these posts have been appointed to and a full staffing resource is available, visits will then be reinstated, with annual visits in the first instance.
- 4.8.4 The Business Manager (Enterprise) advised that the leases in place for the Court Street Creative Arches included reference to health and safety and that her staff are going through the process of asking tenants to provide (documentary) evidence to confirm that health and safety conditions were being met.

5 **Conclusions**

- 5.1 Following our review, in overall terms we are able to give a MODERATE degree of assurance that the systems and controls in place in respect of Health & Safety Compliance of Council Buildings are appropriate and are working effectively.

- 5.2 The assurance bands are shown below:

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

- 5.3 A number of issues were, however, identified:
- It is unclear whether the EICR attribute details on Active H are accurate.

- There are no PAT testing schedules for Council buildings.
- There are no inventories for equipment that requires PAT testing.
- The contract variation relating to the inclusion of corporate properties in the 'gas maintenance' contract could not be located.
- Some inventories of fire fighting equipment were not up to date.
- Staff require training on when Permits to Work are required.

5.4 Further 'issues' were also identified where advisory notes have been reported. In these instances, no formal recommendations are thought to be warranted as there is no risk if the actions are not taken. If the changes are made, however, the existing control framework will be enhanced:

- One gas safety record included reference to works required being recorded on the PDA. This information should be on the actual record provided.
- Weekly flush records that were requested were not all provided during the timescales for the audit so these should be followed up by the new Assets Compliance & Delivery Group.
- The latest fire alarm service for Victoria Park Cricket Pavilion needs to be followed up with the contractor.

Catering Concessions – 19 December 2019

1 Introduction

- 1.1 In accordance with the Audit Plan for 2019/20, an examination of the above subject area has been completed recently and this report is intended to present the findings and conclusions for information and action where appropriate.
- 1.2 Wherever possible, results obtained have been discussed with the staff involved in the various procedures examined and their views are incorporated, where appropriate, in any recommendations made. My thanks are extended to all concerned for the help and co-operation received during the audit.

2 Background

- 2.1 Catering is provided at a number of Council-owned premises, the operations in most of these being run by external parties under lease agreements generating fixed rental income to the Council. Catering at the Council's sports and leisure venues are now subsumed within the respective outsourced management contracts.
- 2.2 This leaves only two sites where the Council has maintained a measure of direct commercial control through concession contracts – the Jephson Gardens 'Restaurant' in the Park' (also known as the 'Glasshouse' by which it will be referred to from here onwards) and the Royal Pump Rooms (public

Café and events in the Assembly Rooms/Annexe).

2.3 At the time of writing, the Royal Pump Rooms Café has ceased operating pending new arrangements expected to be lease-based. This leaves the Glasshouse as the sole remaining Council catering premises operating as a concession for the foreseeable future.

2.4 The concessions were executed under a single three-year contract in January 2019 with a preferred supplier nominated by the Regeneration Partner for the Creative Quarter. Arguably this makes it a sub-contract with the Regeneration Partner as main contractor, and has been referred to as such in relevant Executive reports. The proposals leading to the final concession contract had been approved by the Executive in May 2018 subject to negotiation on further details under delegated powers.

2.5 Originally for both premises, the concessions cover day-to-day operations and special events. The provisions governing recharges for premises and equipment service, along with the criteria for determining concession charges remain unchanged from the previous contract with Kudos.

2.6 Recent years' budgets indicate the Council's expectations for income generation to be around £75,000 per annum made up as follows:

	<u>Amount (£)</u>
Glasshouse – service charges	12,000
Glasshouse – concession charges	43,000
Pump Rooms Café – service charges	12,000
Pump Rooms Café – concession charges	<u>8,000</u>
	<u>75,000</u>

2.7 The closure of the Royal Pump Rooms Café was an inevitable consequence of an agreed scheme (approved by the Executive in October) to detach both the Café and Assembly Rooms/Annex event operations from the concession contract. This has had the effect of eliminating the involvement of the Creative Quarter Partnership in catering solutions for this site in the foreseeable future.

2.8 At the time of this report, two key initiatives are being progressed:

- marketing of Royal Pump Rooms Café availability for lease – vetting of expressions of interest are in progress;
- recruitment of an events officer to handle Royal Pump Rooms events subject to approval by Employment Committee.

3 **Scope and Objectives of the Audit**

3.1 The audit examination was undertaken for the purpose of reporting a level of assurance on the adequacy of controls for managing catering concessions operating at Council premises to ensure the realisation of relevant business objectives and compliance with the agreed conditions.

3.2 The examination was programmed based on a light-touch version of the standard Contract Management Audit Programme to evaluate in overview the structures and processes for managing the 'client' side of concessions

currently in place. In view of the aforementioned developments, a limited evidential review of the background to the original proposals in the context of 'provider' business strategy and planning was introduced into the scope.

3.3 In all, the areas considered in the examination were:

- business strategy and planning
- award of concession
- service provision and monitoring
- contract amendments and variations
- financial administration
- contingency planning and risk assessment.

3.4 The findings are based on discussions with David Guilding (Arts Manager) and examination of available public and internal Council documentation and records.

4 Findings

4.1 Recommendations from previous report

4.1.1 Both recommendations from the audit reported in March 2017 were made in the context of the former concession contract with Kudos and are therefore disregarded for the purpose of this examination.

4.2 Business Strategy and Planning

4.2.1 As the business strategy and planning elements were handled directly by the Regeneration Partner jointly with their nominated supplier, source information from which to evaluate the process was not available without direct approach to the external parties. This was not seen to be justified within the scope and resource for the audit.

4.2.2 The bulk of the evidence available to gain any picture here is contained in the submission to the Executive in May 2018, along with its attached appendices. These make references to business planning processes by the Regeneration Partner and the nominated supplier which indicate a sound basis behind the revenue projections offered.

4.2.3. By way of comment, however, comparison with actual revenue history indicated by concession outturn over a five-year period gave the impression that the projections offered were inordinately ambitious at best (even in the context of circumstances at the time of the submission). This observation is not suggested as the sole factor behind the financial shortfalls under the concession, as it is recognised that other unforeseen factors have manifested themselves.

4.3 Concession Award

4.3.1 The process leading to the award of the concession was bound up in the pre-existing Collaboration Agreement for the Creative Quarter. The Council is a direct signatory to the Deed of Agreement for the

concession along with the Regeneration Partner and the supplier.

- 4.3.2 The Agreement comes across as properly executed with appropriate specifications and key performance indicators. A formal, sealed original Agreement is held in the Document Store.

4.4 **Service Provision and Monitoring**

- 4.4.1 The aims and objectives of the concessions have become bound up within those of the wider Creative Quarter project.
- 4.4.2 The subsequent detachment of the Royal Pump Rooms with new management and lease arrangements does not appear to have impacted on the aims and objectives for that premises in relation to Fit for the Future and supporting strategies.
- 4.4.3 The key terms and specifications show as essentially unchanged from the previous contract. Evidence trails show that contract management arrangements were in the process of being established from the outset with attention starting to be given to performance outturn with the aid of customer feedback information.
- 4.4.4 However, the financial shortfalls began to overshadow all other considerations only a few months into the contract and the ongoing management processes have to be seen as in abeyance at the time of this report.

4.5 **Contract Amendments and Variations**

- 4.5.1 The detachment of the Royal Pump Rooms from the concession is well documented and warrants no further comment here.

4.6 **Financial Administration**

- 4.6.1 No meaningful process review of this area was possible with the relevant budgets based on already-outdated projections and an effective moratorium on income collection still in place at the time of the audit.
- 4.6.2 To date, only rates and some utility recharges under the current contract are in evidence and, even then, only up to June 2019. No concession charges have been raised to date under the current contract, nor the initial deposit required under the contract terms.
- 4.6.3 In addition, settlement of charges under the former contract totalling around £44,000 is still being pursued with the involvement of County Legal Services. It was advised that repair cost recharges included in the amount are in dispute and attempts at resolution are still ongoing at the time of this report.
- 4.6.4 Settlement of outstanding charges under the current contract is subject to a payment plan which is in the process of being agreed with the

supplier at the time of this report.

4.7 Contingency Planning and Risk Management

4.7.1 This has not been seen as an area where formal contingency plans can add impact mitigation value to existing monitoring processes. It is recognised that these processes have themselves proved successful in averting a complete break-down of operations under the concessions by facilitating agreement on a viable alternative.

4.7.2 Proof of up-to-date supplier's insurance has been reviewed and found to be in accordance with the contract terms.

5 Conclusions

5.1 It is difficult to give a single assurance opinion in respect of the audit as the circumstances noted in the report do not fit conveniently the prescribed assurance definitions. In particular, the issues arising are not, in the main, controls-based but perhaps more to do with judgements and events. In spite of this, Internal Audit is bound professionally to issue an assurance opinion. In arriving at an appropriate level of assurance, the following is being taken into account: On the one hand, there are concerns in respect of the closure of facilities and the reputational damage that is causing. Other concerns include factors such as the over-estimate of income projections and the legal situation the Council is now facing. On the other hand, much comfort can be gained from routine contract monitoring arrangements that identified the issues promptly so that a compromise solution could be worked out for the concessions in future. The legal situation also provides some reassurance in that attempts are being made to mitigate the losses.

5.2 With the requirement to issue an assurance opinion it would seem that a MODERATE level of assurance is suitable, reflecting an appropriate compromise between the areas of concern and the causes for comfort.

Current Implementation Position for Low and Medium Risk Recommendations
issued in Quarter 4 2018/19

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE (PID)	CURRENT STATE OF IMPLEMENTATION PER MANAGER
Corporate Property & Portfolio Management – 22 March 2019		
The draft strategy should be considered for approval to ensure that the Council has framework in place to allow for future planning and investment decisions to be made appropriately in relation to these valuable corporate resources.	<i>Asset Manager:</i> Following the Asset Management redesign, this strategy has been rescheduled for completion in 2019 and the Asset Management Steering Group will be reconstituted in April to drive the process. PID: September 2019.	Complete – the Asset Strategy was approved by Executive in November 2019
A reconciliation of non-operational assets should be undertaken between the different data sources.	<i>Estate Management Surveyor:</i> Agreed. A reconciliation will be carried out as suggested. PID: September 2019.	Completed.
Evidence should be retained of any agreements made with regards to rent reductions (including rent free periods) agreed with tenants of non-operation properties.	<i>Estate Management Surveyor:</i> Agreed. Evidence will be retained as appropriate for all agreements made. PID: April 2019.	Completed.

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE (PID)	CURRENT STATE OF IMPLEMENTATION PER MANAGER
National Non-Domestic Rates – 11 February 2019		
The VOA should be informed on the change of property use in the cases identified.	<i>Revenues & Recovery Manager and Visiting Team:</i> Now that we have the Visiting Team Admin Officer (VTA) in post, I will ensure that the VTA report all of these to the VOA by way of Billing Authority Reports from now on. PID: With immediate effect.	This is now business as usual.
Follow-up action should be taken with the VOA for all outstanding notified amendments.	<i>Revenues & Recovery Manager and Visiting Team:</i> As above, the newly created VTA post will now run the reports using all amendment codes and chase these with the VOA as we do the 'new' properties. PID: With immediate effect.	This is now undertaken on a monthly basis.
The identified cases (and any other similar cases) should be reviewed to ensure that they are either billed where appropriate or deleted from the system.	<i>Revenues & Recovery Manager and NDR Team:</i> We will look into these, however if a property is not bought into rating, it is excluded from any reporting on total property numbers. I see this as more of a file-tidy exercise than a risk. PID: 31/03/20	This is a file-tidy exercise and will be completed when we are on top of all the outstanding work.

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE (PID)	CURRENT STATE OF IMPLEMENTATION PER MANAGER
The listed status of the identified property should be confirmed.	<p><i>Revenues & Recovery Manager and NDR Team:</i></p> <p>We do check all new cases with 'Historic England' and any cases that are queried, however some have been within the system for years and when I asked Historic England if they could provide a definitive list for our Council, this was not something that was possible. We will look into the case identified and refer to Historic England for advice.</p> <p>PID: Within one month.</p>	All sorted and Historic England is now checked when dealing with any 'Listed building' case.
A review of discretionary reliefs should be performed with applications sought as appropriate. The scoring of the applications should then be undertaken to ensure that the correct amounts of relief are being awarded.	<p><i>Revenues & Recovery Manager:</i></p> <p>This was planned for 2019/20 anyway so will be done as planned.</p> <p>PID: During financial year 2019/20.</p>	Being undertaken right now during Jan/Feb 2020.
Business Applications: Civica Open Revenues – 28 March 2019		
The System Owner should ensure that all generic Civica accounts are promptly disabled on the live Civica Open Revenues application.	<p><i>Exchequer Services Manager:</i></p> <p>These have now been disabled.</p> <p>PID: Actioned.</p>	Recommendation addressed immediately. No requirement for update.

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE (PID)	CURRENT STATE OF IMPLEMENTATION PER MANAGER
The System Owner should request ICT to develop a monthly report of all unused or inactive Civica application accounts. All redundant Civica accounts should be promptly disabled.	<i>Exchequer Services Manager:</i> We now use a report that we receive daily that highlights where passwords have expired (passwords expire after 3 months). These are then reviewed to ascertain whether access is still appropriate. PID: Actioned.	Recommendation addressed immediately. No requirement for update.
ICT management should arrange for all ICT personnel to be assigned individual and uniquely identifiable superuser userids.	<i>ICT Services Manager:</i> Accepted. A request has been sent to the System Owner to setup ICT support staff with uniquely identifiable superuser userids. PID: April 2019.	This action was completed by 30th April 2019, when all application support staff received uniquely identifiable login credentials and the IBSSUPER account was handed back to CIVICA.
System Ownership and Management – 31 January 2019		
Management should introduce a requirement that standardised user request forms are completed for key Council systems when requesting new users or changes to existing users access permissions. Forms should be retained to provide assurance that appropriate access rights have been granted to users according to their job role.	<i>Deputy Chief Executive (AJ):</i> <i>Not fully accepted</i> System Owners must adopt a standardised process for authorising new users and permission changes which are appropriate to the sensitivity of their application. The new user authorisation and change request must be retained for assurance purposes. PID: 1 April 2019.	New process now in place.

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE (PID)	CURRENT STATE OF IMPLEMENTATION PER MANAGER
The accounts in question should be reviewed and all leaver accounts should be disabled.	<i>Manager – Development Services (GF):</i> Agreed. We are currently working through the accounts in question to action this. PID: End of February 2019.	Acolaid and IDOX DMS user accounts reviewed. All relevant accounts for users that have left WDC have been disabled.
The accounts should be reviewed and any generic accounts replaced with named individual accounts for those requiring access.	<i>Manager – Development Services (GF):</i> We are in the process of identifying the accounts in question. Many of the generic accounts are set up by IDOX engineers for their purposes in supporting us and for testing. However, this is controlled via a 3 rd party network access agreement /non-disclosure agreement with IDOX. Further discussion required as to the ability to and appropriateness of complying with this requirement. PID: End of February 2019.	Departmental test accounts disabled when not in use. Generic IDOX accounts are used by IDOX engineers only. They are the only parties who know both the username and password. IDOX have advised that generic accounts are the only option from their perspective and individual engineer accounts would not be feasible.

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE (PID)	CURRENT STATE OF IMPLEMENTATION PER MANAGER
<p>A regular account review process should be introduced for key Council systems. This should be performed at least annually and require team managers to confirm that users under their supervision have appropriate access rights within the application and that all leavers have been removed.</p>	<p><i>Deputy Chief Executive (AJ):</i> Accepted. System Owners are responsible for ensuring that a regular user account review is carried out. This review should be performed at least annually to confirm that users have appropriate access rights within the application and that all leavers have been removed. Where a System Owner has not previously carried out a review for their system, one must be completed by 31.07.19. PID: 31 July 2019.</p>	<p>System Owners have been advised of review requirements.</p>
<p>Financial Systems Interfaces – 31 January 2019</p>		
<p>A regular review process should be introduced for folders containing sensitive financial data. This should be performed at least annually and require relevant team managers to confirm that users under their supervision have appropriate access rights and that any leavers have been removed.</p>	<p><i>Strategic Finance Manager:</i> Accepted. Will review in conjunction with ICT and Principal Accountants to assess need. PID: Immediate. (Review will be undertaken annually.)</p>	<p>Time will be set aside to ensure access is relevant and up to date with Principal Accountants. I will liaise with ICT to establish current levels of access.</p>

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE (PID)	CURRENT STATE OF IMPLEMENTATION PER MANAGER
<p>ICT should ensure the purpose of the administrator account is reviewed and that the account disabled if appropriate.</p>	<p><i>ICT Application Support Manager:</i> Accepted. The administrator account has been reviewed and one of the accounts within the administrator group has had its access removed from this folder. The remainder of the accounts are required for essential support purposes. PID: Complete – no further action required.</p>	<p>Recommendation addressed immediately. No requirement for update.</p>
<p>Management should investigate the feasibility of improved event logging with the third party supplier.</p>	<p><i>Systems Officer, Finance Systems Team:</i> This would potentially be an enhancement and as we intend to replace the FMS within the next two years then there will be no appetite or budget to pursue this (this is noted in paragraph 4.5.4 of the report). The facility/feature will be taken into account when selecting a new FMS. PID: Not applicable (although will be considered when selecting a new FMS).</p>	<p>Recommendation addressed immediately. No requirement for update.</p>

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE (PID)	CURRENT STATE OF IMPLEMENTATION PER MANAGER
Royal Pump Rooms (including Art Gallery) – 27 February 2019		
Invoices should be set up on the system (TOTAL) correctly to enable budget managers to account for them when budget forecasting. Staff should be trained on how to set up annualised orders (for invoices paid in instalments).	<i>Arts Manager / Collections and Engagement Manager:</i> Training on TOTAL and the correct procedures for annual orders will be given to all appropriate Collections & Engagement staff. PID: By 1 June 2019.	Collections & Engagement staff, based at the Art Gallery & Museum, were trained on how to set up annual orders of Total. 4 th April 2019
A key signing-in/out procedure should be adopted for the safe keys. The security of storage for the safe key should be reviewed.	<i>Programme and Marketing Manager / Sales and information Supervisor:</i> A signing in/out procedure will be implemented and the storage of keys will be reviewed. PID: By 1 April 2019.	A signing in/out procedure for keys was implemented and a new procedure for storing keys. 17 th May 2019
Leisure and Recreation Facilities – 31 March 2019		
The Code of Procurement Practice should be followed in relation to all purchases. (In this situation it applies as purchases through the year total over £9,999 with one supplier.) Staff should have procurement training and apply the guidance provided by the Procurement team.	<i>Sports & Leisure Contract Manager / Sports & Leisure Contract Officer:</i> We will go through the policy relating to the procurement to ensure that the main processes are fully understood. PID: July 2019	Staff are conscious of the regulations and the particular incident, which generated the recommendations. A wider pool of suppliers is considered when ordering goods.

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE (PID)	CURRENT STATE OF IMPLEMENTATION PER MANAGER
Leisure Facilities Contracts – 29 March 2019		
The summary customer comments reports should include all relevant complaints / compliments.	<i>Sport & Leisure Contract Manager:</i> Whilst we have a good handle on customer complaints / compliments from the data we receive from Everyone Active and from our regular client meetings, we acknowledge that we need to agree with Everyone Active a method of collecting customer satisfaction data. PID: August 2019	Everyone Active now provide Customer satisfaction data, which is recorded on the Council Service plan for Cultural Services.
A formal log of all agreed contract variations should be maintained.	<i>Sport & Leisure Contract Manager:</i> We have a process for contract variations. However, we will review it and make any required amendments, including the use of Change Control Notes as set out in the contract. PID: August 2019	The process is in place and working, officers are able to review and comment on any programme alterations prior to a change taking place

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE (PID)	CURRENT STATE OF IMPLEMENTATION PER MANAGER
Building Control – 15 March 2019		
<p>Staff should (again) be reminded of the correct procedures to undertake regarding the processing of applications, including the completion of relevant fields on Acolaid, the retention of relevant documentation and the need for timely processing.</p>	<p><i>Principal Building Consultants:</i> It is acknowledged that not all officers are completing all fields when processing applications. Principal Building Consultants (PBCs) ensure all site officers are on a rota to provide office cover, where they can be shadowed and retrained when processing applications. The PBCs are conducting regular 1-1's with staff to support and monitor work flow / processing. This should, over time, reduce errors made. Issues highlighted at quarterly case monitoring will be fed back to the PBCs. PID: Sept 2019 with subsequent quarterly monitoring.</p>	<p>Original target date set for Sept 2019, for completion with subsequent quarterly monitoring. To supplement this further, Acolaid training was identified and is currently booked for all officers to be completed end of Jan 2020, with a mop up session booked for Feb 2020.</p>
<p>The supplementary fees should be included in the annual fees and charges report for approval by Members.</p>	<p><i>Head of Consortium:</i> The supplementary fees were discussed at the time of the fees review, but unfortunately they were not presented for approval. This was an oversight, and it is agreed they should have been included for approval by members. This will be done for the next round of fee approval. PID: Sept 2019</p>	<p>An addendum to the Fees and Charges report (which had originally been presented to Executive on 3 October 2019) was presented to Council on 20 November 2019 for Members to approve. This was subsequently approved and implemented as from 1 January 2020 .</p>

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE (PID)	CURRENT STATE OF IMPLEMENTATION PER MANAGER
An annual financial statement should be produced and published.	<i>Head of Consortium & Assistant Accountant:</i> I can confirm this was actioned for 2016/17, but apparently not for 2017/18. A reminder will be placed on the Head of Consortium's calendar to ensure this is actioned for 2018/19. PID: April/May 2019	The financial statement for 2018/19 was uploaded to the Council's website in January 2020. A calendar reminder for Accountancy and Head of Consortium has been entered on Outlook for May 2010 to upload the financial statement for 2019/20 to the website.
Staff should be reminded of the need to ensure that notes are recorded on the system to highlight any fee variations.	<i>Principal Building Consultants:</i> This will be checked and discussed with officers at the regular 1-1's. PID: Immediately and ongoing.	This was actioned immediately and is ongoing. No requirement for update.
The fee parameter table in Acolaid for 2019/20 should be updated to include the correct figures.	<i>Head of Consortium:</i> This has since been actioned ready for 1 April 2019. PID: Completed.	Recommendation addressed immediately. No requirement for update.
The quarter one recharge invoices should be checked with the BSM upon her return with charges being raised as appropriate if the figures are found to be incorrect.	<i>Business Support Manager & Head of Consortium:</i> The quarter one recharge invoices will be checked with the BSM upon her return with charges being raised as appropriate if the figures are found to be incorrect. PID: April 2019.	This was checked immediately on Business Support Managers return and recharge invoices were found to be correct, completed April 2019. No requirement for further action.

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE (PID)	CURRENT STATE OF IMPLEMENTATION PER MANAGER
Funding of Voluntary Organisations – 29 March 2019		
Specific evidence should be retained for all grants approved (either formal minutes from the Planning Group or a proforma document which is signed off by the chair of the group).	<i>Community Partnership Team Manager:</i> The decisions / recommendations from the Planning Group meetings regarding the vetting and approval of bids to go forward to the Forum will be recorded on a proforma which will be signed by the Forum Chair. PID: 30 September 2019.	All planning groups record their recommendations on a pro forma, signed off by the forum chair, which is then presented at the forums together with bid applications to inform the voting process. Grants approved by the forum are then signed off by Andrew Jones WDC and Kushal Birla, WCC.
Homelessness and Housing Advice (Review of Strategy Objectives) – 28 March 2019		
To further inform development and planning of the future strategy, an assessment should be undertaken of actions to be undertaken against remaining objectives. Progress against these actions should then be assessed on a monthly basis.	<i>Housing Strategy & Development Manager / Rough Sleeping Strategic Coordinator:</i> The recommendation to assess actions is accepted however our view is that quarterly is sufficient to monitor progress. PID: June 2019.	This has been incorporated into the Service Area Plan (SAP) and will be picked up as part of the SAP monitoring, as the SAP has a specific entry in the planned changes / projects section regarding the 'Rough Sleeping Initiative' (RSI) strategy and action plan.

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE (PID)	CURRENT STATE OF IMPLEMENTATION PER MANAGER
<p>There should be engagement and consultation, regarding the Mental Health Protocol, with mental health service providers, clinical commissioning groups, safeguarding, and social care teams to ensure that it reflects relevant issues.</p>	<p><i>Housing Strategy & Development Manager / Rough Sleeping Strategic Coordinator:</i></p> <p>Since the strategy was approved there have been some key developments at a County level. Warwickshire County Council are funding a pilot scheme involving two Community Psychiatric Nurse posts which will be placed with the street outreach teams but link to the Mental Health partnership trust. Furthermore, a county-wide homeless strategy is being developed which considers addressing the mental health needs of homeless people. We would suggest that events have overtaken the notion of the development of a protocol and it is therefore proposed to put to members, revisions to the strategy to reflect current thinking and practices.</p> <p>PID: Not applicable.</p>	<p>The Housing Strategy & Development Officer is in the process of reviewing the current strategy which will, in future, be split into a 'local' housing strategy and a county-wide homelessness strategy.</p> <p>The county-wide strategy will be supported by the Health and Wellbeing board. Draft Chapters and action points are currently being put together.</p> <p>In the meantime, interagency work has been developed with some of the achievements including:</p> <ul style="list-style-type: none"> • WCC funding of two mental health nurses to work with homeless people • Health led multi- agency meetings established • Poster produced with team descriptions and contact numbers across Health and Social Care and Housing for front line staff.
<p>The Mental Health Protocol should include consent to information being exchanged between parties at the outset and include a quarterly case review process of those considered to be at most risk of becoming homeless.</p>	<p><i>Housing Strategy & Development Manager / Rough Sleeping Strategic Coordinator:</i></p> <p>As above.</p> <p>PID: Not applicable.</p>	<p>See above.</p>

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE (PID)	CURRENT STATE OF IMPLEMENTATION PER MANAGER
<p>Cases discussed at the relevant weekly or monthly meetings should be risk-assessed and RAG-rated identifying assigned actions, barriers and further engagement required.</p> <p>Where a case is not discussed, details should be minuted.</p>	<p><i>Rough Sleeping Strategic Coordinator:</i></p> <p>The recommendation will be actioned as suggested.</p> <p>PID: May 2019.</p>	<p>Cases are being risk assessed at the meetings (which are held fortnightly).</p>
Estate Management – 31 March 2019		
<p>Working patterns and restrictions on overtime should be introduced to provide staff cover and allow budget forecasting to be more accurate.</p>	<p><i>Neighbourhood Estates Manager:</i></p> <p>WDC are at present recruiting for a Neighbourhood Officer.</p> <p>This will reduce the overtime cover.</p> <p>PID: June 2019</p>	<p>The Housing service redesign has recommended two additional officers in this area and a recruitment process is currently underway to fill these posts. The new posts involve a rota system of working spread across a 7-day working week. This will reduce, if not stop, the need for any overtime.</p>
<p>Overtime should be monitored closely to prevent staff from working more than an average of 48 hours per week.</p>	<p><i>Neighbourhood Estates Manager:</i></p> <p>As above, Staff have signed a Working time directive opt out agreement on 2nd April 2019.</p> <p>PID: April 2019</p>	<p>Recommendation addressed immediately. No requirement for update.</p>
<p>An up-to-date inventory of valuable and desirable items should be compiled and forwarded to the Insurance and Risk Officer. This should be updated at least annually.</p>	<p><i>Neighbourhood Estates Manager:</i></p> <p>Neighbourhood officer is at present completing a spreadsheet with items value over £50. To forward onto the Insurance and Risk Officer.</p> <p>PID: June 2019</p>	<p>Recommendation addressed. The spreadsheet has been forwarded to the Insurance and Risk Officer.</p>

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE (PID)	CURRENT STATE OF IMPLEMENTATION PER MANAGER
Right to Buy – 4 March 2019		
The Council's website should be updated to include the correct maximum discount figure.	<i>Business Administration Officer:</i> Oversight corrected 7 th February with diary note to uprate to new amount in April 2019. PID: Completed.	Recommendation addressed immediately. No requirement for update.
Consideration should be given to drawing up a formal agreement document containing relevant terms and conditions for the structural surveys 'contract'.	<i>Business Administration Officer:</i> Discussed with Procurement. Agreed standard purchase order terms and conditions on internet sufficient for the work done by current supplier. PID: Completed.	Recommendation addressed immediately. No requirement for update.
Car Parking – 7 February 2019		
Inventories should be updated and should include all items of valuable, portable or desirable nature (e.g. cameras, body cams and new handhelds).	<i>Car Parking Manager:</i> All equipment inventories will be updated at least annually and variances referred to Insurance & Risk Officer. PID: 1/4/19 or sooner if we have the new Handhelds.	This has been completed. Copies available if required.

Current Implementation Position for High Risk Recommendations
issued in Quarter 2 2019/2020

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE (PID)	CURRENT STATE OF IMPLEMENTATION PER MANAGER
Utilities Management – 29 August 2019		
The saving included in the FFF Change Programme in relation to energy costs (FFF3) should be reviewed to identify whether this is achievable, with the change programme being amended if required.	<p><i>Asset Manager:</i></p> <p>The Head of Finance has agreed that base year for savings is 2020/21. Assets is drawing up a project plan and looking to use data from DEC and also from external advisers to look at energy saving proposals. These will need to tie in to the recent Climate Change resolution. Head of Finance is aware that there may be some investment budget required to generate energy revenue savings.</p> <p>PID: 31 March 2020 for energy savings plan / 31 March 2021 for first full year of savings</p>	<p>In Progress: Midlands Energy Hub (part of Nottingham City Council) has been contracted to carry out energy audits and to make recommendations at the Councils 6 highest consumers of energy, these being:</p> <ol style="list-style-type: none"> 1. Royal Pump Rooms 2. Temperate House 3. Oakey Wood Crematorium 4. Town Hall 5. Riverside House 6. Royal Spa Centre <p>The report – due to be received by end March 2020 – will also take into account the need to reduce carbon emissions as part of energy improvement works.</p> <p>Initial provision of £50,000 is sought in the 2020/21 budget to pay for energy savings works and external grants and funding will be sought where available.</p>

INTERNAL AUDIT REPORT

FROM: Audit and Risk Manager
TO: Head of Cultural Services
C.C. Chief Executive
Deputy Chief Executive (AJ)
Head of Finance
Arts Manager
Portfolio Holder – Cllr Grainger

SUBJECT: Catering Concessions
DATE: 19 December 2019

1 Introduction

- 1.1 In accordance with the Audit Plan for 2019/20, an examination of the above subject area has been completed recently and this report is intended to present the findings and conclusions for information and action where appropriate.
- 1.2 Wherever possible, results obtained have been discussed with the staff involved in the various procedures examined and their views are incorporated, where appropriate, in any recommendations made. My thanks are extended to all concerned for the help and co-operation received during the audit.

2 Background

- 2.1 Catering is provided at a number of Council-owned premises, the operations in most of these being run by external parties under lease agreements generating fixed rental income to the Council. Catering at the Council's sports and leisure venues are now subsumed within the respective outsourced management contracts.
- 2.2 This leaves only two sites where the Council has maintained a measure of direct commercial control through concession contracts – the Jephson Gardens 'Restaurant' in the Park' (also known as the 'Glasshouse' by which it will be referred to from here onwards) and the Royal Pump Rooms (public Café and events in the Assembly Rooms/Annexe).
- 2.3 At the time of writing, the Royal Pump Rooms Café has ceased operating pending new arrangements expected to be lease-based. This leaves the Glasshouse as the sole remaining Council catering premises operating as a concession for the foreseeable future.
- 2.4 The concessions were executed under a single three-year contract in January 2019 with a preferred supplier nominated by the Regeneration Partner for the Creative Quarter. Arguably this makes it a sub-contract with the Regeneration Partner as main contractor, and has been referred to as such in relevant Executive reports. The proposals leading to the final concession contract had been approved by the Executive in May 2018 subject to negotiation on further details under delegated powers.

2.5 Originally for both premises, the concessions cover day-to-day operations and special events. The provisions governing recharges for premises and equipment service, along with the criteria for determining concession charges remain unchanged from the previous contract with Kudos.

2.6 Recent years' budgets indicate the Council's expectations for income generation to be around £75,000 per annum made up as follows:

	<u>Amount (£)</u>
Glasshouse – service charges	12,000
Glasshouse – concession charges	43,000
Pump Rooms Café - service charges	12,000
Pump Rooms Café - concession charges	<u>8,000</u>
	<u>75,000</u>

2.7 The closure of the Royal Pump Rooms Café was an inevitable consequence of an agreed scheme (approved by the Executive in October) to detach both the Café and Assembly Rooms/Annex event operations from the concession contract. This has had the effect of eliminating the involvement of the Creative Quarter Partnership in catering solutions for this site in the foreseeable future.

2.8 At the time of this report, two key initiatives are being progressed:

- marketing of Royal Pump Rooms Café availability for lease – vetting of expressions of interest are in progress;
- recruitment of an events officer to handle Royal Pump Rooms events subject to approval by Employment Committee.

3 Scope and Objectives of the Audit

3.1 The audit examination was undertaken for the purpose of reporting a level of assurance on the adequacy of controls for managing catering concessions operating at Council premises to ensure the realisation of relevant business objectives and compliance with the agreed conditions.

3.2 The examination was programmed based on a light-touch version of the standard Contract Management Audit Programme to evaluate in overview the structures and processes for managing the 'client' side of concessions currently in place. In view of the aforementioned developments, a limited evidential review of the background to the original proposals in the context of 'provider' business strategy and planning was introduced into the scope.

3.3 In all, the areas considered in the examination were:

- business strategy and planning
- award of concession
- service provision and monitoring
- contract amendments and variations
- financial administration
- contingency planning and risk assessment.

3.4 The findings are based on discussions with David Guilding (Arts Manager) and examination of available public and internal Council documentation and records.

4 Findings

4.1 Recommendations from previous report

- 4.1.1 Both recommendations from the audit reported in March 2017 were made in the context of the former concession contract with Kudos and are therefore disregarded for the purpose of this examination.

4.2 Business Strategy and Planning

- 4.2.1 As the business strategy and planning elements were handled directly by the Regeneration Partner jointly with their nominated supplier, source information from which to evaluate the process was not available without direct approach to the external parties. This was not seen to be justified within the scope and resource for the audit.
- 4.2.2 The bulk of the evidence available to gain any picture here is contained in the submission to the Executive in May 2018, along with its attached appendices. These make references to business planning processes by the Regeneration Partner and the nominated supplier which indicate a sound basis behind the revenue projections offered.
- 4.2.3. By way of comment, however, comparison with actual revenue history indicated by concession outturn over a five-year period gave the impression that the projections offered were inordinately ambitious at best (even in the context of circumstances at the time of the submission). This observation is not suggested as the sole factor behind the financial shortfalls under the concession, as it is recognised that other unforeseen factors have manifested themselves.

4.3 Concession Award

- 4.3.1 The process leading to the award of the concession was bound up in the pre-existing Collaboration Agreement for the Creative Quarter. The Council is a direct signatory to the Deed of Agreement for the concession along with the Regeneration Partner and the supplier.
- 4.3.2 The Agreement comes across as properly executed with appropriate specifications and key performance indicators. A formal, sealed original Agreement is held in the Document Store.

4.4 Service Provision and Monitoring

- 4.4.1 The aims and objectives of the concessions have become bound up within those of the wider Creative Quarter project.
- 4.4.2 The subsequent detachment of the Royal Pump Rooms with new management and lease arrangements does not appear to have impacted on the aims and objectives for that premises in relation to Fit for the Future and supporting strategies.

4.4.3 The key terms and specifications show as essentially unchanged from the previous contract. Evidence trails show that contract management arrangements were in the process of being established from the outset with attention starting to be given to performance outturn with the aid of customer feedback information.

4.4.4 However, the financial shortfalls began to overshadow all other considerations only a few months into the contract and the ongoing management processes have to be seen as in abeyance at the time of this report.

4.5 **Contract Amendments and Variations**

4.5.1 The detachment of the Royal Pump Rooms from the concession is well documented and warrants no further comment here.

4.6 **Financial Administration**

4.6.1 No meaningful process review of this area was possible with the relevant budgets based on already-outdated projections and an effective moratorium on income collection still in place at the time of the audit.

4.6.2 To date, only rates and some utility recharges under the current contract are in evidence and, even then, only up to June 2019. No concession charges have been raised to date under the current contract, nor the initial deposit required under the contract terms.

4.6.3 In addition, settlement of charges under the former contract totalling around £44,000 is still being pursued with the involvement of County Legal Services. It was advised that repair cost recharges included in the amount are in dispute and attempts at resolution are still ongoing at the time of this report.

4.6.4 Settlement of outstanding charges under the current contract is subject to a payment plan which is in the process of being agreed with the supplier at the time of this report.

4.7 **Contingency Planning and Risk Management**

4.7.1 This has not been seen as an area where formal contingency plans can add impact mitigation value to existing monitoring processes. It is recognised that these processes have themselves proved successful in averting a complete break-down of operations under the concessions by facilitating agreement on a viable alternative.

4.7.2 Proof of up-to-date supplier's insurance has been reviewed and found to be in accordance with the contract terms.

5 **Conclusions**

- 5.1 It is difficult to give a single assurance opinion in respect of the audit as the circumstances noted in the report do not fit conveniently the prescribed assurance definitions. In particular, the issues arising are not, in the main, controls-based but perhaps more to do with judgements and events. In spite of this, Internal Audit is bound professionally to issue an assurance opinion. In arriving at an appropriate level of assurance, the following is being taken into account: On the one hand, there are concerns in respect of the closure of facilities and the reputational damage that is causing. Other concerns include factors such as the over-estimate of income projections and the legal situation the Council is now facing. On the other hand, much comfort can be gained from routine contract monitoring arrangements that identified the issues promptly so that a compromise solution could be worked out for the concessions in future. The legal situation also provides some reassurance in that attempts are being made to mitigate the losses.
- 5.2 With the requirement to issue an assurance opinion it would seem that a MODERATE level of assurance is suitable, reflecting an appropriate compromise between the areas of concern and the causes for comfort.

Richard Barr
Audit and Risk Manager

INTERNAL AUDIT REPORT

FROM: Audit and Risk Manager

TO: System Owners

C.C. Deputy Chief Executive (AJ)
Chief Executive
Head of Finance
Democratic Services Manager
Arts Manager
Portfolio Holder – Cllr Day

SUBJECT: Cloud Applications

DATE: 25 October 2019

1 Introduction

- 1.1 In accordance with the Audit Plan for 2019/20 an audit review of cloud applications was completed in September 2019. This report presents the findings and conclusions drawn from the audit for information and action where appropriate.
- 1.2 Wherever possible, findings have been discussed with the staff involved in the procedures examined and their views are incorporated, where appropriate, into the report. My thanks are extended to all concerned for the help and co-operation received during the audit.

2 Background

- 2.1 This audit was undertaken to ensure that adequate controls are in place to protect the security, integrity and availability of data stored on Council cloud-based applications.

3 Scope and Objectives of the Audit

- 3.1 The audit was designed to assess and provide assurance on the following key areas:
- Information security guidelines on Cloud applications
 - Access control including two factor authentication
 - Proxy server protection to prevent access to insecure or unauthorised cloud applications
 - External security testing
 - Resilience and Disaster Recovery protection
 - 3rd party Contracts including confidentiality and GDPR agreements.
- 3.2 Testing was performed to confirm that controls identified have operated as expected with documentary evidence being obtained where possible, although some reliance has had to be placed on verbal discussions with relevant staff.

4 Findings

4.1 Recommendations from Previous Report

4.1.1 This section is not applicable as this the first audit of this area.

4.2 Information security guidelines

4.2.1 Key ICT policies and procedures relevant to the management and security of cloud-based applications were identified and obtained during the course of the audit. These were used in the process of reviewing the adequacy and completeness of the controls in place around cloud applications.

4.2.2 The policies identified as being of particular relevance in this review are the; 'Information Security and Conduct Policy', 'Privacy Impact Assessment Toolkit', and the 'Software Policy'.

4.2.3 Of the policies and procedures obtained and reviewed during the audit it was noted that the 'Privacy Impact Assessment Toolkit' document requires review and updating to reflect changes in the processes and procedures since the last update and to reference GDPR.

Risk

The privacy impact assessment process may be inconsistently performed.

Recommendation

The 'Privacy Impact Assessment Toolkit' document should be reviewed and updated.

4.2.4 It was also noted that the current version of the 'Software Policy' does not mention the privacy impact assessment process or reference the 'Privacy Impact Assessment Toolkit' document.

Risk

Privacy impact assessments may not be performed leading potential breaches of DPA and/or GDPR requirements.

Recommendation

The 'Software Policy' should be updated to reference the 'Privacy Impact Assessment Toolkit' process.

4.3 Access control including two factor authentication

4.3.1 Two cloud-based applications were selected in conjunction with management to be the basis for review as part of this audit. These were the ArtifaxEvent and Get Scheduled applications.

4.3.2 An understanding of the system management and access control arrangements in place for the applications tested was obtained through

discussion with ICT and system owners and review of available process documentation.

- 4.3.3 User set up, change and removal processes were walked through and key application security controls including authentication controls and password settings were obtained and reviewed for each of the systems tested. This highlighted the issues detailed below.
- 4.3.4 It is good security practice to ensure complex passwords are in use and enforced by strong password security controls. A review of 'Get Scheduled' password parameters identified the system does not currently enforce strong password complexity requirements.

Risk

There may be unauthorised access to application data due to the use of weak passwords.

Recommendation

Management should liaise with the supplier to increase Get Scheduled password complexity requirements.

- 4.3.5 It was noted that the ArtifaxEvent application has the facility to implement two factor authentication but that this was not currently in use. It is recommended that management consider implementing this in order to provide improved security.

Risk

There may be unauthorised access to application data due to the use of weak passwords/ password sharing.

Recommendation

Management should investigate options around implementing two-factor authentication to the ArtifaxEvent application.

4.4 External security testing

- 4.4.1 An annual exercise of external penetration testing of the Council's infrastructure is undertaken as part of the annual IT Health Check (ITHC) exercise required as part of the PSN accreditation process. This is used to ensure the Council network is adequately protected against known vulnerabilities.
- 4.4.2 Additional ad hoc vulnerability scanning and penetration testing exercises are performed in conjunction with third party consultants on a risk basis, where deemed necessary throughout the year.
- 4.4.3 The two applications focused on as part of this audit are cloud-based services hosted by external suppliers, meaning the Council is reliant on the third party to secure the data appropriately.

- 4.4.4 A privacy impact assessment process is in place for use when implementing or making changes to systems, enabling management to gain some assurance around the security of data being held and processed. It was found during the work that this exercise had been completed for the Get Scheduled application but not ArtifaxEvent.
- 4.4.5 Although the risk is mitigated to some extent by the fact that the Council moved to a cloud-hosted service provided by the existing supplier that provided the previous version of the system, it is recommended that the privacy impact assessment be completed to ensure all privacy and security issues have been considered and documented.

Risk

Personal data may be held insecurely and/or breach DPA requirements.

Recommendation

The privacy impact assessment process should be completed retrospectively for the ArtifaxEvent system.

4.5 Resilience and Disaster Recovery protection

- 4.5.1 It was confirmed during testing that for both ArtifaxEvent and Get Scheduled backups of data and recovery arrangements are included as part of the service provided by the supplier. No recent outages or significant downtime was reported by management for either application.

4.6 3rd party Contracts

- 4.6.1 The contract and terms and conditions in place in relation to the Get Scheduled application were obtained and reviewed as part of the audit. It was found to have undergone review by the Council's procurement and information governance teams and to include the required references to GDPR obligations around data security.
- 4.6.2 It was not possible to obtain the ArtifaxEvent contract in the timescale required for this review. It is recommended that the privacy impact assessment recommended above (4.4.5) includes a review of the contract to ensure it meets Council requirements.

5 Conclusions

- 5.1 The audit did not highlight any urgent issues materially impacting the Council's ability to achieve its objectives. The audit did, however, identify four Medium rated and one Low rated issues which, if addressed, would improve the overall control environment.

Overall, the findings are considered to give MODERATE assurance around the management of cloud applications.

5.1 The assurance bands are shown below:

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

6 Management Action

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

Richard Barr
Audit and Risk Manager

Action Plan

Internal Audit of Cloud Applications – October 2019

Report Ref.	Recommendation	Risk	Risk Rating*	Responsible Officer(s)	System Owner Response	Target Date
4.2.3	The 'Privacy Impact Assessment Toolkit' document should be reviewed and updated.	The privacy impact assessment process may be inconsistently performed.	Medium	Information Governance Manager (Shafim Kauser)	The review of the toolkit is currently under way, along with the rest of the Information Governance Framework, and this will be completed by 23 December 2019.	23 December 2019

Report Ref.	Recommendation	Risk	Risk Rating*	Responsible Officer(s)	System Owner Response	Target Date
4.2.4	The 'Software Policy' should be updated to reference the 'Privacy Impact Assessment Toolkit' process.	Privacy impact assessments may not be performed leading to potential breaches of DPA and/or GDPR requirements.	Low	ICT Services Manager (Ty Walter)	Accepted: The Software Policy has been updated to reflect the PIA Toolkit requirements (03 Oct 2019), and this version is now available via the ICT Policy pages on the Intranet.	Not applicable.

Report Ref.	Recommendation	Risk	Risk Rating*	Responsible Officer(s)	System Owner Response	Target Date
4.3.4	Management should liaise with the supplier to increase Get Scheduled password complexity requirements.	There may be unauthorised access to application data due to the use of weak passwords.	Medium	Get Scheduled System Owner (Jessica Craddock)	I had spoken with the system owner and system developer (Tom Douglas & Wojciech Dragan) to implement the complexity requirements. Passwords for each user now requires a minimum of 8 characters including 1 special character, 1 uppercase and 1 number. This was actioned by all users w/c 23.09.19.	Not applicable – recommendation actioned.

Report Ref.	Recommendation	Risk	Risk Rating*	Responsible Officer(s)	System Owner Response	Target Date
4.3.5	Management should investigate options around implementing two factor authentication to the ArtifaxEvent application.	There may be unauthorised access to application data due to the use of weak passwords / password sharing.	Medium	ArtifaxEvent System Owner (Laura Wyatt)	We have tested the two-factor authentication provided by the ArtifaxEvent system. As the system heavily relies on mobile phone signage and the phone reception at the Royal Spa Centre being so poor we are unable to switch this on. It would potentially mean locking our users out of the system when they required necessary information for events.	Not applicable – recommendation not accepted.
4.4.5	The privacy impact assessment process should be completed retrospectively for the ArtifaxEvent system.	Personal data may be held insecurely and/or breach DPA requirements.	Medium	ArtifaxEvent System Owner (Laura Wyatt)	To be arranged and completed.	31 December 2019

* Risk Ratings are defined as follows:

High Risk: Issue of significant importance requiring urgent attention.

Medium Risk: Issue of moderate importance requiring prompt attention.

Low Risk: Issue of minor importance requiring attention.

INTERNAL AUDIT REPORT

FROM: Principal Internal Auditor
TO: Deputy Chief Executive and Monitoring Officer
C.C. Chief Executive
Head of Finance
Audit & Risk Manager
Portfolio Holder (Cllr Day)

SUBJECT: Corporate Governance
DATE: 5 December 2019

1 Introduction

- 1.1 In accordance with the Audit Plan for 2019/20, an examination of the above subject area has been undertaken and this report presents the findings and conclusions drawn from the audit for information and action where appropriate.
- 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:
- 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.
- 2.3 On this occasion, the topics focused upon were Gifts and Hospitality, and the Risk Management Framework. As the Audit & Risk Manager has responsibility for the Risk Management aspects, the report is being issued in the Principal Auditor's name in a departure from the normal process.

3 Scope and Objectives of the Audit

- 3.1 The standing objective of auditing corporate governance is to evaluate the effectiveness of overarching structures, procedures and monitoring

arrangements that underpin the assurance framework for demonstrating good governance with reference to relevant standards.

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

- Staff are aware of, and comply with, Council requirements in relation to gifts and hospitality
- The Council has an appropriate risk management framework in place to allow for risks to be identified and addressed appropriately.

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. The last audit was also undertaken on a consultancy basis and the recommendations included were not responded to in the normal manner.

4.2 Gifts & Hospitality

4.2.1 The Council's policy in relation to gifts and hospitality is set out in the Employee Code of Conduct. The code was amended in January 2019 with this updated code being approved by Members at a full Council meeting.

4.2.2 The Learning & Development Officer (LDO) confirmed that all employees (with computer access) have been included on the Meta training that was run in relation to the updated Code of Conduct.

4.2.3 The LDO ran extracts from the Meta system which showed that 485 members of staff had completed the training (at the time of testing). There were also 36 users who were shown as pending and the LDO suggested that these were either new staff or were staff on long term sick. With regards to new staff, the LDO advised that they will have all Meta training pushed out to them on a rolling basis, so some staff that had started after the initial roll out will have completed it whereas others may not yet have been sent the training for completion.

4.2.4 For staff that do not have their own log on, there is an expectation that managers will provide access to the information, although there is no evidence required (by HR) to show that this has been undertaken.

4.2.5 The LDO initially suggested that the code did not apply to casual staff as they were not classed as employees. However, she subsequently confirmed, following discussion with the Democratic Services Manager & Deputy Monitoring Officer (DSM), that it applied to all staff.

4.2.6 The Arts Manager (who is the manager for the majority of staff that this applies to) suggested that he would have made his (relevant) staff aware of the code following a discussion at Managers' Forum but (due to the passage

of time) could not remember how this had been communicated and could not, therefore, provide evidence to show how this had been undertaken.

Advisory

Relevant managers should confirm (via emails to the relevant 'process owner') that they have passed on the information covered in Meta training to those staff without computer access.

- 4.2.7 The LDO also advised that the Meta system is due to be migrated to a cloud-based system (by the end of the year) and this would allow the messages to be pushed out to all staff.
- 4.2.8 The DSM maintains a folder containing all gifts and hospitality forms submitted and advised that copies are also held in personal files. Upon review of the folder, 33 forms were found to have been submitted from June 2018 to the date of the review.
- 4.2.9 Upon review of the forms, it was confirmed that all forms had been signed off by Heads of Service with four being signed in advance of the gift / hospitality being accepted. Five offers had been declined, one had been accepted but then disposed of (due to the identification that some of the items in a 'goody bag' were inappropriate) and two were accepted but donated to charities, with all others being accepted.
- 4.2.10 The majority of gifts and hospitality accepted (as per the completed forms) were considered to be appropriate (either based on value or the networking opportunities with key partners). However, gifts / hospitality accepted as detailed on four returns were considered to be 'questionable':
- In two cases, staff tried to refuse the gifts but they 'giver' was insistent that they be accepted (perfume and cash).
 - In one case, a computer game was offered over and above the general promotional gifts given to all other attendees at an event. The Head of Development Services (as the relevant head of service) suggested that, in hindsight, he would have suggested that this should have been refused, although he could not recall whether there was any reason given as to why it was accepted.
 - In the other case, a Wasps Rugby hospitality ticket was received. The Head of Development Services advised that he thought this was to have been refused. However, he had authorised the form which stated that it had been accepted.
- 4.2.11 In the above two instances, the gifts had been accepted by the same officer. However, no further action is warranted, as the recipient has now left the Council.
- 4.2.12 The DSM advised that the forms submitted should be covered by the corporate document retention policy. However, at the time of the audit, this had not been completed.

Risk

Relevant completed forms may not be retained as appropriate.

Recommendation

Completed gifts and hospitality forms should be covered by the corporate document retention policy.

4.3 Risk Management Framework

- 4.3.1 The Council has a Risk Management Strategy in place (which acts as the policy). This has recently (21 August 2019) been 'reaffirmed' by Executive as part of the annual risk management report presented by the Audit & Risk Manager (ARM).
- 4.3.2 The strategy sets out the risk management objectives of the Council along with roles and responsibilities of various different groups and individual officers within the Council.
- 4.3.3 Copies of the departmental risk registers and the corporate Significant Business Risk Register (SBRR) are available to all staff via a dedicated page on the intranet. The latest versions held on the intranet page were all dated June 2019, with the exception of the Chief Executive's Office which was dated July 2019.
- 4.3.4 However, during the discussions with departmental representatives (see below), it was confirmed that the ARM had recently asked for updated versions to be provided. Additional links were also placed on the intranet during the course of the audit to make the risk registers more easily accessible.
- 4.3.5 Discussions were held with representatives from each department to ascertain how they ensure that their departmental risk registers are being maintained. On the whole, it was confirmed that the registers are being reviewed / updated on at least a quarterly basis by management teams.
- 4.3.6 Some (informally) review the register on a more frequent basis and Neighbourhood Services have a 'live' version in SharePoint that can be updated on an ongoing basis. SharePoint also shows details of who has modified the document and when this has been undertaken.

Advisory

The use of SharePoint for the storage / maintenance of departmental risk registers could be considered for adoption by other departments.

- 4.3.7 Portfolio Holders had been involved in the reviews of the registers, although, in general, there had been some issues getting the new Portfolio Holders involved to the same extent.
- 4.3.8 Changes are recorded in various different ways, with most using arrows on registers to indicate movement in risks between (formal) updates. Some

departments use summary documents of one form or another that show changes in risk rating following each review.

Advisory

The summary documents, showing movement in risk ratings, should be shared amongst SMT to ascertain whether a standard approach could be adopted.

- 4.3.9 The ARM advised that the SBRR is reviewed on a quarterly basis by SMT and is subsequently presented to Executive for their review. This was confirmed upon review of the minutes of recent meetings of both 'groups'.
- 4.3.10 The ARM also advised that meetings of the Risk Management Group are scheduled for every four months. Membership of the group generally comprises Heads of Service, with the exception of Housing Services who send another service representative, along with the ARM and the Insurance & Risk Officer (IRO). The ARM advised that attendance is 'reasonable'.
- 4.3.11 The main focus of the meetings is a round-table discussion on any current or emerging issues that departments are experiencing / facing.
- 4.3.12 The IRO advised that she takes the minutes of the group although there did not appear to have been any minutes taken from the June meeting that she was unable to attend, and she had not had an opportunity to write up the minutes from the last meeting (October).

Risk

Relevant information may not be available to those who are unable to attend specific meetings.

Recommendation

Minutes should be taken for all meetings of the Risk Management Group, with nominated 'deputies' taking minutes when the Insurance & Risk Officer is unable to attend.

- 4.3.13 The IRO also advised that minutes would be emailed to members of the group. The ARM had suggested that they could / should be saved to the Risk Management page of the intranet although this had not yet been undertaken.

Advisory

Minutes of the Risk Management Group should be saved on the Risk Management page of the intranet.

- 4.3.14 The minutes provided confirmed that risks affecting each department are being discussed, although there did not seem to be any common themes emerging that would impact other departments and would, therefore, need reflecting on other risk registers.

Risk

Senior staff members' time may not be used effectively.

Recommendation

Consideration should be given to the remit of the group and whether there is a need for a specific group or if these discussions could be covered by SMT when they consider the Significant Business Risk Register.

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 the topics covered in this audit are appropriate and are working effectively.

5.2 The assurance bands are shown below:

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

5.3 A number of issues were, however, identified:

- The 'corporate' document retention policy was not complete at the time of the audit, so the requirements regarding retention of completed gifts and hospitality forms has not been set out.
- Minutes of the Risk Management Group were not taken when the regular minute taker was absent.
- Risk Management Group minutes suggest that there is no general consideration of emerging issues that may affect other departments.

5.4 Further 'issues' were also identified where advisory notes have been reported. In these instances, no formal recommendations are thought to be warranted as there is no risk if the actions are not taken. If the changes are made, however, the existing control framework will be enhanced:

- Relevant managers should confirm (via emails to the relevant 'process owner') that they have passed on the information covered in Meta training to those staff without computer access.
- The use of SharePoint for the storage / maintenance of departmental risk registers could be considered for adoption by other departments.
- The summary documents, showing movement in risk ratings, should be shared amongst SMT to ascertain whether a standard approach could be adopted.
- Minutes of the Risk Management Group should be saved on the Risk Management page of the intranet.

6 Management Action

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

Ian Davy
Principal Internal Auditor

Action Plan

Internal Audit of Corporate Governance – November 2019

Report Ref.	Recommendation	Risk	Risk Rating*	Responsible Officer(s)	Management Response	Target Date
4.2.12	Completed gifts and hospitality forms should be covered by the corporate document retention policy.	Relevant completed forms may not be retained as appropriate.	Low	Democratic Services Manager & Deputy Monitoring Officer	Details of how this will operate to be discussed with the Information Governance Manager with the aim of putting process in place by end of the financial year.	31/03/20

Report Ref.	Recommendation	Risk	Risk Rating*	Responsible Officer(s)	Management Response	Target Date
4.3.12	Minutes should be taken for all meetings of the Risk Management Group, with nominated 'deputies' taking minutes when the Insurance & Risk Officer is unable to attend.	Relevant information may not be available to those who are unable to attend specific meetings.	Low	Audit & Risk Manager	Agreed.	Immediate effect.

Report Ref.	Recommendation	Risk	Risk Rating*	Responsible Officer(s)	Management Response	Target Date
4.3.14	Consideration should be given to the remit of the group and whether there is a need for a specific group or if these discussions could be covered by SMT when they consider the Significant Business Risk Register.	Senior staff members' time may not be used effectively.	Low	Audit & Risk Manager	We have considered this and feel that common themes are emerging, albeit not necessarily reflected in the minutes. There is tremendous benefit in hearing about other services' risks as there are always lessons to be learned corporately and we feel that this is the right forum to provide that opportunity. These issues do need to be captured better and, perhaps more importantly, communicated "outwards" more effectively so that, indeed, lessons can be learned across the organisation. This will be considered at the next meeting.	N/A

* Risk Ratings are defined as follows:

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

FROM: Audit and Risk Manager
TO: Head of Health and Community Protection
C.C. Chief Executive
Deputy Chief Executive (AJ)
Head of Finance
Food and Safety Team Leader
Regulatory Manager
Portfolio Holder (Cllr Judy Falp)

SUBJECT: Food Safety
DATE: 26 November 2019

1 Introduction

- 1.1 In accordance with the Audit Plan for 2019/20, an examination of the above subject area has been undertaken and this report presents the findings and conclusions drawn from the audit for information and action where appropriate.
- 1.2 Wherever possible, findings have been discussed with the staff involved in the procedures examined and their views are incorporated, where appropriate, into the report. My thanks are extended to all concerned for the help and cooperation received during the audit.

2 Background

- 2.1 The Council's Food Safety duties and responsibilities are delivered by the Food Safety team which sits in the Food and Occupational Safety and Health team (FOSH) forming part of the Regulatory section within Health and Community Protection.
- 2.2 The team is responsible for enforcing food hygiene legislation (under the Food Safety Act 1990 and the requirements of the Food Standards Agency (FSA)) in approximately 1440 premises, with 598 of those establishments being included in the programme of inspections for 2019/20. On top of programmed inspections, the Food Safety team also carry out non-programmed and advisory visits, which amounted to an additional 270 visits last year (2018/19).

3 Scope and Objectives of the Audit

- 3.1 The audit was undertaken to test the management and financial controls in place.
- 3.2 In terms of scope, the audit covered the following areas:
- Premises database
 - Service provision
 - Policies and procedures
 - Staff competency
 - Performance monitoring

- Budget planning and management
- Risk management.

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

- All properties, people and activities, for which the council is responsible for inspecting, are recorded on a database that is appropriately maintained
- Premises, people and activities are appropriately inspected
- Requests for service are appropriately responded to
- Incidents relating to food safety are appropriately responded to
- Council events and contractors providing services in council owned premises comply with food safety legislation
- Enforcement action is driven by policy to ensure it is consistent and in line with appropriate legislation
- Work is performed to a consistent standard
- Staff are able to perform the work expected of them in a competent manner
- Management are aware of how the team is performing
- The council is compliant with any external requirements for submitting returns / data etc.
- Budgets are effectively managed
- The council is aware of the risks in relation to the services undertaken by the section and has taken steps to address them.

3.4 An audit of the CIVICA APP system has recently been undertaken by the Council's IT auditors, TIAA, so some aspects of the database (e.g. system access and back-ups) were not examined as part of this audit.

4 Findings

4.1 Recommendations from Previous Report

4.1.1 The current position in respect of the recommendation from the previous audit, undertaken in August 2016, was also reviewed. The current position is as follows:

Recommendation	Management Response	Current Status
1 The system should be updated to remove the duplicate entry and the temporary event stall.	The system has been updated accordingly.	The way these establishments are recorded was changed so this is no longer an issue.

4.2 Premises Database

4.2.1 The database is well maintained and kept up-to-date. There are currently 1443 active entries on the database which are all in the inspection cycle. Inactive premises remain on the database in the background and can be re-activated if the premises become subject to food safety inspections again. The history for each premises is saved to the database allowing the team to access previous

data, even when there has been a change of name, ownership or it has been closed for a number of years.

4.2.2 The Food Safety team are provided with a copy of a spreadsheet containing changes to National Non-Domestic Rates (NNDR) on a monthly basis. This allows them to identify changes to food businesses, such as changes of ownership, name change, change of use, or a licence request for a new business. Once the potential changes have been identified, the team update the database and, where necessary, make contact with the business to confirm the changes. When new establishments are identified contact is made to ensure they are registered and they are added to the database and inspection programme.

4.2.3 A sample of changes to premises, taken from the NNDR spreadsheets spanning nine months, were identified on the database. All changes had been actioned and updates had been applied to the database.

4.3 **Service Provision**

4.3.1 The Food Safety team follow the Food Standards Agency's (FSA) Code of Practice, Practice Guidance and Food Hygiene Rating Scheme: Guidance for local authorities 'Brand Standard' when carrying out inspections. Officers must have due regard to the guidance which provides details on carrying out inspections, risk ratings and implementing and operating the 'Brand Standard' complete with a consistency framework and various standard template forms as required.

4.3.2 A sample of inspections that had been completed within the current calendar year was reviewed. In all cases the risk scores and next visit date had been calculated using the FSA guidance.

4.3.3 The database used (CIVICA) automatically allocates the date of next visit based on the categorisation of the risk calculated. This date is then used when the inspection programme is drawn up. Premises with a low risk calculation are inspected less frequently than those with a higher risk. Inspections can be between six months and three years apart and premises can be inspected 28 days either side of their programmed dates.

4.3.4 A review was performed to ensure that timely visits had been undertaken to all premises in the current inspection programme. Only one premises in the programme had not been visited within the last three years and it was established that this was due to the establishment being removed from the inspection cycle after it closed in 2015 but it had recently been moved back into the programme after a premises license application had been received.

4.3.5 Non-programmed inspections and advisory visits are carried out as and when needed. These additional visits are generated from service requests, when there is change in ownership at the premises and when establishments request a Food Hygiene Rating Rescore Revisit request.

4.3.6 Service requests, which include incident reports, are submitted via email, phone call or by completing an online application form. The requests are usually allocated to the staff member that carried out the last inspection as they will be

familiar with the establishment and will have raised the previous advisories or concerns.

4.3.7 174 service requests had been received since the start of the current calendar year (2019). From this list a sample was reviewed to include requests that a range of staff members had responded to. All of the requests in the sample had been followed up appropriately and action taken where needed. Final correspondence to the complainant, where provided, was quality-checked by a second staff member. This ensures that responses are prompt and a standard is maintained in all responses.

4.3.8 Council buildings which are subject to food safety regulations are included on the inspection programme. Advice is provided at safety advisory meetings to other service areas, regarding relevant standards and conditions, when considering Council-led events.

4.4 **Policies and Procedures**

4.4.1 The service area plan promotes the delivery of food safety inspections in line with the 'Fit for the Future' Strategy. The strategy commits to ensuring delivery of the food safety inspection programme. The service area plan is approved at Executive and is reviewed annually.

4.4.2 The FSA Code of Practice, Practice Guidance and Brand Standard is followed when carrying out an inspection with a Food Hygiene Rating being provided to the establishment upon completion. The FSA provides guidance for The Food Hygiene Rating Scheme: available for Local Authorities on the implementation and operation of the Brand Standard of the ratings.

4.4.3 The Food Safety team have produced flow charts, based on the FSA guidance, which demonstrate how each task is carried out. The tasks covered include: service requests; inspections; enforcement action; and planning applications. When there are changes to the procedures the flow charts are updated.

4.4.4 An inspection was observed from start to finish. Before the inspection, information regarding the establishment was checked to ensure it was still accurate. The history of the business was looked into to see what advisories and scores had been given and how the company had responded to previous visits. The inspection itself followed a structured approach which allowed the inspector to focus on key areas.

4.4.5 After completing the inspection, the scores were input onto the database, the final rating was calculated and the next visit date was calculated. The establishment was written to with the outcome of the inspection, including any advisory or legal changes that needed to be made as well as the final score outcome.

4.5 **Staff Competency**

4.5.1 There are seven staff members who form the Food Safety team, working together to ensure the food safety inspection programme is completed.

4.5.2 Performance monitoring is carried out on a monthly basis which helps to identify additional training needs or where support may be needed. Staff keep records of their training to evidence Continued Professional Development (CPD) as required by the Chartered Institute of Environmental Health (CIEH) and the Institute of Food Science and Technology (IFST). All of the Food Safety team hold qualifications with either the CIEH or IFST.

4.5.3 Any training needs not identified through CPD requirements and performance monitoring are usually picked up in appraisals, 1:1s, Coventry and Warwickshire Liaison group and when carrying out the "day job".

4.6 **Performance Monitoring**

4.6.1 A performance monitoring spreadsheet, completed by the Food and Safety Team Leader, compiles information regarding inspections, service requests and time taken to complete tasks and responses. This is reported at monthly team meetings which is usually attended by the Regulatory Manager. The minutes from the monthly meetings are also shared with the Head of Service.

4.6.2 Data from the performance monitoring spreadsheet is shared with the Systems team who use it to provide statistics for corporate KPIs. These are uploaded onto a portal on a monthly basis. SMT, Councillors (including the Portfolio Holder), and Heads of services have access to the portal. The information reported includes: number of service requests received, response times, and businesses with a rating of 5 'Very Good' and 3 – 4 'Broadly Compliant'.

4.6.3 Annual returns are completed and submitted online to the FSA by the Systems team in conjunction with the Food and Safety Team Leader. They have to be completed and returned by end of April with a 'mop up' of late returns due around the end of May. Failure to complete the annual return results in the Council being 'named and shamed' by the FSA.

4.6.4 The annual return shows how the Council has performed against the planned inspection programme, taking into account any businesses which are no longer trading and any that have had their rating upgraded so no longer requiring a further inspection that year.

4.7 **Budget Planning and Management**

4.7.1 Budget monitoring is performed by the Regulatory Manager who reviews figures with an Assistant Accountant. This is usually carried out on a monthly basis, but can be done more frequently if required.

4.7.2 When examining the budgets there were very few variances found, with those that were identified being immaterial. The Regulatory Manager was also able to provide valid explanations for the identified variances. The Assistant Accountant also had no concerns regarding the budget position at this time.

4.8 **Risk Management**

4.8.1 The Service risk register, identifies relevant generic risks as well as risks specific to Regulatory services. As part of the schedule of risk registers reviews by

Finance and Audit Scrutiny Committee, the Service's risk register was presented to the Committee in April 2019.

- 4.8.2 Risks identified can be split into two main risk categories: staff related, and service delivery. Staff related risks include: lone working, training, injury and abuse, and evening and night working. Service delivery risks include: records maintenance, quality of advice and compliance.
- 4.8.3 Identified risks have appropriate controls in place to reduce or remove them. The controls include use of mobile phones, body cams and the lone worker policy. To reduce the risks related to service delivery there are various checks in place that mean work is double checked, processes are followed, performance monitoring is carried out as well as annual reporting to the FSA.

5 **Summary & Conclusion**

- 5.1 Following our review, we are able to give a SUBSTANTIAL degree of assurance that the systems and controls that are currently in place in respect of Food Safety are appropriate and are working effectively.
- 5.2 The assurance bands are shown below:

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

6 **Management Action**

- 6.1 There are no recommendations arising from this report.

Richard Barr
Audit and Risk Manager

INTERNAL AUDIT REPORT

FROM: Audit and Risk Manager

SUBJECT: Health & Safety Compliance of Council Buildings

TO: Deputy Chief Executive (BH)
Head of Health & Community Protection

DATE: 4 November 2019

C.C. Chief Executive
Head of Finance
Asset Manager
Compliance Manager
Portfolio Holder (Cllr Day)

1 Introduction

- 1.1 In accordance with the Audit Plan for 2019/20, an examination of the above subject area has been undertaken and this report presents the findings and conclusions drawn from the audit for information and action where appropriate.
- 1.2 Wherever possible, findings have been discussed with the staff involved in the procedures examined and their views are incorporated, where appropriate, into the report. My thanks are extended to all concerned for the help and cooperation received during the audit.

2 Background

- 2.1 The audit had been included in the plan as a result of a specific request from management. This was largely as result of a review performed by the Head of Health & Community Protection (HHCP) of the various health and safety related compliance issues that the Council was responsible for.
- 2.2 The HHCP advised that an 'Asset Baseline' spreadsheet had been produced covering all of the different checks that should be performed but highlighted that it had been produced at a certain point in time which was prior to the restructure of the Assets section and the associated formation of the Compliance team.
- 2.3 During the course of the audit, it was established that an 'Assets Compliance and Delivery Group' had been formed which was to involve staff from the Assets section as well as those who were responsible for the management of different buildings operated by the Council. The inaugural meeting of this group (planned for mid-September) was due to discuss the terms of reference which was proposed to include the oversight of the areas included on the Asset Baseline spreadsheet.

3 **Scope and Objectives of the Audit**

- 3.1 The audit was undertaken to test the management and financial controls in place.
- 3.2 The 'Asset Baseline' spreadsheet was the starting point in terms of the areas to be covered. However, due to the limited resources for the audit, not all areas identified could be reviewed. Therefore, in terms of scope, the following areas were covered:
- Electrical safety
 - Gas safety
 - Legionella
 - Fire safety
 - Lifts and lifting equipment
 - 'Permits to work'
 - 'Section 4 conditions'
- 3.3 The control objectives examined were:
- Council buildings are free from electrical safety risks
 - Electrical equipment used by staff and visitors is safe to use
 - Council buildings are free from gas safety risks
 - Staff and visitors to Council buildings are free from the risk of exposure to Legionella bacteria
 - Fire alarms will sound as appropriate
 - Fire extinguishers will work if, as and when required
 - Council buildings are free from fire safety risks
 - All lifts and lifting equipment in place within Council buildings are safe to use
 - The Council complies with COSHH regulations in regards to permit to work procedures
 - The Council complies with Section 4 of the Health & Safety at Work Act 1974 with regards to the health and safety risks at premises leased to others.
- 3.4 The audit was only concerned with 'operational' corporate properties. Some, related, testing had recently been carried out on housing properties under the audit of Gas and Electrical Safety Checks.
- 3.5 Asbestos was also not included, as specific audits of Asbestos Management are undertaken, and other topics were also not to be covered where they are only related to individual specific assets.
- 3.6 The 'Section 4 Conditions' mainly apply to non-operational buildings. However, as these audits have recently been completed and this topic was not covered, it is being considered as part of this audit.
- 3.7 Whilst a number of building managers were spoken to as part of the audit, a specific review of their overall roles and responsibilities was not included within the scope. The HHCP advised that there is a general need for these roles and responsibilities to be clarified and communicated to all relevant staff and training is to be provided to them in due course.

4 Findings

4.1 Recommendations from Previous Report

4.1.1 This is the first audit of this topic, so this section is not relevant.

4.2 Electrical Safety

4.2.1 A contract is in place with Dodds Group (Midlands) Ltd (Dodds) for the Maintenance & Repair of Electrical Appliances & Installations. This covers both domestic and corporate properties. The contract was reviewed under the recent audit of Gas & Electrical Safety Checks (for housing properties) so was not covered as part of this audit.

4.2.2 The M&E & Energy Officer (MEEO) advised that corporate properties are to be tested every three years. He suggested that there was no set programme, but the checks are easy to book in and would be done when it was noted that a building was due for a check with the checks being arranged with the relevant building managers.

4.2.3 Reports from the checks are scanned and held on the system with Active H being updated accordingly following the completion of the checks. The Data Coordinator (DC) provided an extract from the Active H system showing corporate properties that had various attributes, one of which was the EICR attribute.

4.2.4 An initial overview of the spreadsheet highlighted a number of properties for which the last cyclical (testing) date was either 1950 or 1955 so, before a sample of properties was chosen for testing, these were queried with the MEEO in order to ensure that the sample chosen for testing was relevant.

4.2.5 A list was then sent to Dodds of all the properties that the MEEO and the Compliance Team Leader (CTL) believed needed to be tested and Dodds provided the current status of those tests (i.e. whether they were required and in-date).

4.2.6 This list was compared to the Active H extract that had been provided initially and a number of gaps were noted. The MEEO suggested that these properties may not need EICRs and the attributes could therefore be disabled. However, this needs to be confirmed.

4.2.7 The Dodds list also identified a number of properties that were overdue for the EICR test. The CTL advised that Dodds were working through these to get them up to date. As a result, no testing of this aspect was undertaken.

4.2.8 However, sample testing was undertaken to ensure that documentation was held as appropriate with a sample taken from the confirmed tests as per the Dodds list. This testing proved generally satisfactory although three more instances were identified which no longer required the EICR attribute to be active.

4.2.9 One of these related to a property that was leased out so it was no longer up to the Council to undertake the tests and the other two were cases where the

tests were either undertaken on individual properties within a larger property (e.g. lodges within a cemetery) or vice versa (i.e. the individual building 'element' is covered within a larger structure (e.g. toilets within a car park).

Risk

Council properties may not be safe from electrical safety risks.

Recommendation

A review should be undertaken of the properties with 'active' EICR attributes on Active H to ensure that this accurately reflects the properties for which EICR tests are required.

- 4.2.10 In terms of any remedial works required, the MEE0 advised that Dodds would do the work although, if significant, further authorisation may be required. During testing, a number of notes were found to have been recorded on the certificates produced. The majority of these were recommended works (code C3) and this issue has been raised (as an advisory) in the recent Gas & Electrical Safety Checks audit report.
- 4.2.11 The MEE0 advised that portable appliance testing (PAT) is undertaken by Dodds as part of the abovementioned contract. Whilst the contract does not specifically mention PAT, the MEE0 advised that this is covered as part of the general works described in the corporate properties section of the specification.
- 4.2.12 The MEE0 advised that there should be a programme for portable appliances to be tested every twelve months, with other equipment being covered every three years. However, he suggested that he was reliant on building managers flagging up when testing needed to be undertaken and there is no 'scheduled' programme for the testing.

Risk

Electrical appliances used in Council properties may be unsafe.

Recommendation

A schedule of PAT testing should be set for each relevant Council property.

- 4.2.13 The MEE0 also advised that he thought Dodds would have a list of what had been tested, but there was no central inventory maintained. Part of the issue is due to new items being bought by individuals / teams and another issue is staff bringing in items of electrical equipment and the responsibilities for having them tested.
- 4.2.14 Building Managers spoken to confirmed that they did not generally maintain inventories of equipment that needed PAT testing, although the Technical & Facilities Manager (TFM) at the Royal Spa Centre advised that some technical

equipment is (usually) tested by his own staff and a record of this is maintained.

Risk

**Electrical appliances used in Council properties may be unsafe.
Recommendation**

Inventories of electrical equipment that require PAT testing should be maintained for each relevant Council property.

4.3 Gas Safety

- 4.3.1 The extract from Active H (see 4.2.3 above) also included details of those properties where the Gas Safety attribute was active. This list included Jubilee House which had recently been switched to mains gas.
- 4.3.2 The MEEO advised that it is only boilers that are generally serviced, so there is no requirement to list all individual appliances.
- 4.3.3 A contract is in place with D&K Heating Services Ltd (D&K) for Gas Servicing and Maintenance of **Domestic** properties. The MEEO suggested that this had been varied to cover corporate properties as well. However, no evidence of this variation could be located at the time of the audit.

Risk

The Council may not have a contract in place for the undertaking of gas safety checks at operational Council properties.

Recommendation

The variation to the original contract should be confirmed with D&K.

- 4.3.4 Sample testing was undertaken to ensure that gas safety checks were being performed and documented as appropriate with the system being updated accordingly and any works identified as being required were undertaken as appropriate.
- 4.3.5 The only issue identified during the testing was that one certificate included a note about potential works required. However, the certificate stated 'see PDA' as opposed to detailing the issue encountered.
- 4.3.6 The MEEO advised that a supporting email may have been sent, but this would not have been saved alongside the certificate.

Advisory

Contractors should be advised that any issues identified should be appropriately recorded on the certificates provided to the Council.

4.4 **Legionella**

- 4.4.1 A contract is in place with HSL (formerly Hertel Solutions Ltd) for Legionella and Water-Quality Management. The contract register suggested that no copy of the contract was held in the Document Store or in electronic format. However, the MEE0 advised that copies of the document had recently been located and a copy was provided.
- 4.4.2 The extract from Active H (see 4.2.3 above) also included details of those properties where the Legionella Management attribute was active. The MEE0 advised that risk assessments will have been performed for each relevant building.
- 4.4.3 Sample testing was undertaken to ensure that the risk assessments are in place, monthly testing is being undertaken by the contractor and systems are being disinfected where appropriate. This proved satisfactory.
- 4.4.4 Testing was also to be undertaken on the weekly flushes that are meant to be undertaken at each building. However, the records are maintained at each site and were not readily available without performing individual site visits.
- 4.4.5 Copies were requested when meetings were held with building managers, but only one of three was returned during the timescales of the audit.

Advisory

The Assets Compliance & Delivery Group should reiterate the need for weekly flush records to be maintained by relevant building managers.

4.5 **Fire Safety**

- 4.5.1 The MEE0 advised that fire alarms are tested on a weekly basis by Fire Safe Services (see below). A test sheet is run through and a log is sent to building managers although no central record is maintained.
- 4.5.2 The MEE0 advised that he is (currently) having issues getting emails from the contractor relating to the tests at other sites. He used to get the emails relating to tests at Riverside House but these are currently not being received due to IT issues. However, he advised that he is confident that the tests are undertaken at Riverside House as he can hear them being tested.
- 4.5.3 In terms of Oakley Woods Crematorium, the Bereavement Services Development Manager (BSDM) advised that there were issues with their alarms in that the alarm for one building cannot be heard in the other and vice versa. However, she advised that this is being looked into. Other building managers spoken to confirmed that tests were operating satisfactorily.
- 4.5.4 A contract is in place with Fire Safe Services for the Service and Maintenance of Corporate Fire Alarms. Similar to the Legionella contract, the contract register suggested that no copy of the contract was held in the Document Store or in electronic format. However, the MEE0 advised that copies of the document had recently been located and a copy was provided. He also

provided a copy of the list of 'assets' that Fire Safe Services cover under the contract.

- 4.5.5 The MEE0 advised that the systems are serviced on a quarterly basis, with different aspects covered each quarter against a plan / routine ensuring all aspects are covered over course of the year. This 'plan' is detailed on copies of the servicing worksheets provide.
- 4.5.6 Sample testing was undertaken to ensure that fire alarm systems are being maintained appropriately with documentation being held to support the tests undertaken. This test proved generally satisfactory although the latest service for one sampled building (Victoria Park Cricket Pavilion) was overdue at the time of the audit.

Advisory

The quarterly service of the fire alarm at Victoria Park Cricket Pavilion needs to be followed up with the contractor to establish why it had not been performed.

- 4.5.7 A contract is in place with Baydale Control Systems Ltd for the 'servicing, testing, certification, reactive maintenance and ad-hoc installation of Fire Fighting Equipment'. This was a variation to their existing contract that covers Door Entry Systems, CCTV, Security Doors and Fire Alarm Systems Maintenance and Upgrade.
- 4.5.8 In terms of 'programming' the intention is that all equipment is checked every twelve months and the contractors know when they are due to be checked. These checks are booked in with the individual building managers with the contractors having contact details. However, the MEE0 suggested that some equipment has been missed from the programmed checks.
- 4.5.9 This was corroborated by BSDM who advised that their visit had not been booked on an appropriate date, so some equipment had been missed as a service was ongoing.
- 4.5.10 Sample testing was undertaken to ensure that inventories of relevant fire fighting equipment are maintained and that maintenance had been undertaken for each item held with replacement equipment being provided where necessary.
- 4.5.11 Inventories were found to be in place for each sampled building and maintenance records were provided for each one. In two instances some of the extinguishers were found to be in need of replacement and these replacements had subsequently been ordered.
- 4.5.12 The inventories do not go into detail as to serial numbers etc. so replacements do not need to be reflected on the inventory (assuming like-for-like replacements). However, a number of handwritten amendments were found to be detailed on two maintenance records and these had not been reflected on the inventories held. The MEE0 advised that the updating of inventories was a known issue and responsibility needed to be assigned to this task.

Risk

Fire fighting equipment may be omitted during programmed maintenance and testing and may not work if required.

Recommendation

Inventories of fire fighting equipment should be kept up to date to ensure that contractors are aware of what needs to be tested.

- 4.5.13 The Building Manager & H&S Coordinator (BMHSC) advised that Fire Risk Assessments are undertaken for all relevant Council buildings on a regular basis by staff from Building Control. The assessments are then loaded onto AssessNet.
- 4.5.14 The Principal Building Consultant (PBC) advised that, due to staffing levels, the frequency of assessments has been assessed to ensure that the buildings with the higher risk are covered more frequently.
- 4.5.15 A report was produced from the system that showed all of the assessments that had been performed and this confirmed that the review dates (where stated) were all in the future. One assessment was due in the near future, but the PBC highlighted that that type of building (toilet blocks) was very low risk so this was not a high priority.
- 4.5.16 One assessment did not include any review details (re Saltisford Gardens Community Centre). However, the BMHSC confirmed that the record was covered under another assessment which was for the same building.
- 4.5.17 The BMHSC advised that AssessNet also includes a record of all the 'tasks' that are associated with the fire risk assessments (i.e. issues that need to be addressed). These are assigned to staff at the individual buildings to resolve and sample 'tasks' were covered during the meetings with building managers.
- 4.5.18 The tasks shown as being relevant to the Arts buildings and the Enterprise buildings were shown as being complete. However, a number of tasks appeared to be outstanding against Bereavement Services buildings.
- 4.5.19 The BSDM raised a number of issues with the assessments, including tasks appearing to be superseded by subsequent actions and system access allowing relevant staff to update the system as required. The Business Support & Development Manager advised that this was now being addressed following meetings with the BSDM, the BMHSC and Building Control staff.

4.6 Lifts & Lifting Equipment

- 4.6.1 A contract is in place with Stannah Lift Services Ltd for the 'provision of lift service and maintenance'. This just covers the items detailed in the spreadsheet.
- 4.6.2 In terms of lifting equipment, the BSDM advised that the equipment is maintained under the cremator plant equipment contract at Oakley Woods

and the TFM advised that the equipment at the Royal Spa Centre had previously been maintained under warranty by the company that had provided the system. However, it is due to be undertaken by another contractor this year although this had not yet been timetabled so no formal agreement was in place.

4.6.3 Sample testing was undertaken to ensure that lift servicing and maintenance was being performed as required with documentation being provided. The test proved satisfactory.

4.6.4 The MEE0 advised that any remedial works picked up as part of the servicing are covered by the contract in place and, whilst not specifically identified upon review of the test documentation reviewed, it was clear that work was being undertaken as required through direct observation at Riverside House.

4.7 **Permits to Work**

4.7.1 The BMHSC advised that there are three main areas where permit to work procedures are required at the Council, i.e. working at height, 'hot work' and working in confined spaces. These issues would be picked up as part of the normal risks assessment process and via the method statements provided by the contractors.

4.7.2 A sample RAMS (Risk Assessment Method Statement) document was provided by the MEE0 for Lightning Protection works and this makes specific reference to the requirement for permits within the risk assessment.

4.7.3 The current permits to work are recorded on AssessNet. However, the BMHSC highlighted that older documents had been 'lost' following a system upgrade, so there were only a few recorded on the system with the majority relating to the lightning protection works. The system also includes the sign-off declarations from relevant parties.

4.7.4 The BMHSC also highlighted that some of the permits to work shown on AssessNet are noted as being 'handed back'. In these instances, the permits cannot be used again so, if the same / similar job needs to be undertaken, a new permit will be required.

4.7.5 The MEE0 advised that he is generally reliant on contractors to flag that permits are required and that it was up to individual building managers and contract managers to identify risks and, therefore, some works that require permits may be missed. In general, he felt that there was an education need and this was echoed by the building managers spoken to.

Risk

Permits to work may not be in place where appropriate.

Recommendation

Training on the need for Permits to Work should be provided to relevant staff, including individual building managers as appropriate.

4.8 Section 4 Conditions

- 4.8.1 Section 4 of the Health and Safety at Work Act 1974 places a duty on those in control of premises, which are non-domestic and used as a place of work, to ensure that they do not endanger those who work within them. Where the Council leases a building to a tenant, the Council still has responsibilities to ensure that the buildings are being appropriately maintained (either themselves or by the tenant depending on the terms of the lease).
- 4.8.2 The Estate Management Surveyor advised that checks to ensure that the conditions are being met are not currently being performed and that they haven't been undertaken for a number of years due to varying factors such as staffing and responsibility changes. However, he advised that the need for compliance reviews has been recognised and a recruitment process is currently underway for a number of new Building Surveyors.
- 4.8.3 The Technical Manager advised that interviews were to be undertaken during the course of the audit for two fixed term appointments and that an advert was also out for other posts; it is hoped that, once these posts have been appointed to and a full staffing resource is available, visits will then be reinstated, with annual visits in the first instance.
- 4.8.4 The Business Manager (Enterprise) advised that the leases in place for the Court Street Creative Arches included reference to health and safety and that her staff are going through the process of asking tenants to provide (documentary) evidence to confirm that health and safety conditions were being met.

5 Conclusions

- 5.1 Following our review, in overall terms we are able to give a MODERATE degree of assurance that the systems and controls in place in respect of Health & Safety Compliance of Council Buildings are appropriate and are working effectively.
- 5.2 The assurance bands are shown below:

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

- 5.3 A number of issues were, however, identified:
- It is unclear whether the EICR attribute details on Active H are accurate.
 - There are no PAT testing schedules for Council buildings.
 - There are no inventories for equipment that requires PAT testing.

- The contract variation relating to the inclusion of corporate properties in the 'gas maintenance' contract could not be located.
- Some inventories of fire fighting equipment were not up to date.
- Staff require training on when Permits to Work are required.

5.4 Further 'issues' were also identified where advisory notes have been reported. In these instances, no formal recommendations are thought to be warranted as there is no risk if the actions are not taken. If the changes are made, however, the existing control framework will be enhanced:

- One gas safety record included reference to works required being recorded on the PDA. This information should be on the actual record provided.
- Weekly flush records that were requested were not all provided during the timescales for the audit so these should be followed up by the new Assets Compliance & Delivery Group.
- The latest fire alarm service for Victoria Park Cricket Pavilion needs to be followed up with the contractor.

6 **Management Action**

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

Richard Barr
Audit and Risk Manager

Action Plan

Internal Audit of Health & Safety Compliance of Council Buildings – September 2019

Report Ref.	Recommendation	Risk	Risk Rating*	Responsible Officer(s)	Management Response	Target Date
4.2.9	A review should be undertaken of the properties with 'active' EICR attributes on Active H to ensure that this accurately reflects the properties for which EICR tests are required.	Council properties may not be safe from electrical safety risks.	Low	Data Coordinator (DC) and M&E & Energy Officer (MEE0)	Agreed. DC and MEE0 to identify all stock requiring cyclical EICR's and update attributes in ActiveH accordingly. Further, a semi automated programme of works can be generated as demonstrated in other areas.	31 March 2020
4.2.12	A schedule of PAT testing should be set for each relevant Council property.	Electrical appliances used in Council properties may be unsafe.	Low	DC and MEE0	Agreed. DC and MEE0 to identify all stock requiring cyclical PATesting and update attributes in ActiveH accordingly. Further, a semi automated programme of works can be generated as demonstrated in other areas.	31 March 2020
4.2.14	Inventories of electrical equipment that require PAT testing should be maintained for each relevant Council property.	Electrical appliances used in Council properties may be unsafe.	Low	Asset Compliance & Delivery Group (AC&DG), MEE0 & Dodds	Agreed, the AC&DG need to agree that building managers maintain an inventory of equipment requiring PATesting. Dodds should be able to support with information of equipment currently tested.	31 March 2020

Report Ref.	Recommendation	Risk	Risk Rating*	Responsible Officer(s)	Management Response	Target Date
4.3.3	The variation to the original contract should be confirmed with D&K.	The Council may not have a contract in place for the undertaking of gas safety checks at operational Council properties.	Low	Compliance Team Leader (CTL)	A copy of the variation documentation has now been obtained.	Completed
4.5.12	Inventories of fire fighting equipment should be kept up to date to ensure that contractors are aware of what needs to be tested.	Fire fighting equipment may be omitted during programmed maintenance and testing and may not work if required.	Low	AC&DG, MEE0 & Baydale	Agreed, the AC&DG need to agree that building managers maintain an inventory of equipment pertaining to fire fighting equipment. Baydale should be able to supply information of currently installed equipment.	31 March 2020
4.7.5	Training on the need for Permits to Work should be provided to relevant staff, including individual building managers as appropriate.	Permits to work may not be in place where appropriate.	Medium	CTL, Building Manager & H&S Coordinator (BM&HSC) and AC&DG	Agreed. CTL and BM&HSC to liaise on suitable training and audience.	31 January 2020

* Risk Ratings are defined as follows:

High Risk: Issue of significant importance requiring urgent attention.

Medium Risk: Issue of moderate importance requiring prompt attention.

Low Risk: Issue of minor importance requiring attention.

INTERNAL AUDIT REPORT

FROM: Audit and Risk Manager

SUBJECT: Homelessness & Housing
Advice (Temporary
Accommodation)

TO: Head of Housing Services

DATE: 5 December 2019

C.C. Chief Executive
Deputy Chief Executive (BH)
Head of Finance
Housing Needs Manager
Housing Allocations and Advice
Manager
Portfolio Holder (Cllr Matecki)

1 **Introduction**

- 1.1 In accordance with the Audit Plan for 2019/20, an examination of the above subject area has been undertaken and this report presents the findings and conclusions drawn from the audit for information and action where appropriate.
- 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 An audit of Homelessness and Housing Advice, evaluating progress made against specific objectives of the Council's Housing and Homelessness Strategy (2017-2020), was undertaken in March 2019.
- 2.2 During the scoping of the audit, the Head of Housing Services requested that a review of temporary accommodation be included. As it could not be accommodated as part of that audit, this audit was scheduled.
- 2.3 The Council utilises a number of different temporary accommodation 'units', comprising a mixture of Council-owned properties, properties leased from others, and B&B and hotel rooms.

3 **Scope and Objectives of the Audit**

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

- 3.2 The audit largely concentrated on the processes where service users are placed into temporary accommodation. However, the processes around the use of the Council's direct-access hostel (William Wallsgrove House (WWH)) were also covered in some cases.
- 3.3 In terms of scope, the audit covered the following areas:
- Policies and procedures
 - Accommodation standards
 - Provision and use
 - Support to occupants
 - Finance
 - Risk management.
- 3.4 The control objectives examined were:
- Staff are aware of how the Council aims to meet its legislative requirements with regards to homeless placements in temporary accommodation
 - The standard of accommodation is suitable and meets statutory guidance, caters for a range of housing needs, is maintained and well managed
 - Temporary accommodation is only used when no other housing solutions are available
 - The number of units is sufficient and minimises the use of B&B alternatives
 - Occupancy in temporary accommodation is not used a long-term solution for the housing of homeless individuals
 - Accommodation used is appropriate to the needs of the homeless 'individuals' / family groups
 - Support to occupants is provided and enables them to manage their licence conditions and future housing needs
 - All income due to the Council is received
 - Expenditure is being controlled appropriately and value for money is being obtained
 - Budget variances are limited as the budgets are set appropriately in line with known areas of income and expenditure
 - The Council is aware of any potential budget variances
 - The Council is aware of the risks in relation to the placement of individuals in temporary accommodation and has taken steps to address them
 - Health and safety is well managed.

4 Findings

4.1 Recommendations from Previous Reports

- 4.1.1 The current position in respect of the recommendations from the audits reported in March 2015 (the last 'general' review of this topic) and March 2019 (the strategy review) were also reviewed. The current position is as follows (see overleaf):

Recommendation	Management Response	Current Status
March 2015		
1 Care should be taken to ensure that documentation is retained with the correct case files (either electronic or paper based).	All staff will be reminded of the importance of document management. A monthly file audit will be introduced to monitor document management.	Whilst this issue was not addressed specifically as part of this audit, it was noted that some documentation had been retained on officers' network drives as opposed to being attached to the relevant (Locata) system. (See 4.5.4)
2 Staff are reminded of the need to accurately complete all relevant fields in Active-H.	All staff will be reminded of the importance of completing fields on Active-H accurately. A monthly file audit will be introduced to monitor the accuracy of data entry.	Issues were noted on different tests in relation to rent accounts not being set up correctly, with rent accounts being ended before the start dates and new accounts subsequently being set up (not field specific, but highlights general issue with completion of Active H). (See 4.3.11 and 4.6.3)
March 2019		
3 To further inform development and planning of the future strategy, an assessment should be undertaken of actions to be undertaken against remaining objectives. Progress against these actions should then be assessed on a monthly basis.	The recommendation to assess actions is accepted however our view is that quarterly is sufficient to monitor progress.	The Housing Strategy & Development Officer (HSDO) advised that a review of the strategy and progress against the action plan is underway. She felt that this should be picked up as part of the Service Area Plan (SAP) monitoring, as the SAP has a specific entry in the planned changes / projects section regarding the 'Rough Sleeping Initiative' (RSI) strategy and action plan. However, the HSDO (being new to the role) was unable to find any notes / minutes that reflect the regular monitoring of progress against these actions. (See 4.1.2)

Recommendation	Management Response	Current Status
<p>4 There should be engagement and consultation, regarding the Mental Health Protocol, with mental health service providers, clinical commissioning groups, safeguarding, and social care teams to ensure that it reflects relevant issues.</p>	<p>Since the strategy was approved there have been some key developments at a County level. Warwickshire County Council are funding a pilot scheme involving two Community Psychiatric Nurse posts which will be placed with the street outreach teams but link to the Mental Health partnership trust. Furthermore, a county-wide homeless strategy is being developed which consider addressing the mental health needs of homeless people. We would suggest that events have overtaken the notion of the development of a protocol and it is therefore proposed to put to members, revisions to the strategy to reflect current thinking and practices.</p>	<p>As suggested above, the HSDO advised that she is in the process of reviewing the current strategy which will, in future, be split into a 'local' housing strategy and a county-wide homelessness strategy.</p>
<p>5 The Mental Health Protocol should include consent to information being exchanged between parties at the outset and include a quarterly case review process of those considered to be at most risk of becoming homeless.</p>	<p>As above.</p>	<p>As above.</p>

Recommendation	Management Response	Current Status
<p>6 Cases discussed at the relevant weekly or monthly meetings should be risk-assessed and RAG-rated identifying assigned actions, barriers and further engagement required. Where a case is not discussed, details should be minuted.</p>	<p>The recommendation will be actioned as suggested.</p>	<p>The Housing Needs Manager advised that cases are being risk assessed at the meetings (which are held fortnightly).</p>

- 4.1.2 In relation to item three in the above table, management had agreed to undertake quarterly monitoring of the actions included in the Housing and Homelessness Strategy. However, the officers responsible for ensuring that this action was undertaken have both recently left the Council.
- 4.1.3 As suggested above, the HSDO is in the process of reviewing progress against actions taken to date so, whilst quarterly monitoring may not have taken place due to staffing changes, it is clear that action is now being taken to address this.

4.2 Policies & Procedures

- 4.2.1 A 'Policy & Placement' document is in place which sets out the policy for deciding on how and where those needing temporary accommodation are placed along with procedures on how this is undertaken. The Senior Housing Advice Officer (SHAO) advised that it is reviewed as and when necessary and will reflect legislation as necessary. The initial copy provided still showed as draft and there were issues within the document. However, this was updated during the course of the audit.
- 4.2.2 The policy document makes clear reference to relevant legislation, with the introduction highlighting the Council's duties (relating to temporary accommodation) under the Homelessness Reduction Act 2017 and associated duties under the Housing Act 1996 (Section 188). It also covers the Homeless (Suitability of Accommodation) (England) Order 2012 as well as various other pieces of related legislation.
- 4.2.3 In order to ensure that the policy remains compliant with legislation, the SHAO receives and reviews email newsletters from various different 'organisations' (e.g. Shelter and providers of legal services) to ascertain if any changes to legislation are to be made that may affect the services that the Council provides.
- 4.2.4 There is also a management plan in place for WWH. This sets out the policy and processes for who can be admitted and how this is to be undertaken.

4.3 **Accommodation Standards**

- 4.3.1 The Housing Allocations & Advice Manager (HAAM) advised that a review had been undertaken in December 2016 of the provision of temporary accommodation. This looked at the accommodation that was available at the time, the costs of using it, and changes relating to the legislation that led to changes on the duties in relation to provision of homeless accommodation. It also raised a number of recommendations as to how the use of temporary accommodation could / should be improved.
- 4.3.2 The HAAM confirmed that the majority of these recommendations had been actioned, although there had been no formal 'response' to the recommendations, as he had changed roles whilst in the process of completing the review.
- 4.3.3 The SHAO raises issues concerning the suitability of specific units being used as temporary accommodation with Assets or Senior Managers as necessary. An example is the accommodation at Willes Road which is a listed building in a conservation area. There are now plans to improve the condition of the property, including improvements to the heating, new windows and insulation works.
- 4.3.4 The planned maintenance programmes at the Council are driven by the findings of the stock condition surveys (SCS). However, the Compliance Team Leader advised that the temporary accommodation units were specifically excluded from the scope of the surveys. He was unsure why this had been, as the scope of the work was set by previous members of staff and he had just inherited the work. WWH was also not included in the SCS as it was not in place at the time of the survey. As a result, these properties are not included in the planned maintenance programmes unless specific requests are received. He has agreed to survey the properties this year and ensure that any requirements are in future planned works.
- 4.3.5 That being said, he suggested that, due to the regular turnaround of the properties, the regular void inspections performed (see below) would help to ensure that the properties are maintained to an appropriate standard.
- 4.3.6 He also suggested that discussions had been held with the Technical Manager and the Maintenance Team Leader to ascertain whether regular inspections of the temporary accommodation units should be undertaken to identify whether there were any aspects that could / should be included in the planned maintenance programmes. It was subsequently confirmed that the Surveying Team will be completing SCS for the temporary accommodation units by the end of the current financial year.
- 4.3.7 The SHAO advised that some fire safety works are likely to be required and training was required in order for relevant (Housing) staff to identify issues during their visits to (temporary) accommodation properties.
- 4.3.8 It was highlighted that, at the time of initial reporting, the fire safety works had concentrated on the high-rise properties in the district. Subsequently, it was confirmed that the Temporary Accommodation units were being progressed with Building Control staff undertaking fire risk assessments for

the properties. Once these inspections have been completed, any required works are to be placed through the appropriate contract.

- 4.3.9 The SHAO advised that when keys are returned at the end of the temporary 'tenancy', the Allocations team end the rent account and this instigates the void process (similar to 'regular' HRA properties). If keys are not returned for any reason (e.g. the person has abandoned the property or has been evicted), the process would be instigated once this was identified and new keys were obtained.
- 4.3.10 When the void job is raised on the Active H system, a specific (schedule of rates) code is included for the 'Inspection of Temporary Accommodation'. The Data Coordinator ran an extract from Active H of the use of this code over the last calendar year which showed 92 instances (although three were found to be incorrect).
- 4.3.11 The SHAO provided a report of cases where temporary accommodation 'tenancies' had ended during the current financial year and testing was undertaken to confirm whether corresponding void jobs were included on the Active H extract. This test proved largely satisfactory although two issues were noted in relation to the setting up of rent accounts. The SHAO suggested the issues here were fairly common with staff often being reminded of the need to set up rent accounts accurately.

Risk

The Council may not obtain all income due.

Recommendation

Refresher training on the setting up of rent accounts on Active H should be given to relevant staff.

- 4.3.12 The Interim Homeless Services Assistant Manager (IHSAM) advised that when someone leaves one of the rooms at WWH a visual inspection is undertaken to see if any repair works are required. However, as regular inspections are undertaken, void repair works are rarely required. He also advised that cleaning is undertaken when someone moves out of the room.
- 4.3.13 With regards to the dormitories at WWH, weekly health and safety checks are undertaken and any repair issues will be picked up as part of these checks.
- 4.3.14 The HAAM advised that the agreements in place for the leased accommodation (flats at 31 Tachbrook Road) specify that the internal aspects will be maintained by the Council. Some works will be paid for by the Council with others being initially paid for by the Council and then being recharged to the owner of the property. A review of Active H confirmed that various minor jobs and void works had been undertaken during the current financial year.
- 4.3.15 In terms of reviews undertaken of B&Bs, the SHAO suggested that this would have been undertaken in the 2016 review of temporary accommodation, but nothing formal had been undertaken since. However, this was not felt to be a particular issue.

4.4 **Provision & Use**

- 4.4.1 The SHAO advised that, where placements were 'outside of the ordinary' (i.e. not in 'regular', Council-owned or leased, units that were available at the time that the duty was required) the reasons why people are placed into temporary accommodation should be recorded in the notes on the Locata system. Testing on a sample of cases did not highlight any specific issues.
- 4.4.2 The HAAM advised that informal reviews of occupancy rates are undertaken in so far as details are available at a glance via the whiteboard held in the office. He suggested that if people were being left in B&B accommodation for longer than six weeks this might indicate a problem. However, this hasn't occurred and, as such, there has not been a requirement for more formal reviews.
- 4.4.3 The HAAM confirmed that the use of Council-owned and leased units would be prioritised over the use of B&B accommodation. However, he highlighted that sometimes there would be issues over the suitability of the Council-owned and leased accommodation (e.g. location in relation to an ex-partner), so the use of B&Bs would be required even if there was another unit free.
- 4.4.4 Another reason is that where the Council is minded to consider that a household may be homeless intentionally, it can be beneficial to secure B&B accommodation rather than using the other types of temporary accommodation as the arrangement can be more easily brought to an end.
- 4.4.5 He also highlighted that the Council's use of B&Bs was significantly lower than neighbouring authorities (e.g. Coventry City Council, Nuneaton & Bedworth and Rugby) and there had been some considerable periods where no B&B accommodation was in use within the District.
- 4.4.6 The sample testing above only identified one case where B&B accommodation had been used and this was suitably explained (individual circumstances of the user).
- 4.4.7 The whiteboard in Housing Advice identified four current users of B&Bs (as at the time of testing). The SHAO advised that three of these were due to the lack of availability in our own units and the occupiers would be moved to our own temporary accommodation as soon as these were available. The other person was also waiting for the void repair works to be undertaken before being moved into a single-person unit.
- 4.4.8 The SHAO advised that the only cases for which a maximum tenancy duration is set out in relation to use of temporary accommodation is for families and pregnant women in line with legislation (the Homelessness (Suitability of Accommodation) (England) Order 2003). This stipulates that they should stay for a maximum of six weeks in 'B&B' accommodation (formally 'nightly paid with shared facilities') and this should only be in exceptional circumstances.
- 4.4.9 For the cases chosen in the abovementioned sample, all placements were considered appropriate based on the circumstances of the service user and the availability of different units.

- 4.4.10 The Housing Needs Manager (HNM) advised that placement within WWH will be determined by the needs of existing users, balancing these against the needs of those that present on any given day. This (amongst other things) is set out in the management plan.
- 4.4.11 There are six individual rooms and sixteen dormitory bed spaces split across different rooms and the use is flexible depending on the number of men and women. Some specific users will be given individual rooms such as those who present with a dog, those with known mental health issues and those who are looking to move on to more regular accommodation.

4.5 **Support to Occupants**

- 4.5.1 The SHAO advised that the team try to maintain regular contact with tenants of temporary accommodation to ensure that the terms of their tenancy are maintained. However, despite this regular contact, there are often issues due to the types of people that require homelessness assistance (e.g. drug users). She advised that the aim is to visit the 'tenant' every week, but some require more regular visits (sometimes daily).
- 4.5.2 The SHAO also highlighted that there have been issues due to the fact that the team has been short staffed and management covering both temporary accommodation and general homelessness. One of the consequences of changing staff is that a lot of the job involves building relationships with the 'clients'.
- 4.5.3 The SHAO also advised that notes are maintained of when visits are performed and what has been discussed, including details of any issues raised by the tenants or identified by the Housing Officers (e.g. anti-social behaviour). Rent statements and any letters are also taken along to the 'meetings'.
- 4.5.4 Sample testing confirmed that regular contact had been maintained with each 'tenant', with various journal entries seen on the Locata system in each case. Personal Housing Plans (PHPs) and Needs Assessments were also found to be in place in each case although in two cases these were still held on the network directories of the case officer as opposed to being attached to the system.

Risk

Staff may be unaware of relevant information in relation to service users.

Recommendation

Staff should be reminded of the need to ensure documents are attached appropriately to the system.

- 4.5.5 The HAAM advised that proposals are in place to appoint a Temporary Accommodation Officer. The purpose of this post is to enhance the service by providing specialised management of this accommodation and enhanced support to the occupants.

- 4.5.6 The HNM advised that users of WWH are allocated a support worker who will draw up a support plan to help identify any issues that they may have. There is also a risk assessment drawn up for each user as part of their admission.
- 4.5.7 The IHSAM advised that the support plan takes the form of a 'star chart' which is used to assess the needs of the service user and any support that will be required. An associated action plan is also completed. Scheduled support sessions are planned with each user as part of the support provided to them and users have access to other staff as well as their 'key' support worker.
- 4.5.8 If users are placed in a room, they will have a license agreement in place and if they are in a dormitory there is a use and occupation agreement. There is also a set of house rules and monthly 'house' meetings are held.
- 4.5.9 If the 'licenses' are breached, the user can be excluded from the hostel. This may be preceded by written warnings, depending on the severity of the issues / conduct.
- 4.5.10 If a serious breach has occurred (leading to a 28-day exclusion), there will be discussions held as to the reasons behind the issue and what has been done by the user to address the issue. They will also have to sign an 'Acceptable Behaviour Contract' before being allowed back into the hostel.
- 4.5.11 The HNM advised that some use WWH as a bed for the night, but the ethos is that the use of the hostel is a step on the road to help the user break out of long term homelessness.
- 4.5.12 Users are advised to speak to Housing Advice staff (within three nights) and, as part of the process, they will have PHPs and needs assessments drawn (as set out above), and these will be shared with WWH staff.
- 4.5.13 If a service user refuses / fails to cooperate with Housing, they may be excluded from WWH for a period and the IHSAM provided an (anonymised) sample letter. However, following the identification of this issue as part of the draft reporting process, the Head of Housing Services has instructed that this should cease.
- 4.5.14 The Council also works in partnership with Coventry Cyrenians (CC). Six properties are leased to them to provide 'move on' accommodation. When users of WWH are ready, they will be referred to CC so that they can be moved into the (shared) leased properties in order to help prepare them to obtain, and maintain, a formal tenancy.

4.6 **Finance**

- 4.6.1 The SHAO advised that Council staff will instigate benefit claims on behalf of the occupants and will chase if not paid. She highlighted that rent statements are prepared and passed to the tenants on a weekly basis, with warning letters being sent where relevant.

- 4.6.2 Where tenants are housed in Council-owned properties or those in leased properties (Tachbrook Road), any benefits will be paid directly to the Council. The benefits paid do not generally cover all of the costs of the use of temporary accommodation, so top-up rent is also charged.
- 4.6.3 Testing confirmed that benefits had been claimed as appropriate in each sampled case but none of the 'top-up' rents had been received. The testing also identified another case where the rent account had been set up incorrectly, with benefit payments being credited to a closed account as opposed to the new, correct one. (See recommendation at 4.3.11 above).
- 4.6.4 The HNM advised that benefit claims will similarly be submitted for those using William Wallsgrove House (WWH), with the hostel dealing with the claim and receiving payment directly. She also advised that individuals using WWH also have to pay a personal charge for the rooms and this can be paid at various places using a bar code.
- 4.6.5 The IHSAM advised that he maintains a spreadsheet to track benefit claims and any personal payment arrears and provided an anonymised version as evidence.
- 4.6.6 Where personal payments are not received, payment plans will be entered into. He suggested that, due to the service users moving between dormitories / rooms, Active H is not an ideal system to track payments, which is why the separate spreadsheet is used. He also advised that he holds fortnightly meetings with Benefit staff to obtain updates on service users' benefit applications.
- 4.6.7 The contract register included on the intranet includes details of various different contracts in place in relation to the provision of temporary accommodation for homeless people.
- 4.6.8 The AAM advised that discussions are ongoing with the Senior Procurement Business Partner in relation to the 'procurement' of Bed & Breakfast (B&B) accommodation. He suggested, however, that there were issues over getting providers to sign up to be on the 'list' and he felt that it may lead to providers adding a premium to the amounts they were charging compared to the prices that could be obtained online through popular hotel booking websites.
- 4.6.9 A sample of payments to B&B providers was reviewed to ensure that the accommodation usage has been checked and the invoice has been authorised as appropriate prior to payment. The sample chosen included three payments based on invoices received and two that had been paid for using a purchasing card.
- 4.6.10 Where invoices were held, there was evidence that the usage had been checked (i.e. the invoice was annotated in some way as evidence). Due to the nature of the payments on purchasing cards, there was no evidence that the accommodation use had been checked. All payments had been authorised (either signature on invoice or the purchasing card log).

- 4.6.11 Both the AAM and the HNM advised that regular meetings are held with Accountancy staff (the Principal Accountant (Housing) (PAH) and the Assistant Accountant (AA)).
- 4.6.12 The AAM advised that there is work to be done with regards to budget structure and coding, although he suggested that the Housing Services review needed to be completed before this could be undertaken.
- 4.6.13 The budget figures as per TOTAL were examined to ascertain if there were any 'significant' variances and those were discussed with the AAM. He was able to provide adequate explanations for the majority of variances against the previous year's budget and outturn and the current year expenditure.
- 4.6.14 Two specific issues were noted in relation to a miscoding of procurement card expenditure (B&B expenditure coded to repairs and maintenance) and an outstanding liability from 2017/18 (crash pad).

Advisory

The budget issues identified should be addressed with Accountancy staff.

- 4.6.15 It was noted that, where there had been a significant budget variance in 2018/19, these had generally not been taken into account when the budgets for 2019/20 were set. The AAM again highlighted that there was a need to review Housing budgets in general but this needs to be undertaken once the restructure of the service has been completed.

Advisory

Actual income and expenditure figures should be taken into account when new Housing Services budgets are 'created'.

- 4.6.16 The only expenditure budgets included on the WWH budget code were for staffing costs and the HNM explained why these budgets had varied and where there were ongoing variances. However, she was unsure why no budgets were showing against the other expenditure codes despite expenditure being coded accordingly.
- 4.6.17 The AA advised that the budgets were meant to have been loaded by the previous PAH but this had not happened due to other issues, so this had passed to the current post holder. The AA provided evidence that the budgets for 2020/21 were currently being worked on so that budgets would be included as appropriate in future.

4.7 Risk Management

- 4.7.1 The Housing Services Risk Register does not contain any direct risks relating to the provision of temporary accommodation or WWH. However, the register makes reference to temporary accommodation use as a consequence of two separate risks:

- 11 'Increasing levels of homelessness', with one consequence being 'Pressure on temporary accommodation leading to increased bed and breakfast use'
- 12 'Reputational risk due to Inability to meet the need for housing across the district', with one consequence being 'Increase in homelessness & demand for temporary accommodation'

- 4.7.2 The Accommodation Placement Policy and Procedures document does, however, make reference to risk in relation to the actual accommodation (i.e. health and safety, and fire risks) and the WWH management plan identifies the need for risk assessments to be performed for each individual taking a bed at the hostel.
- 4.7.3 Various different search words were used to try to identify relevant risk assessments on AssessNet. Most searches (relating to 'general' temporary accommodation or use of B&Bs) returned no (relevant) results.
- 4.7.4 However, a specific assessment relating to the use of WWH was found to be in place. This also makes specific reference to the need for risk assessments to be performed prior to a bed space being given.
- 4.7.5 A risk assessment for Housing Officers who undertake visits was also identified, but this does not specifically cover those visiting temporary accommodation. The SHAO advised that, following the current redesign in Housing Services, there will be a specific Temporary Accommodation Officer and it is expected that a risk assessment will need to be drawn up in relation to their work.

Advisory

An AssessNet risk assessment should be drawn up for in relation to temporary accommodation visits when the new Temporary Accommodation Officer joins the Council.

- 4.7.6 The SHAO advised that, due to the types of tenants that require temporary accommodation, there are often issues of anti-social behaviour. Other agencies, such as the Police, are involved wherever possible.
- 4.7.7 However, she highlighted that there is no Police back-up received. This is to be discussed with the Senior Housing Officer and the Tenancy Manager to ascertain how these issues are dealt with, with regards to 'regular' tenancies. They have also been referred to a (relevant) Police Sergeant.
- 4.7.8 The HNM advised, however, that at WWH they have regular interaction with the Police and they have a close working relationship with a particular PCSO who regularly visits the hostel due to the nature of the tenants and the associated issues that they bring.

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

Homelessness and Housing Advice in relation to use of temporary accommodation are appropriate and are working effectively.

5.2 The assurance bands are shown overleaf:

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

5.3 A number of minor issues were, however, identified:

- A number of rent accounts were found to have been set up incorrectly.
- Documents were sometimes held on network drives as opposed to being attached to the system as appropriate.

5.4 Further 'issues' were also identified where advisory notes have been reported. In these instances, no formal recommendations are thought to be warranted as there is no risk if the actions are not taken. If the changes are made, however, the existing control framework will be enhanced:

- Budget issues identified need to be addressed with Accountancy staff.
- Actual income and expenditure figures should be taken into account when new Housing Services budgets are 'created'.
- An AssessNet risk assessment should be drawn up for in relation to temporary accommodation visits when the new Temporary Accommodation Officer joins the Council.

6 Management Action

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

Richard Barr
Audit and Risk Manager

Action Plan

Internal Audit of Homelessness & Housing Advice (Temporary Accommodation) – December 2019

Report Ref.	Recommendation	Risk	Risk Rating*	Responsible Officer(s)	Management Response	Target Date
4.3.11	Refresher training on the setting up of rent accounts on Active H should be given to relevant staff.	The Council may not obtain all income due.	Low	Senior Housing Advice Officer	The team have a number of new and inexperienced staff. We will arrange refresher training for the relevant staff on setting up rent accounts.	31 December 2019
4.5.4	Staff should be reminded of the need to ensure documents are attached appropriately to the system.	Staff may be unaware of relevant information in relation to service users.	Low	Senior Housing Advice Officer	We will arrange refresher training for the relevant staff on document management.	31 December 2019

* Risk Ratings are defined as follows:

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

INTERNAL AUDIT REPORT

FROM: Audit and Risk Manager
TO: Deputy Chief Executive (AJ)
C.C. Chief Executive
Head of Finance
Democratic Services Manager
Information Governance Manager
ICT Services Manager
Portfolio Holder – Cllr Day

SUBJECT: Information Systems Policies
DATE: 25 October 2019

1 **Introduction**

- 1.1 In accordance with the Audit Plan for 2019/20 an audit review of the Council's information system policies was completed in September 2019. This report presents the findings and conclusions drawn from the audit for information and action where appropriate.
- 1.2 Wherever possible, findings have been discussed with the staff involved in the procedures examined and their views are incorporated, where appropriate, into the report. My thanks are extended to all concerned for the help and co-operation received during the audit.

2 **Background**

- 2.1 This audit was undertaken to review the existence and adequacy of the Council's information systems policies.

3 **Scope and Objectives of the Audit**

- 3.1 The audit was designed to assess and provide assurance on the following key areas:
- Policy framework for data protection, records management, information security and data sharing
 - Information security policy
 - Policies are published on the Council's intranet
 - All policies follow an agreed format and styling
 - New and existing policies are subject to regular review
 - Information systems technical build standards.
- 3.2 Testing was performed to confirm that controls identified have operated as expected with documentary evidence being obtained where possible, although some reliance has had to be placed on verbal discussions with relevant staff.

4 Findings

4.1 Recommendations from Previous Report

4.1.1 This section is not applicable as this the first audit of this area.

4.2 Policy framework

4.2.1 An understanding of the policies in place for the management of information systems was obtained through discussion with ICT management during the audit. An information security and governance policy framework incorporating key elements including data protection, records management, information security and data sharing was found to be in place at the Council.

4.2.2 Key policies making up the framework were identified and obtained during the review. These were used in the process of reviewing the adequacy of the policies in in operation at the Council and key findings are detailed below.

4.3 Information security policy

4.3.1 The high level 'Information Security and Conduct Policy' describes the overall approach to information security and details a number of sub-policies that make up the framework. This policy, and sub-policies, documents the controls and processes in place to ensure that information is appropriately secured against issues arising that impact the confidentiality, integrity, and availability of Council data.

4.3.2 This policy was reviewed and found to document and define key information security roles and responsibilities, the Council's approach to maintaining the security and confidentiality of information, and includes references to all relevant sub-policies.

4.3.3 A sample of sub-policies was selected and reviewed for completeness and adequacy. This identified that the 'Information Security Incident Reporting' policy is in need of updating to reflect changes to requirements around the reporting of security incidents introduced as a result of GDPR. The policy currently states, for example, that there is "*no legal obligation in the Data Protection Act to report losses*" to the ICO, and makes no reference to the 72-hour timescale introduced as part of GDPR.

Risk

There may be a potential breach of GDPR requirements regarding incident reporting.

Recommendation

The 'Information Security Incident Reporting' policy should be reviewed and updated.

4.4 Information Governance Policies

4.4.1 It was noted in discussion with management that an exercise to review and update information governance policies and procedures was ongoing at the

time of audit and that work was required to substantially update policies covering data retention, data handling and classification of data in particular.

Risk

There may be ineffective information governance processes and controls in the absence of documented policies.

Recommendation

Ongoing work to update data retention, data handling and classification policies should be completed and updated policies should be made available to staff.

- 4.4.2 It was noted during testing that there has not historically been a process in place to ensure that data retention schedules are regularly reviewed and updated. As information asset owners have recently been assigned to all information assets it is recommended that an exercise to review retention schedules to sure they remain valid is undertaken and that this is repeated on an annual basis.

Risk

Data may be held longer than required and/or disposed of in breach of legal requirements.

Recommendation

Data retention schedules should be brought up to date and a regular review process should be introduced.

4.5 Policies are published on the Council's intranet site

- 4.5.1 Information system security and governance policies tested as part of this audit were found to be made available on the Council's intranet site.
- 4.5.2 Key information governance policies including the Information Governance Management Framework, Data Protection and Privacy Policy, Information and Access Rights, Records Management Policy, Information Security Incident Management Policy are also published on the external-facing Council website.

4.6 Agreed format and styling

- 4.6.1 Policies reviewed during the audit were found to follow a standard template, with some minor exceptions. The policy template includes: a revision and version history section listing the dates of review and detail of any changes made; a section covering policy governance requirements including detailing the person(s) responsible for developing and implementing the policy and the person ultimately accountable; the required distribution of the policy; and any relevant references to other Council policies or legislation.

4.7 **Regular review of policies and procedures**

- 4.7.1 There is a Council requirement that all policies should be reviewed on an at-least annual basis. Testing was undertaken to determine the date of last review for key policies reviewed during the audit.
- 4.7.2 Testing identified that, in the majority of cases, policies are reviewed and updated frequently in accordance with Council policy and that the documents revision history is updated to reflect the changes made.
- 4.7.3 It was noted, however, that a number of key information governance policies are overdue for updating having last been reviewed on dates ranging from February – April 2018. It is understood from discussion with management that this is due to the significant amount of work and changes to policies and procedures required as a result of GDPR and that work on bringing these up-to-date is underway.

Risk

There may be an impact to systems / services in the event of incorrect procedures being followed in the absence of up-to-date policies.

Recommendation

All remaining policies should be reviewed and updated.

4.8 **Information systems technical build standards.**

- 4.8.1 The Council's approach to build standards is documented as part of the 'ICT Services System Lockdown Policy'.
- 4.8.2 The policy includes the requirement that a standard build process should be used for all Council desktop computers in order to minimise the risk of damage to the network due to the lack of security software, ensure a standard environment to aid software deployment, and help ensure software licensing compliance. This process is monitored by the use of a checklist each time a desktop or 'thin client' is built. A similar checklist was found to be in place for virtual servers.

4.9 **Record of processing activities**

- 4.9.1 GDPR requirements state that organisations must "*maintain a record of processing activities under its responsibility*" and define the minimum criteria that must be recorded in relation to the data held.
- 4.9.2 Testing identified that the Council is currently working on a comprehensive record of processing activities. Although a record of processing activity spreadsheet is currently in place for each Council department, it is noted that these are at varying degrees of completion, with some containing missing data.

- 4.9.3 While individual service areas have a responsibility to review and update this record on a regular basis, it is recommended that a regular oversight exercise be undertaken to ensure the record of processing activity is kept up to date. An exercise to audit a sample of departments from across the Council to review the completeness and accuracy of this data is also recommended.

Risk

There may be a breach of GDPR requirements regarding the need to demonstrate compliance.

Recommendation

An exercise to review the accuracy and completeness of the Council's record of processing activities should be undertaken on a regular basis to ensure the record is up to date. Management should also consider audits of individual departments to verify the accuracy of data in the record.

5 Conclusions

- 5.1 The audit did not highlight any urgent issues materially impacting the Council's ability to achieve its objectives. The audit did, however, identify five Medium rated issues which, if addressed, would improve the overall control environment.

As a result, the findings are considered to give MODERATE assurance around the management of information systems policies.

- 5.1 The assurance bands are shown below:

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

6 Management Action

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

Richard Barr
Audit and Risk Manager

Action Plan

Internal Audit of Information Systems Policies – October 2019

Report Ref.	Recommendation	Risk	Risk Rating*	Responsible Officer(s)	Management Response	Target Date
4.3.3	The 'Information Security Incident Reporting' policy should be reviewed and updated.	There may be a potential breach of GDPR requirements regarding incident reporting.	Medium	Information Governance Manager	The policy is already under review with target completion date (for adoption) of December 2019.	23 Dec 2019

Report Ref.	Recommendation	Risk	Risk Rating*	Responsible Officer(s)	Management Response	Target Date
4.4.1	Ongoing work to update data retention, data handling and classification policies should be completed and updated policies should be made available to staff.	There may be ineffective processes in the absence of documented policies.	Medium	Information Governance Manager	The policies are already under review with target completion date (for adoption) of December 2019.	23 Dec 2019

Report Ref.	Recommendation	Risk	Risk Rating*	Responsible Officer(s)	Management Response	Target Date
4.4.2	Data retention schedules should be brought up to date and a regular review process should be introduced.	Data may be held longer than required and/or disposed of in breach of legal requirements.	Medium	Information Governance Manager	This is not the responsibility of the IG Manager but the relevant service areas. However, the IG Manager is in the process of working with all Teams (within departments to remind them about these and to bring them up to date).	Not applicable.
4.7.3	All remaining policies should be reviewed and updated.	There may be an impact to systems / services in the event of incorrect procedures being followed in the absence of up-to-date policies.	Medium	Information Governance Manager	The policies are already under review with target completion date (for adoption) of December 2019.	23 Dec 2019

Report Ref.	Recommendation	Risk	Risk Rating*	Responsible Officer(s)	Management Response	Target Date
4.9.3	An exercise to review the accuracy and completeness of the Council's record of processing activities should be undertaken on a regular basis to ensure the record is up to date. Management should also consider audits of individual departments to verify the accuracy of data in the record.	There may be a breach of GDPR requirements regarding the need to demonstrate compliance.	Medium	Information Governance Manager	The IG Manager has been meeting with teams within Service Areas as in parallel to the retention schedules. However, part of this action should be for all Heads of Services (as Data Asset Owners) to ensure these records are correct. Also, both this and retention schedule should be an area that Audit test as part of their routine audits of each service area to validate the processes.	Not applicable.

* Risk Ratings are defined as follows:

High Risk: Issue of significant importance requiring urgent attention.

Medium Risk: Issue of moderate importance requiring prompt attention.

Low Risk: Issue of minor importance requiring attention.

INTERNAL AUDIT REPORT

FROM: Audit and Risk Manager
TO: Deputy Chief Executive (AJ)
C.C. Chief Executive
Head of Finance
ICT Services Manager
Portfolio Holder – Cllr. Day

SUBJECT: Infrastructure Security
DATE: 29 October 2019

1 Introduction

- 1.1 In accordance with the Audit Plan for 2019/20 an audit review of the Council's Infrastructure Security was completed in September 2019. This report presents the findings and conclusions drawn from the audit for information and action where appropriate.
- 1.2 Wherever possible, findings have been discussed with the staff involved in the procedures examined and their views are incorporated, where appropriate, into the report. My thanks are extended to all concerned for the help and co-operation received during the audit.

2 Background

- 2.1 The ICT Services team has proactively undertaken a number of measures to protect the security and resilience of the Council's network infrastructure. The network domain is protected by a suite of vendor supported Cisco firewall appliances. Firewall security is supplemented by the deployment of an Intrusion Prevention system. Network security measures are subject to independent review through a programme of annual external penetration testing.
- 2.2 This audit was undertaken to ensure the security, integrity and availability of the Council's network infrastructure.

3 Scope and Objectives of the Audit

- 3.1 The objective of the report was to ensure the integrity and availability of the Council's network infrastructure
- 3.2 Testing was performed to confirm that controls identified operated as expected with documentary evidence being obtained where possible, although some reliance has had to be placed on discussions with relevant staff.

- 3.3 The audit was designed to assess and provide assurance on the risks pertaining to the following key areas:
- Programme of external penetration testing;
 - Public Services Network (PSN) Code of Connection;
 - Firewall Security including review of firewall rules;
 - Patching of Firewall appliances;
 - Review of firewall logical security settings and restriction on superuser rights;
 - Failover protection; and
 - Intrusion Prevention System (IPS) protection.

4 Findings

4.1 Recommendations from Previous Report

- 4.1.1 This section is not applicable as this is the first audit of this area.

4.2 External Penetration Testing

- 4.2.1 The Cyber Essentials Scheme guidelines on Secure Configuration recommend:
- 'Ensure that computers and network devices are properly configured to*
- *reduce the level of inherent vulnerabilities*
 - *provide only the services required to fulfil their role'*

- 4.2.2 Penetration testing, is the practice of testing a computer system, network or web application to find security vulnerabilities that an attacker could exploit. It can be automated with software applications or performed manually. The process involves gathering information about the target before the test, identifying possible entry points, attempting to break in and reporting back the findings. The main objective of penetration testing is to identify and resolve any security weaknesses.

- 4.2.3 Audit testing confirmed that NTA Monitor had been commissioned to undertake both internal and external security testing on the Council's network domain. All reported vulnerabilities were captured in an ICT Action Plan and tracked through to resolution.

4.3 PSN Code of Connection

- 4.3.1 The Public Services Network (PSN) is the UK government's high-performance network, which helps public sector organisations work together, reduce duplication and share resources. To obtain PSN accreditation, all Councils must complete and submit a Code of Connection to the Cabinet Office together with supporting information including a Network Diagram and IT Health Check (ITHC) report. The ITHC report summarises all corrective action undertaken following the annual external penetration test.
- 4.3.2 Audit testing confirmed that the ICT Services team successfully renewed their PSN Code of Connection on 16 January 2019.

4.4 **Review of Firewall Rules**

4.4.1 The Cyber Essentials Scheme guidelines on Firewalls recommend:

- *ensure inbound firewall rules are approved and documented by an authorised individual; the business need must be included in the documentation; and*
- *remove or disable permissive firewall rules quickly, when they are no longer needed.*

4.4.2 Firewall appliances restrict incoming and outgoing network traffic and determine whether to block or allow traffic against a predefined set of firewall rules.

4.4.3 We were able to confirm that firewall rules were subject to regular review. Examination of firewall rules forms part of the annual PSN security testing. And audit testing on the Cisco platform verified that all insecure or unencrypted network services had been disabled.

4.5 **Patching of Firewall Appliances**

4.5.1 The Cyber Essentials Scheme guidelines on Patch Management recommend:

'Ensure that devices and software are not vulnerable to known security issues for which fixes are available.'

4.5.2 A review of patch management across the firewall server estate identified firewall appliances that had not been patched for significant period of time. For example:

Device Type	Server	Date Last Patched
Cisco - ASA5525-X	WDC-RH-5525-FW-01	07-Dec-18
Cisco - ASA5545-X	WDC-RH-5545-FW01	30-Mar-17
Cisco - ASA5516-X	Warwick-VPN-ASA	13-Feb-18

4.5.3 To address this issue, ICT Services have sought technical support from both the firewall vendor (Cisco) and BT. Work is in progress to ensure that all Council firewalls are upgraded to the latest and most stable software release.

Risk

The failure to promptly apply all new security patches contravenes CES security guidelines and may allow unauthorised access to the live network domain.

Recommendation

Firewall appliances should be upgraded to CISCO's recommended Code version.

4.6 **Review of Firewall Logical Security Settings**

- 4.6.1 The Cyber Essentials Scheme guidelines on Firewalls recommend:
'prevent access to the administrative interface (used to manage firewall configuration) from the Internet, unless there is a clear and documented business need'
- 4.6.2 Audit testing confirmed that administration access rights on the Council's Cisco firewall estate were restricted to valid, authorised and uniquely identifiable members of the ICT Services technical support team. In addition, firewalls are only accessible via designated workstations in ICT Services.
- 4.6.3 Examination of the Cisco 'Password Policy' confirmed that password complexity was enabled and a restriction on account lockout set at 3 failed login attempts.
- 4.6.4 However, audit testing disclosed that the Minimum Password Length was set at only 6 characters. In addition, password history settings had not been enabled to prevent reuse.

Risk

There could be unauthorised access through the use of weak or easily guessable passwords.

Recommendation

The Cisco 'Password Policy' security settings should be reviewed to enforce password history (12) and password minimum length (8).

4.7 Failover Protection for Firewall Appliances

- 4.7.1 Firewall appliances are security devices that restrict incoming and outgoing network traffic and determine whether to block or allow traffic against a predefined set of firewall rules. It is good practice to deploy firewall appliances in pairs so that they can provide failover in the event of the loss of a single appliance.
- 4.7.2 Examination of the Council's network topology confirmed that a pair of Cisco firewall appliances had been deployed to protect the Council network domain. As an additional safeguard, a copy of all firewall rules was backed up weekly to the Council's Storage Area Network (SAN).

4.8 Intrusion Prevention Protection

- 4.8.1 An Intrusion Prevention System (IPS) monitors a network for malicious activities such as security threats or policy violations. The main function of an IPS is to identify suspicious activity, log information and block malicious activity at source.
- 4.8.2 Audit testing confirmed that ICT Services had acquired a Cisco IPS system to supplement existing firewall protection. However, at the time of our review

the IPS application was only configured to log rather than block malicious network traffic.

- 4.8.3 Discussions with ICT Services established that they were actively arranging additional technical support to fully configure and enable the IPS system.
- 4.8.4 In the interim, ICT Services have documented and tested Business Continuity arrangements in place. In the event of a Denial-of-Service attack, Virgin Media, the Council's Internet Service Provider (ISP), would be contacted to block all malicious traffic directed towards the Council's network.

Risk

There could be reputational damage and system downtime from a denial-of-service attack.

Recommendation

The Cisco IPS system should be actively configured to block all malicious network traffic.

5 Conclusions

- 5.1 The audit did not highlight any urgent issues materially impacting the Council's ability to achieve its objectives. The audit did identify two Medium rated issues and one Low rated issue which, if addressed, would improve the overall control environment. As a result, the findings are considered to give SUBSTANTIAL assurance around the management of database security risks.
- 5.1 The assurance bands are shown below:

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

6 Management Action

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

Richard Barr
Audit and Risk Manager

Action Plan

Internal Audit of Infrastructure Security – October 2019

Report Ref.	Recommendation	Risk	Risk Rating*	Responsible Officer(s)	Management Response	Target Date
4.5.3	Firewall appliances should be upgraded to CISCO's recommended Code version.	The failure to promptly apply all new security patches contravenes CES security guidelines and may allow unauthorised access to the live network domain.	Medium	ICT Services Manager	Agreed. Some of the Council's firewalls are currently being replaced. Once this is complete, all remaining Firewalls will be updated and maintained to Cisco's latest recommended code version.	Apr 2020

Report Ref.	Recommendation	Risk	Risk Rating*	Responsible Officer(s)	Management Response	Target Date
4.6.4	The Cisco 'Password Policy' security settings should be reviewed to enforce password history (12) and password minimum length (8).	There could be unauthorised access through the use of weak or easily guessable passwords.	Low	ICT Services Manager	Agreed. The Council operates several Firewalls and the changes need to be implemented cautiously to avoid lockouts.	Jan 2020
4.8.4	The Cisco IPS system should be actively configured to block all malicious network traffic.	There could be reputational damage and system downtime from a denial-of-service attack.	Medium	ICT Services Manager	Agreed. IPS was originally configured to run in monitoring mode to obtain sufficient data to identify network false positives. Discussions were already being undertaken at the time of the audit to schedule an appropriate time for IPS to become active.	Feb 2020

* Risk Ratings are defined as follows:

High Risk: Issue of significant importance requiring urgent attention.

Medium Risk: Issue of moderate importance requiring prompt attention.

Low Risk: Issue of minor importance requiring attention.

FROM: Audit and Risk Manager
TO: Head of Neighbourhood Services
C.C. Chief Executive
Deputy Chief Executive (BH)
Head of Finance
Green Space Manager
Portfolio Holder (Cllr David Norris)

SUBJECT: Open Spaces
DATE: 14 October 2019

1 Introduction

- 1.1 In accordance with the Audit Plan for 2019/20, an examination of the above subject area has been undertaken and this report presents the findings and conclusions drawn from the audit for information and action where appropriate.
- 1.2 Wherever possible, findings have been discussed with the staff involved in the procedures examined and their views are incorporated, where appropriate, into the report. My thanks are extended to all concerned for the help and cooperation received during the audit.

2 Background

- 2.1 There are currently 550 hectares of parks and open spaces owned or managed by the Council across 170 sites. There are five major parks and a number of community parks and green spaces. Within these parks there are 49 maintained play areas along with BMX and skate facilities.
- 2.2 The Council manages the trees across the district in open spaces, including approximately 9000 in parks. 11 Local Nature Reserves are managed in partnership with Warwickshire Wildlife Trust including several woodlands.
- 2.3 The Green Space team manages the floral planting across the district utilising 1900m² of bedding areas and 410 hanging baskets. The team plan and coordinate the layout and the bedding plants to be used.
- 2.4 The Council currently spends in the region of £2.5 million per year maintaining, developing and improving its parks and green spaces throughout the district.
- 2.5 The Green Space team have involvement in various projects such as the restoration of the Pump Room Gardens, designing and building of the country park and developing an Abbey Fields management plan, as well as delivering Public Amenity Reserve projects which include upgrades to play areas.

- 2.6 To recognise the social, environmental and economic benefits of open space the Council adopted its first Green Space Strategy in 2012 with a vision to have "a well-planned and managed network of integrated, accessible and diverse green spaces within Warwick District creating a sustainable environment for the benefit of people, wildlife and our natural heritage" by 2026.
- 2.7 The high standards of the open spaces have been nationally recognised recently with the Council receiving three Green Flag awards, one each for Jephson Gardens, Crackley Woods and Oakley Woods in recognition of their excellence and importance to residents and visitors.

3 Scope and Objectives of the Audit

- 3.1 The audit was undertaken to review the controls in place over those aspects of Open Spaces that are not covered by other audits. Areas where controls are covered by other specific audits are:
- Outdoor recreational facilities
 - The management of the grounds maintenance contract
- 3.2 In terms of scope, the audit covered the following areas:
- Planning and provision
 - Trees
 - Play areas
 - Risk management
 - Budget planning and management
- 3.3 The audit programme identified the expected controls. The control objectives examined were:
- Open spaces under the control of the Council are appropriately managed and plans are in place to ensure that this continues in the future
 - Open spaces under the control of the Council are accessible to all
 - Members of the public are aware of the open space offering within the district
 - The Council is aware of any concerns that members of the public may have regarding the open spaces provided
 - Trees and woodlands under the control of the Council are appropriately managed and plans are in place to ensure that this continues in the future
 - The Council is aware of trees that need to be maintained
 - Potential issues with regards to trees within the district are identified
 - Play equipment within the district remains safe to use
 - The Council is aware of the risks in relation to the management of open spaces and has taken steps to address them
 - The financing of plans for open spaces has been appropriately considered
 - Budgets are appropriately controlled

4 Findings

4.1 Recommendations from Previous Report

- 4.1.1 The current position in respect of the recommendations from the previous audit, undertaken in March 2017, were also reviewed. The current position is set out below:

Recommendation	Management Response	Current Status
1 Review of the Green Space Strategy and refresh of the Green Space Action Plan should be scheduled on the Forward Plan at an appropriate juncture.	Agreed with recommendation.	Updates on the Green Space strategy and action plan are reported at Committee. Last report went to the Executive on 7 th March 2018
2 The role of the Green Space Development Group should be clarified by documented terms of reference including a timeframe for report back to Executive and/or Scrutiny Committee as appropriate.	Agreed with recommendation. To be developed, presented and discussed at the next Green Space Development Group meeting.	The Green Space Development Group no longer exists as it was found to be more effective to work directly with the Portfolio Holder and Ward Councillors.
3 Project tracking procedures should be implemented to ensure that issues likely to impact significantly on the project timetable or lead to cost escalations are promptly logged with explanations and actions taken.	Agreed with recommendation.	Reports are written frequently and presented to the Project Sponsor updating on the progress of projects. This includes any changes to timescales and costs and the reasons behind them.
4 Project timetables and cost allocations should be updated as and when they change during each project.	Agreed with recommendation.	See above
5 A completion report should be implemented for each project to be signed off by the Green Space Team Leader and Head of Neighbourhood Services.	Agreed with recommendation.	Reports to the Project Sponsor are signed off and the status of projects is updated.

4.2 **Planning and Provision**

- 4.2.1 The Green Space Strategy and Action Plan were approved in December 2012. Since its approval, updates and revisions have been reported to and approved by Executive. The Strategy supports the Local Plan and is publically available to view and download on Warwick District Council's website.
- 4.2.2 The open space provision within the District is reviewed frequently. Land that is not used has been offered for affordable housing and additional land has been acquired as part of Section 106 agreements, creating new spaces or providing funding to improve the existing ones.
- 4.2.3 The Green Space Planning Officer is the main consultee within the Green Space team, responding to relevant planning applications which meet Section 106 conditions where open space contributions may be required. There is an Open Spaces Supplementary Planning Document (SPD) in place with regards to the provision of green spaces within new housing developments. Where the green space available is insufficient, Section 106 sums are requested to improve or develop existing local areas.
- 4.2.4 There have been no new open spaces acquired since the last audit, although new areas are currently being planned and land is in the process of being acquired. These include extending an existing nature reserve and the creation of a country park.
- 4.2.5 Accessibility to open spaces are reviewed regularly as part of the Green Flag criteria. When recommendations arise from the assessments the Green Space team carry out the required improvements, when possible. The Green Space Development Officer responds to the recommendation giving Green Flag an update on what work has been carried out or why the Council has been unable to complete the changes suggested.
- 4.2.6 Open spaces within the district are promoted through various channels, including: newsletters, 'What's On' guides, the Council's website and social media. The Community Engagement Officer liaises with the Media and Events teams to produce and communicate advertising material.
- 4.2.7 Feedback is actively sought when improvements have been made or events are carried out in the parks and open spaces. Feedback is usually required when external funding has been received as the feedback analysis supports the business case and shows the impact of the funding.
- 4.2.8 Feedback is also obtained with face to face research carried out by a team of volunteers and the Community Engagement Officer. This is completed on site in the open spaces and parks with short questionnaires and opinion boards. The data collected is then input on to a computer so it can be analysed.
- 4.2.9 The data collected from feedback is collated and analysed by the Website Service Manager. The Community Engagement Officer views the analysed data using it to improve the spaces and events carried out in them.

4.3 **Trees**

- 4.3.1 The Tree and Woodland Strategy approved in 2008 is now due an update. The team are in the process of reviewing it. The Strategy might not be applicable

any longer as the Council no longer manage trees on behalf of the County Council. There is also a Green Space Strategy and an Open Spaces SPD in place.

- 4.3.2 There is an SLA in place until March 2021 with Warwickshire County Council (WCC) Forestry team for maintenance of the Council's trees. The management of several local woodlands is carried out in partnership with the Warwickshire Wildlife Trust.
- 4.3.3 The Green Space Development Officer advised that the Council does not have an inventory of maintained trees. Although the contractor, Abotrack, which carries out all tree inspections on behalf of WCC Forestry team, has a full inventory of trees that it inspects, Warwick District Council staff do not have access. This is being looked into so that relevant Council staff can review the data as and when required. All trees used to be plotted on the GIS mapping system but this has not been updated for some time due to the arboriculture knowledge no longer being in-house.
- 4.3.4 There is a schedule in place for the inspection of Council-maintained trees. The trees are prioritised into zones (1-3) depending on the frequency with which members of the public are within the area, with the frequency of inspections (either every one, three or five years) being dependent on which zone the trees fall into. There is an inspection spreadsheet saved to the network which shows progress and outcomes of the inspections carried out.
- 4.3.5 Meetings are held with the WCC Forestry team on a monthly basis. This ensures work is up-to-date and inspection results are discussed. There are also separate meetings held with a local community group called "The Tree Wardens". These are held with WCC Forestry on an as-and-when-needed basis.

4.4 **Play Areas**

- 4.4.1 There are various inspections carried out at play areas to ensure they are safe and well maintained. In-depth annual inspections are carried out by an independent play inspection company. Their contract came to an end recently, after the 2019 inspections had been completed. The Green Space team are preparing documents ready to go to tender with the new provider being expected to start early in 2020. Additional inspections are carried out by Veolia on a monthly and weekly basis. These inspections check for any broken or damaged equipment.
- 4.4.2 Any issues identified by Veolia during their inspections are reported to the Green Space Development Officer. If the issues are small and the contractors are able to repair on-site, they will do it at the time. For larger issues, where replacement parts or specialist repairs are needed, the equipment is made safe until the repair can be completed.
- 4.4.3 The completed inspection sheets show any outstanding work so the repairs can be monitored and followed up as needed. When equipment needs replacing, the Green Space Project Team Leader is consulted with. This prevents the possibility of equipment being replaced when the renewal of all of the park equipment is due.

- 4.4.4 There is a play area improvement programme in place with timelines for the project start dates. The team are currently on target to complete the improvements within the timescales agreed, with updates being reported at committee as and when required.

4.5 **Risk Management**

- 4.5.1 The Neighbourhood Services risk register includes a dedicated section for Open Spaces. There are a number of relevant risks identified for the provision of parks, play areas, trees and other aspects of open spaces.
- 4.5.2 As well as frequent inspections to ensure play areas are safe there are also assessments carried out in the open spaces across the district. The independent assessments are carried out annually by Green Flag judges as part of their criteria when assessing the local parks and spaces where a Green Flag award has been applied for. The Open Spaces are also audited on a three-yearly basis by an independent consultant, Red Kite. Red Kite audit the open spaces on behalf of the Council assessing various aspects including (but not limited to): accessibility; security and safety; maintenance of facilities, grounds and equipment; and various aspects of conservation.
- 4.5.3 The frequent inspections of the parks and trees help to reduce the risks and mitigate their impact. An Events Plan is being produced by the Events team which incorporates a section for events in the open spaces. This will help to set out rules and guidance for event organisers which will help to protect the Council's assets as well as manage some of the risks.

4.6 **Budget Planning and Management**

- 4.6.1 Section 106 funds contribute to the budget available for improving parks and open spaces. In the last financial year, £16,940 was received in contributions and £14,638 was spent. At present there is £761,022 available to spend across the parks and open spaces, most of which is reserved for ongoing and future projects.
- 4.6.2 The S106 funding provided has conditions and time limits attached to the use of the funds (e.g. funds have to be spent in relation to open spaces within specific areas). All S106 funds are logged onto a spreadsheet showing the conditions and time frames associated with the funds. This allows the team to see where funds have been reserved for specific projects. The spreadsheet is maintained and kept up to date by the Green Space Planning Officer and a Principal Accountant.
- 4.6.3 The budget for Open Spaces is split across a number of different ledger codes. The Green Space Manager discusses the budgets with the team before allocating them to ensure the expected spend is covered. If any additional funding is required, the team will look at using S106 funds or apply for grants and sponsorship.
- 4.6.4 Budget monitoring is performed on a monthly basis by the Green Space Manager reviewing spreadsheets provided by the Assistant Accountant. Any variances or concerns are discussed with the Accountant so they can be quickly resolved.

5 **Summary & Conclusion**

5.1 Following our review, we are able to give a SUBSTANTIAL degree of assurance that the systems and controls that are currently in place in respect of Open Spaces are appropriate and are working effectively.

5.2 The assurance bands are shown below:

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

6 **Management Action**

6.1 There are no recommendations arising from this report.

Richard Barr
Audit and Risk Manager

INTERNAL AUDIT REPORT

FROM: Audit and Risk Manager
TO: Head of Development Services
C.C. Chief Executive
Deputy Chief Executive (BH)
Head of Finance
Business Manager (Policy & Delivery)
Portfolio Holder (Cllr Cooke)

SUBJECT: Planning Policy
DATE: 9 December 2019

1 Introduction

- 1.1 In accordance with the Audit Plan for 2019/20, an examination of the above subject area has been undertaken and this report presents the findings and conclusions drawn from the audit for information and action where appropriate.
- 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 Planning Policy used to be covered under a 'wider-ranging' audit of Policy, Projects and Conservation. However, this audit was broken up into its constituent parts back in 2015, with the first audit of this specific topic being undertaken in March 2017.
- 2.2 The March 2017 audit was undertaken as a consultancy exercise to provide advice on the processes in place for recording progress against the Local Plan.

3 Scope and Objectives of the Audit

- 3.1 The audit was undertaken to test the management controls in place.
- 3.2 In terms of scope, the audit covered the following areas:
- Development progress monitoring
 - Policy development.
- 3.3 The audit programme identified the expected controls. The control objectives examined were:
- The Council is aware of developments that are due to be brought forward and aware of progress against those already in place

- The Council produces formal monitoring reports as required by the Localism Act 2011
- The Council complies with applicable legislation
- Planning policies being developed reflect the priorities of the Council
- Members and officers are aware of progress towards policies being brought forward
- Appropriate stakeholders are able to have a say on planning policies being brought forward
- Interested parties are able to access policy documents.

3.4 A specific audit of Community Infrastructure Levy and Section 106 (s106) agreements is undertaken, so these aspects were not considered for inclusion within the scope of this audit.

4 Findings

4.1 Recommendations from Previous Reports

4.1.1 As the previous audit was undertaken as a consultancy exercise, no specific recommendations were made.

4.2 Development Progress Monitoring

4.2.1 The Business Manager (Policy & Delivery) (BMPD) advised that all information relating to planned developments is now recorded on Acolaid as opposed to the large spreadsheets that were used when the previous audit was undertaken, although some use of spreadsheets remains for monitoring purposes.

4.2.2 Quarterly monitoring of progress is undertaken in relation to sites that have a s106 agreement in place. These are initially identified (for monitoring) once the agreement has been signed and information has been emailed to Land Charges.

4.2.3 The Development Monitoring Officer (DMO) identifies the relevant information following the receipt of these emails and inputs it onto Acolaid, with the number of plots granted being held on the 'Plotting' tab (within the 'Monitoring Residential' field).

4.2.4 The BMPD advised that site visits are undertaken on a quarterly basis, with the visits being diarised within two to three weeks of the start of each quarter.

4.2.5 A sample development (land at Red Lane & Hob Lane, Burton Green) was identified and the DMO provided the monitoring information held. Relevant details were also identified on Acolaid to show that this information was being updated accordingly.

4.2.6 In terms of the site visits, the DMO advised that, for small sites, he will generally view from a public place. However, for larger sites such as the sampled site, more formal visits are undertaken.

- 4.2.7 For these larger sites, a copy of the site plan is taken and this 'document' is overlaid with 'form fields'. The site plan is updated after the visit to show whether each plot has started or has been completed.
- 4.2.8 Following the visit, the 'Schedule of Accommodation' spreadsheet is updated, with the summary information being used to update Acolaid (with the monitoring date being shown as the last day of the quarter). An annual summary spreadsheet for site visits has also been completed, showing the state of each development as at the date of the last visit for the year.
- 4.2.9 The BMPD advised that developers are contacted at least annually to ascertain if sites are being brought forward to prepare the 'housing trajectory' figures. It was confirmed that the trajectory and the five-year housing land supply figures (as set out in the Authority Monitoring Report (AMR) (see below)) are 'positive'.
- 4.2.10 The Site Delivery Officers are also in more regular contact with the developers during their site visits and if 'big sites' are being brought forward there will normally be some pre-application meetings held to discuss the likely figures to be included in the application etc. Staff in Development Services also tend to know who the 'promoters' / agents are (i.e. those that initially buy the land and then sell it on to the developers).
- 4.2.11 The BMPD advised that an annual review of the spreadsheet which shows all sites for the period to 2029 is performed, with a formal Local Plan review being undertaken every five years, with the next one being due in 2022.
- 4.2.12 However, in the meantime, the annual AMR (see below) will be performed which, as suggested above, looks at the housing trajectory and the five-year housing land supply. If these figures 'drop off' there would be cause for concern whereas over-supply is not considered a problem.
- 4.2.13 There is also the 'Housing Delivery Test Percentage', which covers a rolling, three-year, target with regards to delivery against the Local Plan. The latest figures (in the 2018/19 AMR) show a figure of 112.9% against the 100% target. The BMPD highlighted that a failure to meet this target could lead to the Local Plan becoming null and void.
- 4.2.14 The DMO highlighted that other monitoring is undertaken, with the nature and frequency of the monitoring performed depending on why the information is required (e.g. government / regional returns, s106 triggers).
- 4.2.15 Crystal reports are run from the system to extract the relevant figures, with a suite of reports available, covering areas such as residential and non-residential completions, shared accommodation etc. These can be run to cover any relevant period based on the date parameters input.
- 4.2.16 It was confirmed that the AMR had been completed for 2018/19 as required. Crystal reports generated covering sampled figures were provided and it was confirmed that the 'main' figures regarding new residential properties completed in 2018/19 had been accurately reflected in the AMR.

4.2.17 In terms of progress against allocated sites (section 2.2 of the AMR), the DMO advised that this is based on the information from the previous document with updates being 'manual' (i.e. based on knowledge and reviews of the information on Acolaid rather than being driven by specific reports generated from the system).

4.3 **Policy Development**

- 4.3.1 At the commencement of the audit, the latest version of the Local Development Scheme (LDS), which sets out the current planning policies and the programme for review of the policies, was from February 2019. This had been presented to, and formally approved by, Executive.
- 4.3.2 The BMPD advised that the document and the report to Executive had also been approved by the Head of Development Services (as confirmed on the front page of the report to Executive) and the Policy & Projects Manager.
- 4.3.3 During the course of the audit, an amended LDS was drawn up and this was presented to Executive on 13 November 2019. At the time of the audit, the minutes of the meeting had not been approved, so there was no evidence of Member approval, although the Portfolio Holder had seen the documents as part of the normal committee reporting process.
- 4.3.4 The BMPD advised that the LDS is a 'live document' and is used as a management tool to manage workloads of staff. There will inevitably be some deviation from the 'plan' due to other work coming in and changing priorities of the Council.
- 4.3.5 The legislation requires an annual update to be prepared to reflect progress made against the previously adopted document any new areas of policy being worked on.
- 4.3.6 The February report to Executive referred to above highlighted progress against the seven Supplementary Planning Documents (SPDs) that were to be adopted under the 2017/18 LDS and the November report was, in effect, an early update to reflect changing priorities of the Council following the change in Members as a result of the May 2019 elections.
- 4.3.7 The BMPD advised that the consultation process varies depending on whether the new policy is a SPD or a Development Planning Document (DPD).
- 4.3.8 SPDs will be produced in draft form and will be passed to Executive for approval to consult. From there, a consultation process will be undertaken (generally six weeks, although Executive have recently asked for some twelve-week consultations), with adverts produced and 'electronic' consultation being undertaken along with informing the statutory consultees (e.g. parish and town councils, Highways England, Historic England etc.)
- 4.3.9 Once this consultation period has ended, the comments will be made live, a summary will be produced and responses and actions will be drawn up. Depending on the responses, some changes may be made and a report will then be presented to Executive for the policy to be adopted.

- 4.3.10 The process for DPDs is largely similar. However, there will also be a second round of consultation, with the document also going to an independent inspector for examination. This examination will be undertaken in public.
- 4.3.11 Testing was undertaken to ensure that appropriate consultation had been or was being undertaken for planning documents that had been presented to Executive either for approval to consult and / or approval to adopt during the current calendar year.
- 4.3.12 The testing confirmed that consultation had been undertaken in six cases. Approval for consultation had only recently been received for the other two cases and, at the time of audit testing, evidence was seen that these consultations were scheduled to go live. It was subsequently confirmed that these consultations were underway prior to the conclusion of the audit.
- 4.3.13 The testing also confirmed that five consultation periods had ended and, of these, the responses had been reported to Executive in four cases with details of how each response had been reflected in the document that was put to them for approval. In the other case the SPD process had been stopped as legal advice was that it should go through the DPD process (Purpose Built Student Accommodation).
- 4.3.14 The BMPD advised that all agreed policies will be published on the Council's website, with specific pages being set up for overall policy, SPDs and DPDs. He also suggested that a small number will be printed. If the policy is geographically specific it will also be included on the Council's mapping system with a specific 'layer' being built.
- 4.3.15 Links are also included on the website to any live consultations. As suggested above, Executive had recently agreed for two SPDs to be consulted upon and, whilst these were not initially available on the system during the audit testing, a further review prior to the completion of the audit confirmed that links were available on the relevant Council webpage and the consultations were live on the e-consultation system.

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 Planning Policy are appropriate and are working effectively.
- 5.2 The assurance bands are shown below:

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

6 **Management Action**

6.1 There are no recommendations arising from this report.

Richard Barr
Audit and Risk Manager

INTERNAL AUDIT REPORT

FROM: Audit and Risk Manager
TO: Head of Finance
C.C. Chief Executive
Deputy Chief Executive (AJ)
Exchequer Manager
Finance Admin Manager
Portfolio Holder (Cllr Richard Hales)

SUBJECT: Sundry Debtors
DATE: 28 November 2019

1 Introduction

- 1.1 In accordance with the Audit Plan for 2019/20, an examination of the above subject area has been undertaken and this report presents the findings and conclusions drawn from the audit for information and action where appropriate.
- 1.2 Wherever possible, findings have been discussed with the staff involved in the procedures examined and their views are incorporated, where appropriate, into the report. My thanks are extended to all concerned for the help and cooperation received during the audit.

2 Background

- 2.1 The Financial Services Team (FST) carry out Sundry Debtor transactions using the 'Total' system, raising invoices for the Council to receive income that is due.
- 2.2 The average monthly value of debtor invoices processed by the FST using the Total system is £866k.

3 Scope and Objectives of the Audit

- 3.1 The audit was undertaken to test the management and financial controls in place using the CIPFA systems-based control evaluation models. Testing was performed to confirm that controls identified are effective, with documentary evidence being obtained where possible, although staff observation was undertaken to confirm some of the procedures and tasks carried out.
- 3.2 In terms of scope, the audit covered the following areas:
- General
 - Raising invoices
 - Amendments to invoices
 - Payments
 - Debt recovery

- Write-offs
- Monitoring and reporting
- Security of data

3.3 Some specific tests were not performed as they were considered either not relevant to the operations of the Council or are covered under separate audits. For the purpose of the audit, invoices used for sampling were from April 1st until September 13th 2019.

4 **Findings**

There were no recommendations from the previous report.

4.1 **General**

4.1.1 The roles, responsibilities and policies for the sundry debtor function are contained within the Code of Financial Practice and Code of Procurement Practice.

4.1.2 There is a Sundry Debtors Manual which has been developed by the Financial Services Team (FST). This documents the processes and controls involved in the debtor transaction cycle. The manual is currently under periodic review to ensure content remains up-to-date. The auditor was able to view the copy under review which was considered to be a useful instructional guide for the tasks involved.

4.1.3 Access to the Total system is only provided after completion of a training session with the FST followed by completion of a new user access request authorised by the relevant service manager.

4.1.4 The user access levels for Total is checked with SMT on an annual basis to ensure the levels are correct and appropriate.

4.2 **Raising Invoices**

4.2.1 The sundry debtor system is responsible for two types of invoices: one-off invoices; and periodic invoices. For the period reviewed in this audit there were 625 one-off invoices and 4373 periodic invoices issued. This averages at around 900 invoices processed in a month.

4.2.2 Testing was undertaken on a sample of 20 recently raised one-off invoices. This showed that the majority were issued after the service or goods had been provided. This contravenes the Code of Financial Practice which states that payment should be sought in advance.

4.2.3 The FST highlighted that they advise that invoices should be raised before services are provided through various methods including: 'Big Buttons' on the Intranet, which are used to circulate reminders to staff; information published on the FST Debtors page, stating that "Income should be received in advance of the provision of the service in all cases unless there is good reason as to why this may not be appropriate"; and provision of information to staff when completing training on raising invoices.

Risk

There may be a risk of non-payment, additional costs incurred (reminders and recovery) and reduced cash flow due to invoices being issued after a service has been provided.

Recommendation

Except in exceptional cases, which should be agreed by the Head of Finance, invoices should be issued before services have been provided.

Where invoices are not issued in advance, the circumstances should be recorded and kept under review by the relevant Head of Service and Head of Finance.

Where there is no pre-agreed reason for the delay, the relevant Head of Service should provide authorisation explaining the reason for the delay when submitting the documentation for the raising of the invoice.

- 4.2.4 The invoice amounts are dependent on the service usage and there is no lower limit when billing debtors. In the time period reviewed there was a total of 27 invoices raised for under £10, low amounts are challenged by the FST as to why an invoice is being raised and whether or not there is a more cost effective method of obtaining payment. The smaller invoices are mainly to cover the costs of TV Licenses or service charges in shared housing.
- 4.2.5 Once the invoice details have been entered into Total, a unique invoice number is generated and allocated to the entry to enable it to be 'tracked'. If the customer is new to the Council, prior to an invoice being raised, a new debtor request is made by the service area via intranet form or in the case of new lifeline/licence/BID/lease the details are taken from the form/email also submitted by the service area, the customer is then allocated a unique customer number.
- 4.2.6 Total automatically populates various fields of data onto a standard template when producing the invoice for printing or sending via email. This includes the Council's contact details, VAT number and a point of contact should it be needed. The goods or services provided are clearly printed on the invoice and the 'how to pay' information is easy to find.
- 4.2.7 Invoices provide a clear payment due by date, they do not provide any information regarding the event of non-payment. However, when needed reminders are produced. The first reminder letter advises the customer to pay to avoid recovery action. The final reminder advises that costs incurred from referring to a debt collection agency will be charged to the customer.
- 4.2.8 Most invoices are raised by the services completing an online form on the Intranet which automatically fills relevant cells on Total. For periodic invoices however, some services email the FST directly with the information to enable the invoices to be raised [e.g. Lifeline, Licensing, Estate Management (for leases and rents) and Insurance. Two areas are able to set up their own invoices, the Crematorium and Enterprise team, although the FST set up instalment plans for the Enterprise team (for costs relating to the Althorpe Enterprise Hub)].

4.2.9 Although the invoice amount and allocation code are provided by the service area, the FST check that the code supplied is a valid cost code on Total to ensure accuracy. When periodic invoices are created or sundry debtor invoices are raised with instalment plans at the outset, the debtors bank details are checked via the Intranet account/sort code modulus check to confirm that the details provided are valid and a further check of Total is also carried out to ensure that the debtor isn't already on the system. As sundry debtor invoices are raised on a daily basis there is very little delay in processing them.

4.3 **Amendments to Invoices**

4.3.1 Invoices are not amended; instead, they are cancelled and reissued with the correct information included. Where applicable, credits are applied to the account.

4.3.2 A sample of 28 cancelled invoices was examined to ensure that the cancellation was appropriate. Testing confirmed that notes were on the system in all cases, but only fourteen had supporting documents attached using the notepad function.

4.3.3 Most of the cancellations without documents attached were for Lifeline customers. These documents are stored on the network in a secure folder due to GDPR regulations. The other undocumented cancellations were due to human error, where an incorrect figure had been entered for the cost or quantity or the wrong customer number was used. In all cases the cancellations were authorised by the appropriate FST Supervisor or Manager.

4.4 **Payments**

4.4.1 There is a daily checklist in place that allocates the workload to a specified staff member to ensure that all tasks are completed, jobs are rotated amongst the team and knowledge levels are maintained. This encourages separation of duties, preventing the same FST member being able to authorise every stage of an individual invoice. Other controls in place include authorisation by a Supervisor or Manager.

4.4.2 Payment methods are clearly detailed on each invoice as part of the standard template. Payments are accepted via direct debit, BACS, online, over the phone, at 'PayPoint' locations and the Post Office.

4.4.3 Payments received are automatically identified and allocated to the correct ledger code providing the correct invoice number has been quoted. Payments that are not automatically identified go into a suspense account on Paris (the banking system) and are manually identified from here and transferred to the correct ledger code. Total is then updated to confirm that the payment has been received.

4.4.4 As customers do not always input the invoice number correctly (or at all), various checks are undertaken to ensure the payment is appropriately allocated against the correct invoice. The checks are carried out daily by the FST searching against amount; payment date; customer name; reference number and invoice number.

- 4.4.5 Paris uploads daily at 10.05am so checks are carried out after this time and repeated in the afternoon. Some payments are received in bulk where the customer has more than one bill to pay. Remittances are typically sent to Treasury who will separate and allocate to the relevant invoices. If not, the FST may receive the remittance or confirmation from the debtor of the payment/split from which they can do the allocation instead of Treasury

4.5 **Debt Recovery**

- 4.5.1 Total automatically generates reminder letters if payments have not been received. These are issued at pre-set timescales (five to seven days and ten to fourteen days) unless the account has been placed on hold. Once generated, the FST are responsible for either emailing the reminders to the customer or printing and posting them.
- 4.5.2 Once two reminders have been issued, the FST attempt to contact the customer by phone. If recovery fails at this point, a decision is made whether to refer the debtor to a debt enforcement agency or, if the debtor is a regular good payer and this is a one-off exception another final reminder may be issued (this should be a fairly rare occurrence).
- 4.5.3 The Council uses a debt enforcement agency followed by a solicitor if the legal route is to be progressed and the status of the debt collection progress is monitored on a daily basis by the FST. The first attempt at debt collection is carried out by Bristow and Suitor who provide a sundry debt recovery process free of charge as an 'added value' service on top of their contract for providing debt collection services for the Councils revenues debts.
- 4.5.4 If they are unable to recover the debt it is passed back to the Council where it can be either written off or referred to the solicitors (currently Spratts Endicott). Spratts are able to take legal action when recovering the debt, but there are costs incurred with using them.
- 4.5.5 In some cases debts may need to be placed on hold. This could be because a customer has moved from the billing address and their whereabouts are unknown or the invoice has been queried. FST make decisions whether to put the debt on hold or not, sometimes the service area will ask for a debt to be put on hold if they have had a query from the debtor. Where appropriate the FST will liaise with and update the service area. Where an invoice is on hold, reminder letters are not automatically produced by Total. The debt still remains on the system with the FST staff members becoming responsible for updating the status of the debt manually.
- 4.5.6 At the time of testing there were seventeen invoices on hold. Upon review, it was confirmed that notes and supporting documents were attached to the invoice using the notepad system in all cases. Supporting documents included a valid reason and correspondence regarding the debt being on hold from the service area that had requested the initial invoice.

4.6 **Write-offs**

- 4.6.1 Where recovery methods have been exhausted and appropriate authorisation from the service has been received, the debt can be written off. The write-off

is documented with the information saved to the customer's file using the notepad function. The only exception is with Lifeline cases where the documentation is stored in a secure folder on the network.

- 4.6.2 For a write-off to be processed on Total a write-off authorisation form has to be completed (for amounts above £1) and signed by a finance Supervisor or Manager with the correct financial limit. To physically complete the write-off on Total, a Supervisor or Manager has to authorise the transaction. The higher the value of the write-off, the more senior the staff member.
- 4.6.3 FST staff review each case individually and use the Sundry Debtors Manual as a guide to ensure adequate authorisation has been received and the case is documented as appropriate.
- 4.6.4 A sample of twenty write-offs was selected for testing. In all sampled cases it was confirmed that the customers had received reminder letters and manual contact had been made or attempted. Six of the cases had been referred to debt collectors.
- 4.6.5 Some of the cases had full write-offs authorised, others had a partial write-off issued. Where a full or partial repayment had been received after the write off had been authorised, the customer file had been updated accordingly.

4.7 **Monitoring and Reporting**

- 4.7.1 There are no set targets for debt collection although the FST aim to receive payment for all invoices. The FST raise and follow up invoices on behalf of the service areas who ultimately decide whether to pursue debts or write them off.
- 4.7.2 The FST follow a daily checklist which allows them to monitor the progress of the tasks completed, payments received and the debts outstanding.
- 4.7.3 The only debt reports produced are for BID (debts that the FST manage but don't own) and a monthly aged debt report. The Finance Admin Manager reports the number of invoices processed and the amount of aged debt to the Head of Finance on a monthly basis.
- 4.7.4 The monthly aged debt report shows a snapshot of the debt owed at the time of its production. The figures can help to identify any trends or peaks. The Finance Admin Manager also uses the report to ensure that the correct debt recovery process is being adhered to by the FST, that proactive action is being taken where appropriate and to address potential write-offs with the service area who requested the invoice to be raised.

4.8 **Security of Data**

- 4.8.1 At present there is not an up-to-date formal document retention policy in place. This is something that the Exchequer Manager is aware of and is in the process of producing one. FST are currently keeping documents for six years plus current.
- 4.8.2 The Council has purchased computer software that removes documents from ICT systems after a set amount of time. It is currently going through testing

to ensure it only deletes the set files based on GDPR and document retention requirements. Once testing has been successful it will be rolled out for use on Total.

- 4.8.3 There is very little held in the form of paper documents. Most documents are scanned and saved to the relevant account on Total or in a secure folder on the network. The paper documents that contain sensitive information are kept in a folder in a locked drawer with plans in place to add this information to the FST's electronic calendar and then dispose of the hard copy folder.
- 4.8.4 The only other paper documents held are BID backing paperwork which is sent out with invoices and contains no personal or sensitive information. The BID backing paperwork is clearly labelled and stored in boxes on a bookcase within the FST area.

5 **Summary & Conclusion**

- 5.1 Following our review, we are able to give a SUBSTANTIAL degree of assurance that the systems and controls that are currently in place in respect of Sundry Debtors are appropriate and are working effectively.
- 5.2 The assurance bands are shown below:

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

- 5.3 There was one issue identified during the course of the audit relating to invoices being issued after services have been provided.

6 **Management Action**

- 6.1 The recommendation arising above is reported in the attached action plan (Appendix A) for management attention.

Richard Barr
Audit and Risk Manager

Action Plan

Internal Audit of Sundry Debtors – November 2019

Report Ref.	Recommendation	Risk	Risk Rating*	Responsible Officer(s)	Management Response	Target Date
4.2.3	<p>Except in exceptional cases, which should be agreed by the Head of Finance, invoices should be issued before services have been provided. Where invoices are not issued in advance, the circumstances should be recorded and kept under review by the relevant Head of Service and Head of Finance.</p> <p>Where there is no pre-agreed reason for the delay, the relevant Head of Service should provide authorisation explaining the reason for the delay when submitting the documentation for the raising of the invoice.</p>	There may be a risk of non-payment, additional costs incurred (reminders and recovery) and reduced cash flow due to invoices being issued after a service has been provided.	Low	Head of Finance	A meeting is going to be held to decide how the recommendations will be actioned.	End of December 2019

* Risk Ratings are defined as follows:

High Risk: Issue of significant importance requiring urgent attention.

Medium Risk: Issue of moderate importance requiring prompt attention.

Low Risk: Issue of minor importance requiring attention.

INTERNAL AUDIT REPORT

FROM: Audit and Risk Manager
TO: Head of Finance
C.C. Chief Executive
Deputy Chief Executive (AJ)
Strategic Finance Manager
Principal Accountant (Capital and
Treasury Management)
Portfolio Holder – Cllr Hales

SUBJECT: Treasury Management
DATE: 9 October 2019

1 Introduction

- 1.1 In accordance with the Audit Plan for 2019/20, an examination of the above subject area has been completed recently and this report is intended to present the findings and conclusions for information and action where appropriate.
- 1.2 Wherever possible, results obtained have been discussed with the staff involved in the various procedures examined and their views are incorporated, where appropriate, in any recommendations made. My thanks are extended to all concerned for the help and co-operation received during the audit.

2 Background

- 2.1 In its Treasury Management Code of Practice, CIPFA defines treasury management as:
"The management of the organisation's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks".
- 2.2 The audit has taken place at a time of significant change which has its roots in the 'General Power of Competence' introduced under the Localism Act 2011, and consequent ventures of local authorities into commercial activity. The most recent updates to the aforementioned Code of Practice and the Prudential Code have been produced with this in mind.
- 2.3 From the audit perspective, this includes a noticeable fusion of treasury management with capital strategic management reflected in a modification by CIPFA to the previous format for its treasury management governance and audit training events to '*capital and treasury management*'.
- 2.4 The most noticeable by-product of this the requirement under the Prudential Code to adopt a Capital Strategy. This was duly put in place as part of the 2019/20 Budget approval.

- 2.5 It is fair to say, however, that the above changes have had little impact on mainstream treasury management which continues to operate on the basis of an organisational risk appetite officially classified as 'low'. In view of this, the audit has been scoped and conducted along the lines of the traditional risk-based systems approach while recognising the role of the Capital Strategy.
- 2.6 At the time of writing, the Council has an investment portfolio valued on the region of £90 million and a long-term borrowing portfolio of around £148 million. The investments range from longer-term corporate equity funds to liquid money market funds, while the bulk of the borrowings relate to a tranche of Public Works Loans Board (PWLB) loans taken out in 2012 to finance the Housing Revenue Account buy-out.
- 2.7 The above borrowing figure also includes a new PWLB loan of £12 million taken out at the time of the audit for purposes linked with capital outlay on the leisure centre refurbishments.

3 Scope and Objectives of the Audit

- 3.1 The audit examination was undertaken for the purpose of reporting a level of assurance on the adequacy of controls for the effective delivery of treasury management for the Council in accordance with relevant legislation, government regulations and national standards.
- 3.2 The examination took the form of a systematic risk-based examination of structures and processes for treasury management considering the following key areas:
- governance and regulatory requirements
 - organisational objectives and strategic objectives
 - financial controls and operational risks
 - performance and risk management.
- 3.3 The examination drew primarily on the control recording and testing model for treasury management contained in the CIPFA Systems-Based Auditing Matrices. Given the limitations of this model due to its age, the test programme required a large measure of adaptation.
- 3.4 Based on the CIPFA model, the audit was structured under the following themes:
- policies and procedures
 - staffing
 - risk management
 - cash flow
 - lending
 - borrowing
 - capital investment
 - payments
 - external service providers
 - fraud prevention
 - records and reconciliations
 - monitoring and reporting
 - information governance.

- 3.5 The findings are based on discussions with Richard Wilson (Principal Accountant) and Karen Allison (Assistant Accountant) along with examination of relevant documents and records. Samples for testing have concentrated on activity within the current financial year.

4 Findings

4.1 Recommendations from previous report

- 4.1.1 There was only one recommendation arising from the previous audit reported in November 2016 (low risk) as follows:

Recommendation	Management Response	Current Status
Authorise the IT Help Desk to give Principal Accountant (Housing) access to the treasury management folders.	E mail request sent to ICT Helpdesk and access enabled.	This was to address an immediate need at the time of the previous audit and warrants no follow-up.

4.2 Policies and Procedures

- 4.2.1 The Council's policy provisions for treasury management are manifested primarily in three interlinked sources, all approved by Full Council:
- Code of Financial Practice
 - Capital Strategy
 - Annual Treasury Management Strategy (and appended provisions).
- 4.2.2. Although a new document, it was decided not to attempt to evaluate the Capital Strategy at length on the grounds that a new corporate business plan was in the process of being developed and a new asset management strategy was still to be adopted at the time of the audit. These will inevitably inform further development of the Capital Strategy.
- 4.2.3 The policy provisions and practices, as represented in the Treasury Management Practice (TMP) statements, show as duly consistent with the statutory framework. In the case of the TMPs, however, some minor issues were raised regarding aspects of their content when they to Internal Audit input:
- On two occasions the TMPs were found to refer incorrectly to annual reporting by Internal Audit on treasury management. A suggestion has been offered that this should be changed to a non-specific representation of frequency to be determined by the risk-based audit needs assessment process.
 - There was some concern over the existing placement of the role of Internal Audit in the context of countering fraud, error and corruption – this could be construed as representing Internal Audit as a first line of defence over and above management, supervisory and technology controls.

Risk

The role of Internal Audit in respect of treasury management may be misunderstood.

Recommendation

The Treasury Management Practice statements should be revised to reflect the proper status of Internal Audit in the control environment and risk-based determination of audit frequencies.

- 4.2.4 It was noted that the TMPs are published on the Council's website, but the access links invoked the first produced version back in 2008. Management has been alerted to this and the observation is raised here as an advisory only.

4.3 Staffing

- 4.3.1 In structural terms, the delegation of responsibilities has remained unchanged for a number of years and continues to come across as robust. Staffing changes for key posts since the previous audit have been duly addressed through appropriate training.

- 4.3.2 It was advised that the first training event for Members on treasury management since the 2019 Council election is due to take place in November 2019.

4.4 Risk Management

- 4.4.1 The hierarchy of evidence for application of the corporate Risk Management Framework to treasury management comes across as duly coherent.
- 4.4.2 Testing to the CIPFA model has shown the risk assessment mitigation factors to be sufficiently comprehensive in risk coverage, subject to the observations above concerning Internal Audit input.

4.5 Cash Flow

- 4.5.1 The processes for keeping track of cash liquidity are well-established based on Excel spreadsheet models with recourse to on-line banking and access to Money Market Funds for real-time money movements to maintain acceptable daily bank balances.
- 4.5.2 It was verified from testing that these processes are functioning effectively in accordance with the TMPs.

4.6 Lending

- 4.6.1 The lending process is subject to clear policy, delegations and procedures enshrined in the annual Treasury Management Strategy, TMPs and documented daily procedures. This is regulated internally by information resources on permitted investment instruments and counterparties. Appropriate external information resources are used to monitor market conditions in support of the process.

- 4.6.2 Testing on lending activity in the current financial year to date confirmed that the approved policy and procedural provisions are being complied with and that proper record trails are kept.

4.7 **Borrowing**

- 4.7.1 As already stated, the Council's borrowing portfolio relates solely to long-term PWLB loans. Short-term borrowing has been successfully avoided for a number of years and current strategy does not envisage resorting to this for the foreseeable future.

- 4.7.2 As with lending, the process to be followed for any borrowing is subject to clear policy, delegations and procedures enshrined in the annual Treasury Management Strategy, TMPs and (in this case) the Code of Financial Practice. This reserves the decision-making authority for long-term borrowing with the Head of Finance, subject to Council ratification via the Capital and Treasury Management Strategies.

- 4.7.3 This current financial year marks the first occasion of new borrowing since 2012. Review of background documentation to this has confirmed that due process has been followed in its initiation in accordance with the TMPs.

- 4.7.4 Interest payments on the 2012 tranche are scheduled on a straightforward basis of a consolidated half-yearly payment by direct debit (principal repayments are not due until the respective maturity dates from 2053 to 2062).

4.8 **Capital Investment**

- 4.8.1 Adoption of the indicators required under the Prudential Code is reaffirmed in the Capital Strategy and Treasury Management Strategy. Review of the new PWLB loan in relation to the prudential indicators did not reveal any issues.

4.9 **Payments**

- 4.9.1 It is clear that corporate e-banking has moved on considerably since the CIPFA audit model was last updated. Payments for investments use the HSBCNet Priority Payments module controlled by personal user IDs, passwords and secure PIN key cards.

- 4.9.2 It is here that the delegations and requisite separations of duties are rigorously enforced by technology controls to mitigate the risk of financial loss. Embedded transaction and daily payment limits are a further feature that serves to mitigate the risk.

- 4.9.3 Bank mandates were found to be up to date and an indicative sample test focusing on payments into the MMFs served to reinforce confidence in the banking controls. Payment details were found to be retained and held securely.

4.10 External Service Providers

- 4.10.1 A limited review of this area looked briefly at the contract status for banking and treasury consultancy services, only to find that re-tendering processes are being pursued for both at the time of writing in accordance with the Code of Purchasing Practice.
- 4.10.2 In view of the transition, it was decided not to examine this area further.

4.11 Fraud Prevention

- 4.11.1 The Council's commitment on fraud is manifest in the Anti-Fraud and Corruption Policy while the standards expected from staff are prescribed in the Employee Code of Conduct. On the matter of money laundering, basic provisions are outlined in the Code of Financial Practice with safeguards specific to treasury management activities set out in the TMPs.
- 4.11.2 Confirmatory proof of fidelity guarantee insurance showed cover at the same level as the last audit, which is generally consistent with other similar size authorities.

4.12 Records and Reconciliations

- 4.12.1 The only noticeable in-year reconciliations for treasury management activity are those of movements in the MMFs to the FMS ledger accounts carried out quarterly. Given the relatively low incidence of other relevant transactional activity, the need for further in-year reconciliations between loan records and ledger accounts has to be seen as questionable at best.
- 4.12.2 Tests on lendings and repayments in the current financial year included tracing the transactions individually between the FMS and the Excel records (both ways) with no issues arising. Year-end reconciliations were not reviewed in detail.

4.13 Monitoring and Reporting

- 4.13.1 The annual Strategy submission, in effect, reaffirms the Council's commitment to best practice in its treasury management objectives and practices. This includes Members' scrutiny by means of half-yearly reporting to Finance and Audit Scrutiny Committee.
- 4.13.2 The performance aspects of reporting are primarily focused on investment return against London Interbank Bid (LIBID) rate benchmarks. This is underpinned by ongoing analysis and assessment using the aforementioned Excel spreadsheet models.

4.14 Information Governance

- 4.14.1 The information outside of the FMS supporting treasury management operations is primarily electronic and maintained in a departmental network domain with access restricted appropriately. No evidence of documented retention policy has been seen, but a review of content

indicates adherence to the HMRC rules for taxation purposes and an annual purging of transactional records accordingly.

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 treasury management operations are appropriate and working effectively.

5.2 The assurance bands are shown below:

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

5.3 A single recommendation has been incorporated to address a minor issue relating to how the Internal Audit role is expressed in the Treasury Management Practice statements.

6 **Management Action**

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

Richard Barr
Audit and Risk Manager

Action Plan

Internal Audit of Treasury Management – October 2019

Report Ref.	Recommendation	Risk	Risk Rating*	Responsible Officer(s)	Management Response	Target Date
4.2.3	The Treasury Management Practice statements should be revised to reflect the proper status of Internal Audit in the control environment and risk-based determination of audit frequencies.	The role of Internal Audit in respect of treasury management may be misunderstood.	Low	Principal Accountant (Capital and Treasury)	The Treasury Management Practices will be reviewed for the 2020/21 Treasury Management Strategy.	February 2020

* Risk Ratings are defined as follows:

High Risk: Issue of significant importance requiring urgent attention.

Medium Risk: Issue of moderate importance requiring prompt attention.

Low Risk: Issue of minor importance requiring attention.



**Finance and Audit Scrutiny
Committee
27 May 2020**

Agenda Item No. 6

Title	Internal Audit Quarter 4 2019/20 Progress Report
For further information about this report please contact	Richard Barr Tel: (01926) 456815 E Mail: richard.barr@warwickdc.gov.uk
Wards of the District directly affected	Not applicable
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006	No
Date and meeting when issue was last considered and relevant minute number	Finance and Audit Scrutiny Committee – 17 March 2020
Background Papers	Internal Audit Reports

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

Officer/Councillor Approval		
With regard to officer approval all reports <i>must</i> be approved by the report author's relevant director, Finance, Legal Services and the relevant Portfolio Holder(s).		
Officer Approval	Date	Name
Chief Executive/Deputy Chief Executive	11 May 2020	Chris Elliott
Head of Service	11 May 2020	Mike Snow
SMT	11 May 2020	SMT
Section 151 Officer	11 May 2020	As Head of Service
Monitoring Officer	11 May 2020	Andrew Jones
Finance	12 May 2020	As Section 151 Officer
Portfolio Holder	12 May 2020	Councillor Hales
Consultation and Community Engagement		
None other than consultation with members and officers listed above.		
Final Decision?		Yes
Suggested next steps (if not final decision please set out below)		

1 Summary

- 1.1 Report advises on progress in achieving the Internal Audit Plan 2019/20, summarises the audit work completed in the fourth quarter and provides assurance that action has been taken by managers in respect of the issues raised by Internal Audit.

2 Recommendations

- 2.1 That the report, 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 plans accompanying all Internal Audit reports issued in the quarter, be reviewed. (Para. 10.4)
 - 2.1.4 That Appendix 4, recording the state of implementation of recommendations issued in previous quarters, be reviewed. (Para. 11.2)

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)

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

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

FFF Strands		
People	Services	Money
External		
Health, Homes, Communities	Green, Clean, Safe	Infrastructure, Enterprise, Employment
<u>Intended outcomes:</u> Improved health for all Housing needs for all met Impressive cultural and sports activities Cohesive and active communities.	<u>Intended outcomes:</u> Becoming a net-zero carbon organisation by 2025. Total carbon emissions within Warwick District are as close to zero as possible by 2030. Area has well looked after public spaces All communities have access to decent open space Improved air quality Low levels of crime and ASB.	<u>Intended outcomes:</u> Dynamic and diverse local economy Vibrant town centres Improved performance/productivity of local economy Increased employment and income levels.
Impacts of Proposal		
Although there are no direct policy implications, internal audit is an essential part of corporate governance and will be a major factor in shaping the Policy Framework and Council policies.		
Internal		
Effective Staff	Maintain or Improve Services	Firm Financial Footing over the Longer Term
<u>Intended outcomes:</u> All staff are properly trained All staff have the appropriate tools All staff are engaged, empowered and supported The right people are in the right job with the right skills and right behaviours.	<u>Intended outcomes:</u> Focusing on our customers' needs Continuously improve our processes Increase the digital provision of services.	<u>Intended outcomes:</u> Better return/use of our assets Full Cost accounting Continued cost management Maximise income earning opportunities Seek best value for money.

Impacts of Proposal
Although there are no direct policy implications, internal audit is an essential part of corporate governance and will be a major factor in shaping the Policy Framework and Council policies.

4.2 **Supporting Strategies**

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

4.3 **Changes to Existing Policies**

This section is not applicable.

4.4 **Impact Assessments**

This section is not applicable.

5 **Budgetary Framework**

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

6 **Risks**

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

7 **Alternative Options Considered**

- 7.1 This section is not applicable.

8 **Progress against Plan**

- 8.1 At the start of each year Members approve the Audit Plan setting out the audit assignments to be undertaken. An analysis of progress in completing the Audit Plan for 2019/20 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.

These definitions have been developed following extensive investigation of other organisations' practices (including commercial operations).

10 Internal Audit Assignments Completed During Quarter

- 10.1 Sixteen assignments were completed in the fourth quarter of 2019/20. One of these was a consultancy review of CCTV at the request of the Deputy Chief Executive (AJ) and the Head of Health & Community Protection. This replaced the planned audit of Crime and Disorder which, because of previous high levels of assurance, was felt could safely be deferred to the next financial year. Copies of all the audit reports issued during the quarter are available for viewing on the online agenda for the meeting. (As it is a consultancy review, the CCTV report is not listed.)
- 10.2 This means that, despite a challenging working situation caused by the onset of the Coronavirus pandemic, the Audit Plan has been completed for the year (with the consultancy review of CCTV replacing the original planned audit of Crime and Disorder). It is the case, however, that the scope in respect of the final one of these assignments – the Housing Stock Asset Management review – was curtailed due to staff unavailability. The areas not covered have been noted and will be covered at the next available opportunity.
- 10.3 Two of the audits completed in the quarter were awarded a lower than substantial assurance opinion. These were in respect of the 'Events Management' and 'Local Elections' assignments. Both were awarded a moderate level of assurance. (A follow-up review of Local Elections was undertaken at the start of 2020/21 to review progress made since the 2019/20 audit and, because the weaknesses have been addressed, this has now been given a substantial level of assurance.)
- 10.4 The action plans accompanying all Internal Audit reports issued in the quarter are set out as Appendix 3. These detail the recommendations arising from the audits together with the management responses, including target implementation dates.

- 10.5 As can be seen, responses have been received from managers to all recommendations contained in audit reports issued during the quarter in question.

11 **Implementation of Recommendations Issued Previously**

- 11.1 Managers are required to implement recommendations within the following timescales:
- (a) Recommendations involving controls assessed as high risk to be implemented within three months.
 - (b) Recommendations involving controls assessed as low or medium risk to be implemented within nine months.
- 11.2 The state of implementation of **low and medium risk** recommendations made in the **first quarter of 2019/20** is set out in Appendix 4 to this report. There were no **high risk** recommendations issued in the **third quarter of 2019/20** so none is included in this appendix.
- 11.3 As can be seen, responses have been received from all managers in order to provide the state of implementation of recommendations issued in this earlier quarter.

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

Public Sector Internal Audit Standards 2013

Independence and Objectivity

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

Glossary

Definition: Audit Committee

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

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

Core Functions

Audit committees will:

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

Suggested Audit Committee Terms of Reference

Audit Activity:

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

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

Monitoring Audit Performance

Auditor/officer collaboration

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

Management response

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

Implementation

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

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

CIPFA Technical Information Service Online

Audit Reporting

Introduction

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

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

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

Periodic Internal Audit Reports

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

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

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

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

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 2019/20: Quarter 4**Analysis of Performance****Time Spent: Audit Plan – Planned Vs Actual**

ACTIVITY	ANNUAL ALLOCATION (DAYS)	PROFILE ALLOCATION (DAYS)	ACTUAL TO DATE (DAYS)	VARIATION (DAYS)
<u>Planned Audit Work</u>	337.0	337.0	344.1	-7.1
<u>Other Time</u>				
Sundry audit advice	17.0	17.0	17.0	0.0
Special investigations (e.g. Fraud/Irregularities)	20.0	20.0	0.0	+20.0
Corporate and departmental Initiatives	28.0	28.0	22.3	+5.7
Non-chargeable activities	154.0	154.0	168.6	-14.6
Leave and other absences	120.0	120.0	123.0	-3.0
<i>Total Other Time</i>	339.0	339.0	330.9	+8.1
<i>Total Time</i>	676.0	676.0	675.0	+1.0

Time spent: Assignments Completed – Planned Vs Actual

AUDIT ASSIGNMENT	PLAN (DAYS)	TIME TAKEN (DAYS)	UNDER (+) / OVER (-)
Housing Stock Asset Management	9.0	4.8	+4.2
Financial Strategy, Planning and Budgetary Control	10.0	5.5	+4.5
Council Tax	5.0	6.4	-1.4
National Non-Domestic Rates	10.0	10.0	0.0
Main Accounting System	10.0	10.2	-0.2
Recruitment and Selection, Terms and Conditions	8.0	8.0	0.0
Equality and Diversity	7.0	7.0	0.0
Corporate Health and Safety	7.0	6.3	+0.7
Safeguarding Children and Vulnerable Adults	10.0	10.0	0.0
Local Elections	10.0	9.5	+0.5
Events Management	10.0	10.9	-0.9
Conservation and Design	7.0	6.3	+0.7
Banking Arrangements	10.0	10.0	0.0
VAT Accounting	10.0	6.1	+3.9

AUDIT ASSIGNMENT	PLAN (DAYS)	TIME TAKEN (DAYS)	UNDER (+) / OVER (-)
CCTV Services (Replacing Crime and Disorder)	9.0	13.8	-4.8
Lettings and Void Control	14.0	11.8	+2.2

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

Housing Stock Asset Management: Scope significantly curtailed due to Coronavirus pandemic and the impact on work. Scope not covered will be carried forward to next audit of this area.

Financial Strategy, Planning and Budgetary Control: Well controlled and no significant issues.

VAT Accounting: Well controlled and no issues.

CCTV Services: Very comprehensive consultancy review. The review replaced a planned audit of Crime and Disorder that has been deferred to next financial year.

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.	%
39	39	100	39	100	0	0

**Summary of Recommendations and Management Responses from Internal Audit Reports
issued Quarter 4, 2019/20**

Report Reference	Recommendation	Risk Rating¹	Responsible Officer	Management Response and Target Implementation Date (TID)
Housing Stock Asset Management – 7 May 2020				
4.3.9	The HRA Business Plan should be reviewed as soon as practical with a report subsequently being presented to Executive. Regular updates should subsequently be reported to cover any changes to the plan. This should be at least annually, but more frequently depending on circumstances (e.g. changes to numbers of housing stock where this impacts the plan).	Medium	Head of Housing Services	Accepted. The plan will be reviewed as soon as practicable taking account of the current Covid-19 demands placed on the Council. TID: March 2020

¹ Risk Ratings are defined as follows:

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

Report Reference	Recommendation	Risk Rating¹	Responsible Officer	Management Response and Target Implementation Date (TID)
4.4.4	The 'handover checklist template' obtained should be reviewed to ensure that it captures all relevant information, with amendments being made accordingly.	Low	Head of Assets	The checklist will be reviewed by Assets / Housing to ensure that it captures all necessary detail. TID: July 2020
4.5.6	Contractors should be reminded of the need to use the portal wherever possible and to follow the naming conventions on the documents being uploaded.	Low	Head of Assets	Reminder to be issued to all Contractors using the Portal when works recommence post Covid-19. TID: August 2020
4.5.6	Relevant staff should be reminded of the need to perform manual updates in relation to performed works on a timely basis.	Low	Head of Assets	Reminder to be issued to all relevant staff for when works recommence post Covid-19. TID: June 2020
Financial Strategy, Planning and Budgetary Control – 31 March 2020				
4.1.2	The 'Managing Your Cost Centre' course should be made mandatory for new budget managers with consideration being given to running this as refresher training for existing budget managers.	Medium	Strategic Finance Manager & HR staff	The Strategic Finance Manager will liaise with HR to ascertain how to make the course mandatory for new starters with budget management responsibility. TID: March 2021

Report Reference	Recommendation	Risk Rating¹	Responsible Officer	Management Response and Target Implementation Date (TID)
4.1.2	Limits relating to capital expenditure set out in the Code of Financial Practice should be reviewed to ensure that they remain relevant.	Low	Strategic Finance Manager & Principal Accountant (Capital & Treasury)	Capital limits will be reviewed to ensure appropriate delegations are set to allow the HIP to support the needs of the service within the agreed total budget. TID: August 2020

Council Tax: Recovery and Enforcement – 20 February 2020

4.4.10 (1)	The bulk write-off authorisation sheets should be checked for obvious errors and omissions post-scanning.	Low	Exchequer Manager / Revenues and Recovery Manager	This is part of the process and I will ensure this is done. TID: Immediate.
4.4.10 (2)	Application of the threshold over which individual authorisation by the Exchequer Manager is required should be clarified in respect of account aggregation and consistently adhered to.	Low	Exchequer Manager / Revenues and Recovery Manager	I will ensure that all authorisations in the future include any aggregated accounts that are above the threshold. TID: Immediate.

National Non-Domestic Rates – 30 January 2020

Report Reference	Recommendation	Risk Rating¹	Responsible Officer	Management Response and Target Implementation Date (TID)
4.4.5	A variation of contract should be completed to ensure the correct authority is listed.	Low	Senior Procurement Business Partner	A variation of contract will be completed to ensure WDC is listed as the authority. TID: Completed.
Main Accounting System – 31 March 2020				
4.6.5	The journal authorisation process should be brought up to date.	Low	Strategic Finance Manager	The Journal Authorisation Process will be maintained in a more timely manner, with deadlines being set for when approvals need to be made by (within a fortnight of month end for Principal Accountant level, with 1 further week for Strategic Finance Manager authorisations.) TID: Ongoing.
4.7.3	The year-end write off of suspense account balances should be reconsidered as opposed to carrying forward the balances.	Low	Strategic Finance Manager	The process is to be reviewed in conjunction with the Principal Accountant (Capital & Treasury) and the Accountancy Assistant, to agree the appropriate action. This will be reviewed as part of the 2019/20 final accounts. TID: End of April 2020.
Recruitment and Selection, Terms and Conditions – 26 February 2020				
No recommendations arising from review on this occasion.				
Equality and Diversity – 16 January 2020				

Report Reference	Recommendation	Risk Rating¹	Responsible Officer	Management Response and Target Implementation Date (TID)
4.3.2	Support, guidance and advice, in addition to that available within policies, could be easier to locate on the intranet, with additional contact information available should staff be unable to find an answer to their queries or concerns.	Low	HR Manager	Update of intranet and access to information in conjunction with Comms. TID: June 2020.
Corporate Health and Safety – 8 January 2020				
4.5.3 (1)	The review of the Driving for Work Policy should be expedited and the final document rolled out to staff as soon as possible.	Low	Head of Health and Community Protection	The driving for work policy is being reviewed and will be consulted upon in due course. TID: 03/20.
4.5.3 (2)	Checks on the eligibility of staff to drive on Council business should be undertaken in a uniform manner across the Council with consideration to rolling out the Driver Declaration Form to all staff.	Low	Head of Health and Community Protection / Senior Management Team	The driving for work policy is being reviewed and will be consulted upon in due course. TID: 03/20.
4.7.2	The role and activity of the Safety Representative Groups should be revisited in light of the failure to re-institute properly attended meetings.	Low	Head of Health and Community Protection / Senior Management Team	A review of the function of the group, its attendees will be undertaken. TID: 03/20.
Safeguarding Children and Vulnerable Adults – 22 January 2020				

Report Reference	Recommendation	Risk Rating¹	Responsible Officer	Management Response and Target Implementation Date (TID)
4.2.5	The 'Safeguarding' homepage should be available with the other team pages rather than only being accessible through the search bar.	Low	Engagement Officer	The new homepage is due to be launched on the intranet, it will be easy to locate and will be kept up-to-date. TID: End of Feb 2020
4.6.2	The whistleblowing policy should be reviewed and corrected with the current information.	Low	Audit and Risk Manager	The whistleblowing policy is about to undergo a thorough review and, as part of that process, will be updated with the correct information. TID: Feb 2020

Local Elections – 2 March 2020

4.2.11	New payment rates should be formally agreed for all relevant posts with agreements regarding pay award uplifts being adhered to.	Low	Democratic Services Manager	New payment rates will be presented to a meeting of the Licensing & Regulatory Committee prior to the May 2020 elections. TID: April 2020
4.2.12	Arrangements should be made to pay the additional amount to the Chief Executive.	Low	Electoral Services Manager	The fee paid in relation to the elections to be held in May 2020 will be amended to include this additional amount. TID: July 2020

Report Reference	Recommendation	Risk Rating ¹	Responsible Officer	Management Response and Target Implementation Date (TID)
Events Management – 31 March 2020				
4.2.3	A penalty should be established for markets that go ahead without approval.	Low	Marcus Ferguson	This will form part of a bigger piece of work that is going on to rejuvenate the markets. The Market policy and the pricing structure are all being looked at. As part of that review, and in light of emerging CV-19 plans to restart the markets and events once it is appropriate to do so, we will consider the merits of a penalty for markets operating without permission. TID: December 2020.
4.2.3	An appeals process should be established to allow organisers the opportunity to appeal should permission be denied.	Low	Marcus Ferguson	Part of the same piece of work mentioned above. The whole process of new markets needs looked at and the practicalities of this recommendation will be considered in light of the overall markets review. TID: December 2020.
4.2.4	The markets policy should be publicised appropriately to create awareness of it amongst organisers and venues within the district.	Low	Marcus Ferguson	The Business Support & Events pages on the website are being reviewed and improved. We have already started benchmarking with other councils. This work is already underway and will form part of the overall Departmental and Council wide restart of events and markets post the current CV-19 crisis. TID: December 2020.

Report Reference	Recommendation	Risk Rating¹	Responsible Officer	Management Response and Target Implementation Date (TID)
4.3.4	The status of the Operational Agreement as a true licence document should be clarified with legal advice and documented for future reference.	Low	Marcus Ferguson	This is a long-standing issue and as part of this report, the Team Manager will ensure sure that this is looked over by our legal team and not just taken as a given. TID: September 2020.
4.3.7	Payment of bonds or deposits specified in contractual agreements should be followed and incorporated into a procedure document for future staff to follow.	Medium	Marcus Ferguson	This process does need to be re-enforced and implemented. This may be as simple as taking a cheque and holding it in our safe until the mop is finished and then returning it or cashing it depending on any damages. The BSE Team Manager will discuss this with our legal team. TID: October 2020.
4.3.9	There should be clarification over the definition of "markets" and staff should be following the legislation as appropriate. The markets policy should be reviewed and updated accordingly.	Low	Marcus Ferguson	This will be looked at as part of the market policy and a map of the chartered area will be produced so that we can look at the area covered and if there are any markets taking place. Other councils that are affected by this charter will be contacted to make sure they are aware of the area covered. TID: December 2020.
4.4.2	The role of the Events staff should be considered when reviewing the risk register to ensure appropriate measures are in place to reduce any risks relevant to them.	Low	Martin O'Neill	The risk register is reviewed regularly and this will be raised as a risk and monitored going forward. TID: Immediate and ongoing.

Report Reference	Recommendation	Risk Rating¹	Responsible Officer	Management Response and Target Implementation Date (TID)
4.5.4	A formal review of expenditure with suppliers should be undertaken by service managers, with the appropriate procurement practices being followed for all suppliers.	Medium	Marcus Ferguson	Business Support and Events Team Manager has already looked into the current and historic expenditure with suppliers and made some improvements. This work will be ongoing and continued close monitoring with the Procurement Team will take place. It is recognised that this issue does not lie solely with events and markets. TID: January 2021.
4.5.4	The Procurement team should be contacted immediately to discuss the issues over the expenditure with CJ's Events.	Medium	Marcus Ferguson	I have already spoken to Procurement and we are looking at ways that this element can either be included in an existing contract or the creation of a new contract to go out for tender. TID: Ongoing.

Report Reference	Recommendation	Risk Rating ¹	Responsible Officer	Management Response and Target Implementation Date (TID)
4.5.9	The potential of charging for events should be explored. This will allow the team to maximise their income and reduce the current overspending of budgets. If it is decided to charge, a formal scale of fees and charges should be put in place.	Low	Marcus Ferguson / Martin O'Neill	This is already underway through conversations with the Portfolio Holder. We are doing research on other councils and what they do and don't charge for and how much they charge. We are also listing the events we have and what it currently costs the council to put on. Current year budgets have been uplifted to reflect the actual costs of events and markets as they stand but it is recognised that the service area should look to maximise income and reduce expenditure for the Council going forward. TID: November 2020.
Conservation and Design – 31 March 2020				
No recommendations arising from review on this occasion.				

Banking Arrangements – 2 March 2020

Report Reference	Recommendation	Risk Rating¹	Responsible Officer	Management Response and Target Implementation Date (TID)
4.8.4	The payment information screenshots should be included in the retention policy for Finance to ensure that their retention is justified and that they are only held for the appropriate length of time.	Medium	Strategic Finance Manager	The need to retain these will be reviewed and a decision will be subsequently made as to whether there is a need to include these in the retention policy. This will also be considered as part of the implementation of the new Financial Management System. TID: June 2020.
VAT Accounting – 5 March 2020				
4.4.11	VAT compliance in respect of e-receipting by the Council's on-line payment portals and systems processing telephone payments should be investigated.	Medium	Head of Finance	Work with the Housing Services Team and Building Control teams (with potential IT support) to implement process to ensure compliance. TID: September 2020.
Lettings and Void Control – 31 March 2020				
No recommendations arising from review on this occasion.				

Current Implementation Position for Low and Medium Risk Recommendations
issued in Quarter 1 2019/20

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE (PID)	CURRENT STATE OF IMPLEMENTATION PER MANAGER
Housing Benefit & Council Tax Reduction – 19 June 2019		
Management should review facilities for capturing document images on home visits to ensure acceptable clarity of information supporting claims.	<p><i>Benefits and Fraud Manager:</i></p> <p>There are sometimes problems with how the images upload into Civica. As a back-up the visiting team retain these in their own personal folders for a period of time so that if the assessors have a problem reading the document they can request a copy. The Recovery Manager, Council Tax, manages the visiting team and has advised that this issue has already been highlighted and is suspected as user error for which further training will be provided.</p> <p>PID: 30/7/19.</p>	The visiting team are part of the Revenues department and therefore this was passed to Jason Smith (the manager at that time). He provided some further training on ensuring that the quality of photographs were improved but the date of this was not recorded.

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE (PID)	CURRENT STATE OF IMPLEMENTATION PER MANAGER
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Loans to External Organisations – 6 June 2019		
The Council should consider establishing a formal policy for providing loans to external organisations. This will help to ensure approvals are fair and a good investment for the Council.	<p><i>CMT:</i></p> <p>We do not consider that a Loans Policy and application process should be developed. The Localism Act gives a broad remit for Councils to use what powers (tools) they consider necessary to deliver a specific objective. A loan may be the right solution for a specific case but we do not believe that in effect “a loan application scheme” should be established. We accept that a checklist should be established so that there is a consistency around process and procedure.</p> <p><i>PID:</i> The checklist will be developed when we next consider that a loan is the appropriate tool to use.</p>	Ultimately, a Loans Policy with associated application process was introduced and this was agreed by Executive. Finance to draft the application form.

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE (PID)	CURRENT STATE OF IMPLEMENTATION PER MANAGER
Changes made to Warwick District Council properties, using loan funds, should be reported to the Insurance and Risk Officer.	<p><i>CMT:</i> Agreed.</p> <p>TID: When a loan enhances the value of a WDC property.</p>	Not applicable so far but would be instigated when required.

INTERNAL AUDIT REPORT

FROM: Audit and Risk Manager

SUBJECT: Banking Arrangements

TO: Head of Finance

DATE: 2 March 2020

C.C. Chief Executive
Deputy Chief Executive (AJ)
Strategic Finance Manager
Principal Accountant (Capital &
Treasury)
Portfolio Holder (Cllr Hales)

1 **Introduction**

- 1.1 In accordance with the Audit Plan for 2019/20, an examination of the above subject area has recently been completed by Ian Davy, Principal 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 Banking arrangements are managed by the Capital and Treasury Management team in Finance.
- 2.2 Warwick District Council has always banked with HSBC and its predecessor, The Midland Bank, and a recent extension to the contract will see this relationship continue for another five years.

3 **Scope and Objectives of the Audit**

- 3.1 The audit was undertaken to test the management and financial controls in place.
- 3.2 In terms of scope, the audit covered the following areas:
- Delegation
 - Agreement with the bank
 - Procedure documentation
 - Cheque payments and security
 - Reconciliations
 - Bank charges
 - IT systems – HSBC.net.

3.3 The control objectives examined were:

- Only appropriately-authorised individuals are able to perform transactions on behalf of the Council
- The Council has appropriate banking facilities available to enable its day-to-day financial operations
- Staff are aware of the processes to follow for the varied tasks associated with the banking arrangements in place
- Cheque stationery is appropriately controlled
- The Council is aware of its current financial position with regard to cheque payments made or outstanding
- The Council is aware of any banking anomalies in a timely manner
- Income and payments are correctly recorded on the ledger and supporting financial systems
- The Council receives all interest income due and only pays for charges owed
- The Council is not overcharged for the number of transactions processed
- Only appropriately authorised individuals are able to perform on-line transactions on behalf of the Council
- All payments made are appropriate
- The Council is aware of all transactions through its accounts.

4 Findings

4.1 Recommendations from Previous Reports

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

Recommendation	Management Response	Current Status
1 A full set of documented procedures for the Council's banking arrangements should be drawn up to provide step-by-step instructions and guidelines for the relevant processes. This is particularly important in developing succession planning arrangements, including knowledge retention.	Bank, AllPay and Capita Download procedure notes are available. At the time of the last audit the 2014 User Guide was available. Due to the retirement of the Principal Accountant, these weren't found when the audit was undertaken. PARIS is being upgraded and testing will take place during February/March. During and after the testing, procedures will be documented. Due to the recent changes in staffing, the Principal Accountant (Systems) has deleted the previous Principal Accountant (Treasury & Capital) as a user and set	As the financial systems are due to be replaced, the new procedure notes have not yet been drawn up. Various notes are still held for the systems that are currently in use and the 'general' processes, with staff also maintaining their own notes. (see 4.4.1 & 2)

Recommendation	Management Response	Current Status
	<p>up an interim replacement user. Interactive notes are available on the HSBC website. The link is now being included in the banking procedure notes. Different staff do different tasks on HSBC, the individual notes made on their procedure copy are meaningful to them.</p>	
<p>2 The reconciliation process should include a monthly summary reconciliation position that shows the actual monthly bank statement movements, compared to the ledger and actual cashbook movements, with a list of the transactions making up the reconciling difference including reasons.</p>	<p>With a monthly reconciliation in isolation there is a risk that just looking at the movement in month would hide previous discrepancies. There are often timing issues between the months, where a discrepancy one month is addressed at the beginning of the next one. Consequently, the decision was taken several years ago to rely on year-to-date reconciliations. The comments are noted, but current practice will continue.</p>	<p>Attempts were made to move to a monthly reconciliation. However, when staff tried to recreate the work of the Interim Principal Accountant (Capital and Treasury Management), they could not work out what had been done. As a result, the previous process has now been reverted to (with some minor tweaks as requested by External Audit). (see 4.6.1 - 3)</p>
<p>3 All bank reconciliations should be subject to independent review and sign-off to ensure timeliness and that any errors, discrepancies and unexplained differences are highlighted and investigated.</p>	<p>The long-standing Principal Accountant (Capital and Treasury Management) was doing this. His successor did not pick this up. However, she was made aware of the status of the reconciliations. The Interim Principal Accountant is now aware and reconciliations will be signed in future.</p>	<p>The (current) Principal Accountant – Capital & Treasury is reviewing and signing off the reconciliations performed. (see 4.6.3)</p>

Recommendation	Management Response	Current Status
<p>4 An investigation should be undertaken of the use of the OLR2 system at the Royal Spa Centre to establish why income received is not posted to the ledger.</p> <p>Where a 'work-around' solution is used, the process should be documented and retained for continuity purposes. This should only be used on a temporary basis, however, until a permanent solution is introduced.</p>	<p>Whilst this was the status when this audit was undertaken, this has now been addressed. The problems arose due to this needing to be rectified by our external supplier and, despite daily phone calls and emails from several people, there was no response. A decision was made to temporarily suspend the On Line Returns Module early in December 2017. The income is now allocated through suspense with appropriate journals being done in the ledger. The service area was consulted prior to this happening.</p>	<p>OLR2 is no longer being used.</p>
<p>5 An annual review of transaction volumes should be undertaken to ensure they are still within the agreed volumes included within in the Schedule of Rates and the rates are, therefore, still appropriate.</p>	<p>The sums of money are insignificant. Transactions will be reviewed during 2018/19 as part of the re-tendering process.</p>	<p>The transaction volumes were reviewed as part of the bank re-tendering process as agreed. (see 4.7.3)</p>
<p>6 Interest received and charged should be reviewed to ensure it is in line with the agreed rates.</p>	<p>The Business Deposit Account is already monitored as part of the Treasury Management function. No credit interest is received on the Council's current accounts and debit interest is minimal. There were two overcharges identified earlier and HSBC were duly notified to refund these.</p>	<p>The interest received on the Business Deposit Account was found to be being monitored as suggested and the Principal Accountant – Capital & Treasury advised that bank charges are investigated if they are 'odd' (i.e. outside of expected budget figures). (see 4.7.1 & 2)</p>

4.2 **Delegation**

- 4.2.1 The Scheme of Delegation (Part Three, Section Four of the Council's Constitution) sets out appropriate delegation to the Head of Finance for operating any bank accounts required, with delegation F13(ii) stating that the Head of Finance & Chief Finance (S151) Officer shall have authority to 'make such banking arrangements, including opening of banking accounts, as appear necessary for the proper management of the Council's finances.'
- 4.2.2 Part Four of the Constitution includes the Code of Financial Practice, with section seven of the Code setting out the processes required for banking arrangements and treasury management. The Treasury Management Practices (TMPs) in place make various references to banking, with the most appropriate being:
- TMP2 (paragraph 1.3) – tendering
 - TMP5 (paragraphs 1.2 & 1.8) – delegation to the Head of Finance and his delegation of day-to-day matters to the Principal Accountant (Capital & Treasury)
 - TMP11 (section 3) - Bankers
- 4.2.3 A copy of the bank mandate from April 2019 was provided. This contained a member of staff that has subsequently left the authority. However, an email was also provided which confirmed that another member of staff had been added and that another change would be required in the near future as a member of the Accountancy section was due to leave the Council.

4.3 **Agreement with the Bank**

- 4.3.1 As suggested above, the Council's bank accounts are held with HSBC. The original contract was let in October 2014, with the contract commencing in March 2015.
- 4.3.2 The contract allowed for a five-year extension and this option was exercised in November 2019, with a signed letter received from the bank accepting the extension.

4.4 **Procedure Documentation**

- 4.4.1 The Principal Accountant – Capital & Treasury (PACT) advised that there is a PARIS user manual in place along with various other (informal) 'procedure' documents covering PARIS, HSBC.net and 'general' banking processes undertaken by the team. HSBC.net also has an on-line help facility which can be accessed directly through the system.
- 4.4.2 In response to the recommendations from the previous audit, it was proposed to document procedure notes during testing of the system upgrade that was to be performed. Although this was not undertaken, the recommendation is now not felt worth pursuing as the system is due to be replaced as part of the Financial Systems replacement project that has recently been approved by Executive.

Advisory

Ensure that new procedure notes are documented once the new financial systems are in place.

4.5 Cheque Payments & Security

- 4.5.1 The Finance Admin Manager advised that cheques are held securely in locked safes / cupboards at different stages of the process. Upon review, the 'working stock' (cheques held by the Corporate Support Team (CST)) were found to be held in the safe in a secure office, although the safe was in use at the time of the visit, so was not locked. The main stock is held in a locked room (to which only certain staff have keys), with the cheques held in a locked cabinet within the room. The key to the cabinet was held in a safe by the FS Team (FST).
- 4.5.2 When stock is transferred to the CST from the FST, the next box in the sequence is issued. Sequence checks are also undertaken when payment runs are performed with further reconciliations also being undertaken on a monthly basis. Both the cheque reconciliation sheet (for cheques issued to CST for working stock) and the cheque issue book (used when cheques are issued as part of a payment run) confirmed that cheque stocks were being used in sequential order.
- 4.5.3 The working stock held by CST was reviewed and it was confirmed that the next number held followed on sequentially from the last one issued. Similarly, the main stock was checked and it was confirmed that the stock held agreed to the reconciliation sheet.
- 4.5.4 When new stock is issued to the CST, the reconciliation sheet is signed by both parties and the issue book is also signed for as part of the payment runs and before posting. Again, both records confirmed that cheques were being signed for as appropriate.
- 4.5.5 The Accountancy Assistant (AA) advised that presented cheques, as per the information received from bank statements, will be matched up against the unrepresented cheque list and, if variances are identified, any errors would be noted and dealt with accordingly. The presented cheques (once matched) are then removed from the list, with the (total) amounts included on the Unrepresented Cheques List reconciliation.
- 4.5.6 As suggested above, an unrepresented cheque list and an unrepresented cheque reconciliation are maintained. The AA advised that cheques are generally left open on the list, as the bank will now accept them whenever presented; thus, the previous time limit, which generally led to the cancellation of the cheques, is no longer valid.
- 4.5.7 A 'cancelled and non-cancelled' cheques list is maintained which includes details as to whether the cheques have been cancelled or have been paid into a relevant account (e.g. council tax / NNDR). This also covers returned cheques, with those shown as 'pay into xxxxx as per letter' generally being returned (e.g. moved out, deceased etc.)

- 4.5.8 However, the AA advised that not all cheques would be returned directly to him, with those received and receipted by 'reception' being passed back to the relevant issuing section. In these cases, the cheques are generally made payable to the Council and are paid back into the account. However, supporting evidence is still held on file to support the action taken.
- 4.5.9 Sample testing undertaken confirmed that some supporting documentation was held in 19 of the 20 cases sampled. However, in three of these cases, the only documentation held on file was a copy of the remittance advice note, with nothing to explain why the cheque was being cancelled / amended.

Advisory

Explanatory notes could be recorded on the cancelled / non-cancelled cheque list when there is only a copy of the remittance advice on file.

- 4.5.10 Only two of the sampled cases had the cheque on file and these were found to have been appropriately dealt with, with the signature area being removed. Upon a cursory review of the files held, it was confirmed that all other cheques held on file had also been dealt with in the same manner.

4.6 Reconciliations

- 4.6.1 At the time of the previous audit, it was agreed that reconciliations would be changed so that monthly reconciliations would be performed. However, whilst the reconciliations are performed on a monthly basis, the reconciliation still takes the form of a rolling reconciliation.
- 4.6.2 The PACT advised that the previous (interim) post holder had adopted the new process. However, when he left, it was not possible for others to understand what he had done so, with the agreement of the external auditors, the old way of working was reinstated, albeit with a few minor changes.
- 4.6.3 The PACT advised that he signs off hard copies of the reconciliations and this was confirmed upon inspection of the files held. He also advised that the accounts normally reconcile by the time he signs them off but there was a minor anomaly last month. This has not yet been resolved and a review will be performed next month to see if this has been resolved (e.g. it may be a month-end issue).

Advisory

The anomaly should be investigated further if not resolved during the next monthly reconciliation.

- 4.6.4 The AA advised that suspense listings are reviewed every day and are cleared down where possible. A daily listing was provided at the start of the audit (18 December 2019) and this was followed up with another (complete) listing in January (imports on 16 January 2020). This confirmed that all items from the initial listing provided had been cleared. Sample testing was undertaken on

these cleared items to ensure that they had been allocated and this proved satisfactory.

4.6.5 Whilst all of the items from the initial daily listing had been cleared, the complete listing provided showed items dating back to January 2019. The AA advised that attempts to clear these had not been successful and that the PACT was considering clearing down all pre-December 2019 amounts.

4.6.6 The PACT confirmed that a meeting has now been scheduled for this to be undertaken and advised that any amounts that cannot be resolved would be coded to the Treasury Management / Other Income code on TOTAL. He also provided a screenshot from TOTAL showing a similar reconciliation that had been performed for the 2018/19 year end.

4.7 **Bank Charges**

4.7.1 The PACT advised that, for most of the Council's accounts, there is no interest received. However, a small amount of interest is received on the Business Deposit Account and this is checked as part of the review of investment interest. The Assistant Accountant advised that the last reconciliation of interest on this account was performed for the quarter one period end, although the 'expected' interest figures were up to date on the spreadsheet.

4.7.2 The PACT suggested that bank charges are investigated if they are 'odd' (i.e. outside of expected budget figures). He highlighted that details could be checked on the (HSBC.net) system, although statements received provide a summary figure.

4.7.3 He also advised that transaction volumes were reviewed as part of the contract extension process. Due to the transfer of the leisure centres to Everyone Active, transaction volumes had decreased and were, therefore, well within tolerance levels. If the transaction volume fell outside of tolerance, the 'per transaction' charge would increase, although this was not an issue at present.

4.8 **IT Systems – HSBC.net**

4.8.1 The PACT provided an extract from the HSBC.net system showing the user accounts, including those that had been suspended. There are two (appropriate) system administrators, with all other current users being given 'end user' access. In terms of further 'permissions', the only staff who can authorise the payments are those that have PIN card machines.

4.8.2 Payments made through the system require one user to prepare the payment and then two authorisers (one to check and another to authorise). The PACT advised that the Assistant Accountant will send an email to the relevant authorising members of staff advising that a payment is ready to be authorised.

4.8.3 The first authoriser will then authorise the payment and will email a screenshot of the payment screen to the others to let them know that they have completed their stage. The second authoriser will then save a copy of

the screenshot showing the completion of the process, with a folder being maintained on the network to hold this information.

- 4.8.4 A query was raised as to whether there was a retention policy in place for these documents as the screenshots include personal information (i.e. account name and account number). The PACT advised that these had only been retained for the last year (since he came into post) and they were not, therefore, included in a retention policy. However, he suggested that these would be kept for, at least, the current financial year in case of external audit queries.

Risk

Personal data may not be held in line with data protection regulations.

Recommendation

The payment information screenshots should be included in the retention policy for Finance to ensure that their retention is justified and that they are only held for the appropriate length of time.

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 Banking Arrangements are appropriate and are working effectively.

- 5.2 The assurance bands are shown below:

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

- 5.3 Just one issue requiring a formal recommendation was identified:

- Payment screenshots which include some personal data are not covered by a data retention policy.

- 5.4 Further 'issues' were also identified where advisory notes have been reported. In these instances, no formal recommendations are thought to be warranted as there is no risk if the actions are not taken. If the following changes are made, however, the existing control framework will be enhanced:

- Ensure that new procedure notes are documented once the new financial systems are in place.

- Explanatory notes could be recorded on the cancelled / non-cancelled cheque list when there is only a copy of the remittance advice on file.
- The anomaly should be investigated further if not resolved during the next monthly reconciliation.

6 Management Action

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

Richard Barr
Audit and Risk Manager

Action Plan

Internal Audit of Banking Arrangements – March 2020

Report Ref.	Recommendation	Risk	Risk Rating*	Responsible Officer(s)	Management Response	Target Date
4.8.4	The payment information screenshots should be included in the retention policy for Finance to ensure that their retention is justified and that they are only held for the appropriate length of time.	Personal data may not be held in line with data protection regulations.	Medium	Strategic Finance Manager	The need to retain these will be reviewed and a decision will be subsequently made as to whether there is a need to include these in the retention policy. This will also be considered as part of the implementation of the new Financial Management System.	June 2020

* Risk Ratings are defined as follows:

High Risk: Issue of significant importance requiring urgent attention.

Medium Risk: Issue of moderate importance requiring prompt attention.

Low Risk: Issue of minor importance requiring attention.

INTERNAL AUDIT REPORT

FROM: Audit and Risk Manager
TO: Head of Development Services
C.C. Chief Executive
Deputy Chief Executive (BH)
Head of Finance
Development Manager
Principal Conservation Officer
Portfolio Holder (Cllr Cooke)

SUBJECT: Conservation and Design
DATE: 31 March 2020

1 Introduction

- 1.1 In accordance with the Audit Plan for 2019/20, an examination of the above subject area has recently been completed by Ian Wilson, Senior Internal Auditor, and this report presents the findings and conclusions for information and, where appropriate, action.
- 1.2 Wherever possible, findings have been discussed with the staff involved in the procedures examined and their views are incorporated, where appropriate, into the report. My thanks are extended to all concerned for the help and cooperation received during the audit.

2 Background

- 2.1 The subject of this examination has traditionally drawn the attention of Internal Audit by virtue of Council-funded grant assistance allocated towards the costs of maintaining listed buildings and other eligible historic constructions, especially those in conservation areas. With the demise of all relevant grant schemes (the last of which was discontinued in 2016), the audit focus is shifted more towards structures and processes in respect of:
- management of the historic built environment within the Council's legislative and regulatory powers and obligations;
 - ensuring effective consultation input to the mainstream planning process where it applies to the historic built environment.
- 2.2 The most notable developments relevant to this subject since the last audit are:
- adoption of the Local Plan 2011-2029 (effective 2017);
 - adoption of a Local List of Heritage Assets (2017);
 - designation of a new conservation area for the canal network (2018).

3 Scope and Objectives of the Audit

3.1 The purpose of the audit was to report a level of assurance on the adequacy of structures and processes in place for managing the historic built environment of the district. The audit was performed as an evidential risk-based overview focusing on the following areas:

- strategy and policy direction
- roles and responsibilities
- processes and procedures.

3.2 The findings are based primarily on examination of relevant accessible documents and records. While consultation with relevant Development Services staff during the audit was envisaged, this had to be limited owing to corporate measures for dealing with the coronavirus outbreak and other inhibiting circumstances at the time. The primary contact was the Principal Conservation Officer.

4 Findings

4.1 Recommendations from Previous Report

4.1.1 The previous audit, reported in February 2017, gave rise to a single low-risk recommendation:

“The GIS Team should be made aware of all changes to conservation areas and listed buildings in a timely manner”.

4.1.2 The issue that this arose from was the discovery that the GIS system had not been updated to reflect the designation of the Poor Clares Convent (Baddesley Clinton) as a conservation area in 2013.

4.1.3 The latest testing on this has shown the GIS to be up to date on both conservation areas and listed buildings, therefore the recommendation can be deemed as duly addressed.

4.2 Strategy and Policy Direction

4.2.1 The influences of legislation and central government planning policy are a substantial factor in the Council’s framework for managing the historic built environment in the District. These are especially manifest in:

- the Planning (Listed Buildings and Conservation Areas) Act 1990 (and accompanying Regulations)
- the National Planning Policy Framework (NPPF), Section 16.

4.2.2 Another key external influence is the Historic England listing framework for historic buildings.

4.2.3 At District level, the legislative and national policy direction is taken up by the Section 5 of the Local Plan 2011-2029. The exercising of the Council’s powers and obligations in this context is essentially through the planning system. Fed into this are three inter-connected policy instruments which have traditionally made their mark:

- provisions for listed buildings
- conservation areas
- Article 4 Directions.

- 4.2.4 More recently, these have been complemented by the launch of a Local List of Heritage Assets containing thirteen discrete units.
- 4.2.5 All four of the above categories are represented in the corporate GIS as overlays and the Acolaid planning system automatically invokes the background GIS data to flag up cases where any of these overlays apply to specific application sites.
- 4.2.6 Extractions from the corporate e-mapping resource show around 1,500 listed buildings in the District. A test on new Historic England listings since the previous audit showed that the Council GIS has been updated with all applicable buildings.
- 4.2.7 Finding definitive figure for the number of conservation areas in the District proved a slight challenge. Supporting narratives in the current year's published Budget Book quotes 29, but this was dismissed as unreliable being a recycling of the same narrative (without update) going back to 2010 and still referring to the defunct grant schemes as still in operation. This has been raised with the relevant accountant in Finance for action to update the narrative for the 2020/21 budget publication.
- 4.2.8 Based on the Local Plan and the later addition of the Canal Conservation Area, the number now stands at 32. A brief examination of the e-mapping portal, in conjunction with the published literature, confirmed duly accurate and complete representation in the GIS.
- 4.2.9 Ongoing review of existing conservation areas has traditionally been a by-product of day-to-day planning decision activity. It is noted that the 2020/21 Service Plan for Development Services provides for review of all the conservation areas as a discrete project and comments received from management indicate a multi-year time span envisaged for this.
- 4.2.10 Article 4 Directions is another area where obtaining a picture of the scale in terms of the number these instruments in force proved challenging, in this case without resolution due to an inconsistency discovered between departmental and central document storage. This is further complicated by the fact that not all Directions in force relate exclusively to conservation matters (one known exception is the Houses in Multiple Occupation Article 4 Direction implemented in 2011).
- 4.2.11 On the basis that Article 4 Directions are in the form of legal documents carrying the Council's common seal, it was initially assumed that they would all be registered in the central Document Store. While that appears to be the case for the majority, others not so registered later emerged and it was advised that a departmental archive is still used for them (by that time, physical inspection by the auditor was not possible due to the corporate coronavirus measures).

- 4.2.12 Information resources available suggest the presence of ten discrete Article 4 Directions directly relevant to the historic built environment, but there could well be more. As an informal advisory, it has been suggested that consolidated storage of all Article 4 Directions in the Document Store be considered. In response the first stage of the draft report, the Principal Conservation Officer advised that is something that will be looked into as part of a review of current Article 4 Directions and the implementation of new ones.
- 4.2.13 The formulation of a Canal Conservation Area Management Plan is provided for in the 2020-21 Service Plan. Examination of relevant literature and comments received from management indicate that adoption of further Article 4 Directions could come out of this Plan.
- 4.2.14 There is a wealth of relevant literature published on the Council's website including guidance on listed buildings and conservation areas both holistically for the District and for individual conservation areas. The bulk of these date from 2010 and refer to Article 4 Directions in force at the time as they apply respectively - it is assumed that the aforementioned review of conservation areas could well lead to the updated material being published.

4.3 Roles and Responsibilities

- 4.3.1 The hierarchy of decision powers and responsibilities comes across as appropriate and well-defined. It was verified from a brief history track through the Committee management system that decisions to adopt new conservation areas and Article 4 directions require the approval of the Executive, as do any significant changes to existing ones. The same applied to the adoption of the Local List of Heritage Assets, although a measure of delegated authority to the Head of Development Services is in place for determining future additions.
- 4.3.2 Examination of such decisions looking back over several years also showed that these have always followed public consultations which were themselves initiated on the strength of Executive resolutions.
- 4.3.3 Decision roles in respect of day-to-day application and enforcement matters, including those where policies governing the historic built environment apply, are bound up in Committee functions and officer delegation provisions of the Council's Constitution and warrant no further comment here.
- 4.3.4 The Conservation Advisory Forum (a long-established consultative body made up of a combination of Member, officer and external stakeholder representatives), continues to function under a constitution adopted in 2012.
- 4.3.5 The officer structure in this context is a relatively lean and simple one with a Principal Conservation Officer (PCO) post reporting directly to the Development Manager and supported by an Assistant Conservation Officer now in post. From information seen, the team role comes across as overwhelmingly advisory in a specialist professional and technical capacity.

- 4.3.6 This includes direct input to planning determinations, policy making and external hearings/enquiries. Administering and supporting the Conservation Advisory Forum is also specified for PCO post.

4.4 **Processes and Procedures**

- 4.4.1 This area has been considered only in terms of input by the Conservation Team and Conservation Area Advisory Forum to the planning decision process. The mechanics of the consultation process behind such input have long been built into the systems of operation underpinned by the Acolaid system.
- 4.4.2 As a project is known to be in progress to implement a replacement to Acolaid, it was not deemed appropriate to examine this area in any detail beyond some limited sample testing. This was performed in a manner similar to the previous audit and did not reveal any issues.

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 Conservation & Design are appropriate and are working effectively.
- 5.2 The assurance bands are shown below:

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

- 5.3 There are no recommendations arising from this report.

Richard Barr
Audit and Risk Manager

INTERNAL AUDIT REPORT

FROM: Audit and Risk Manager
TO: Head of Health and Community Protection
C.C. Chief Executive
Deputy Chief Executive (AJ)
Head of Finance
Safer Communities Manager
Services Team Leader
Building Manager/Corporate Health & Safety Coordinator
Portfolio Holder – Cllr Falp

SUBJECT: Corporate Health and Safety
DATE: 8 January 2020

1 Introduction

- 1.1 In accordance with the Audit Plan for 2019/20, an examination of the above subject area has been completed recently and this report is intended to present the findings and conclusions for information and action where appropriate.
- 1.2 Wherever possible, results obtained have been discussed with the staff involved in the various procedures examined and their views are incorporated, where appropriate, in any recommendations made. My thanks are extended to all concerned for the help and co-operation received during the audit.

2 Background

- 2.1 The Health and Safety at Work etc. Act 1974 is the primary piece of legislation covering occupational health and safety in Great Britain.
- 2.2 Under this Act, the Council has statutory duties that include ensuring that the working environment is safe and there are no undue risks to health, and ensuring that staff and Members are given appropriate information and training.
- 2.3 Whilst the legislative element is focused primarily on employees, the Council also aims to protect the public from exposure to health and safety risks arising from its activities and those of its employees and Members acting on its behalf.

3 Scope and Objectives of the Audit

- 3.1 The audit examination was undertaken for the purpose of ensuring that appropriate processes are in place to meet the Council's statutory obligations on health and safety as an employer and provider of services and facilities to customers and the public.

- 3.2 The examination took the form of an evidential risk-based evaluation of structures and processes in place to meet the Council's health and safety obligations under the statutory framework and contribute effectively to the delivery of priority objectives in relation to the Council's workforce and public wellbeing.
- 3.3 The programming and recording of the audit used the CIPFA systems-based audit model for organisational health and safety management, structured into sub-systems according to the following themes:
- policies and procedures
 - awareness
 - risk assessment
 - managing risk
 - training
 - monitoring and reporting
 - information governance.
- 3.4 Due to time constraints, the full test model was applied to the first four of the above sub-systems only with the other areas covered in overview only. The findings are based on discussions with Ian Carden, Building Manager/ Corporate Health and Safety Co-ordinator, and examination of relevant documents and records.

4 Findings

4.1 Recommendations from previous report

- 4.1.1 The current position in respect of the recommendations from the audit reported in October 2016 (all classified low risk) is as follows:

Recommendation	Management Response	Current Status
1 The policy and procedure documentation should be reviewed to ensure that it accurately reflects the current processes and any reference anomalies are removed.	Recommendation agreed and actioned.	On review, the anomalies referred show to have been duly corrected.
2 The documentation held on the Health & Safety team page of the intranet should be removed, with staff being directed to the AssessNet portal to assist with document version control.	Recommendation agreed and actioned.	The document resources are now clearly concentrated in AssessNet and generally accessible through Intranet links.

Recommendation	Management Response	Current Status
3 Relevant staff should be reminded of the need to provide a health and safety induction to any non-Council staff working on behalf of the Council.	Recommendation agreed and actioned.	Assume implemented, but the scenario leading to the recommendation no longer exists so there is nothing to specifically test here.
4 Relevant risk assessments on AssessNet should be reviewed to ensure that noise hazards are appropriately covered.	Recommendation agreed and assessments to be reviewed by March 2017.	The review was reported to have been completed as scheduled. An expanded range of assessments with noise hazards flagged is in evidence.
5 Departments should be reminded of the need to send representatives to the Health & Safety Reps meetings.	Recommendation agreed – to be raised with to Senior Management Team.	It was reported that the terms of reference for the Safety Representatives would be reviewed. A refreshed Terms of Reference was produced in 2018, although the issue of poor meeting attendance remains unresolved and has culminated in actual meeting activity having lapsed altogether (discussed further in 4.7.2 below).

4.2 Policies and Procedures

- 4.2.1 An official corporate Policy Statement remains in force, signed off annually by the Chief Executive. In terms of content, this document and supporting sub-policies come across as coherent and comprehensive in their coverage from testing against the CIPFA model. The relevant legislation and regulatory framework show as unchanged from the previous audit.
- 4.2.2 Since the previous audit, the electronic corporate policy awareness tool (MetaCompliance) has continued to be rolled out with health and safety policy now captured. Although the 2018 refresh of the Policy Statement was launched through MetaCompliance, it was advised that the planned launch of the 2019 refresh is still in the pipeline to be actioned.
- 4.2.3 As stated in 4.1.1 above, a user portal into the AssessNet health and safety cloud application is available to all staff with Intranet access to retrieve the Policy Statement and all related sub-policies, procedures and guidelines as well as links to on-line Health and Safety Executive (HSE) resources.

- 4.2.4 The overall governance arrangements for the corporate health and safety framework show as unchanged from the previous audit. It was observed that the Constitution assigns an effective policy approval role to the Employment Committee in as much as it affects staff, although no evidence could be found of any formal submission of the Health and Safety Policy to this Committee for some years.
- 4.2.5 Acknowledging that the Policy provisions represent the fulfilment of a long-standing statutory duty and that the Policy content itself has not significantly changed since its last known submission to the Committee (subject to restructuring and updating to maintain alignment with the corporate strategy and management structures), the need for such a submission is seen as questionable at best.

4.3 **Awareness**

- 4.3.1 The ways in which awareness of the Policy and responsibilities arising is addressed are especially manifest in:
- the job description of the central co-ordinating officer post
 - policy refresh through MetaCompliance
 - Intranet notices linking to the AssessNet portal
 - mandatory induction training for new employees
 - induction briefings to Members
 - mandatory manager training under the Learning and Development Programme
 - discretionary employee training under the Learning and Development Programme.
- 4.3.2 Standard agenda formats for departmental management teams are expected to include health and safety as a standing item.

4.4 **Risk Identification**

- 4.4.1 Under the Policy Statement the responsibility for performing risk assessments is effectively vested in the Heads of Service for their respective areas of operation. Procedural resources covering prescribed methods and recording are retrievable from the AssessNet portal.
- 4.4.2 All completed risk assessments are uploaded to the AssessNet application, the content of which is managed by the Corporate Health and Safety Co-ordinator.
- 4.4.3 Quarterly reports to Senior Management Team by the Corporate Health and Safety Co-ordinator include status updates on risk assessments including those due for review.
- 4.4.4 Separate policies on procurement and contractors require the contracted parties to comply with relevant health and safety standards.

4.5 **Managing Risk**

4.5.1 This CIPFA test model for this sub-system seeks to establish that adequate policies and procedures are in place for the management of risk in respect of:

- Ensuring safe systems of work
- Insurance cover
- Fire and bomb threats
- First aid
- Display screen equipment users
- Driving for work
- Hazardous substances
- Asbestos
- Noise
- Conflict and aggression.

4.5.2 A re-run through the tests generally confirmed that the policies and procedures are appropriate and comprehensive, subject to the following observations:

- 1) It was advised that the role and number of designated Fire Wardens were under review at the time of the audit.
- 2) The leisure centre management contractors are required to carry out their own fire risk assessments for their respective premises. Records indicate that the Council will still perform assessments for these premises, but at a reduced frequency.
- 3) Some progress is noted on addressing the long-standing issue of evidencing staff eligibility to drive on Council business. A Driving for Work Policy document was found on AssessNet with an appended Driver Declaration Form. On further enquiry it was advised that the Policy document is pending review and it became evident that its implementation is not being rolled out consistently throughout the Council (discussed further in Paragraph 4.5.3 below).
- 4) Some question arose concerning the status of the Violence to Staff Policy as it was not found on AssessNet, despite being referenced directly by the Lone Worker Policy. It was advised that this document is also under review.

4.5.3 Two separate approaches adopted to instituting driver checks emerge from discussions:

- Heads of Services to institute checks for their own respective service areas. While examples were reported where these checks are implemented as part of staff appraisals, this has evidently not been applied consistently across all services.
- Completion of the Driver Declaration Form has become mandatory for all new staff as part of the induction process, but has not been rolled out to existing staff.

Risk

Staff may not be eligible to drive on Council business.

Recommendations

- (1) The review of the Driving for Work Policy should be expedited and the final document rolled out to staff as soon as possible.**
- (2) Checks on the eligibility of staff to drive on Council business should be undertaken in a uniform manner across the Council with consideration given to rolling out the Driver Declaration Form to all staff.**

4.6 Training

- 4.6.1 It was re-confirmed that the Corporate Health and Safety Co-ordinator gives health and safety presentations to new staff as part of mandatory induction and similar briefings have been given to Members following the 2019 elections.
- 4.6.2 As well as mandatory Institution of Occupational Safety and Health (IOSH) training for managers, the Learning and Development Programme also provides for IOSH training on working safely and briefing sessions and e-learning tools for specific responsibilities and workplace scenarios.

4.7 Monitoring and Reporting

- 4.7.1 Quarterly reporting to Senior Management Team was verified by review of relevant reports and minutes.
- 4.7.2 Related to this area, issues still remain concerning the role and activity of the Safety Representatives. Despite a report of the Group having been re-formed in mid-2018 with refreshed terms of reference, it has been advised that the poor attendances continued and the meetings subsequently lapsed altogether.
- 4.7.3 While it is recognised that this lapse of meetings does not signify in any way a failure to meet the Council's statutory responsibilities, the matter in question is seen as the perceived value of the Safety Representatives' support role to management and the extent to which that value is enhanced by their acting as a group.

Risk

Valuable insights into health and safety matters 'on the ground' may not be given due consideration by management.

Recommendation

The role and activity of the Safety Representative Groups should be revisited in light of the re-institution of properly attended meetings not proving successful.

4.8 Information Governance

- 4.8.1 The examination briefly considered security levels for AssessNet given that the key information resources are concentrated in that application. There were no governance issues arising.

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 the corporate health and safety management framework are appropriate and are working effectively.
- 5.2 The assurance bands are shown below:

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

- 5.3 Certain areas were found to be under review at the time of the audit and it assumed that they any changes arising will be finalised in due course. The only matters seen as warranting recommendations relate to unresolved issues concerning the Safety Representatives Group and the institution of driver checks/declarations under the Driving for Work Policy.

6 Management Action

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

Richard Barr
Audit and Risk Manager

Appendix A**Action Plan****Internal Audit of Corporate Health and Safety – January 2020**

Report Ref.	Recommendation	Risk	Risk Rating*	Responsible Officer(s)	Management Response	Target Date
4.5.3 (1)	The review of the Driving for Work Policy should be expedited and the final document rolled out to staff as soon as possible.	Staff may not be eligible to drive on Council business.	Low	Head of Health and Community Protection	The driving for work policy is being reviewed and will be consulted upon in due course.	03/20
4.5.3 (2)	Checks on the eligibility of staff to drive on Council business should be undertaken in a uniform manner across the Council with consideration to rolling out the Driver Declaration Form to all staff.		Low	Head of Health and Community Protection / Senior Management Team	The driving for work policy is being reviewed and will be consulted upon in due course.	03/20
4.7.2	The role and activity of the Safety Representative Groups should be revisited in light of the failure to re-institute properly attended meetings.	Valuable insights into health and safety matters 'on the ground' may not be given due consideration by management.	Low	Head of Health and Community Protection / Senior Management Team	A review of the function of the group, its attendees will be undertaken.	03/20

* Risk Ratings are defined as follows:

High Risk: Issue of significant importance requiring urgent attention.

Medium Risk: Issue of moderate importance requiring prompt attention.

Low Risk: Issue of minor importance requiring attention.

INTERNAL AUDIT REPORT

FROM: Audit and Risk Manager

SUBJECT: Council Tax – Recovery and Enforcement

TO: Head of Finance

DATE: 20 February 2020

C.C. Chief Executive
Deputy Chief Executive (AJ)
Exchequer Manager
Revenues and Recovery Manager
Portfolio Holder – Cllr. Hales

1 Introduction

- 1.1 In accordance with the Audit Plan for 2019/20, an examination of the above subject area has been completed recently and this report is intended to present the findings and conclusions for information and action where appropriate.
- 1.2 Wherever possible, results obtained have been discussed with the staff involved in the various procedures examined and their views are incorporated, where appropriate, in any recommendations made. My thanks are extended to all concerned for the help and co-operation received during the audit.

2 Background

- 2.1 Council tax is a local tax based on a what a home would have sold for at a fixed point in time (1 April 1991). These are determined by the Valuation Office Agency (VOA).
- 2.2 Council tax is collected by local councils to help pay for local services. The Council is responsible for setting its budget for the year and determining how much will be met through council tax.
- 2.3 Being a billing authority, the Council sends out bills which include charges ("precepts") set by other authorities in the area, including the County Council, the Police & Crime Commissioner and the various town and parish councils within the district. The Council collects the money on behalf of all of these authorities and pays them their percentage as appropriate. The Civica Open Revenues system is used for processing and administering council tax.
- 2.4 Each dwelling is placed into one of eight bands (A to H) by the VOA, based on its valuation, with all bills being based on a proportion of what is being charged to a Band D property (e.g. Band A bills are 5/9ths of those for Band D, with Band H being 18/9ths of Band D).

- 2.5 At the time of the audit, the total debit raised for 2019/20 stands at close to £123 million. Adjustments for Local Council Tax Reduction, discounts, exemptions, disregards, court costs, etc. brings the brought the amount requiring to be collected to around £102 million.
- 2.6 Total arrears of council tax carried forward into the current year amount to around £3.4 million.

3 **Scope and Objectives of the Audit**

- 3.1 The audit examination was undertaken for the purpose of reporting a level of assurance on adequacy of controls in place to ensure that payment of council tax charges is enforced economically, efficiently and effectively.
- 3.2 The examination comprised a systematic risk-based evaluation of structures and processes in place to:
- recover arrears of council tax;
 - enforce payment through the processes prescribed by legislation; and
 - manage and control the identification and writing off of irrecoverable debts.
- 3.3 The evaluation utilised the CIPFA Matrices module for Recovery and Enforcement. This comprised reviewing and updating the applicable Internal Control Questionnaire from the Matrices and performing the related compliance tests, subject to adaptations and alternative mechanisms where appropriate.
- 3.4 Owing to time constraints, actual testing was performed selectively with the main priority given to the areas where issues were identified in the previous audit covering this module. As such, detailed tests focused on recovery initiation/progression and write-offs combining data analysis with tests on profile samples. Tests specific to the use of bailiffs, recovery suppression and performance management were excluded on this occasion.

4 **Findings**

4.1 **Recommendations from previous report**

- 4.1.1 The previous review of Recovery and Enforcement controls, reported in February 2018, produced the following recommendations.

Recommendation	Management Response	Current Status
Details of the cases checked as part of the write off authorisation process (including the high value authorisations) should be recorded on the batch authorisation sheets.	Agreed – an instruction will be issued to appropriate staff.	This has been re-tested and the findings considered under Section 4.4 below.

Recommendation	Management Response	Current Status
Documentation should be produced and retained to support all debts written off.	Agreed – a reminder will be issued to appropriate staff.	This has been re-tested and the findings considered under Section 4.4 below.

4.2 Procedures and Regulations

4.2.1 An area of commonality between the sub-systems within the CIPFA Matrices is consideration of the adequacy of information resources to ensure layers:

- appropriate up-to-date knowledge of regulations and related guidance
- adherence to correct procedures by staff involved in the processes.

4.2.2 For the former the prime reference is the IRRV Law and Practice Handbook, the most recent edition of which was found to be held both in printed and electronic form in the 2018/19 audit (the same edition is still in use at the time of this audit). The procedural side is served primarily by an official Civica Open Revenues user manual supplemented by training notes that are kept updated as appropriate.

4.3 Recovery Action

4.3.1 As part of year-end processing, reports are produced that detail all of the credits and debits that have been 'rolled over' into the new year records. A test on a sample of records from these reports for the year ended 31st March 2019 confirmed that balances been correctly carried forward.

4.3.2 Analysis of a recent snapshot of current arrears by recovery stage showed the following indicative breakdown:

<u>Stage</u>	<u>Total Current Balance £m</u>
Pre-summons	1.8
Liability Order issued	0.3
Attachment of Earnings (in place and pending)	0.1
Attachment of Benefit/Universal Credit (in place)	0.1
Attachment of Benefit/Universal Credit (pending)	0.4
Referred to Bailiff	1.2
Pre-committal notice	0.5
Other	0.2

4.3.3 Testing was undertaken on a sample of accounts in arrears that have been through the various stages of the recovery process. This confirmed that all relevant stages had been undertaken and there had been no undue delays in the process. Where the cases had gone to court, the summonses had all been issued in a timely manner, all costs included and the cases included on signed 'liability order lists'.

4.3.4 A recent snapshot extract shows approximately 1,100 council tax accounts in arrear currently subject to special instalment arrangements (SPARs) that have been entered into to clear the outstanding debt. These represent a total arrears balance of close to £½ million.

- 4.3.5 In both number and overall balance, these divide fairly evenly between pre-summons and post-court cases. A sample of accounts subject to current SPARs, representing high balance amounts, was examined and testing confirmed that the arrangements had been set up appropriately and complied with. In most cases these were re-constituted following cancellation of previous SPARs, a review of which demonstrated that the cancellations on default and subsequent follow-up action were prompt and effective.
- 4.3.6 Attachments of earnings and state benefit were not specifically tested, although the latter category was discussed briefly with the Senior Recovery Officer. The scale of attachments 'pending' is largely attributed to dependency on the Department for Work and Pensions for setting them up and higher priorities on their part in managing Universal Credit.

4.4 **Write-Offs**

- 4.4.1 Based on totals over the previous five financial years, an average of just over £¼ million of council tax debt is written off annually. The bulk write-off procedure and designation of responsibilities in that regard remain unchanged since previously audited, although recent changes of key post holders are noted.
- 4.4.2 From an analysis of write-off batches executed over the past two years, approximately 55 per cent of the above total is accounted for by cases of the payer absconding and attempts to trace proving fruitless. Other factors that make write-off effectively inevitable (such as where the payer becomes officially bankrupt, is granted a Debt Relief Order or has successfully taken out an Individual Voluntary Arrangement) account collectively for a further 30 per cent.
- 4.4.3 Testing of a sample taken from the above bulk write-off runs verified clear record trails of the write-off transactions and appropriate supporting information to justify them.
- 4.4.4 The supporting information in each case is consolidated into an 'irrecoverable' form generated from the system with additional notes on recovery actions taken and other influencing circumstances. In all sample cases but one, the forms were successfully traced and found to contain appropriate explanations. The one exception stands out as a highly extreme case subject to special scrutiny effectively led by Coventry City Council which also had extreme arrears issues with the liable party over several properties.
- 4.4.5 Some individual write-offs continue to occur outside the bulk runs, but these are few in number and are separately recorded on a cumulative control spreadsheet.
- 4.4.6 Review of the current year spreadsheet showed almost all the individual entries to be reversals of previous debit and credit balance write-offs, subject to one isolated case with special circumstances supported by a duly constituted irrecoverable form. In terms of the second listed recommendation from the previous report (4.1.1 above) the issues involved can be deemed to have been satisfactorily addressed.

- 4.4.7 The remaining recommendation from the previous audit related to the batch authorisation process failing to leave any record to evidence the sample checks made by the Revenues and Recovery Manager and the requisite review and authorisation of cases over £1,500 by the Exchequer Manager.
- 4.4.8 Examination of all subsequent batches of write-offs showed that this had been addressed by the account numbers of the sample items and those over £1,500 now being listed on the authorisation header sheets as part of sign-off by the Revenues and Recovery Manager and Exchequer Manager respectively. Due to preparation and scanning errors, however, the evidence trail was missing in some instances when tested.
- 4.4.9 An inconsistency also emerged from testing in relation to account aggregation when applying the £1,500 threshold. Where the write-off in any account relates to more than one recovery year, the bulk write-off report treats each year's amount as a separate transaction. The inconsistency lies where none of the individual transactions exceed the threshold but the aggregate for the account does.
- 4.4.10 The sample test showed instances where such cases were aggregated and the accounts specifically flagged, but in the majority they were not with the result that aggregate write-offs of up to £2,800 in the test sample were not flagged for authorisation by the Exchequer Manager.

Risk

Transparency and accountability for writing off council tax arrears may be impaired.

Recommendations

- (1) The bulk write-off authorisation sheets should be checked for obvious errors and omissions post-scanning.**
- (2) Application of the threshold over which individual authorisation by the Exchequer Manager is required should be clarified in respect of account aggregation and consistently adhered to.**

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 the applicable council tax functions covered are appropriate and are working effectively.
- 5.2 The assurance bands are shown overleaf:

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

5.3 There are minor issues concerning completeness of information and some inconsistency in application of the approved authorisation process for write-offs.

6 **Management Action**

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

Richard Barr
Audit and Risk Manager

Action Plan

Internal Audit of Council Tax – February 2020

Report Ref.	Recommendation	Risk	Risk Rating*	Responsible Officer(s)	Management Response	Target Date
4.4.10 (1)	The bulk write-off authorisation sheets should be checked for obvious errors and omissions post-scanning.	Transparency and accountability for writing off council tax arrears may be impaired.	Low	Exchequer Manager / Revenues and Recovery Manager	This is part of the process and I will ensure this is done.	Immediate
4.4.10 (2)	Application of the threshold over which individual authorisation by the Exchequer Manager is required should be clarified in respect of account aggregation and consistently adhered to.		Low	Exchequer Manager / Revenues and Recovery Manager	I will ensure that all authorisations in the future include any aggregated accounts that are above the threshold.	Immediate

* Risk Ratings are defined as follows:

High Risk: Issue of significant importance requiring urgent attention.

Medium Risk: Issue of moderate importance requiring prompt attention.

Low Risk: Issue of minor importance requiring attention.

INTERNAL AUDIT REPORT

FROM: Audit and Risk Manager
TO: Head of Development Services
C.C. Chief Executive
Deputy Chief Executive (BH)
Business Manager – Projects and
Economic Development
Business Support Team Manager
Portfolio Holder (Cllr Rhead)

SUBJECT: Events Management
DATE: 31 March 2020

1 Introduction

- 1.1 In accordance with the Audit Plan for 2019/20, 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 action where appropriate.
- 1.2 Wherever possible, findings have been discussed with the staff involved in the procedures examined and their views are incorporated, where appropriate, into the report. My thanks are extended to all concerned for the help and cooperation received during the audit.

2 Background

- 2.1 This is the second audit of Events Management, including Mops and Markets. Over the last few years the Events team have undergone a number of changes, including a restructure and a high turnover of staff.
- 2.2 The Events team organise around 150 events each year, including the Christmas light switch-on in Leamington, Warwick and two in Kenilworth. Liaising with the organisers and local business, they try to achieve a positive impact out of each event. They also manage a number of event-based contracts. The team absorbed the town centre management roles as part of the restructure, providing business support for the local town centres and partnerships within them.
- 2.3 The high turnover of staff has resulted in the remaining staff working extra hours to manage the workload and, as a result, the business support side of the role has been neglected with the events taking priority.
- 2.4 There is very little income for the service as most events are provided at no cost to the organisers, with the Council absorbing any costs incurred from support and other services, including additional bins, grass cutting and staff time. Over the last three years the events budgets have

operated at a loss. However, there are a handful of events where some of the costs incurred are recharged, including the annual mop and runaway mop, the markets, Pub in the Park and Fake Festival.

3 Scope and Objectives of the Audit

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

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

- Policies and procedures
- Contractual agreements and legislation
- Insurance, risk assessments and health and safety
- Income and expenditure
- Staff roles and responsibilities
- Event management
- Business support.

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

- Staff are aware of the processes to follow in order to ensure that the mops/markets/events are appropriately run and managed.
- Events are run appropriately by relevant appointed contractors.
- The Council is protected in the event of the contractors failing.
- The Council meets its legislative requirements with regards to the running of events.
- The Council is aware of the risks in relation to the running of events and has taken steps to address them.
- The Council will not be liable for any claims received that are the responsibility of the event organisers.
- Events are run safely.
- The Council is aware of any potential budget variances.
- All purchases are valid, bona fide and transacted only with the consent of authorised budget holders.
- Goods and services procured are competitively priced, with the procurement processes complying with relevant legislation.
- Only authorised staff are able to use procurement cards held.
- Procurements cards are being used appropriately.
- The Council is not financially disadvantaged for supporting 'commercial' events.
- Customers are aware of the amount they are expected to pay for using the Council's services.
- Income is maximised.
- The Council receives all income that is due.
- The method of income receipting / ticketing is appropriate to the event.
- Staff are aware of their roles and responsibilities.
- Casual staff and volunteers are properly appointed and are only paid for time worked (casual staff).
- Staff working hours when covering events are verified.

- Overtime / hours worked by staff is managed.
- Management are aware of valuable items held on site.
- The facilities in place are used appropriately by the organisers.
- Event timing is managed.
- Event staff and organisers have clear information on their expectations when running events.
- Members of the public are aware of the events, markets and mops within the district.
- Management is aware of how the service is performing.
- Feedback is actively sought and used to develop the service provided.
- Partnerships with other Council services are productive.
- Business Support Officers have strong partnerships within the town centres.
- The events are proactively marketed to local businesses.
- Events have a positive impact on local businesses.
- Events increase the general footfall in town centres.

4 Findings

4.1 Recommendations from Previous Report

- 4.1.1 The current position in respect of the recommendations from the previous audit, undertaken in February 2018, were also reviewed. The current position is as follows:

Recommendation	Management Response	Current Status
1 On completion of the next extension or relet of the two market contracts (whichever is the sooner), procedures should ensure that the both agreements are properly executed and signed originals duly lodged in the Document Store.	This will be completed when it is necessary as determined by the expiry of the current contract.	There is a signed contract in place with CJ's Events. Signed in 2015 for a three-year contract with option to extend for a further two, it has been extended an additional year on top of that. The other market contract with Sketts expired in 2019. The Business Support Team Manager is working with Procurement to go to tender.

Recommendation	Management Response	Current Status
2 A retrospective review of stallholder statistics from the start of the general markets contract should be instituted to determine and recover the shortfall of income to the Council to date.	I will undertake this review in due course to assess if income has been lost, and if appropriate whether it can be retrieved.	This has been carried out and there was no shortfall. In fact, CJ's had been overpaying so the Council reimbursed them approximately £22k. Figures are now assessed on a monthly basis and invoiced accordingly.
3 Measures should be taken to ensure that meetings with the contractor incorporate a review at least six-monthly to set the ongoing monthly instalment amounts to be billed in accordance with the general markets contract.	The meetings already incorporate a review of stallholder numbers, but I will ensure that a record is kept, and that the stallholder numbers is reflected in what we charge the contractor.	The meetings continue to incorporate a review of stall holder numbers. However, the bills are generated on a monthly basis so this recommendation no longer applies.
4 Missing periodic returns on weekly stallholder numbers should be re-requested from the contractor. Procedures should ensure that all returns are submitted promptly by the contractor and retained for reference.	I will ensure that these numbers are kept and updated, and that the evidence of these is kept.	These are all stored on a spreadsheet which is then used to calculate the invoice.
5 Periodic officer spot-checks on stallholder numbers should be undertaken and results logged.	I will ensure that a system is put in place to ensure that spot checks are completed going forward.	Spot checks are completed amongst the team. The number of stall holders are verified against the figures provided by CJ's.

Recommendation	Management Response	Current Status
6 The status of the Operational Agreement as a true 'licence' document should be clarified with the aid of legal advice.	I will speak to legal to assess what the status is of the documents that relate to the Mop.	The status of this remains unknown. It is going to be looked into as it is a charter event and an agreement is in place so the Business Support Team Manager is going to check if the operational agreement can be used as the licence. This will then be confirmed in writing.
7 An update on the management of Mop Fairs should be reported to Members, including deviations from the 2014 Executive resolution.	I will assess any deviations that have been made from the 2014 Executive resolution, and update management.	Completed and no changes to update.
8 Any proposal to extend the opening time beyond 10.00pm on any Mop day in 2018 or 2019 should be submitted for Executive approval.	We have no plans to extend the opening time, but will ensure that the Operator only opens within the set hours.	The Mop closes at 10pm as agreed.
9 Unless formally withdrawn in the meantime, the approved changes to the Mop licence under the 2014 Executive resolution should be revisited as part of the re-letting process for the Operational Agreement covering Mop Fairs in 2020 and beyond.	Any changes that are required to the 2014 Executive resolution will be revisited as part of the re-letting process.	The current Mop agreement runs from 2014–2024 so this recommendation will be considered as part of the re-letting process.
10 Procedures should ensure that the financial security provisions of the Operational Agreement for the Mop Fairs (Clause 12) are complied with and retrievable copies kept of any bonds.	I will address any issues around the deposit or bond by Mop 2018.	The previous method of taking deposits has now been documented. However, a suitable solution needs to be identified to enable future deposits to be collected and returned to the Mop organisers.

Recommendation	Management Response	Current Status
<p>11 The Markets Policy should be revised to:</p> <ul style="list-style-type: none"> • update (or remove) the market operator contact details; • clarify the distinction between notice requirements under Section 37 and the Council rights of prohibition under Food Act 1984; • reinforce the one-month period of notice required under Section 37 and liability to summary conviction for an offence if flouted. 	<p>I will ensure that these points are addressed with regards to the details and distinctions made within the Markets Policy, and correct these where applicable.</p>	<p>Not all of these points have been addressed to date. However, the policy is due for review and all points will be considered and where possible incorporated into it.</p>
<p>12 Appropriate publicity should be initiated for the Markets Policy following revision, including publication on the Council's website.</p>	<p>I will ensure that the marketing of the District's Markets Policy is appropriate.</p>	<p>The current markets policy is available on the Council's website but isn't publicised. The definition of markets within the policy is limited, so other types of market may be unaware of it.</p>
<p>13 An update to the Scheme of Delegation should be sought to the effect that authority to determine applications for markets and exercise the Council's rights of prohibition under Part III of the Food Act 1984 are delegated to the Head Development Services.</p>	<p>I shall seek an update to the Scheme of Delegation.</p>	<p>No formal scheme of delegation could be found. When a new event application is received it is discussed within the team and, if refused, agreement is sought from the Head of Service.</p>

4.2 Policies and Procedures

- 4.2.1 There is a policy in place for markets, fairs and car boot sales. This is available to members of the public through the events page on the Council's website. The policy states relevant legislation, i.e. the Food Act

1984 and Section 37 of the Local Government (Miscellaneous Provisions) Act 1982.

- 4.2.2 The policy identifies a market as “a concourse of buyers and sellers”. This includes markets, car boot sales and fairs of any type e.g. antiques, coins, arts and crafts etc.
- 4.2.3 New markets are required to give notice to the Council at least four weeks before the event. As Warwick Market is a Charter market the Council can refuse permission for any (other) market held within a certain radius on a Saturday (the day the Warwick market is held). However, there is no penalty enforced if notice is not provided and no appeals procedure in place for any markets refused.

Risks

Markets that are refused permission may be held regardless of the decision made.

As there is no appeals process there may be a risk of organisers feeling unfairly treated.

Also see previous recommendation number 11.

Recommendations

A penalty should be established for markets that go ahead without approval.

An appeals process should be established to allow organisers the opportunity to appeal should permission be denied.

- 4.2.4 The markets policy is available on the Council’s webpage but is not advertised, so members of the public and organisers may not realise that the policy could apply to them if they are running a car boot or fair. Checks are not carried out to find unauthorised markets operating within the area.

Risk

Markets may be operating in the district without appropriate authorisation.

Also see previous recommendation number 12.

Recommendation

The markets policy should be publicised appropriately to create awareness of it amongst organisers and venues within the district.

4.3 **Contractual Agreements**

- 4.3.1 There are currently four contracts in place with a fifth due for renewal. The contracts are for the weekly markets and car parking management at the Leamington Bowls, both currently held by CJ's Events, the annual mop fair and runaway mop, held by Wilsons Amusements and Hi-lite who are contracted to store, maintain and install the Kenilworth Christmas Lights. The contract for the seasonal markets was held by Sketts but expired in 2019 so is now due to go out for tender.
- 4.3.2 The contracts for both the Christmas lights and car park management at the bowls national events expire within the next few months so they have already begun to be evaluated to be re-let along with the expired seasonal market contract. as a result, those contracts were only briefly reviewed as part of the audit. A more in-depth review was carried out on the markets and mop contracts.
- 4.3.3 The contract with CJ's Events for the markets was reviewed and it was confirmed that the appropriate documents were held in the document store and these were found to be complete and signed. The contract, which has been in place since February 2015, was for three years with an option to extend a further two. However, an exemption was sought and the contract was extended for an additional year (expiring in January 2021). The contract provides a framework for the running of the markets and a payment schedule.
- 4.3.4 Wilsons Amusements hold the contract for the annual Mop and Runaway Mop fairs. The Mop Fairs review, approved at Executive in September 2014, refers to the conditions of the Mop licence, but only an operational agreement could be found. The agreement was signed in August 2015 and runs for up to ten years with the option to cancel after the initial five. The framework for running the mop is clearly documented within the agreement.

Risk

The operating agreement in place may not be a true licence, so provisions made for the conditions of the licence may not apply.

Also see previous recommendation number 6.

Recommendation

The status of the Operational Agreement as a true licence document should be clarified with legal advice and documented for future reference.

- 4.3.5 Meetings are held frequently with the market operators to discuss any changes or issues arising. There are no KPIs within the contract but plans are in place to ensure they are written into the next contract once an operator has been selected.

- 4.3.6 Meetings are held with the Mop operator a number of times before the mop events and again afterwards. This allows any concerns or issues to be raised and ideas to be circulated.
- 4.3.7 The agreement for the Mop requests that either a bond or deposit of £10,000 should be in place. There is no evidence to show that a bond has ever been received and no deposit has been taken in recent years. After further investigation it was found that, in the earlier years of the agreement, a deposit had been received annually in cheque form, this was then stored in a safe until after the events had completed when it was then destroyed and returned to the operator.

Risk

There may be a risk of contractual agreements not being followed which could leave the Council liable for additional costs.

Also see previous recommendation number 10.

Recommendation

Payment of bonds or deposits specified in contractual agreements should be followed and incorporated into a procedure document for staff to follow in the future.

- 4.3.8 As suggested above, the markets policy restricts other markets within a specific radius from Warwick market (six and two thirds of a mile). This is as the crow flies and includes areas not within the District. The distance was determined historically as part of the Chartered Markets and was said to be how far an ox could walk in one day.
- 4.3.9 Markets within this range are not actively monitored, although the team may occasionally be made aware of others within the District. Any markets outside of the District are not looked at. As stated at 4.2.2 above, markets include all types of fairs and car boot sales, but the team only challenge traditional markets.

Risk

Legislation may not be adhered to correctly or at all.

Recommendations

There should be clarification over the definition of "markets" and staff should be following the legislation as appropriate.

The markets policy should be reviewed and updated accordingly.

4.4 Insurance, Risk Assessments and Health and Safety

- 4.4.1 All event organisers provide risk assessments as part of the booking process. The market and Mop operators are also required to submit

them on an annual basis. The risk assessments are all stored in the relevant event folder on the shared drive and can be accessed by all Events staff.

- 4.4.2 The service area risk register was reviewed and no risks have been identified for the Events team. There are some generic risks listed that could apply to events, such as lone working, but the mitigations and controls in place are more appropriate to the roles of staff who are visiting construction sites so do not apply.

Risk

Events staff roles may not have been considered when reviewing the risk registers.

Recommendation

The role of the Events staff should be considered when reviewing the risk register to ensure appropriate measures are in place to reduce any risks relevant to them.

- 4.4.3 All event organisers are expected to provide their own insurance when carrying out an event and a copy of the insurance in place is requested as part of the application. Both the market and Mop providers have liability insurance in place for £10m. Documents to show the insurance in place for each event is saved in the relevant folder in the shared drive.
- 4.4.4 The Safety Advisory Group (SAG) review the event plans for some of the higher risk events. This allows them to provide advice and feedback and suggest changes where needed. The SAG is made up of various local services such as councils, police and fire services.
- 4.4.5 Site security is set out in the event plan so any concerns can be raised and discussed with the organisers in advance of the event, giving them time to make appropriate changes. Events organised internally, either by the Events team or another service area within the Council, use the Purple Guide to plan the appropriate security measures.
- 4.4.6 Events staff do not use signing-in sheets when working at an event. They are allocated a radio and they text another staff member to let them know they have arrived at the event and text again when they leave.
- 4.4.7 Not all events are staffed by the Events team. Instead a member is available "on call". Event organisers are provided with the contact details of both the staff member on call and the Ranger service. The Rangers have a contact sheet which should enable them to contact the appropriate person should any issues arise.
- 4.4.8 There is no inventory in place for items of value that might be used at events. The only items that the Events team have which are used at

events are the radios used to contact each other, event organisers, security and the CCTV team. There are 18 of them and each one has to be signed in and out. This forms an inventory as each radio can be accounted for.

- 4.4.9 There are no formal terms and conditions in place to provide event organisers with operating guidance when holding events on our land and within our parks and open spaces. There is an events guide / manual being worked on which will serve as an operating manual for both staff and event organisers. (This is covered further in 4.7.3)

4.5 **Income and Expenditure**

- 4.5.1 The budgets have frequently been overspent over the last few years. The Business Support Team Manager (BSTM) has monthly budget meetings with the Assistant Accountant to help keep budgets on track where possible. The Business Manager – Projects and Economic Development has submitted a bid for recurring growth for the Events budgets in the current budget-setting report. One of the main reasons budgets are consistently over spent is down to the fact that no charge is made for supporting the events held. This results in the Council absorbing any costs incurred for services such as additional bin collections, grass cutting, ground protection etc.
- 4.5.2 Purchases are usually made using purchase cards or staff reclaim the cost through the payroll expenses system. Both methods of purchase have appropriate measures in place and checks are carried out to ensure that they are valid purchases. One-off purchases do not happen frequently and are usually for low cost items.
- 4.5.3 A review was carried out of the higher cost spending and suppliers that are frequently used. There are concerns that some suppliers are being used that aren't listed on the contract register and spending with them is over the threshold. The Procurement team confirmed that suppliers need to be on the contract register when spending with them is in excess of £5K. Where spending is over £10K, a formal procurement route needs to be taken. The spending applies to both one-off spending and accumulated spending over three years.
- 4.5.4 The main concerns were with:
- Stadium – for traffic management at both the Leamington and Kenilworth Christmas lights switch on. The spend with them in the current financial year is roughly £12k. The traffic management was for counter terrorism initiatives and was actioned by The Chief Executive using delegated powers.
 - CJ's Events – in addition to the existing contracts, they have been used for various services such as: traffic management, road closures, security, and hire of market stalls. Expenditure with them (over and above the existing contracts) is approximately £51k in the current financial year and c£164k across the last three years. It has been

recognised that not all of the spending is through the events team; it is a mixture of service areas across the Council.

Risk

There may be a breach of the Council's procurement rules.

Recommendations

A formal review of expenditure with suppliers should be undertaken by service managers, with the appropriate procurement practices being followed for all suppliers.

The Procurement team should be contacted immediately to discuss the issues regarding the expenditure with CJ's Events.

- 4.5.5 There are no fees set for the hire of Council land for events. This means that the Council absorbs the costs incurred when managing the majority of events. Fees are set by the Council per stall rental at the Warwick Charter market (£33) and Kenilworth market (£29.25). CJ's Events are paid this directly and the Council receives a percentage from CJ's depending on how many stalls are rented.
- 4.5.6 The market contract requests payment from CJ's on a monthly basis. Checks carried out by the BSTM, to ensure that previously received payments were correct (as recommended in the last audit), showed that CJ's had been overpaying for a number of years. The Council refunded the overpayments totalling c£22k. To prevent this from happening again the BSTM now calculates the income due on a monthly basis. Spot checks are carried out at the markets by the Events team to confirm the number of stall holders match the figures provided.
- 4.5.7 Income is received from two 'new' events, who pay an agreed fee which helps to cover the costs incurred by the Council. Pub in the Park, held in St Nicholas Park, agreed to pay fees on a sliding scale (£10k in year one, £14k in year two, and £18k in year three). Fake Festival, held in Victoria Park, pays £1 for every ticket sold.
- 4.5.8 As suggested previously, the costs incurred in relation to hosting events include fees for grass cutting, rubbish bin provisions and disposal of waste, standpipe installations and water bills. Staff hours are not taken into account when calculating the costs involved in running an event.
- 4.5.9 Income for events cannot be maximised unless there are fees and charges in place for the management of events and use of Council parks and open spaces. Some events may increase the general footfall within the towns but many are located within parks with no need for the attendees to visit the town centre shops.

Risk

There may be a continuous overspend due to the Council not recovering costs incurred when hosting and managing events within the district.

Recommendation

The potential of charging for events should be explored. This will allow the team to maximise their income and reduce the current overspending of budgets. If it is decided to charge, a formal scale of fees and charges should be put in place.

- 4.5.10 For the Mop fairs, Wilsons Amusements are invoiced after the final costs incurred have been calculated. This is paid as a one-off annual sum and covers the cost of waste disposal, traffic management and other items that have needed to be carried out to enable the Mop to take place. It does not include any sums towards the time taken managing or providing staff for the event.
- 4.5.11 An event run last year, in partnership with LEP and WCC, used PayPal to collect payment for tickets and, due to changes in staff within the Events team, it has been difficult to recover the funds. An Internal Audit review of the issues in relation to this has recently been concluded and reported on separately.
- 4.5.12 Eventbrite has been used for the same event this year to sell tickets. It was confirmed that the account administrator is not a Council employee and the Council does not have access to the account. Once the final balances are calculated, all monies for tickets and exhibitors have been collected and all invoices have been paid, any monies owed between the partnership is calculated and agreed. An invoice for any funds owed will be issued to the relevant partner organisation.

4.6 Staff Roles and Responsibilities

- 4.6.1 There has been a high turnover of staff within the Events team over the last few years as well as them undergoing a restructure. Currently, there is one vacancy being recruited for and another only recently filled. The team consists of three Business Support and Events Officers and a Business Support Team Manager.
- 4.6.2 Volunteers are occasionally used to help at events, such as the cycle tours. These tend to be existing Council staff, which ensures that they are covered by the Council's liability insurance. Other than this, volunteers are not used from outside of the organisation.
- 4.6.3 Rotas are not used when staffing events as staff have previously been allocated events to manage themselves. The way events are run is under review and the outcome is more likely to result in the team working together on events and working shifts. This will help to stop the

need for them to work long hours, reducing fatigue, build-up of lieu time and, as a result, reduce sickness within the team.

- 4.6.4 The team do not get paid for overtime; instead they take time off in lieu. This is monitored and signed off by the BSTM. Previously the team have tried to staff most of the events but it has been identified that they are often not needed. The BSTM has begun to change the approach to staffing events by having an on-call role. This allows the team to continue with their day-to-day workload whilst remaining reachable if they are needed.

4.7 **Events Management**

- 4.7.1 Monthly meetings are held with other service areas within the Council. This give the Events team the opportunity to discuss upcoming events and ensure there are no clashes with events planned in the other services. The BSTM is working on a calendar that can be shared with the other services on which all events can be displayed.
- 4.7.2 The team use a spreadsheet to monitor and plan the events within the district. The spreadsheet has various columns which allows the team to monitor the documentation as it comes in and ensure everything has been received before deadlines.
- 4.7.3 A manual for both staff and event organisers is currently being worked on. This has been put together with input from other services areas to ensure the information included is up to date and correct. It incorporates guidelines from the other services, such as Open Spaces where there are various restrictions and guidance in place to help protect the parks. It will also contain relevant information about legislation that might apply.
- 4.7.4 The staff follow a procedure when managing the events, which ensures they request the correct documents when an organiser applies. Each event is evaluated on the level of risk and categorised into a group, from one to three. This then determines what information they require.
- 4.7.5 Events, markets and the Mop are publicised through the 'What's On' guide, social media and the website. Organisers and operators also promote them themselves. Mail shots are circulated to the local businesses and residents for some events, ensuring they are aware of the event and any road closures that may affect them.

4.8 **Feedback, Reporting and Development**

- 4.8.1 The Service Area Plan for Development Services was reviewed and it was identified that there are no measures included for Business Support and Events. This makes monitoring difficult as there are no KPIs to work towards, improve or maintain.

Advisory

The Head of Development Services should consider including measures in the Service Area Plan for the Business Support and Events team.

- 4.8.2 There are no KPIs included in the contracts for the markets or Mop so comparisons and monitoring is ineffective. This is something that the BSTM is working on to add into the contracts as they expire and are replaced.
- 4.8.3 Feedback is not actively sought from event organisers or providers of the markets and Mop although general feedback might be received at meetings with the market providers regarding changes to layouts. Event organisers and the Mop provider discuss any issues or may suggest changes before events but this is often received too late to be implemented.
- 4.8.4 Feedback from members of the public is not actively sought. Event organisers might request feedback but this isn't passed back to the team. Some feedback is gained through complaints about events or comments made on social media. Social media listening is used on Twitter to pick up comments and tweets about the Council and local events, with any comments picked up being passed to the Events team to give them the opportunity to respond.
- 4.8.5 Members of the public tend to contact the Council to complain about events because they effect residential areas and disrupt the traffic and parking within the towns. Although not all complaints can be resolved, the team try to accommodate them where possible. One example of this was where complaints had been received about the volume of the music at the Pub in the Park event on the first night. The event organisers were notified and the music volume was reduced on the second night.
- 4.8.6 As feedback isn't actively sought, the only comments received are usually complaints. Without feedback there is little information available to inform the Council how successful an event has been, if people have enjoyed it, and if the local businesses have benefited from it.

Advisory

It could be beneficial to gain feedback in respect of some of the events run. This would help to show where changes could be implemented and to ensure the events we host have a positive impact within the district.

4.9 Business Support

- 4.9.1 The business support side of the role has been neglected over the last few years, partly due to lack of resources. The number of events managed have increased and there has been a high turnover of staff. Town centre partnerships are no longer maintained in the same way as

they were previously and town centres do not have a dedicated staff member as a point of contact. The Events team do work with BID, LEP and the Chamber of Trade, as well as meeting with the Town Councils to discuss upcoming events.

- 4.9.2 Local businesses are included in mail shots when there is an event local to them to encourage them to get involved and to provide them with information about the event. In some cases, they are also asked to contribute to events, such as the Christmas lights.
- 4.9.3 Where events are smaller in scale and will effect only a small number of businesses, face to face meetings may be held. This has been the case for the Covent Garden market and the men's cycle tour (Tour of Britain).
- 4.9.4 The impact the events have on the local business is not measured. Discussions with the local businesses may obtain this information but at present this is not actively carried out.
- 4.9.5 The economic impact of individual events is assessed but only at the location of the event. The assessment doesn't include any impact to existing businesses in the areas.

Advisory

The Events team could arrange to have discussions with local businesses after events have ended. This would allow the impact of the events to be reviewed. These discussions would enable the events team to ensure the events were having a positive impact on the local economy.

5 Summary & Conclusion

- 5.1 Following our review, we are able to give a MODERATE degree of assurance that the systems and controls that are currently in place in respect of Events Management are appropriate and are working effectively.
- 5.2 The assurance bands are shown below:

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

- 5.3 There were issues, however, identified during the course of the audit relating to:
- Lack of penalty in place to prevent markets going ahead without approval.
 - Lack of appeals process for markets.
 - Lack of public awareness of the markets policy.
 - The Mop operational agreement in place may not be a true licence.
 - Failure to follow contractual agreements.
 - Failure to follow legislation for the Charter Market.
 - Events staff not being included in the risk registers.
 - Breaching procurement rules.
 - The risk of continuous overspend due to lack of income.
- 5.4 Advisories were identified relating to:
- No measures included in the service area plan.
 - Lack of feedback sought regarding events within the district.
 - The impact on local businesses not being reviewed.
- 5.5 It should be noted that, of the above recommendations, four were also recommendations in the previous audit.
- 6 **Management Action**
- 6.1 The recommendation above is reproduced in the attached Action Plan (Appendix A) for management attention.

Richard Barr
Audit and Risk Manager

Action Plan
Events Management – March 2020

Report Ref.	Recommendation	Risk	Risk Rating*	Responsible Officer(s)	Management Response	Target Date
4.2.3	A penalty should be established for markets that go ahead without approval.	Markets that are refused permission may be held regardless of the decision made. Also see previous recommendation number 11.	Low	Marcus Ferguson	This will form part of a bigger piece of work that is going on to rejuvenate the markets. The Market policy and the pricing structure are all being looked at. As part of that review, and in light of emerging CV-19 plans to restart the markets and events once it is appropriate to do so, we will consider the merits of a penalty for markets operating without permission.	December 2020
4.2.3	An appeals process should be established to allow organisers the opportunity to appeal should permission be denied.	As there is no appeals process there may be a risk of organisers feeling unfairly treated.	Low	Marcus Ferguson	Part of the same piece of work mentioned above. The whole process of new markets needs looked at and the practicalities of this recommendation will be considered in light of the overall markets review.	December 2020

Report Ref.	Recommendation	Risk	Risk Rating*	Responsible Officer(s)	Management Response	Target Date
4.2.4	The markets policy should be publicised appropriately to create awareness of it amongst organisers and venues within the district.	Markets may be operating in the district without appropriate authorisation. Also see previous recommendation number 12.	Low	Marcus Ferguson	The Business Support & Events pages on the website are being reviewed and improved. We have already started benchmarking with other councils. This work is already underway and will form part of the overall Departmental and Council wide restart of events and markets post the current CV-19 crisis.	December 2020
4.3.4	The status of the Operational Agreement as a true licence document should be clarified with legal advice and documented for future reference.	The operating agreement in place may not be a true licence, so provisions made for the conditions of the licence may not apply. Also see previous recommendation number 6.	Low	Marcus Ferguson	This is a long-standing issue and as part of this report, the Team Manager will ensure sure that this is looked over by our legal team and not just taken as a given.	September 2020
4.3.7	Payment of bonds or deposits specified in contractual agreements should be followed and incorporated into a procedure document for future staff to follow.	There may be a risk of contractual agreements not being followed which could leave the Council liable for additional costs. Also see previous recommendation number 10.	Medium	Marcus Ferguson	This process does need to be re-enforced and implemented. This may be as simple as taking a cheque and holding it in our safe until the mop is finished and then returning it or cashing it depending on any damages. The BSE Team Manager will discuss this with our legal team.	October 2020

Report Ref.	Recommendation	Risk	Risk Rating*	Responsible Officer(s)	Management Response	Target Date
4.3.9	There should be clarification over the definition of "markets" and staff should be following the legislation as appropriate.	Legislation may not be adhered to correctly or at all.	Low	Marcus Ferguson	This will be looked at as part of the market policy and a map of the chartered area will be produced so that we can look at the area covered and if there are any markets taking place. Other councils that are affected by this charter will be contacted to make sure they are aware of the area covered.	December 2020
	The markets policy should be reviewed and updated accordingly.					
4.4.2	The role of the Events staff should be considered when reviewing the risk register to ensure appropriate measures are in place to reduce any risks relevant to them.	Events staff roles may not have been considered when reviewing the risk registers.	Low	Martin O'Neill	The risk register is reviewed regularly and this will be raised as a risk and monitored going forward.	Immediate and ongoing.
4.5.4	A formal review of expenditure with suppliers should be undertaken by service managers, with the appropriate procurement practices being followed for all suppliers.	There may be a breach of procurement rules.	Medium	Marcus Ferguson	Business Support and Events Team Manager has already looked into the current and historic expenditure with suppliers and made some improvements. This work will be ongoing and continued close monitoring with the Procurement Team will take place. It is recognised that this issue does not lie solely with events and markets.	January 2021

Report Ref.	Recommendation	Risk	Risk Rating*	Responsible Officer(s)	Management Response	Target Date
	The Procurement team should be contacted immediately to discuss the issues over the expenditure with CJ's Events.		Medium	Marcus Ferguson	I have already spoken to Procurement and we are looking at ways that this element can either be included in an existing contract or the creation of a new contract to go out for tender.	Ongoing
4.5.9	The potential of charging for events should be explored. This will allow the team to maximise their income and reduce the current overspending of budgets. If it is decided to charge, a formal scale of fees and charges should be put in place.	There may be a continuous overspend due to the Council not recovering costs incurred when hosting and managing events within the district.	Low	Marcus Ferguson / Martin O'Neill	This is already underway through conversations with the Portfolio Holder. We are doing research on other councils and what they do and don't charge for and how much they charge. We are also listing the events we have and what it currently costs the council to put on. Current year budgets have been uplifted to reflect the actual costs of events and markets as they stand but it is recognised that the service area should look to maximise income and reduce expenditure for the Council going forward.	November 2020

* Risk Ratings are defined as follows:

High Risk: Issue of significant importance requiring urgent attention.

Medium Risk: Issue of moderate importance requiring prompt attention.

Low Risk: Issue of minor importance requiring attention.

INTERNAL AUDIT REPORT

FROM: Audit and Risk Manager

SUBJECT: Financial Strategy, Planning
& Budgetary Control

TO: Head of Finance

DATE: 31 March 2020

C.C. Chief Executive
Deputy Chief Executive (AJ)
Strategic Finance Manager
Portfolio Holder (Cllr Hales)

1 **Introduction**

- 1.1 In accordance with the Audit Plan for 2019/20, an examination of the above subject area has recently been completed by Ian Davy, Principal 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 Previous audits have reviewed these topics separately. However, following the last audits, undertaken in August and September 2016, it was decided that the audits should be combined to provide a general overview of the short and medium term budgeting processes.
- 2.2 The Medium Term Financial Strategy (MTFS) details the general fund revenue statement forecast for a rolling five-year period. The MTFS identifies if additional revenue savings or income are required with the objective of achieving a financially-balanced general fund.
- 2.3 Financial planning processes should ensure that financial resources are allocated to the identified priorities of the Council, including both mandatory and discretionary services, whilst budgetary control processes should ensure that actual income and expenditure is in line with those plans, checking that spending limits are not exceeded with financial adjustments being made to keep spending within approved budgets.

3 **Scope and Objectives of the Audit**

- 3.1 The audit was undertaken to test the management and financial controls in place.
- 3.2 In terms of scope, the audit covered the following areas:

- Medium Term Financial Strategy
- Budget planning and control.

3.3 The control objectives examined were:

- The Council's Medium Term Financial Strategy (MTFS) reflects the agreed corporate priorities.
- Changes to priorities are reflected in the MTFS
- The Council's financial strategy has been approved by appropriate staff and Members
- The MTFS is based on sound figures and reflects all relevant (known) factors
- The Council is able to make decisions based on the most accurate and up-to-date figures available
- The Council can be confident that the 'formal' MTFS record is accurate and available when needed
- Formally approved budgets are set each year, taking into account all relevant income and expenditure
- All budget adjustments (including virements) are authorised
- The financial management system accurately reflects the agreed budgets
- Budgets are allocated to named individuals
- Budgets are adequately monitored
- The budget position is regularly reported
- Appropriate financial reserves are maintained in line with assessed risks.

4 Findings

4.1 Recommendations from Previous Reports

- 4.1.1 The current position in respect of the recommendations from the audits reported in August 2016 (Financial Planning and Budgetary Control) and September 2016 (MTFS) were also reviewed. The current position is as follows:

Recommendation	Management Response	Current Status
Financial Planning and Budgetary Control		
1 The Senior Management Team should identify staff requiring budgetary control training, taking account of future staff changes, so that the control environment for budgetary monitoring and control is maintained.	Training of Budget Managers will be mentioned quarterly in reports to SMT. Refresher training for existing managers and training for new budget holders will be offered periodically.	The Strategic Finance Manager advised that 'Managing Your Cost Centre' training is now available and is included in the Learning Directory. However, this is not compulsory and the March 2020 session was cancelled as there were no staff booked to attend.

Recommendation	Management Response	Current Status
<p>2 Consideration should be given to amending the limits set within the Code of Financial Practice in relation to housing capital improvement and renewal. Suggested limits are £500,000 in any one year, and £150,000 for each request per scheme, subject to the appropriate funding being in place.</p>	<p>This will be considered within the next review of the Code of Financial Practice.</p>	<p>The Code of Financial Practice in place is from before the previous review and, as such, does not reflect the recommended limits. However, the SFM advised that there is a flexibility to move funds between (housing capital) schemes, as long as the total amount of funding remains the same. It may, therefore, be relevant to review whether a limit on these 'transactions' remains relevant.</p>
Medium Term Financial Statement		
<p>3 The political, economic, social and technological environment should be surveyed routinely for their impact on the MTFS.</p>	<p>The MTFS is a living document, fed from many sources, including the Significant Business Risk Register, where the consideration of such aspects are considered. Following such consideration, if there are any issues that need to be included within the MTFS with reasonable certainty, these are duly factored in. To create a new process/routine is not necessary. MTFS updated regularly on an on-going basis. MTFS is reported periodically as part of Budget Monitoring arrangements, notably when significant changes have been newly included.</p>	<p>The current review has confirmed that this is a 'living document' with various different versions being created over the course of the year to factor in changes identified.</p>
<p>4 The results should be categorised as Certain, Probable or Possible with the first two categories assessed for their financial impact on the MTFS.</p>		
<p>5 The frequency of updating to the MTFS should be monthly to align with the revenue budget monitoring arrangements.</p>		

Recommendation	Management Response	Current Status
6 The MTFS should be prepared such that it groups recurring developments, limited growth, savings and items funded from reserves by service area by year.	This will only be practicable for the MTFS presented as part of the February Budget report and Budget Book due to the MTFS being a living document with all changes forming part of the full audit trail.	The appendices to the February Budget Report were found to split out developments into recurring, non-recurring and those funded by reserves as recommended.
7 A reconciliation of the 2017/18 to 2020/21 revenue savings/additional income per the FFF change programme report should be made with the MTFS for the same period and the MTFS updated accordingly.	MTSF is a living document. It has been updated to include the Summer 2016 Executive update, and is also informed from other supplementary sources of information.	As above, this review has found the MTFS to be under continuous review with updates performed as and when considered necessary.

- 4.1.2 It is considered by Internal Audit that the two recommendations from the previous audit of Financial Planning and Budgetary Control require further consideration.

Risk

Managers may be unaware of their budget management responsibilities.

Recommendation

The 'Managing Your Cost Centre' course should be made mandatory for new budget managers with consideration being given to running this as refresher training for existing budget managers.

Risk

Limits stated in the Code of Financial Practice in relation to (Housing) capital expenditure may not be appropriate.

Recommendation

Limits relating to capital expenditure set out in the Code of Financial Practice should be reviewed to ensure that they remain relevant.

4.2 Medium Term Financial Strategy

- 4.2.1 The Strategic Finance Manager (SFM) advised that the MTFS is a rolling document, with new columns being added / old ones removed each year as opposed to 'setting' a new MTFS.

- 4.2.2 There were two different versions of the MTFS available on the Finance Common network drive at the time of audit testing showing the latest position, with the different versions reflecting the possibilities of the council tax referendum being won or lost.
- 4.2.3 The SFM advised that he has access to Executive reports and other relevant committee and management reports, so keeps up to date with any relevant changes to Council priorities. He also suggested that the Head of Finance provides summaries of outcomes following meetings that he has attended.
- 4.2.4 Without reviewing all individual committee / SMT reports, it was not possible to identify all relevant changes that may have budget implications. However, upon review of the MTFS spreadsheets, a number of items were identified that had recently been approved by Executive, so it is clear that items are being included as appropriate.
- 4.2.5 One issue noted was that the Climate Change Director post was only included in the 'Loss' version of the spreadsheet. The SFM advised that this was because, at the time of that version, the intention was that the post (along with other costs, such as holding the referendum) would have been paid for out of the Climate Emergency reserve that was to be established, with specific funds being drawn down as and when required and it did not, therefore, have an entry of its own. However, the SFM advised that, subsequent to the production of these spreadsheets, the decision was taken that these would be paid for outside of the reserve, as they were decisions taken before the result was to be known.
- 4.2.6 The latest version of the MTFS has been reported to, and noted by, Executive (12 February 2020) and subsequently to Council (26 February 2020). The SFM advised that Members would also be given updates as part of other reports whenever any significant amendments were being made to the MTFS.
- 4.2.7 He suggested that the latest example was as part of the Fit for the Future Strategy change in July 2019. Upon review of the report to Executive, it was confirmed that a relevant update was provided.
- 4.2.8 The SFM advised that Accountancy staff work alongside departments in relation to significant projects / major contracts to ensure that all relevant costs are taken into account (e.g. leisure centres, waste contract, HQ development etc.). Management meetings undertaken throughout the year also include consideration of growth items that need to be factored in.
- 4.2.9 Other external factors, such as inflation on major contracts, pay awards and Council Tax legislation would be taken into account, with these being initially built in with nominal / estimated percentages and then firmed up when known. The amount of Government grants (e.g. New Homes Bonus) would also be estimated as confirmation of these amounts have historically been received late.
- 4.2.10 The SFM confirmed that monthly budget monitoring is undertaken by Accountancy staff with each relevant budget manager which may identify (one-off or recurring) items that may affect the MTFS. Following these

reviews, a 'Budget Changes to Action' spreadsheet is populated (see further budget monitoring details in 4.3 below).

- 4.2.11 Growth projects are factored in to the MTFS scenarios as required and there are also reviews of items included within the Equipment Renewal Reserve to identify if everything is still needed, with this information being shared with the 'asset owners' for them to provide updates as required. Similarly, earmarked reserves will be reviewed to ascertain if they are still required.
- 4.2.12 The SFM highlighted that the savings in relation to the HQ relocation project had initially been slipped and then removed from the MTFS due to the ongoing uncertainty of when / if this would go ahead.
- 4.2.13 The SFM advised that the main review of the MTFS is undertaken in time for the February budget setting report. Outside of this 'formal' timescale, there will be various, ad-hoc, reviews by CMT, depending on when significant developments have taken place.
- 4.2.14 As highlighted above, the document goes through various different iterations during the year and takes into account different scenarios (e.g. v2 & v3 both have versions that factor in no office (HQ) savings, v5 has an alternate version that factors in major contracts changes, and v11 has versions that factor in the potential for winning or losing the council tax referendum).
- 4.2.15 The SFM advised that only himself or the Head of Finance should amend the spreadsheets, although they are not protected to stop others from changing them. Version control is maintained, with each version being given a version number and date.

Advisory

Consideration should be given to implementing password protection on the MTFS spreadsheets.

- 4.2.16 The SFM confirmed that the maintenance of the MTFS is part of his job description and this was confirmed upon review. There are also specific references to responsibilities for financial strategy within the Code of Financial Practice, with the majority of the process being enshrined in 'general' budget management and control principles that are detailed within the document.

4.3 Budget Planning & Control

- 4.3.1 The SFM advised that the main driver of the budget cycle is the Council Tax billing run timetable. As such, the budget needs to be agreed in February each year. Upon review, it was confirmed that the budget had been reported to Executive on 12 February 2020 and subsequently passed to, and approved by Council on 26 February 2020 (as per the MTFS as highlighted above).
- 4.3.2 Departmental and corporate risk registers include reference to budgetary and financial strategy risks as appropriate. Executive reports, including the base budget report and the budget setting report (including the associated Financial Strategy document), make reference to the various factors that have been considered in relation to the setting of the budget.

- 4.3.3 As with any other report, an assessments of risks is incorporated into the budget setting report to Executive (section 6), covering the issues that may affect the budget as proposed within the report. A separate appendix is also included with the budget setting report, covering the risks affecting the level of the general fund balance (appendix 4).
- 4.3.4 The budget book is very detailed, showing all relevant budgets in place and includes summary information on sources of income and areas of expenditure in graph form. The top level details from the budget book (i.e. General Fund total budget and the capital budget) were checked to the opening budgets on TOTAL and these were found to agree.
- 4.3.5 Further testing was also undertaken on a sample of cost centres to ensure that the budget on TOTAL agreed to the figure in the budget book and no issues were identified.
- 4.3.6 The SFM advised that reports are prepared for both SMT (monthly) and Executive (quarterly) to show the current budget position, including any significant variances and amendments.
- 4.3.7 Upon review of the SMT reports on the intranet, reports could only be found for July, September and November, with the final accounts report in March. For the August and October meetings, minutes confirmed that reports had been circulated and discussed as appropriate.
- 4.3.8 The SFM advised that SMT do not receive monthly reports before the end of the first quarter, with variances being reported in the budget setting reports (where revised current year budgets are presented), and from December because focus shifts towards the setting of the new budget with variances (identified during closedown meetings between the budget holders and the Assistant Accountants) being reported in the final accounts report.
- 4.3.9 Reports to Executive were found for the first two quarters of the 2019/20 financial year with the budget setting report (February) showing changes from the predicted outturn figure included within the base budget report.
- 4.3.10 Where money is to be moved between budgets (either to a different part of the same cost centre, or between budgets), a virement is undertaken. Testing was undertaken on a sample of virements performed to ensure that they had been processed appropriately, based on supporting documentation attached to the system.
- 4.3.11 Testing proved largely satisfactory. It was noted, however, that one virement appeared to be between different cost centres although the supporting paperwork suggested that the funds should have moved within the same one. This virement was subsequently reversed, although this appeared to be down to the original need no longer being present as opposed to the error being identified. Supporting paperwork was also not on the system for another virement that had been processed. However, when this transaction was queried with the relevant Assistant Accountant, he located the original paperwork and attached it to the system accordingly. Whilst these two

isolated errors do not warrant a formal recommendation, these need to be noted so that staff are aware that they should double-check their work.

- 4.3.12 The budget working papers are held on the shared network drive so that relevant budget holders can access them accordingly. They are broken down by service area, with a separate folder and spreadsheet for each budget holder (covering all of their relevant cost centres).
- 4.3.13 Testing was undertaken on a sample of budgets to ensure that working papers were in place and had been signed off by the budget holder. Budget working papers were found for each relevant budget holder, with these being signed off as appropriate. In two instances, the declarations had been completed by the new post holder as opposed to the person originally named.
- 4.3.14 Due to time constraints and the changed circumstances due to COVID-19, specific discussions were not held with budget holders. Other audits generally cover budget monitoring of the specific budget areas, with discussions with those budgets holders being held. However, as part of this audit, the SFM provided an overview of the process from the Accountancy perspective.
- 4.3.15 He advised that the level of commitment is varied across the Council. This might be, in part, due to the fact that not all those who have budget management responsibilities would necessarily have this as part of job descriptions.
- 4.3.16 One recent example of the varied level of commitment was highlighted in relation to the closedown meetings that had been held, with some 18 of the (approximately) 70 budget holders not being booked onto the sessions, including up to SMT level. This was a large increase on the previous year (following the previous closedown issues) where only two budget holders did not attend a session. The SFM advised that the Head of Finance was due to raise this issue at SMT but this has been impacted by the COVID-19 pandemic.
- 4.3.17 The level of reserves held and the reason for each of them is reported to Executive as part of the budget setting process. The risk section in the Executive report highlights current risks in relation to the reserves held, including the current need to replenish those that are forecast to be over-committed in the coming years.

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 Financial Strategy, Planning & Budgetary Control are appropriate and are working effectively.
- 5.2 The assurance bands are shown below:

Level of Assurance	Definition
Substantial Assurance	There is a sound system of control in place and compliance with the key controls.

Level of Assurance	Definition
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 Just two issues were identified warranting recommendations although both of these were considered minor:

- Not all budget managers are attending relevant training sessions.
- Limits set within the Code of Financial Practice in relation to housing capital may not be relevant.

5.4 A further 'issue' was also identified where an advisory note has been reported. In this instance, no formal recommendation is thought to be warranted as there is little to no risk if the action is not taken. If the change is made, however, the existing control framework will be enhanced:

- Password protection for the MTFS spreadsheets could be considered.

6 **Management Action**

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

Richard Barr
Audit and Risk Manager

Action Plan

Internal Audit of Financial Strategy, Planning & Budgetary Control – March 2020

Report Ref.	Recommendation	Risk	Risk Rating*	Responsible Officer(s)	Management Response	Target Date
4.1.2	The 'Managing Your Cost Centre' course should be made mandatory for new budget managers with consideration being given to running this as refresher training for existing budget managers.	Managers may be unaware of their budget management responsibilities.	Medium	Strategic Finance Manager & HR staff	The Strategic Finance Manager will liaise with HR to ascertain how to make the course mandatory for new starters with budget management responsibility.	March 2021
4.1.2	Limits relating to capital expenditure set out in the Code of Financial Practice should be reviewed to ensure that they remain relevant.	Limits stated in the Code of Financial Practice in relation to (Housing) capital expenditure may not be appropriate.	Low	Strategic Finance Manager & Principal Accountant (Capital & Treasury)	Capital limits will be reviewed to ensure appropriate delegations are set to allow the HIP to support the needs of the service within the agreed total budget.	August 2020

* Risk Ratings are defined as follows:

High Risk: Issue of significant importance requiring urgent attention.

Medium Risk: Issue of moderate importance requiring prompt attention.

Low Risk: Issue of minor importance requiring attention.

INTERNAL AUDIT REPORT

FROM: Audit and Risk Manager

SUBJECT: Housing Stock Asset Management

TO: Head of Housing Services

DATE: 31 March 2020

C.C. Chief Executive
Deputy Chief Executive (BH)
Head of Finance
Head of Assets
Compliance Manager
Housing Strategy & Development Manager
Portfolio Holder (Cllr Matecki)

1 Introduction

- 1.1 In accordance with the Audit Plan for 2019/20, an examination of the above subject area has recently been completed by Ian Davy, Principal Internal Auditor, and this report presents the findings and conclusions for information and, where appropriate, action.
- 1.2 Due to the current COVID 19 pandemic, the completion of the audit was slightly delayed and it was not possible to fully complete all tests as originally envisaged when the audit was scoped. However, sufficient information has been obtained to allow for the audit to be completed and a conclusion to be reached in terms of the assurance level given. There will also be some findings included that may have been already actioned due to the passage of time but the report shows the position at the time of testing and management responses to the associated recommendations will reflect any subsequent action that may have been taken to address the situation as appropriate.
- 1.3 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, especially in the current working environment.

2 Background

- 2.1 Housing is, for the majority of people, one of the most important aspects of life alongside employment and family. It is something that is heavily reported on as demand for affordable properties is always high. The shortage of supply and measures to deal with the problem impacts on local authorities as one of the main providers of relatively low rent properties.

- 2.2 As such, there is a need for strategic management of the Council's housing stock to ensure that best use is made of the current properties and that there are plans for the acquisition of more properties, with those properties built or acquired being suitable. Additionally, there is a need to take account of the effects of legislation and other emerging issues (e.g. cladding following the tragic fire at Grenfell Tower).

3 Scope and Objectives of the Audit

- 3.1 The audit was undertaken to test the management and financial controls in place.
- 3.2 In terms of scope, the audit covered the following areas:
- Asset management strategy
 - Stock condition and capital programme
 - New dwelling standards
 - Record maintenance.
- 3.3 The control objectives examined were:
- The Council has a clear direction for the use of its built (housing) assets
 - Financial information system
 - The Council makes best use of available funds in terms of the maintenance of housing stock
 - New housing stock is fit for purpose
 - Asset management plans are driven by up-to-date information.
- 3.4 As suggested above, some specific tests were not performed as it was not possible to complete them due to the COVID 19 pandemic (e.g. staff having other priorities).

4 Findings

4.1 Recommendations from Previous Report

- 4.1.1 The previous audit, undertaken in March 2016, was the first audit of this subject and set out a 'position statement' as opposed to covering specific tests. As such, no recommendations were made.

4.2 Asset Management Strategy

- 4.2.1 An Asset Management Strategy (AMS) is in place, covering all Council-owned land and buildings (i.e. not just housing properties). This was presented to, and approved by, Executive on 13 November 2019, with the covering report highlighting approval by senior management staff.
- 4.2.2 In terms of reviewing and updating the strategy, The Head of Assets (HOA) highlighted that the strategy covers a four-year period but the action plan is reviewed annually and would pick up any changes to regulations. If these were compliance-related they would be followed up by the Compliance and Delivery Group, which is a sub group of the Asset Steering Group.

- 4.2.3 The AMS is only designed to be a high-level strategy. However, individual asset plans, like the Housing Business Plan and commercial strategy would deal in more detail based on AMS principles, although the climate change agenda was specifically allowed for in the strategy as the Council had declared the climate emergency by the time that the AMS was put in place.
- 4.2.4 The AMS makes specific reference to the Council's business strategy, commercial strategy, Medium Term Financial Strategy and 'others as appropriate'. It also includes a table showing how it impacts on the different strands of the Fit for the Future strategy.
- 4.2.5 It also makes reference to the Housing Business Plan in terms of resourcing and the evaluation of assets (categorisation). Queries were raised with the Housing Strategy & Development Manager along with a request for the latest version of the HRA (Housing Revenue Account) business plan but, due to the COVID 19 pandemic, a full response was not obtained as she was awaiting responses from another member of staff whose priorities were, understandably, elsewhere.
- 4.2.6 However, issues had been raised by the Principal Accountant – Housing & Property Services (PA) over the plan who flagged that a report to update the plan (which was due to be reported to Executive) had been withdrawn a couple of times. Whilst the current pandemic will have delayed recent submissions, the 'issues' predates this and, as such, a recommendation is included below (see 4.3.8 & 9).
- 4.2.7 As suggested above, there is an action plan in place for the AMS, although there is only one action relevant to the HRA (housing) stock, regarding the need for the stock condition data to remain up to date. This is shown as an ongoing process.
- 4.2.8 An Asset Steering Group is in place which is chaired by the Deputy Chief Executive (BH) and includes SMT and relevant staff from Assets and Housing Services. The HOA advised that minutes are taken, with all documentation currently being held in network folders. However, the Compliance Manager (CM) is developing an intranet page for the group to include a repository for all relevant documentation.
- 4.2.9 Attempts to locate the documentation during the course of the audit were hampered by the COVID 19 pandemic, although the HOA managed to pull some documentation together, including a draft Terms of Reference and copies of minutes and agendas although he was unsure whether this was a complete record. As work is already planned to bring all relevant documentation together (albeit delayed), no recommendation is thought to be warranted.
- 4.3 **Stock Condition & Capital Programme**
- 4.3.1 The last (full) stock condition survey was undertaken in September 2016. The CM advised that this was undertaken using a 'one time use' piece of software.
- 4.3.2 He highlighted that the aim is that assets are to be surveyed on a five-year rolling basis. These could be undertaken as part of 'standard' visits to

properties by Surveyors once new software is available. This is expected to be obtained as part of the next procurement of Active H, with relevant modules being in place so that Surveyors can update the details whilst on site. Reports would then be run to identify properties that have not had any such visits and are due their cyclical survey.

- 4.3.3 The Data Coordinator (DC) confirmed that the planned works on the Housing Improvement Plans (HIP) are driven by the stock condition data. Reports are generated from the Active H system that show those properties for which the relevant attribute (e.g. kitchen / bathroom) is classed as poor or very poor.
- 4.3.4 The CM advised that the reports will be shared with the Surveyors and then the contractor to validate (e.g. to ensure that there are no properties that are no longer relevant due to unrecorded works etc.). The CM had also put together briefing notes for relevant staff (to enable them to answer questions from tenants) which set out how the system is used and can be interrogated to identify whether properties were included in plans or whether data needed to be further checked.
- 4.3.5 The CM highlighted that the agreement of works with Housing Services is generally at the 'criteria' stage (i.e. what type of properties are included in the planned work) as opposed to information on which specific properties are going to be covered, with their main interest being on the volume of properties being covered and the approximate cost.
- 4.3.6 He advised that this had been discussed at a meeting with the Head of Housing Services, the Service Manager (Landlord Services) and the PA. A HIP finance sheet was put together that summarised the indicative costs for the intended works, with these figures going forward to the HIP report presented as part of the budget setting reports to Executive and Council.
- 4.3.7 The PA gave an overview of the agreement of the different funding streams (i.e. both revenue and capital) that are in place for the maintenance of housing stock and the acquisition of further properties.
- 4.3.8 She expressed concern over the funds available in light of a number of different factors, namely the new housing developments, fire safety and climate emergency works and the potential impact of reduced rental income due to the current COVID 19 pandemic. Specific concern was over the split of funding between the HRA and general fund budgets and the ability (or otherwise) of the Council to pay back the self-financing debt in line with the original business plan.
- 4.3.9 The changes being undertaken have led to the HRA business plan update reports to Executive being delayed.

Risk

The demands placed on housing expenditure may not be affordable within the current financial framework set out within the HRA Business plan.

Recommendation

The HRA Business Plan should be reviewed as soon as practical with a report subsequently being presented to Executive.

Regular updates should subsequently be reported to cover any changes to the plan. This should be at least annually, but more frequently depending on circumstances (e.g. changes to numbers of housing stock where this impacts the plan).

4.4 New Dwelling Standards

- 4.4.1 The CM advised that, at present, there is no formal process in place for identifying new stock acquisitions but, due to the limited number, Assets are generally aware through regular communication channels, which include a 'housing stock management meeting'. As numbers are likely to rise, it is suggested that this communication might need to be formalised.

Advisory

A standard agenda item could be considered (for the housing stock management meetings) to formally advise Assets of when new properties are acquired.

- 4.4.2 A new 'Development Design, Space Standards & Specification' document has been drawn up by the Housing Development Officer, with comments from a Site Delivery Officer in Development Services and the Technical Manager (TM).
- 4.4.3 The CM suggested that this would be used for new builds that were being specified by the Council, but is not appropriate for those being obtained through other means (e.g. affordable housing being built by developers and offered to the Council for purchase). However, in these instances, contingency funds are included in the amounts being agreed to allow the properties to be brought up to relevant specifications.
- 4.4.4 The TM outlined the handover process and the documentation that would be expected in relation to new dwellings, highlighting that he is 'working from experience' at present as opposed to working to a template of what is required for each dwelling. However, during the course of the audit, he sourced an existing 'template' that another member of staff had in place, although this was not thought to include details of all relevant attributes that needed to be checked.

Risk

The Active H system may not be updated to reflect all relevant attributes.

Recommendation

The 'handover checklist template' obtained should be reviewed to ensure that it captures all relevant information, with amendments being made accordingly.

4.5 Record Maintenance

- 4.5.1 As highlighted above, the last (full) stock condition survey was undertaken in September 2016. The survey was undertaken on TOTAL Mobile with a bulk upload then being performed to get the information onto the Active H system. As it was four years ago, specific testing on this project was not consider relevant.
- 4.5.2 However, the DC advised that a number of properties were not included on the initial survey. When jobs are raised against these properties, the system (Active H) will flag that there is no stock condition survey in place.
- 4.5.3 Some recent surveys have been performed on Excel spreadsheets (as there were issues with using TOTAL Mobile for one-off surveys), although these have been on temporary accommodation units.
- 4.5.4 As highlighted above, the DC advised that the system shows the current status of the attributes which will be used to plan works to be performed. As a 'back-up', programmed works will be reviewed by Surveyors and contractors to ensure that works that have been undertaken haven't been missed from the updates.
- 4.5.5 Any works completed by the contractors will be updated via a portal, with error reports being generated and emailed to the DC if any information cannot be uploaded to Active H (e.g. an unknown asset number / attribute doesn't exist etc.). Handover documents (and associated certificates) are provided to evidence the works completed and these are stored on a network drive, with a different folder for each programme each year.
- 4.5.6 A sample of handover documents in respect of works completed was selected and these were checked to ensure that the relevant attribute has been updated on Active H. Whilst some updates had been undertaken as expected, some specific issues were noted:
- One update in relation to a door replacement had only been partially completed on the system (rear door missed off the update). This had been a manual update as the contractor had not used the portal / appropriate naming convention for this to be automatically updated.
 - Manual roofing works updates had not been processed.
 - There was a level of confusion over the date of external decorating works performed at a property which had not been updated appropriately on the system.

Risk

Programmed works may not be needed due to incorrect data on the Active H system.

Recommendations

Contractors should be reminded of the need to use the portal wherever possible and to follow the naming conventions on the documents being uploaded.

Relevant staff should be reminded of the need to perform manual updates in relation to performed works on a timely basis.

- 4.5.7 The DC advised that, when a new asset is acquired, he will create the asset on Active H and will populate relevant details such as the address and grid coordinates as per GIS. Other attributes will be added once confirmed (compliance certificates, details of kitchen, bathroom etc.). As highlighted above, there is a need for a handover 'template' to be adopted to ensure that all relevant attribute details are being obtained.
- 4.5.8 During other audits and regular review of committee papers, two recent housing developments where the Council had acquired new housing stock were identified (Yew Tree Way and Bremridge Close in Barford). Upon review, it was confirmed that new assets had been created on Active H as appropriate although, due to the identified issue over the lack of handover templates, it was not possible to ensure that all relevant attribute details were being obtained and updated on the system.

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 Housing Stock Asset Management are appropriate and are working effectively.
- 5.2 The assurance bands are shown below:

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

- 5.3 However, issues were identified in relation to:
- The need for the HRA Business plan to be reviewed and reported to Executive.
 - Attributes in relation to new housing stock not being captured / covered at handover.
 - The Active H system not being updated appropriately in relation to works performed.

- 5.4 A further 'issue' was also identified where an advisory note has been reported. In these instances, no formal recommendations are thought to be warranted as there is no risk if the actions are not taken. If the changes are made, however, the existing control framework will be enhanced:
- A standard agenda item could be considered (for the housing stock management meetings) to formally advise Assets of when new properties are acquired.

6 **Management Action**

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

Richard Barr
Audit and Risk Manager

Action Plan

Internal Audit of Housing Stock Asset Management – March 2020

Report Ref.	Recommendation	Risk	Risk Rating*	Responsible Officer(s)	Management Response	Target Date
4.3.9	The HRA Business Plan should be reviewed as soon as practical with a report subsequently being presented to Executive. Regular updates should subsequently be reported to cover any changes to the plan. This should be at least annually, but more frequently depending on circumstances (e.g. changes to numbers of housing stock where this impacts the plan).	The demands placed on housing expenditure may not be affordable within the current financial framework set out within the HRA Business plan.	Medium	Head of Housing Services	Accepted. The plan will be reviewed as soon as practicable taking account of the current Covid-19 demands placed on the Council.	March 2021
4.4.4	The 'handover checklist template' obtained should be reviewed to ensure that it captures all relevant information, with amendments being made accordingly.	The Active H system may not be updated to reflect all relevant attributes.	Low	Head of Assets	The checklist will be reviewed by Assets / Housing to ensure that it captures all necessary detail.	July 2020
4.5.6	Contractors should be reminded of the need to use the portal wherever possible and to follow the naming conventions on the documents being uploaded.	Programmed works may not be needed due to incorrect data on the Active H system.	Low	Head of Assets	Reminder to be issued to all Contractors using the Portal when works recommence post Covid-19.	August 2020

Report Ref.	Recommendation	Risk	Risk Rating*	Responsible Officer(s)	Management Response	Target Date
4.5.6	Relevant staff should be reminded of the need to perform manual updates in relation to performed works on a timely basis.	Programmed works may not be needed due to incorrect data on the Active H system.	Low	Head of Assets	Reminder to be issued to all relevant staff for when works recommence post Covid-19.	June 2020

* Risk Ratings are defined as follows:

High Risk: Issue of significant importance requiring urgent attention.

Medium Risk: Issue of moderate importance requiring prompt attention.

Low Risk: Issue of minor importance requiring attention.

INTERNAL AUDIT REPORT

FROM: Audit and Risk Manager
TO: Head of Housing
C.C. Chief Executive
Deputy Chief Executive (BH)
Head of Finance
Housing Needs Manager
Housing Advice and Allocations
Manager
Portfolio Holder (Cllr Mateki)

SUBJECT: Lettings and Void Control
DATE: 31 March 2020

1 Introduction

- 1.1 In accordance with the Audit Plan for 2019/20, 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 action where appropriate.
- 1.2 Wherever possible, findings have been discussed with the staff involved in the procedures examined and their views are incorporated, where appropriate, into the report. My thanks are extended to all concerned for the help and cooperation received during the audit.

2 Background

- 2.1 The Council has approximately 5,500 properties in the district that are available for letting to tenants, with roughly 760 properties being let in the current financial year (including those let on behalf of the housing associations). The gross rent collectible for 2019/20 is approximately £25m.
- 2.2 Homechoice is used as an online housing bidding system, where applicants are allocated a bidding band based on their housing need. They can then bid on the available properties that they would like to be considered for.
- 2.3 The Homechoice scheme was amended with effect from May 2016, with new applicants being placed into four bands and existing Council and housing association tenants being placed into a transfer band. Properties that become available to let are also banded, with the properties advertised being split across the transfer band and bands one to three.
- 2.4 The Housing Allocation team have experienced a high turnover of staff over the last few years whilst managing an increased workload compared to previous years. Comparing 2018/19 to 2019/20 there have been 38% more properties advertised and rural properties advertised are up by 168%. 20% more offers have been made and lettings are up by 24%.

3 **Scope and Objectives of the Audit**

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

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

- Policies and Procedures
- Allocations
- Exchanges
- Termination and Voids
- Performance Monitoring

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

- Staff and customers are aware of the policies that determine how properties will be let.
- Staff deal with applications in a consistent manner.
- Home Choice applicants are allocated to the correct band.
- People on the Home Choice register are aware of the properties that are available to let.
- Properties are let to the most appropriate bidder.
- Tenancy agreements are signed up to, giving both the Council and tenants appropriate protection.
- Tenants are able to exchange properties with other tenants so that they can move into properties that are more suitable to their needs.
- Tenants are aware of the process for terminating their tenancy.
- Rent loss is minimised as vacated properties are available to re-let as soon as possible.
- Management are aware of any issues (e.g. delays) in the letting process.

4 **Findings**

4.1 **Recommendations from Previous Report**

4.1.1 The current position in respect of the recommendations from the previous audit, undertaken in March 2017, was also reviewed. The current position is as follows:

Recommendation	Management Response	Current Status
1 Procedure notes should be drawn up for the housing allocation process.	Procedure notes for the allocations process will be drafted.	Procedure notes are in place and available for staff to follow.
2 Staff should be reminded of the need to ensure that all documents are scanned to the correct network files.	Email sent 30/3/2017.	All documents were attached to the applicant's file for the samples viewed.

Recommendation	Management Response	Current Status
3 Consideration should be given to limiting the number of offers that Homechoice applicants can refuse following successful bids for properties.	This will be considered as part of the Homechoice 2016 Review.	A report, approved at Executive Committee 4 January 2018, added a refusals section to the policy meaning applicants would be suspended from bidding for three months should they bid and refuse suitable properties three times over a six-month period.

4.2 Policies and Procedures

- 4.2.1 There is a policy in place for housing allocations, approved in 2016 and updated in 2018. It details timescales and application procedures as well as the allocation process. The policy takes into account a large amount of relevant legislation and guidance.
- 4.2.2 The policy is readily available on the Council's webpage, within the housing pages, for both staff and members of the public.
- 4.2.3 Documented procedures are in place for Housing staff to follow when inputting the application onto the system, when offering a property and when signing the tenancy. Various checks are carried out at all of the stages to ensure the applicant is who they say they are and, where possible, that the information they have provided is true. These checks are also documented within the procedure notes.

4.3 Allocations

- 4.3.1 A sample of applicants currently registered on Homechoice was reviewed. Application forms were attached to each file and the various checks that had been carried out had been documented. One of the samples reviewed included a previous member of staff. In this case, the Senior Housing Advice Officer had also checked the details provided and approved the application.
- 4.3.2 When processing an application, no documents to evidence the application are required. The documents are reviewed and copies retained at the allocation stages. At the application stage, various accounts are checked to confirm details such as child benefit, council tax and rent accounts (for existing tenants), with the checks being documented in a note pad function on the system.
- 4.3.3 All of the samples reviewed were processed in a timely manner with the start date back-dated to when the application was originally received. Once the staff member inputting the application has checked that the correct band has

been allocated, applicants are sent a letter to confirm the band they have been placed into.

- 4.3.4 There is an appeals process in place which members of the public can easily access, as it is published in various places, such as in the policy, on the Council's webpage, in the application form, and on the letter they receive when they are allocated their band.
- 4.3.5 Properties can remain empty for a range of time from one week to over six months. Over the last couple of years, there has been a significant decrease in the number of bids received on, less popular, two and three bed flats and maisonettes. This is thought to be because of the increase in the number of new builds within the district becoming available on Homechoice, and applicants waiting so they can bid on them rather than bidding on existing properties.
- 4.3.6 The properties are listed on Homechoice where they are allocated to a preference band using a computer-generated system. The allocation of properties to each band is set with the transfer band receiving 50% of properties, Band 1 25%, Band 2 15% and Band 3 10%. Other applicants can still bid for all properties they are eligible for but they are not considered before applicants in the allocated Band. Some properties are listed with age restrictions or as rural lettings where conditions apply.
- 4.3.7 The introduction of the Homeless Reduction Act 2017 has affected the way applicants are assessed for Homechoice banding which has resulted in applicants rarely being allocated to band one. Applicants are being housed with Band 2 priority without having to increase their priority. Homeless applicants can receive Band 1 priority once the "Prevention" or "Relief" duties have expired. There were no band one applicants (at the time of writing this report).
- 4.3.8 Applicants in other bands are able bid for a property not in their banding but there is a concern amongst Housing staff that not all applicants will be aware of this. The Housing Advice and Allocations Manager confirmed that changes are due to be implemented on the Homechoice system which will make it clearer for applicants to see which properties they may bid on, including those not in their band.
- 4.3.9 Applicants can bid on up to five properties per week, with bids being placed in order of the priority the applicant would like the property. Properties are offered to the bidder from the required band, or next band in line, if there are no bids from the required band. If two bids are received from the same band, the amount of time that the applicants have been registered on Homechoice is taken into account. If an applicant would be top bidder for more than one property, the property they had bid on first would be offered.
- 4.3.10 As suggested above, some properties may have specific criteria attached. In some cases, the applicant will need to evidence that they meet these criteria. For rural letting properties the criteria is clear about the local connection to the parish. However, Section 4.1a of the allocations policy and 5.1.4 in appendix 2 of the allocations policy advise that applicants can bid on

rural lettings if they are required to move to the area for support, either for family members or themselves. This can be difficult to assess; it is down to the judgement of one of the four Allocations Officers to decide whether applicants' reasons meet the criteria.

Advisory

At the next review of the Allocations Policy there could be a look at the Rural Lettings criteria to ensure it is still valid and can be easily evidenced so the Allocations Officer can make a decision based on the evidence provided rather than a subjective opinion.

- 4.3.11 Where a successful bidder has been refused a property or has declined a property, it is offered to the bidder next in line. Once all bids have been exhausted the property is relisted on Homechoice. Historically, it has not been uncommon for applicants to refuse properties even when they have bid on them. This issue instigated a change to the policy when it was most recently updated (2018), with the revised policy now highlighting that applicants are prohibited from bidding on properties for three months if they decline three properties over a six-month period.
- 4.3.12 Offer letters are sent in a timely manner to the successful bidder, with this usually being undertaken on the day after bidding has closed. A copy of the offer letter is saved to the applicant's file.
- 4.3.13 Once the offer has been made, the applicant has to provide identification and other documentation to support their application. These are scanned and saved to the applicant's file along with a copy of the signed tenancy. A copy of the tenancy agreement is provided in advance to allow the applicant time to read it through to ensure they understand it before signing it.
- 4.3.14 The tenancy agreements are usually signed around a week after the property has been offered, although this was a little longer over Christmas due to the break.

4.4 Exchanges

- 4.4.1 There is a website called Homeswapper where tenants can register their interest to exchange and find a property they would like to exchange with. Homeswapper is an independently operated website which the Council pays a subscription for.
- 4.4.2 Before exchanging in to or out of a Council property, applicants must complete a Council application form. Exchanges can be completed when all tenants agree to swap, rent accounts have been checked to ensure they are not in arrears and, where a tenant is moving from a housing association property, references have been received.
- 4.4.3 Letters are sent to the tenants to confirm an exchange can be completed. A pre-transfer inspection is completed at any Council properties involved in the swap and a licence to exchange and an agreement is completed. Disclaimers are completed for any 'non-standard' items being left in the property.

- 4.4.4 Copies of all relevant documents and letters are saved on the tenant's file for future reference, including details of all tenants involved in the exchange.

4.5 **Termination and Voids**

- 4.5.1 The notice period stated in the policy is two weeks in the case of a deceased tenant and four weeks for everyone else. This is also set out within the tenancy agreement.
- 4.5.2 There is a process in place when a tenant has provided notice to terminate their tenancy and keys are not returned as agreed. The Allocations Officer extends the tenancy an additional week and charges the rent for that week. If the keys are still not returned, the tenant will receive a letter informing them of the consequences and potential charges and advises the next steps to take.
- 4.5.3 The signed tenancy agreement sets out the terms and conditions of the tenancy. If the tenant breaches any of the conditions set out in the agreement the Council may give notice to terminate it. At the void inspection stage, any properties that are found not to be up to standard are addressed and the former tenant is re-charged the costs.
- 4.5.4 Tenants must provide notice in written form, although the notice can initially be taken over the phone. When a tenant provides notice on a property, an email is circulated to inform relevant staff members and contractors enabling them to plan void inspections. British Gas is also informed of the change because the Council take on responsibility for the gas usage whilst the property is void.
- 4.5.5 A review of a sample of properties showed that void inspections are carried out in a timely manner after receiving confirmation that the tenant has vacated the property.

4.6 **Performance Monitoring**

- 4.6.1 There are various targets and measures identified within the Housing Service Area Plan (SAP). These include a reduction on void times, re-let times and time taken to process applications. The number of applicants registered on Homechoice, the number of void properties and households in temporary accommodation are also monitored. The SAP is monitored and updated on a quarterly basis.
- 4.6.2 There have been issues meeting some of the targets set in the SAP. Specifically, properties are remaining vacant for longer periods. As suggested above, applicants are waiting for new build properties to be listed which is affecting the achievement of this target (see 4.3.5 above).
- 4.6.3 Actions have been taken to improve relet times. Adverts have recently been circulated on the Council's website, Facebook and Twitter to try to encourage applicants to bid on properties that have been advertised twice on HomeChoice but with no bidders. HomeChoice adverts also indicate these

properties are immediately available and to telephone if an applicant is interested. Processes have been reviewed and properties are being advertised earlier, sign-ups are being completed more quickly and reports are generated to allow managers to identify any delays.

- 4.6.4 Updates to Homechoice are due to be implemented that may also help to market these properties, this will allow free text on each advert allowing us to add useful information to market the properties more successfully. Changes are also going to be made to the void management process which would allow properties to be inspected before the tenant vacates it, it could then be advertised and allocated sooner, reducing the void time.
- 4.6.5 Performance is monitored on an ongoing basis through weekly reports and weekly and monthly meetings. Performance and updates to the SAP are reported quarterly to SMT and Executive.

5 **Summary & Conclusion**

- 5.1 Following our review, we are able to give a SUBSTANTIAL degree of assurance that the systems and controls that are currently in place in respect of Lettings and Void Control are appropriate and are working effectively.

- 5.2 The assurance bands are shown below:

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

- 5.3 Although there are no formal recommendations, two (related) issues were identified where advisory notes have been reported. In these instances, although there is no risk if the action is not taken, making the suggested changes will enhance the existing control framework.

Richard Barr
Audit and Risk Manager

INTERNAL AUDIT REPORT

FROM: Audit and Risk Manager
TO: Deputy Chief Executive (AJ)
C.C. Chief Executive
Head of Finance
Democratic Services Manager
Electoral Services Manager
Portfolio Holder (Cllr Day)

SUBJECT: Local Elections
DATE: 2 March 2020

1 Introduction

- 1.1 In accordance with the Audit Plan for 2019/20, an examination of the above subject area has been undertaken and this report presents the findings and conclusions drawn from the audit for information and action where appropriate.
- 1.2 Wherever possible, findings have been discussed with the staff involved in the procedures examined and their views are incorporated, where appropriate, into the report. My thanks are extended to all concerned for the help and cooperation received during the audit.

2 Background

- 2.1 The management of elections is carried out by the Electoral Services Manager. She is assisted by other members of staff on a permanent basis and by other Democratic Services staff at peak times.
- 2.2 Elections were undertaken in May 2019 covering 17 District wards and 23 Town and Parish elections. On the day of the elections there were 126 polling stations open for voting and these were staffed by 126 Presiding Officers and 163 Poll Clerks. There were also 30 uncontested parish and town councils.
- 2.3 Verification of the ballot papers was undertaken on Thursday night, with the counting of the ballot papers being undertaken on the following day at Stoneleigh. Approximately 200 staff were employed at each session as Count Clerks and Assistants to undertake these processes.
- 2.4 Numerous other staff were required for administrative duties and processing postal votes during the election process.

3 Scope and Objectives of the Audit

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

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

- Staffing
- Polling stations
- Budgets, procurement and recharging
- Risk management and contingency planning.

3.3 The control objectives examined were:

- All staff appointed to work at elections are eligible to do so
- Fees paid to elections staff are accurate, based on approved rates, and are subject to appropriate tax deductions
- Elections staff are able to run the election process in accordance with relevant (Electoral Commission) regulations
- Polling stations are located in appropriate buildings
- Hire payments for buildings used for elections are made in an accurate and timely manner
- Budget variances are limited as the budgets are set appropriately in line with known areas of income and expenditure
- The Council is aware of any potential budget variances
- Value for money is achieved with regards to the letting of election-related contracts
- Recharges to Town and Parish Councils are accurate and timely
- The Council is aware of the risks in relation to the running of elections
- Arrangements are in place to conduct elections in the event of staffing problems or issues encountered at the polling stations
- Insurance arrangements are suitable to provide cover for the costs of having to rerun elections.

3.4 Whilst the audit was concerned with local elections, issues relating to the European elections that followed shortly afterwards were taken into account where considered relevant although they were largely out of scope.

3.5 The subsequent General Election was completely outside of the scope of this audit, although it is referred to occasionally.

4 Findings

4.1 Recommendations from Previous Reports

4.1.1 There were no recommendations made at the time of the last audit (November 2015), so this section is not applicable.

4.2 Staffing

4.2.1 The Electoral Services Manager (ESM) advised that checks on an individual's right to work are undertaken for all staff working on elections, as they would be for any role with the Council. For more recent elections, new staff have been asked to bring their passports / ID in person to the offices to be seen by a member of staff from the Elections team.

4.2.2 The ESM highlighted that, once details have been checked and entered onto the Express system, the forms are destroyed, so it is not possible to test recent starts for evidence.

- 4.2.3 She also advised that there is (currently) no requirement for DBS checks to be performed. Where schools are used as polling stations (now very rare), they are generally closed so no children are on site.
- 4.2.4 The only exception to this has been Trinity Catholic School. For the District Council elections in May 2019, the election staff used the main school hall but used the kitchen and bathroom facilities in the caretaker's bungalow. For the European elections, staff were only able to use the bungalow and not the hall due to exams and for the General Election and future elections, the staff will have to see the Headteacher's secretary the week before to provide their ID, but this is not a formal DBS check and is not controlled by the Council.
- 4.2.5 The ESM advised that, in line with legislation, the Returning Officer has a set of fees for each election. These are generally uplifted by pay awards each year from those previously agreed. She also highlighted that there is an agreement between Warwickshire authorities that the fees for Poll Clerks, Presiding Officers and Polling Station Inspectors will be the same so that different authorities do not 'poach' staff from other areas.
- 4.2.6 The Democratic Services Manager & Deputy Monitoring Officer (DSM) advised that the last time the fees were formally approved was in 2015 (by the Licensing & Regulatory Committee). The agreement was for fees to be uplifted by pay awards until 2019.
- 4.2.7 He advised that there had not been an opportunity this year to review fees and prepare a report to Committee for approval due to the number of unexpected elections that had been held.
- 4.2.8 A new payroll is set up for each election through Coventry City Council (CCC), with all election fees (except for the Chief Executive) being paid through this payroll. HMRC forms are completed for each election and, once completed, the information will be passed to CCC for them to run the payroll. They will also deal with tax as they would for any other staff payrolls.
- 4.2.9 In terms of the rates to be paid, it was unclear from the report to Licensing & Regulatory Committee in February 2015 whether or not the 2015 pay award had been included in the fees shown, as the award that year was with effect from 1 January 2015. The report was written in February 2015 and states that it would be subject to any pay award from 1 April 2015. However, the fee table in the report suggests that the fees were 'operative as from 1 April 2014', so the award from 1 January 2015 may not have been taken into account. Figures had, therefore, been calculated to take account of both scenarios.
- 4.2.10 Upon review of the information from the Express Management system (the elections system in use) and the actual scale of fees for the 2019 Local Elections, it was not possible to reconcile the amounts paid for the different job codes to either of the calculated figures and there were also some variances between the 2019 scale of fees and the amounts actually paid. Some figures had not changed, some fell in between the two calculated amounts and others fell outside of these ranges and there were a number of

posts that were not specifically included within the report to Licensing & Regulatory Committee.

- 4.2.11 In some cases, payments against job codes were different for different staff members. The ESM advised that the payments were based on hourly rates and provided copies of the relevant spreadsheets.

Risk

Staff working on elections may be paid amounts that have not been approved by the appropriate committee.

Recommendation

New payment rates should be formally agreed for all relevant posts with agreements regarding pay award uplifts being adhered to.

- 4.2.12 The Chief Executive, as Returning Officer, is paid based on the number of electors in any given election plus fees for uncontested elections. Upon review of the fee paid to him, this largely tied in with the figures on the 2019 scale of fees document. However, the amount paid in respect of contested town / parish elections was incorrect as it was based on the single election fee as opposed to the joint election fee, leading to a variance of £183.04.

Risk

Not applicable (as mistake caused by 'human error' rather than control weakness).

Recommendation

Arrangements should be made to pay the additional amount to the Chief Executive.

- 4.2.13 In terms of checking whether staff had performed the work for which they have been paid, the ESM advised that they would be aware of any staff that had not undertaken their polling duties (either having pulled out before polling day or being made aware of their non-attendance by other staff on the polling station) and that they would check the sign-in sheets for the count staff before the payments were processed.
- 4.2.14 A contract had been held with Halarose for the provision of web-based training and this was used for the last local elections (although the contract had now expired, based on the number of elections, not a specific timeframe).
- 4.2.15 The ESM highlighted that Halarose reviewed the training to ensure that it took account of any changes in legislation and that Presiding Officer briefings, held at the ballot box collection 'events', would also flag any local changes.
- 4.2.16 All staff are required to undertake the training, with emails being sent to staff to enable their access to the system. The Elections Officer advised that

reports are generated on a daily basis to show who has / hasn't undertaken the training and reminder emails are sent out to prompt staff accordingly.

- 4.2.17 The ESM advised that the web-based training had initially been successful as most staff had previously received face-to-face training. However, as time passed and there were new staff that hadn't received training in person, there were a number of errors creeping in. Therefore, face-to-face training had been held for the General Election and this is to continue for future elections.

4.3 **Polling Stations**

- 4.3.1 The ESM advised that five-yearly reviews of polling stations are undertaken as prescribed in law, with the next one due by February 2020. This was started at the time of the last election (May 2019), with Polling Station Inspectors (PSIs) having extra paperwork to complete.
- 4.3.2 The ESM highlighted that these, along with the Presiding Officer reports (log books), have all been reviewed and the Electoral Services Assistant has written a report to go to Councillors / Police etc. highlighting issues, although this has not yet been sent due to the additional elections that have been run.
- 4.3.3 The ESM suggested that 'pockets' of issues had been identified, such as the need to use Portacabins and move certain polling stations due to the future unavailability. However, in some cases there are no other options, either due to value for money or there is nowhere else to go in that electoral area. In such cases, polling stations have to remain in their existing buildings.
- 4.3.4 The ESM advised that the charges for buildings are generally based on the normal hire rates charged by the individual venues. During the opening meeting, she had raised issues with regards to the payments made in relation to hire fees, as there had been some issues over the receipt of invoices for the May 2019 local elections and the European election. She highlighted that these issues had partly been as a result of the auto-matching process for invoices and the fact that she no longer saw the invoices to check / authorise them before they were processed.
- 4.3.5 The relevant Assistant Accountant (AA) and Principal Accountant (PA) are reviewing all payments and invoices in order to help finalise the accounts for these elections.
- 4.3.6 The AA advised that work is ongoing in relation to the accounts for the (May 2019) local elections, although the claim for the subsequent European Election is currently the priority due to the fact that a deadline is in place for getting the grant claim completed. She highlighted that, as part of this review, all payments in relation to polling stations (for both elections) have been reviewed, with spreadsheets being maintained to show which payments relate to each polling station and whether any of these are outstanding.
- 4.3.7 Notes on the spreadsheets provided highlight that some of the payments had been coded against the incorrect election and journal corrections have been undertaken where necessary.

- 4.3.8 It was also identified that some of the orders and subsequent payments had been incorrectly coded for the European Election, with a 'typo' leading to orders being raised against the wrong subjective code. The AA advised that she was aware of the error, with journal corrections being processed once payments had been made (as it was hard to change the order).

4.4 **Budgets, Procurement & Recharging**

- 4.4.1 The ESM advised that regular meetings are held with the AA to review the budgets, although most election-related costs occur at a specific point in time. The latest budget position was reviewed with the ESM and she was able to explain the variances noted.
- 4.4.2 Various different contracts are in place that support the running of the elections. A search of the contract register highlighted six relevant contracts and testing was undertaken to ensure that the appropriate procurement route had been followed and that signed contracts and other relevant supporting documentation were in place.
- 4.4.3 This test proved largely satisfactory. However, the contract with Halarose in relation to the web-based training was shown as being let following an exemption from tendering and, whilst the ESM was able to provide a reason for following this route, no copy of the exemption approval could be located. Whilst consideration was given to raising this in the report, no recommendation has been made as the contract has now come to an end and all other contracts reviewed were found to have been let appropriately.
- 4.4.4 As highlighted above, due to the unexpected European election and subsequent by-election(s) and the General Election, the accounts for the last local elections have not yet been completed and, as a result, no recharges had been raised.
- 4.4.5 The ESM advised that the basis for recharges was that all costs relating to the elections would be identified (poll cards, postal votes, polling and count staff, venue hire, printing etc.) and, for contested elections, the figure would be divided equally between the District and the Parish / Town councils, with costs being different for each parish / town based on number of registered electors and individual polling station hire costs etc. Where the election was not contested, there is a fixed fee of £250 to cover admin costs and a share of the Returning Officer costs.
- 4.4.6 As previously identified, although the AA and PA are reviewing all payments and invoices in order to help finalise the accounts for these elections so that these recharges can be processed, the accounts / recharges for the local elections are on hold because the grant claim for the European Election is currently the priority. Meetings are now being held weekly between the ESM and the PA to resolve the issue.

4.5 **Risk Management & Contingency Planning**

- 4.5.1 The DSM advised that, whilst there is some reference to elections in the 'top level' Chief Executive's Office risk register, there are risk registers drawn up for each election which are more relevant.

- 4.5.2 The register for the May 2019 District and Town / Parish Council elections was reviewed and found to be comprehensive in its coverage; it includes details of mitigations and current controls as well as the further action required and the lead officer for each of these.
- 4.5.3 There is no overall contingency plan in place. However, the abovementioned election risk register includes a number of 'contingency' actions such as ensuring there are alternative venues for polling (including staff briefing on using cars etc. if they cannot get into their station), use of emergency generators etc.
- 4.5.4 Project Board meetings are also held in the run up to elections where any potential issues will be discussed and detailed event plans and major incident plans are also drawn up for the election counts.
- 4.5.5 The Insurance & Risk Officer advised that elections are covered under a (standard) extension to the Council's main liability insurance cover and supplied evidence of the cover in place. She also highlighted that cover for temporary buildings and hire vans are added to the existing insurance schedules as appropriate.

5 **Conclusions**

- 5.1 Following our review, in overall terms we are able to give a MODERATE degree of assurance that the systems and controls in place in respect of Local Elections are appropriate and are working effectively.
- 5.2 Although there are only two low risk recommendations being made, there have been issues over the production of the accounts and we are, therefore, unable to give substantial assurance that the processes are working effectively. However, it has been agreed that a short, follow-up, audit will be undertaken to review the accounts once produced to enable this assurance to be gained.
- 5.3 The assurance bands are shown below:

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

- 5.4 As suggested above, two minor issues were identified:
- Current pay scales could not be reconciled back to the fees approved by the relevant committee.
 - The payment to the Chief Executive (as Returning Officer) had been calculated incorrectly.

6 Management Action

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

Richard Barr
Audit and Risk Manager

Action Plan

Internal Audit of Local Elections – January 2020

Report Ref.	Recommendation	Risk	Risk Rating*	Responsible Officer(s)	Management Response	Target Date
4.2.11	New payment rates should be formally agreed for all relevant posts with agreements regarding pay award uplifts being adhered to.	Staff working on elections may be paid amounts that have not been approved by the appropriate committee.	Low	Democratic Services Manager	New payment rates will be presented to a meeting of the Licensing & Regulatory Committee prior to the May 2020 elections.	April 2020
4.2.12	Arrangements should be made to pay the additional amount to the Chief Executive.	Not applicable (as mistake caused by 'human error' rather than control weakness).	Low	Electoral Services Manager	The fee paid in relation to the elections to be held in May 2020 will be amended to include this additional amount.	July 2020

* Risk Ratings are defined as follows:

High Risk: Issue of significant importance requiring urgent attention.

Medium Risk: Issue of moderate importance requiring prompt attention.

Low Risk: Issue of minor importance requiring attention.

INTERNAL AUDIT REPORT

FROM: Audit and Risk Manager
TO: Head of Finance
C.C. Chief Executive
Deputy Chief Executive (AJ)
Strategic Finance Manager
Portfolio Holder (Cllr Hales)

SUBJECT: Main Accounting System
DATE: 31 March 2020

1 Introduction

- 1.1 In accordance with the Audit Plan for 2019/20, an examination of the above subject area has recently been completed by Ian Davy, Principal Internal Auditor, and this report presents the findings and conclusions for information and, where appropriate, action.
- 1.2 Wherever possible, findings have been discussed with the staff involved in the procedures examined and their views are incorporated, where appropriate, into the report. My thanks are extended to all concerned for the help and cooperation received during the audit.

2 Background

- 2.1 The main financial accounting system is the mechanism by which the Council manages its financial affairs. It encompasses the entire system of the monitoring and control of the Council's financial statements.
- 2.2 The accounts are run currently on the Total General Ledger system (TOTAL). However, a procurement exercise is currently being undertaken to replace the system.

3 Scope and Objectives of the Audit

- 3.1 The audit was undertaken to test the management and financial controls in place.
- 3.2 An extensive examination has been undertaken using the CIPFA systems-based control evaluation models for the main financial accounting system. This entailed completion of Internal Control Questionnaires (ICQs) and testing of controls in accordance with evaluation programmes. Detailed testing was performed to confirm that controls identified have operated as expected with documentary evidence being obtained where possible, although some reliance has had to be placed on verbal discussions with relevant staff.
- 3.3 The objectives that have been considered as part of this audit include:

- Staff at the Council are aware of relevant financial standards and the organisation's financial regulations and have access to these and relevant procedural documentation
- The system is appropriately structured and maintained to allow for transactions to be processed, both directly on the system and through appropriate feeder systems, and for accounts to be produced accordingly.

3.4 The expected controls within the CIPFA matrices are categorised into the following areas:

- Policies and procedures
- Financial information system
- Coding structure
- Feeder systems
- Journals
- Suspense and holding accounts
- Capital accounting
- Final accounts
- Whole of Government accounts.

3.5 Some specific tests were not performed as they were either considered not relevant to the operations at the Council or are covered under separate audits.

4 Findings

4.1 Recommendations from Previous Report

4.1.1 The current position in respect of the recommendations from the previous audit, reported in September 2016 was also reviewed. The current position is as follows:

Recommendation	Management Response	Current Status
1 Consideration should be given to obtaining a pre-list of draft monthly payroll by employee revenue cost centre for checking potential general ledger cost centre coding errors.	We have started doing this as a trial, with the electronic payroll file. In the past, incorrect codes normally defaulted to payroll suspense. These numbers are now very small.	The relevant Assistant Accountant (AA) advised that this is not generally undertaken, with teams doing their own budget monitoring each month. However, the incidence of incorrect codes remains small.

Recommendation	Management Response	Current Status
2 Consideration should be given to providing cost centre amendments to the Coventry City Council payroll team each month before the final payroll is run in order to reduce the need for payroll miscode journals.	Now we have started to review, in detail, the electronic payroll file, this has reduced errors significantly. Finance now regularly alerts HR about any coding errors to ensure that they are not repeated in the future.	The AA confirmed that coding errors identified would be flagged with HR as appropriate and provided sample evidence of a recent case (which had occurred twice despite the information being passed through).
3 The income suspense account code B357 should be reconciled immediately and, thereafter, quarterly.	This account is primarily a "dump" code for FST to return debtors payments to the ledger that they do not consider theirs. Treasury are usually informed by FST to transfer the payment to another account e.g. rents or Council Tax and this account is therefore outside of Treasury's control and is not capable of being reconciled to any control figure. Any balance on this account at year end will be written off to revenue.	Upon review of TOTAL it was confirmed that year-end balances are being rolled forward as opposed to being written off (see 4.7.3 below).

4.2 Policies & Procedures

4.2.1 The Code of Financial Practice (CoFP) sets out that the Head of Finance is:

- the officer responsible for the proper administration of the Council's financial affairs in accordance with Section 151 of the Local Government Act 1972 (the S151 Officer)
- responsible, under the general directions of the Council and Executive, for controlling the accounts and finance of the Council in every aspect
- agreeing the format of the accounting records and core financial procedures and systems
- the format of revenue budgets, accounting information and the method of their presentation.

As such, the CoFP sets out responsibilities but does not go into detail as to the actual procedures to be followed.

4.2.2 Following issues relating to the closure of the accounts for 2017/18, an action plan was drawn up to address the issues encountered. One of the actions was

to 'review the policies, working practices and procedures of the Accountancy team and document them'.

- 4.2.3 Detailed 'closedown' guidance has been drawn up as a result and a closing programme timetable is also in place that sets out the various stages to be followed for the final accounts, which includes notes on what needs to be done (or has been done, as it is a working document) at each stage.
 - 4.2.4 Specific testing on whether the procedures ensure that the Council complies with relevant statutory accounting requirements / best practice etc. has not been performed.
 - 4.2.5 Instead, reliance is placed on the work of the Council's external auditors (Grant Thornton) who, in their 'findings' report have to give an opinion as to whether the Council's financial statements 'have been properly prepared in accordance with the CIPFA / LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014. No significant issues were raised in their report (for the closure of the 2018/19 accounts) and, as such, assurance has been gained that the procedures are sound.
 - 4.2.6 The Strategic Finance Manager (SFM) advised that the majority of staff in the Accountancy section were involved in the resolution of the previous year-end issues and, as such, were aware of the relevant new processes. The exceptions to this were the new Principal Accountants (PAs) and the Apprentice Assistant Accountant. They are going through the processes when they are picking up relevant tasks and, in some cases, are formally writing up the procedure notes where previous versions were handwritten.
- 4.3 **Financial Information System**
- 4.3.1 The current finance system (TOTAL) provides the relevant accounting information. Based on the fact that the Council's external auditors were able to give an unqualified opinion on the final accounts for 2018/19, it is concluded that the system is able provide appropriate data.
 - 4.3.2 However, as identified in the Business Case document relating to the procurement of a new finance system, there are general 'usability' issues with TOTAL and staff are generally unhappy as to the ability to access and analyse information held on the system. The scope for the procurement exercise, therefore, includes a number of outcomes relating to improved access to accurate management information.
 - 4.3.3 Four systems have now been identified for review and demonstrations have taken place. As part of the demonstrations, attendees were asked to assess whether the systems will be able to (amongst other things) provide the relevant information and be able to meet the relevant accounting standards.
 - 4.3.4 The main 'feeds' in terms of income and expenditure are actually modules of the TOTAL system (i.e. creditors / debtors) and, as such, there is no data uploaded to the ledger. However, payroll is run by Coventry City Council and an upload to TOTAL is required.

- 4.3.5 The relevant AA advised that, following receipt of the payroll files (by HR from Coventry City Council), the payroll costing file is saved (as a text file) in the relevant folder on the server to allow the interface to run. Emails are subsequently received from IT to confirm that the interface has worked (i.e. that the payroll files have uploaded onto TOTAL). She will also perform reconciliations to confirm that the amounts on the ledger reconcile to the amounts on the payroll reports provided (see 4.5.5 below).
- 4.3.6 The SFM advised that in terms of banking transactions, anything that does not reconcile is held on the PARIS suspense account. This was covered in the recent Banking Arrangements audit, so has not been re-performed here.
- 4.3.7 The budget book sets out all of the cost centres that have been set up for the current financial year. This includes 'regular' budgets for services / establishments as well as codes for specific events (e.g. cycle tours, Commonwealth Games etc.). A small sample of cost centres from those detailed on the budget book were verified to TOTAL to confirm that they had been set up as expected and this did not identify any issues.
- 4.3.8 The amounts brought forward to the current financial year for the balance sheet codes were checked to the closing balances for 2018/19. All were found to have been brought forward appropriately.

4.4 **Coding Structure**

- 4.4.1 The master hierarchy spreadsheet (for cost centres and subjective codes) is held on the shared L drive within the Finance Common / FMS folder. Thus, it is available to all staff. Information held within the network and on the spreadsheet confirm that this is being kept up to date.
- 4.4.2 A link to a hierarchy spreadsheet is also available on TOTAL. However, this was found to link to an old spreadsheet. The SFM advised that the new PA (Systems), who has recently joined the Council, will be tasked with reviewing the hierarchy (including the capital codes which are not currently included) on an ongoing basis.

Advisory

The link on TOTAL should be updated to reflect the hierarchy. (NB this may only be relevant in the short term until TOTAL is replaced.)

- 4.4.3 The SFM advised that requests for new codes generally come from budget holders, with staff within the Accountancy team being able to create new codes as required. There is no current requirement for authorisation although it may be that the new system requires this level of authorisation.
- 4.4.4 The expectation is that the PA (Systems) will become the 'gate keeper' to ensure that all new code requests are seen by him to ensure that the hierarchy is maintained appropriately and will be the authoriser if the new system requires this. Due to the planned changes, no specific testing on recent changes / new codes was thought to be relevant.

- 4.4.5 The Total General Ledger and applicable feeder systems are configured so that, in advance of financial transactions occurring, the relevant cost centre and subjective income or expenditure code are set up and validated. Any transaction with a code not matching a valid code is coded to a Total General Ledger Suspense Account. The TOTAL Suspense Account (9999) was shown to be in balance at the time of audit testing (see 4.7 for further suspense account information).

4.5 **Feeder Systems**

- 4.5.1 An extract was run from TOTAL of the current balance across all cost centres. This currently nets to zero as expected.
- 4.5.2 A search on TOTAL identified a number of specific control accounts. Reconciliations of specific control accounts (the main debtor and creditor control accounts) are performed by the relevant AA, with Crystal Reports being generated and reconciled to the batch audit reports run on TOTAL.
- 4.5.3 The debtor control account was found to currently reconcile, whilst a minor variance was noted on the creditor control account. The AA explained the current situation and provided an email to show that this is being addressed.
- 4.5.4 The SFM advised that the other control accounts would not be reconciled on an ongoing basis. However, they would be reconciled at the year-end as part of the final accounts process for external audit.
- 4.5.5 As suggested above, payroll payment reconciliations are undertaken between the files provided by Coventry City Council and TOTAL on a monthly basis. The reconciliation spreadsheet shows the variations which have mainly been due (this year) to childcare vouchers and an issue relating to the 'redundancy' payoff for one member of staff. The AA advised that issues are generally passed to Coventry City Council via HR, with the PA (Housing) being copied in so that she is aware of the issue.
- 4.5.6 The majority of feeder systems do not require any manual intervention with automated tasks importing transactions to the ledger. The only exception to this is the payroll system which is imported onto the ledger via an IT interface following the upload of relevant files. Any 'invalid' entries should be picked up as part of the reconciliations performed.

4.6 **Journals**

- 4.6.1 The SFM highlighted that the onus for identifying posting errors lies mainly with the relevant budget holders as part of their budget monitoring processes, although some would be picked up by Accountancy staff as part of their reconciliation processes / payroll postings etc. Budget managers should flag miscodings to their assigned accountant who will enter journal corrections.
- 4.6.2 Testing was undertaken on a sample of journals to ensure that they had been appropriately processed and authorised where required, with supporting information being attached to the system to show why it had been needed.

- 4.6.3 One of the journals sampled did not initially have the supporting documentation attached to the system (by a staff member that has now left). When queried with another member of staff, they located the supporting documentation and attached it as appropriate.
- 4.6.4 Upon review of the supporting documentation, the majority included codes, the correct amounts, and reasons / narratives. Specific points of note were:
- A few did not include any / all relevant codes. Upon discussion with the relevant members of staff, they were found to be known / standard codes.
 - Two included minor discrepancies in amounts shown.

Advisory

Whilst Accountancy staff may know their own 'standard' codes, others may not do so, so all relevant codes should be included on journal supporting documentation to provide others with this information.

- 4.6.5 Only specific journals require (retrospective) authorisation (based on the amount being journalled. However, the authorisation process was not up-to-date at the time of testing, so neither of the two relevant journals had been authorised. The process also allows for a separation of duties if there is a conflict of interests between who is scheduled to undertake the authorisation and the person who processed the journal. This was not an issue in the relevant cases.

Risk

Journals may be inappropriate.

Recommendation

The journal authorisation process should be brought up to date.

4.7 Suspense & Holding Accounts

- 4.7.1 The suspense accounts in place were identified through a search of cost centres on the TOTAL system. This identified a number of different income and expenditure suspense accounts.
- 4.7.2 A brief review of the transactions on each account was undertaken. This confirmed that the majority of accounts had been cleared in a timely manner, with only two (relevant) accounts showing un-cleared items.
- 4.7.3 One of these only had one relevant item so was not considered an issue. The other had a number of items posted to it that hadn't cleared. However, in response to the previous audit, it was identified that this was a 'dump code' which should be cleared at year end. However, testing identified that balances were being carried forward as opposed to being written off at year end.

Risk

Accounts may be misstated if suspense balances are not cleared.

Recommendation

The year-end write off of suspense account balances should be reconsidered as opposed to carrying forward the balances.

- 4.7.4 Similar testing was undertaken on holding accounts, with them being identified in the same way as the suspense accounts.
- 4.7.5 Testing confirmed that the majority of accounts were having regular allocations to the relevant accounts, although one showed a balance that appeared to relate to a misposting, with an attempt to clear a previous error leading to a further issue due to the credit being input as a debit. This was referred to the relevant department for correction and has been actioned accordingly.
- 4.7.6 All accounts were found to be cleared at the 2018/19 year-end with the exception of two accounts that had minor amounts left due to adjustments and roundings.

4.8 Capital Accounting

- 4.8.1 Relevant policies in relation to capital charges, valuation and depreciation are set out in the Notes to the Accounts section of the annual Statement of Accounts. These are covered throughout the notes.
- 4.8.2 The Audit Opinion, included as Appendix E to the External Audit Findings confirmed that the Statement of Accounts, including the notes relating to accounting policies, had been prepared in accordance with relevant standards and, as such, assurance is gained from their work.
- 4.8.3 The Principal Accountant (Capital & Treasury) (PACT) provided extracts from the Logotech system for the two asset registers in place (i.e. the general fund assets and the HRA assets). The extracts were found to include various different categories of assets including housing stock, investments and operational buildings as well as heritage assets (including art works) and surplus assets. However, upon further review (during checks of the depreciation calculations – see below), it was identified that the extracts provided did not include all assets that are shown on the system.
- 4.8.4 Upon review of the system it was identified that the 'missing' assets were recorded, so the 'error' was attributed to the report generator. As the system is due to be replaced, no recommendation is thought to be warranted, although this should be noted as it may be an issue when the new system is populated.

Advisory

There will be a need to ensure that the reports identify all relevant assets to check that the new finance system has been populated appropriately.

- 4.8.5 The PACT advised that the asset registers are updated as part of the year end process, so any current year acquisitions / disposals are not included on the register, so testing on these aspects was not possible.
- 4.8.6 The valuation of assets depends on their 'category'. HRA and investment properties are valued on an annual basis, with other assets being valued on a rolling basis, with a 20% sample (of 'other assets') being covered each year, covering different categories of assets which are then assessed to see if others in that class may need to be looked at based on materiality.
- 4.8.7 The valuations are undertaken by Carter Jonas. Their reports set out the qualifications of the staff performing the work and set out the basis of the valuation which makes reference to the CIPFA / IFRS 'code'.
- 4.8.8 The PACT advised that there are no expected impairments (although the previous impairment regarding Covent Garden Car Park may need reviewing).
- 4.8.9 The asset register spreadsheets provided by the PACT included the relevant general ledger codes where the depreciation is charged to. He highlighted that the system calculates the depreciation figures based on the data input.
- 4.8.10 As a result, only a very small sample of calculations was checked to ensure that they were correct. This test proved satisfactory.
- 4.8.11 One issue that the PACT raised with regards to the depreciation calculations is that Logotech cannot deal with the component accounting for HRA assets. These, therefore have to be calculated outside of the system. This is shown in the HRA journal spreadsheet.
- 4.8.12 The year-end depreciation journal, to charge the depreciation to the relevant revenue accounts, was reviewed and it was confirmed that supporting documentation was held with the journal (on TOTAL) that supported the recharges to the relevant revenue accounts.
- 4.8.13 Quarterly budget reports are presented to Executive that give an update on (amongst other things) any changes to the capital programme (e.g. slippage / new projects).

4.9 Final Accounts

- 4.9.1 The timetable for the closedown of the 2019/20 accounts clearly sets out responsibilities for Accountancy staff and other relevant individuals. Communications to others involved in the process are also logged.
- 4.9.2 Relevant documentation in relation to the closedown of the 2018/19 accounts, including working papers, was found to be held in the shared Finance Common drive on the network. Also included was an 'actions progress'

document, setting out some of the decisions that were being taken with regards to the closure of the accounts.

- 4.9.3 As previously highlighted, there had been issues with the closure of the accounts in previous years (with regards to timeliness as a result of information contained within draft accounts being incorrect (linked to an agency member of staff and controls over his access and authority), and rectification work having to be undertaken by the team). However, this issue was resolved for the closure of the 2018/19 accounts which were produced in a timely manner, with a report being prepared for Executive in November 2019 highlighting the remaining key issues and risks.
- 4.9.4 The Statement of Accounts was found to cover the sources of revenue and capital finance, expenditure incurred and the movement in the overall financial position as appropriate. Reliance was again placed on the report from the external auditors which did not highlight any issues with the format of the accounts.
- 4.9.5 The Statement of Responsibilities included within the copy of the Statement of Accounts is signed by the Head of Finance as the Responsible Financial Officer. The Annual Governance Statement included within the document is similarly signed by the Leader of the Council and the Chief Executive.
- 4.9.6 A separate annual report and statement of audit opinion is also produced and was found to have been reported to the Finance & Audit Scrutiny Committee in May 2019.
- 4.9.7 The Statement of Accounts was formally approved by Finance & Audit Scrutiny Committee on 30 July 2019 and was subsequently reported to Executive and Council (via the Finance Portfolio Holder statement).

4.10 **Whole of Government Accounts**

- 4.10.1 The SFM that the Whole of Government Accounts (WGA) feed off the Council's accounts. At present, there is a manual process in place outside of the ledger to map the relevant codes across to the WGA coding. However, it is hoped that a specific hierarchy can be built into the new financial management system so that the information can be directly extracted without further manual intervention.
- 4.10.2 Due to time constraints on the audit and the fact that the SFM was new to the process (and had not prepared previous submissions himself), it was decided that specific testing was not to be undertaken. However, the SFM highlighted that no queries had been raised on previous submissions, so some assurance could be gained from this.

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 the Main Accounting System are appropriate and are working effectively.
- 5.2 The assurance bands are shown overleaf:

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

5.3 Only a couple of minor issues were identified:

- The journal authorisation process needs to be brought up to date.
- Suspense account balances were not written-off at year end as previously suggested.

5.4 Further 'issues' were also identified where advisory notes have been reported. In these instances, no formal recommendations are thought to be warranted as there is no risk if the actions are not taken. If the changes are made, however, the existing control framework will be enhanced:

- The link to the hierarchy spreadsheet should be updated on TOTAL
- All relevant codes should be included on journal documentation to assist those who may not know the 'standard' codes
- There will be a need to ensure that the reports identify all relevant assets to check that the new finance system has been appropriately populated.

6 Management Action

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

Richard Barr
Audit and Risk Manager

Action Plan

Internal Audit of Main Accounting System – March 2020

Report Ref.	Recommendation	Risk	Risk Rating*	Responsible Officer(s)	Management Response	Target Date
4.6.5	The journal authorisation process should be brought up to date.	Journals may be inappropriate.	Low	Strategic Finance Manager	The Journal Authorisation Process will be maintained in a more timely manner, with deadlines being set for when approvals need to be made by (within a fortnight of month end for Principal Accountant level, with 1 further week for Strategic Finance Manager authorisations.)	Ongoing
4.7.3	The year-end write off of suspense account balances should be reconsidered as opposed to carrying forward the balances.	Accounts may be misstated if suspense balances are not cleared.	Low	Strategic Finance Manager	The process is to be reviewed in conjunction with the Principal Accountant (Capital & Treasury) and the Accountancy Assistant, to agree the appropriate action. This will be reviewed as part of the 2019/20 final accounts.	End of April 2020

* Risk Ratings are defined as follows:

High Risk: Issue of significant importance requiring urgent attention.

Medium Risk: Issue of moderate importance requiring prompt attention.

Low Risk: Issue of minor importance requiring attention.

INTERNAL AUDIT REPORT

FROM: Audit and Risk Manager **SUBJECT:** National Non-Domestic Rates

TO: Head of Finance **DATE:** 30 January 2020

C.C. Chief Executive
Deputy Chief Executive (AJ)
Exchequer Manager
Revenues & Recovery Manager
Portfolio Holder (Cllr Hales)

1 Introduction

- 1.1 In accordance with the Audit Plan for 2019/20, an examination of the above subject area has been completed by Jemma Butler, Internal Auditor, and this report presents the findings and conclusions drawn from the audit for information and action where appropriate.
- 1.2 Wherever possible, findings have been discussed with the staff involved in the procedures examined and their views are incorporated, where appropriate, into the report. My thanks are extended to all concerned for the help and cooperation received during the audit.

2 Background

- 2.1 National Non-Domestic Rates (NNDR) is managed by members of staff in the Revenues section of Finance. The team is also responsible for the management of NNDR on behalf of Stratford-on-Avon District Council.
- 2.2 There are currently 5,581 chargeable properties in Warwick District with a total rateable value of £170,471,524.
- 2.3 The net charge for 2019/2020 is currently £71,002,855.18. The collection rate for 2018/19 was 97.92% which was a decrease of 0.8% compared to 2017/18. The current collection rate for the financial year so far (to 16 January 2020) is 88%.
- 2.4 Most NNDR transactions and routines are processed by a management system called Civica Open Revenues. This has been in place for several years and, while the basic functions remain broadly unaltered, it has undergone a number of revisions in response to changes in legislation.

3 Scope and Objectives of the Audit

- 3.1 The audit was undertaken in order to establish and test the management and financial controls in place over billing, collection and recovery. The

approach undertaken was to apply the CIPFA Control Matrices. These require the completion of Internal Control Questionnaires (ICQs) which are designed to identify any control weaknesses. Then follows the completion of a series of compliance tests that are linked to the ICQs.

3.2 Wherever possible the detailed testing, to confirm the existence of controls, was supported by documentary evidence but in some cases reliance had to be placed on verbal assurance.

3.3 The expected controls under the matrices are categorised into the following areas:

Billing:

- Procedures and regulations
- Issuing of demands
- Calculations and payments
- Revisions and suppressions
- Reconciliations
- Security of data

Collection & Refunds:

- Procedures and regulations
- Contributions and grants
- Income collection
- Credits and refunds
- Checks and reconciliations
- Performance
- Security of data

Recovery & Enforcement:

- Procedures and regulations
- Recovery action
- Bailiff action
- Suppressions
- Performance
- Write-offs
- Security of data

3.4 Some specific tests were not performed as they were either considered not relevant to the operations at the Council or are covered under separate audits (e.g. data security is covered under a specific IT audit of the Civica Open Revenues system).

3.5 The control objectives that have been considered during the audit include:

- Bills issued are accurate and contain appropriate details.
- Bills are only amended when there is a valid reason to do so.
- Income is collected appropriately and is credited against the correct account.
- Refunds are paid to the correct ratepayer and only when there is a valid reason to do so.

- The Council monitors the NNDR collection rate and takes appropriate steps to ensure that all income due is received.
- Appropriate recovery action is taken by the Council.
- Bailiffs are used appropriately.
- Debts are written off only when all reasonable recovery measures have been taken.

4 Findings

4.1 Recommendations from Previous Report

- 4.1.1 The current position in respect of the recommendations from the previous audit, undertaken in October 2017, were also reviewed. The current position is as follows:

Recommendation	Management Response	Current Status
1 NNDR write-offs greater than £1,000 should be authorised by the Head of Finance or his representative.	We are to undergo an internal review of our write-off arrangements and document a new policy as the existing arrangements are no longer appropriate in terms of the different levels of authorisation that now occur and the amounts involved.	Write-offs over £5,000 are authorised by the Exchequer Manager, with those under this threshold being checked by the Senior Recovery Court Officer. A random selection is also checked by the Revenues and Recovery Manager. This is set out in a delegated write-off procedure document.

4.2 Billing

- 4.2.1 There is no specific procedure manual in place for Revenues staff. The Exchequer Manager (EM) confirmed that all staff receive CIVICA training as well as continuous on-the-job training and additional guidance as required. Further training needs are identified in one-to-ones and appraisals.
- 4.2.2 The bills issued provide the ratepayer with the charges for rates for the financial year and a payment schedule (across twelve months). The address, of the premises the bill is related to, is clearly stated along with various ways to pay and contact information for enquiries. The Council website also provides guidance and information for ratepayers including ways to pay.
- 4.2.3 Direct debit is the preferred method of payment, allowing ratepayers to choose from six payment dates within the month. Payments can also be made online, by telephone, through their bank or at 'pay points'.
- 4.2.4 Instalments are offered on a monthly payment option over twelve months. This was previously ten months but was changed to be in line

with council tax. The change also meant fewer refunds needed to be calculated and issued if the premises became vacant.

4.2.5 Key parameters (the standard multiplier and the small business multiplier) are provided annually by the Government. These figures are published on the Council's webpages within the business rates section. Sample bills are run to check the parameters have been set up correctly and this also allows the Revenues team to check that exemptions and reliefs are also being calculated correctly.

4.2.6 All liable properties are input onto CIVICA with any changes to rates being updated according to the figures received from the Valuation Office Agency (VOA). The total amount billed for all properties can be checked against the figures provided by the VOA. This is checked when completing end of year documents.

4.3 **Collection and Refunds**

4.3.1 An NNDR1 form is completed annually by an Assistant Accountant and signed off by the Head of Finance before being submitted to the Ministry of Housing (MH) by the 31 January. The NNDR1 predicts the income for the year.

4.3.2 The share of NNDR calculated as payable to the MH was £33,577,383 which agreed with the amount submitted on the NNDR1. Some adjustments were applied, which resulted in a payment of £35,489,602 for 2019/20. The amounts are paid monthly by direct debit following to the schedule of payments.

4.3.3 An NNDR3 is submitted at the end of the financial year with the confirmed amount collected being stated. This is also completed by an Assistant Account and signed off by the Head of Finance. The cut-off date for submission of the form to the MH is 30 April.

4.3.4 Refunds are set up on the system by Revenues staff. The processing of them is carried out by the Systems Officer (SO) who is independent from the Revenues team with no valuation, liability, billing or recovery duties.

4.3.5 The financial system (PARIS) automatically matches payments, which have correct references, to the relevant ratepayers account. Payments received without references are held in a suspense account where they are manually reviewed and matched. All payment details are also entered onto a cash book spreadsheet which is reconciled on a monthly basis.

4.3.6 In the current financial year, there has only been one item in the suspense account. This was identified and moved to the relevant ratepayers account in a timely manner.

4.3.7 The Treasury team confirm the amounts and dates that the payments are received. Direct debits (DD) that are rejected are logged and stored

on a summary report. Ratepayers should be informed by their bank when a DD is rejected, although the Revenues team may also send a letter to advise the ratepayer of their options, depending on the circumstances.

- 4.3.8 Any accounts that have gone into credit are flagged on a daily basis for review by the Revenues team. A monthly report showing accounts with credit balances is also run which is reviewed by Revenues staff. Testing was undertaken on a sample of accounts in credit. Upon review, it was confirmed that all balances were legitimate and notes were added to the ratepayers account to show what action was to be taken with the credit.
- 4.3.9 Where refunds for credits had been issued, all supporting documentation was saved to the relevant account, and it was confirmed that the refunds had been calculated and authorised appropriately.
- 4.3.10 The refunds issued so far in this financial year are lower than previous years. This could be due to the change in payments schedules, being over twelve months instead of ten, or because ratepayers are encouraged to use credit balances to reduce the following year's payments. Most of the accounts reviewed that were in credit were found to be saving the credit balance to use against next year's payments rather than having a refund whilst a couple are being used to reduce debts where the ratepayer has more than one account with the Council.
- 4.3.11 A sample of transfers between properties were reviewed. Transfers are usually completed when a ratepayer moves to a new property, splits a premises or merges their premises with another. The transfers were all appropriately authorised and had been moved to a legitimate account.
- 4.3.12 At the end of each month, the income received is reconciled with the amounts Treasury have recorded to ensure payments received are as expected and refunds have been accounted for. This reconciliation is carried out by an Accountancy Assistant who is independent from the Revenues team.
- 4.3.13 Bills are initially issued early March which state the total payable for the whole financial year, including any under or over payments from the previous year. Ratepayers can request an updated bill during the year or a copy of the original bill.
- 4.3.14 Performance is monitored against the previous year and used as part of monthly reporting. There is no variable target set as the aim is to collect 100%. The collection rate is calculated on a daily basis and logged on a spreadsheet where it is compared to the previous year's rates.
- 4.4 **Recovery and Enforcement**
 - 4.4.1 The Non-Domestic Rating (Collection and Enforcement) Regulations 1989 are followed, providing the strategy for recovery and detailing the processes.

- 4.4.2 Recovery staff are unable to amend the amounts owed, but they can access the account information and set up instalment arrangements and re-issue bills. Reminders to pay are run by the system on an automated cycle with input from the SO. Recovery staff do not have any income collection duties and cash or cheque payments are not accepted at the Council offices.
- 4.4.3 CIVICA automatically progresses accounts through the recovery stages, without the need for manual input. Ratepayers are sent two reminders to pay and a liability order is issued by the Court before the account is passed on to the bailiffs. This is then followed by a summons if bailiff recovery has been unsuccessful. Where ratepayers have contacted Recovery staff to set up a special arrangement (SPAR), a letter is issued to confirm the repayment schedule and, if followed, debts are usually cleared by the end of the financial year. If payments are missed, recovery action will continue.
- 4.4.4 The timetable for court hearings over the financial year is agreed with the court by the end of March. Summons are only issued to ratepayers when all other avenues of recovery have failed.
- 4.4.5 A contract has been in place with the same bailiffs since 2004. The contract, which also covers Rugby Borough and Stratford District Councils, was recently renewed (October 2019) for a further four years, with a procurement exercise being carried out by the Council for the award of this new contract. The contract sets out the areas covered and the legislation relevant to the Council. It was noted that, within the definitions, the conditions state that "Authority" means Rotherham Borough Authority.

Risk

Some aspects of the contract may be invalid due to the incorrect authority being identified.

Recommendation

A variation of contract should be completed to ensure the correct authority is listed.

- 4.4.6 Contact is made with the bailiffs on a daily basis to update on changes to the account recovery. Additional reports can be run from the bailiff's website and all relevant revenues staff have access to this system and are able to generate reports as required.
- 4.4.7 The collection rates over the last four years have been reasonably consistent, at around 98%. The collection rate is on track to end at a similar percentage this financial year, with the collection rate for the financial years so far being 88% (16 January 2020).
- 4.4.8 Performance statistics, including collection rates, are monitored on a monthly basis by the Revenues and Recovery Manager (RRM) and the

EM. Any issues that arise are followed up. The Senior Recovery Court Officer advised that they monitor special arrangements (weekly), bailiff progressions (quarterly) and post bailiff stages (monthly).

- 4.4.9 Write-offs are only considered when all other methods of recovery have failed. The Code of Financial Practice states that write-offs over £1,000 should be authorised by the Head of Finance. However, there is a delegated write-off Authorisation Process that was adopted in January 2018 which allows the EM to authorise write-offs over £5,000 on behalf of the Head of Finance, whilst those under the threshold are checked by Senior Recovery Court Officer and a random selection is also checked by the RRM.

5 **Summary & Conclusion**

- 5.1 Following our review, we are able to give a SUBSTANTIAL degree of assurance that the systems and controls that are currently in place in respect of National Non-Domestic Rates are appropriate and are working effectively.

- 5.2 The assurance bands are shown below:

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

- 5.3 There was, however, one minor issue identified during the course of the audit relating to an error on the bailiff contract.

6 **Management Action**

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

Richard Barr
Audit and Risk Manager

Action Plan

Internal Audit of National Non-Domestic Rates – January 2020

Report Ref.	Recommendation	Risk	Risk Rating*	Responsible Officer(s)	Management Response	Target Date
4.4.5	A variation of contract should be completed to ensure the correct authority is listed.	Some aspects of the contract may be invalid.	Low	Senior Procurement Business Partner	A variation of contract will be completed to ensure WDC is listed as the authority.	Completed

* Risk Ratings are defined as follows:

High Risk: Issue of significant importance requiring urgent attention.

Medium Risk: Issue of moderate importance requiring prompt attention.

Low Risk: Issue of minor importance requiring attention.

INTERNAL AUDIT REPORT

FROM: Audit and Risk Manager
TO: Chief Executive
Human Resources Manager
C.C. Head of Finance
Portfolio Holder – Cllr. Day

SUBJECT: Recruitment and Selection
DATE: 26 February 2020

1 Introduction

- 1.1 In accordance with the Audit Plan for 2019/20, an examination of the above subject area has been completed recently and this report presents the findings and conclusions for information and action where appropriate.
- 1.2 Wherever possible, results obtained have been discussed with the staff involved in the various procedures examined and their views are incorporated, where appropriate, in any recommendations made. My thanks are extended to all concerned for the help and co-operation received during the audit.

2 Background

- 2.1 Gauged from new starters data over the three-year period since the previous audit, between 70 and 80 officers are recruited annually from outside the Council to fill established non-casual posts. This includes temporary fixed-term appointments.
- 2.2 Based on what financial data can be gleaned from the Total FMS, the typical annual expenditure on recruitment shows at around £15K (substantially all on vacancy advertising). This does not include costs in respect of officer time spent on recruitment, nor does it include one-off consultancy costs noted in respect of an Asset Team recruitment in 2019 and a Head of Service recruitment in 2017.
- 2.2 The structures and processes for recruitment and selection are essentially unchanged from the last audit (reported in March 2017), although an employer 'branding' and recruitment packaging initiative led by the Workforce Steering Group has had some impact on procedures and brought the role of the Media Team into sharper focus.
- 2.3 The approach to the audit this time is influenced by a guidance paper published by the Chartered Institute of Internal Auditors (CIIA) in October 2019. The paper's emphasis is on evaluation of the whole process, considering the way in which:
- policies and procedures are updated and refined to take account of lessons learnt, complaints, legislative changes and cost effective measures

- recruitment is delivering against wider initiatives, for example in relation to diversity and anti-discriminatory policies
- changes in policies and procedures are communicated and implemented across the organisation
- managers and those involved in recruitment have been given adequate training and re-training when legislative requirements change
- flexibility is built into procedures through the delegated powers and authority given to various managers across the organisation
- appropriate vetting checks are carried out to obtain proof of identity, qualifications and disclosure of convictions
- approaches to advertising and recruitment agencies are reviewed for their effectiveness
- personal data is kept complete, up-to-date and secure from unauthorised access
- standards and KPIs have been set out by HR (Service Level Agreements) and these are resourced, maintained and developed to ensure delivery
- manpower plans are successfully projecting resource requirements and are being delivered
- vacancy levels, turnover rates, staff and recruitment costs are monitored and controlled
- managers regard recruitment and selection in terms of successes, difficulties and issues.

3 **Scope and Objectives of the Audit**

- 3.1 The audit examination was undertaken for the purpose of reporting a level of assurance on structures and processes to secure staff recruitment and selection in accordance with legal requirements, best practice and priority objectives.
- 3.2 The evaluation was conducted in the form of an evidential overview with limited testing in the context of the following themes:
 - strategy and policy
 - roles, responsibilities and procedures
 - monitoring and review.
- 3.3. Testing of procedures on a sample of individual recruitments was limited to those elements of procedure represented by records that have been retained in the electronic recruitment project folders maintained by HR.
- 3.4 Processes in respect of agency staff and appointments under the Apprenticeship Scheme were not examined under the scope of this audit, except to note management review reports dealing with these areas.

4 Findings

4.1 Recommendations from previous report

- 4.1.1 The current position in respect of the recommendations from the audit reported in March 2017 is set out overleaf:

Recommendation	Management Response	Current Status
1 Relevant policy documents should be reviewed to ensure that they are still accurate, with a review of electronic links being performed to ensure that they point to the correct documents.	Advised to be given higher priority under the HR Forward Plan. Also to review HR Intranet site to ensure robust accessibility and search.	The Recruitment and Selection Policy was significantly amended in 2017. Testing still showed issues with some hyperlinks (discussed under 4.2.3 below)
2 Recruiting managers should be instructed to provide evidence of the short-listing process and the interview scoring to HR.	To include as part of the HR support guidance. HR support team to follow up with Recruiting Manager pre-interview and post recruitment to ensure shortlisting information is filed.	Provisions have been incorporated in the Recruitment and Selection Policy along with an advisory reference to a shortlisting 'grid' available from HR. The template grid has been extracted and evaluated (see 4.3.8 below).

4.2 Strategy and Policy

- 4.2.1 The delivery of recruitment against wider initiatives is essentially driven through the corporate strategic and policy framework. At the head of this, the new corporate Business Strategy (currently in draft pending Council approval) preludes its statement of values with a prominent references the crucial role of the workforce and the need to 'recruit the right people' while affirming the Council's commitment as an Equal Opportunities employer.
- 4.2.2 These are echoed in the People Strategy. The Recruitment and Selection Policy is the central document in this context governing all essentials of process, mandatory procedures and training as well as guidance on good practice and links to related resources. A copy of the Policy is freely accessible internally on the Intranet HR resources.
- 4.2.3 The Policy has undergone two revisions since the last audit. On review of the latest version, the only issue to emerge related to the settings for a small number of hyperlinks and this has been raised with the HR Manager directly.

4.3 **Roles, Responsibilities and Procedures**

- 4.3.1 At the time of the audit, decision powers for recruitment under the Constitution showed no change within recent memory with these effectively resting with the applicable Head of Service for the established post in each case, subject to obtaining advance clearance to recruit from Corporate Management Team (CMT). It has been advised that changes pending Council approval at the time of this report will empower the Chief Executive to approve changes to the official staff establishment that up to now required endorsement by the Employment Committee.
- 4.3.2 The sole exception is where the recruitment is to a 'Chief Officer' post as defined in the Constitution, in which a panel of Members would be required and is subject to separate guidance (there has only been one such officer recruited externally since the last audit).
- 4.3.3 In terms of roles within the HR Team, the Recruitment and Selection Policy and audit testing show discrete roles in the two main areas of input – professional and administrative.
- 4.3.4 On the professional side, the role comes across as purely advisory with provision for direct involvement if requested by the lead recruiting officer. On the administrative side, it is clear that the HR Support function is actively involved throughout the process with an individual officer assigned for each project.
- 4.3.5 Training resources to fulfil mandatory requirements under the Recruitment and Selection Policy and discretionary skill enhancement are seen as appropriate. Testing on the profile sample of recruitments showed in all cases that at least one member of the interviewing panel was either an HR professional or had received the requisite training.
- 4.3.6 Vacancy advertising is subject to a protocol based on an options guidance document that combines web-based and social media resources, most of them used as standard and others optional. It was noticed that the Fit for the Future provisions for staff at risk are still applied with e-mails sent directly to those staff on the 'At Risk' register. Tests on the profile sample confirmed this.
- 4.3.7 As previously stated, CMT approval is normally required before proceeding to advertise a vacancy. This takes the form of submission from the applicable service manager of a Vacancy Authorisation to Recruit Form (VARF). Testing on the profile sample confirmed this was the case for all except one recruitment where the details do not appear to have been retained in the applicable project folder.
- 4.3.8 Provisions in respect of shortlisting pick up on the second recommendation from the previous report (see 4.1.1 above). The template 'grid' is held in the secure recruitment electronic folders, implying that a copy would have to be requested from HR for each project.

- 4.3.9 Testing of this in the profile sample was inhibited by the short retention period allowed for shortlist evaluations under the GDPR policies. Only in one case from the profile sample was a completed 'grid' located, and this was clearly the purpose designed for the recruitment in question. Put in perspective, a significant proportion of the sample relates to recruitments with few applicants (in some cases all of them shortlisted) or filled by agency placement. Therefore, the need for the use of such an elaborate tool will be a matter of management judgement in many cases.
- 4.3.10 Interview recording and post-selection formalities were not subject to individual testing within the scope of this audit. The key provisions in relation to pre-employment were found to be detailed the Human Resources Information Security Policy (a sub-policy of the corporate Information Security and Conduct Policy) accessible on the Intranet via the ICT Services Team resource.
- 4.3.11 The employee vetting provisions contained in this Policy apply the central government's Baseline Personnel Security Standard.

4.4 **Monitoring and Review**

- 4.4.1 It was observed in the previous audit that the scope for any performance measurement specifically on recruitment is limited for the level of activity that takes place. Occasional reference to recruitment is evidenced in the People Strategy updates to Senior Management Team (SMT) and Employment Committee (it was not possible within the scope of the audit to review relevant background data processing and monitoring).
- 4.4.2 It was noted from the above update reports that workforce data has been omitted from recent management information submissions reviewed by SMT. The most recent manifestation had been an 'infographic' presentation of the management information in August 2019, which included a statistical summary on recruitment activity over the first quarter. It has been advised that a review of the presentation of workforce management information is in progress at the time of this report.
- 4.4.3 Something of a landmark was reached in September 2017 with the completion of a major review of recruitment and retention, in accordance with the People Strategy Action Plan, and the aforementioned employer branding and recruitment packaging initiative being reported to Employment Committee. Again, background data processing to measure the success of this initiative has not been examined within the scope of the audit. Subsequent update reports on agency staff levels and the apprenticeship scheme are noted.

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 recruitment and selection are appropriate and are working effectively.
- 5.2 The assurance bands are shown overleaf:

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

5.3 There are no formal recommendations arising from this review.

Richard Barr
Audit and Risk Manager

INTERNAL AUDIT REPORT

FROM: Audit and Risk Manager
TO: Safeguarding Lead
C.C. Chief Executive
Deputy Chief Executive (BH)
Head of Finance
Portfolio Holder (Cllr Day)

SUBJECT: Safeguarding
DATE: 22 January 2020

1 Introduction

- 1.1 In accordance with the Audit Plan for 2019/20, an examination of the above subject area has been undertaken and this report presents the findings and conclusions drawn from the audit for information and action where appropriate.
- 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 Safeguarding is the term used in relation to the protection of relevant 'at risk' groups (i.e. children, young people and vulnerable adults) from all forms of abuse, neglect, exploitation, domestic abuse, radicalisation, forced marriage and human trafficking/modern slavery.
- 2.2 Warwick District Council has a duty to promote safeguarding awareness and report concerns, working with multiple agencies to help identify and reduce safeguarding issues across the district. The Council's responsibilities in this area are very important as missed warning signs could have serious consequences and leave children and vulnerable adults open to abuse, neglect and exploitation.
- 2.3 Section 11 of the Children Act 2004 states that Local Authorities and District Councils have a duty to ensure their functions and services pay due regard to the need to safeguard and promote the welfare of children.
- 2.4 The Children Act 2004 (replacing the Children Act 1989) brings together all of the Government functions of children's welfare and education, with the ultimate purpose of making the UK a better and safer place for children of all ages, and to promote co-ordination between multiple agencies to improve child welfare.
- 2.5 Safeguarding children, up to the age of 18, includes the following expectations:

- Protecting them from abuse, maltreatment and exploitation.
- Preventing anything from harming their health or development.
- Ensuring they are safe and cared for.
- Taking action on their behalf to ensure the best outcome for them.

2.6 The Council also has duties under the Care Act 2014 which defines safeguarding as protecting an adult's right to live in safety, free from abuse and neglect. The Act sets out the responsibilities and steps to ensure the correct support and care is provided for people who live in the area, including vulnerable adults.

2.7 A vulnerable adult is defined as a person who, for any reason, may be unable to take care of themselves or protect themselves against significant harm or exploitation. Expectations when safeguarding vulnerable adults are similar to those for children:

- Ensuring they can live in safety, free from abuse and neglect.
- Empower them by encouraging them to make their own decisions and provide informed consent.
- Prevent the risk of abuse or neglect, and stop it from occurring.
- Promote their wellbeing and take their views, wishes, feelings and beliefs into account.

2.8 Safeguarding is everyone's business. Everyone in society has a responsibility to protect and safeguard children and adults from abuse and neglect. By training and educating staff and members of the public, safeguarding concerns and incidents can be identified and reported allowing early intervention.

3 **Scope and Objectives of the Audit**

3.1 The audit was undertaken to examine the procedures in place for the Council to comply with its duties under the Children Act 2004 and the Care Act 2014.

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

- Leadership and Accountability
- Policies and Procedures
- Recruitment and Selection
- Staff induction, Training and Development
- Complaints, Allegations and Whistle-blowing
- Information Sharing, Communication and Confidentiality
- Listening to children and vulnerable adults
- Child Exploitation, Missing and Hidden Crime
- Staff Supervision
- Effective inter-agency working
- Quality Assurance and Outcome Measurement

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

- The named responsible person can take ownership of safeguarding and staff know how to report concerns.
- Safeguarding information is readily available to all staff.

- Staff are knowledgeable when it comes to the complaints process.
- Safeguarding is always on the Council's agenda.
- Staff are aware of how to deal with any safeguarding issues that they come across.
- Safeguarding and welfare is considered in line with inter-agency procedures.
- Staff are vetted appropriately, using the current DBS legislation.
- There are clear safeguarding responsibilities within relevant job descriptions.
- Safeguarding training is mandatory for all staff and volunteers.
- Bespoke or in-depth training is provided to staff and volunteers that work frequently with children and / or vulnerable adults.
- Up-to-date safeguarding information is circulated to staff as needed.
- The training provided is relevant and effective.
- Staff are aware of changes to procedures and legislation.
- Safeguarding concerns are regularly discussed between staff and managers.
- Staff and volunteers feel safe when carrying out their roles.
- Concerns raised through whistleblowing procedures are dealt with correctly and sensitively.
- Only key information is shared following multi-agency guidance to ensure the safety and welfare of children and vulnerable adults
- Service development plans are improved by using feedback from the relevant customers.
- Tools, guidance and training are appropriate and readily available in order to help staff when making referrals.
- Safeguarding training needs are identified for individual staff members.
- Training and development plans are relevant and customised for staff and volunteers.
- Information is shared between the Council and safeguarding forums and meetings.
- Staff understand the roles and responsibilities within the Council and the importance of multi-agency partnerships.
- Necessary improvements are identified and improvements are made on an ongoing basis.
- Management should be aware of the impact of safeguarding provisions in place.
- Staff are aware of processes when challenging a decision.

4 Findings

4.1 Recommendations from Previous Report

- 4.1.1 The current position in respect of the recommendations from the previous audit, undertaken in December 2016, were also reviewed. The previous audit did not include safeguarding vulnerable adults. The current position is shown overleaf:

	Recommendation	Management Response	Current Status
1	The Officer Children's Champion should meet with the Member Children's Champions to explain their role and to agree a plan of work.	Agreed. DCEX (AJ) will arrange to meet with the Member Children's Champions.	Member Champions are invited to quarterly safeguarding meetings. This ensures they are kept up to date with changes and are keep in the loop with any local issues.
2	A publicity and awareness campaign should be launched to remind staff of the warning signs and the appropriate response. Regular reminders should be issued thereafter.	Agreed. Publicity/ awareness campaign to be launched in the new year. DCEX (AJ) & HR/Media to discuss.	No evidence could be found to show that a campaign was carried out. The Media team were unaware of any safeguarding campaigns. Report ref: 4.2.5 and 4.5.4
3	The status of the outstanding action points should be established and reported to members.	Agreed. Status of action points on the Improvement Action Plan to be reported to Members.	Actions are discussed and the action plan updated quarterly. This is reported to the Member champions and at relevant committee meetings.

4.2 Leadership and Accountability

- 4.2.1 Warwick District Council (WDC) has a named Lead Safeguarding Officer and a Deputy Safeguarding Officer. Both are senior managers within the Council and are appropriately placed within the business to ensure safeguarding is given full consideration. There is also a Safeguarding group within the Council, made up of various staff members throughout the Council and two Councillors.
- 4.2.2 The Lead Safeguarding Officer is a named point of contact for staff and agencies to raise and discuss safeguarding issues with. The Deputy Safeguarding Officer is able to support the Lead and ensure there is always a responsible point of contact in place.
- 4.2.3 A short staff survey was undertaken as part of the audit, with 56 staff members being selected at random across all services to assess the staff awareness of safeguarding. Only five percent of staff questioned were able to correctly identify who the Lead Safeguarding Officer was at WDC, 50 percent were unsure or did not know and the remaining 45 percent thought the Lead Officer was another Senior Manager.
- 4.2.4 The information available on the intranet was limited at the time of researching, with an incorrect staff member identified as the Safeguarding Champion (old term, now replaced with Lead). However, once raised with the relevant members of staff, various revisions and corrections have been made, including the addition of a new contacts page.

- 4.2.5 There is a dedicated Safeguarding team page but the only way to access the page is by entering 'safeguarding' into the search bar and finding it within the results. This page has been updated during the audit with various pieces of information and advice added. Other information can also be accessed through this page, with 'big buttons' on the page directing the user to forms and additional information and the 'safeguarding' search also brings up various policies.

Risk

There may be a risk of staff not finding safeguarding information and advice.

Recommendation

The 'Safeguarding' homepage should be made accessible and placed with the other team pages rather than only being available through the search bar.

- 4.2.6 Since April 2019 there have been at least 33 safeguarding referrals made to MASH (Warwickshire Multi Agency Safeguarding Hub) by WDC employees. The Safeguarding group keeps a log of the MASH referrals which have been shared with them and reviews the referrals for information and to ascertain if any trends can be identified. However, not all referrals are reported to the group as there is no requirement to do so, so it may not be possible to spot all (potentially relevant) trends.

Advisory

As best practice, the Safeguarding group could be informed of all safeguarding referrals. This would help them to identify where additional support may be needed as well as identifying current local concerns.

- 4.2.7 If staff were to have concerns that safeguarding duties were not being carried out correctly, the process on how to report it is documented within the Safeguarding Adults and Children Policy (see below).

4.3 Policies and Procedures

- 4.3.1 Safeguarding is referred to in some of the service area plans, either within their targets or themes for the Fit for the Future strategy. This is not something that has to be done but is a way of ensuring it is considered and always on the agenda helping the Council to fulfil its safeguarding duty.
- 4.3.2 The current policy in place, Safeguarding Adults and Children, replaced the Adult only policy, incorporating relevant responsibilities as set out in the Care Act 2014 and the Children Act 2004. It was accepted as a corporate policy rather than the need to have various policies for each service area. It was presented to and approved by Executive in October 2019.
- 4.3.3 The policy not only refers to the relevant Acts but defines safeguarding and the duties of the Council. Key staff are identified from within the Council with

information about their roles and expectations. As well as staff identified there are two Councillors identified as Safeguarding Member Champions.

- 4.3.4 Lines of responsibility are clearly defined within the policy, which also makes it clear that all staff have a safeguarding responsibility. There are also specific responsibilities identified for some of the service areas.
- 4.3.5 79 percent of the staff surveyed said they would report any concerns they had to their line manager and eleven percent advised that they would report it directly through MASH or using the referral form. The remaining ten percent were a mixture of responses which included: informing the Police, looking on the intranet for advice, asking HR and staff who were unsure of what to do. Line managers should direct staff to the referral form when a concern is raised and provide support where needed.

4.4 **Recruitment and Selection**

- 4.4.1 The recruitment and selection process is robust which helps to ensure the right people are employed into vacant roles. By making it clear which roles may have safeguarding implications, interview panels can ensure the questions asked are relevant to the role. All interviews are carried out by a minimum of two staff members, one of which must have completed WDC's recruitment and selection training course.
- 4.4.2 Before being appointed, successful candidates must provide two references and, when required, a Disclosure and Barring Service (DBS) check is completed.
- 4.4.3 DBS checks are completed once every three years, as long as the role still requires one. HR evaluate the role and use the online DBS checking tool to decide if one needs to be completed.
- 4.4.4 Two recently evaluated job descriptions and specifications were reviewed and neither mentioned safeguarding responsibilities or DBS requirements. Both roles have safeguarding responsibilities and successful candidates would require a DBS check.

Advisory

Although it is not a legal requirement, safeguarding responsibilities should be included in job descriptions and volunteer responsibilities.

4.5 **Staff Induction, Training and Development**

- 4.5.1 The current training plan includes safeguarding but it is only if it is identified as a training need. From April 2020, the new learning and development guide includes safeguarding as mandatory training for all staff. Existing staff that have not had the training will only receive it if their line manager puts them forward for it. Councillors receive safeguarding training when they are first elected into post.
- 4.5.2 The Learning and Development Officer coordinates the safeguarding training, keeping logs of who has received it and when to ensure staff have been provided with the most up-to-date information. 202 staff members received

face-to-face safeguarding training 2018-19. The results from the staff survey showed that 44 percent of staff had said they had completed safeguarding training with WDC.

- 4.5.3 Feedback is always sought after training sessions. This is used to adapt and develop the training provided and to ensure the tone and quality of the training fits the service needs. Feedback from training has identified where further support or information is required.
- 4.5.4 There is no additional top up training provided and there have been no reminders of issues to be aware of or 'Meta training' circulated. Staff may not, therefore, be aware of any changes to safeguarding legislation and procedures.

Advisory

Although not a legal requirement top up training and reminders could be issued regularly to ensure staff are aware of up-to-date information about safeguarding and are signposted to the relevant homepage.

- 4.5.5 A discussion with staff, in roles where safeguarding concerns are raised frequently, confirmed that safeguarding is discussed as an ongoing item in their one-to-ones.

4.6 Complaints, Allegations and Whistleblowing

- 4.6.1 There is a complaints procedure set out within the Managers' guidelines for handling a complaint document. There is no information to advise staff on the process if a complaint is raised with them, although the managers' guide can be accessed and used if required.
- 4.6.2 There is a whistleblowing policy available on the intranet. The policy recommends blowing the whistle within the Council by discussing concerns with your line manager or their manager. The policy contains out of date information as it advises staff to contact 'Intouch'. This is a service that the Council no longer subscribes to. The whistleblowing policy on the intranet was published in June 2012.

Risk

Staff may be provided with incorrect information relating to whistleblowing.

Recommendation

The whistleblowing policy should be reviewed and corrected with the current information.

- 4.6.3 Whistleblowing concerns are generally reported to line managers and the same could apply when reporting safeguarding concerns involving staff. However, some concerns may be reported directly to the Lead Safeguarding Officer if staff felt that this was the relevant route and they knew who to report the issue to. Reported staff concerns regarding safeguarding could

involve children or adults, for example: staff abusing their position and taking advantage of vulnerable adults financially or using their premises as a base to conduct illegal activities.

4.7 Information Sharing, Communication and Confidentiality

- 4.7.1 The safeguarding policy contains no information or guidance about information sharing. However, the Warwickshire MASH has published an Information Sharing Agreement document which sets out the terms of the agreement and the parties involved.
- 4.7.2 The MASH agreement provides a framework to facilitate the appropriate sharing of information between the partners signed up and enables them to carry out their key objectives.
- 4.7.3 The safeguarding group within WDC are currently working on a step-by-step procedure for staff to follow when reporting a concern. It has been highlighted to the group that a section about information sharing currently covers confidentiality rather than information sharing in safeguarding and MASH terms. This has also been published incorrectly on the intranet and has been highlighted to staff for review.

Advisory

The information provided to staff on the intranet and within policies and procedures should be updated to show the correct definition and advice on information sharing with separate guidance on confidentiality.

- 4.7.4 Safeguarding training includes guidance on both information sharing and confidentiality. There have been various Meta 'articles' circulated regarding GDPR and confidentiality.

4.8 Listening to Children and Vulnerable Adults

- 4.8.1 No feedback is sought for safeguarding services as WDC do not provide specific services. Feedback is sought whenever someone contacts the Council, whether to report something, complain, compliment or to seek advice. Feedback received is circulated to the relevant team where it can be incorporated into service plans and delivery.

4.9 Child Exploitation, Missing and Hidden Crime

- 4.9.1 There is a page within Health and Wellbeing on the intranet that covers child exploitation. It has information about child exploitation and how to report concerns. Child exploitation is covered within the Safeguarding Children and Adults policy, as is missing children and adults and hidden crime. Taxi drivers licensed with WDC are all provided with training on child exploitation.

4.10 Staff Supervision

- 4.10.1 Staff who might encounter safeguarding issues more frequently in their day to day roles may have discussions about safeguarding in their one-to-ones

and appraisals. This allows them and their line manager to identify any further training needs or requirements.

- 4.10.2 Staff who don't fill out the MASH referral form regularly, or require support to ensure it is completed correctly, are supported by other staff members who are used to completing the forms and know the process. This ensures there is a consistent approach and that the right information is entered into the relevant boxes.

4.11 **Effective Inter-Agency Working**

- 4.11.1 Local and national safeguarding issues are discussed at various groups within the area which are usually attended by the Lead or Deputy Safeguarding Officers. This includes external groups such as Coventry and Warwickshire partnership and internally the Safeguarding group. Some of the groups meet annually whereas others are monthly.
- 4.11.2 Inter-agency contact information is included in the Safeguarding Children and Adults policy and inter-agency updates are discussed at the Safeguarding group meetings.

4.12 **Quality Assurance and Outcome Measurement**

- 4.12.1 The Safeguarding group maintain an ongoing action plan which enables them to monitor changes and improvements to processes and procedures. The action plan was reviewed and this confirmed that various aspects of safeguarding at WDC have been considered and that the Safeguarding group are not only improving what is already in place but are actively looking at ways WDC can improve it further. This plan is updated when the group meet, which is currently on a quarterly basis.
- 4.12.2 The actions within the plan are used to produce a Safeguarding Position Statement which is reported annually at Overview and Scrutiny Committee. Any new policies or changes to existing ones are reported at and approved by Executive.

5 **Summary & Conclusion**

- 5.1 Following our review, we are able to give a SUBSTANTIAL degree of assurance that the systems and controls that are currently in place in respect of Safeguarding are appropriate and are working effectively.
- 5.2 The assurance bands are shown below:

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

- 5.3 There were minor issues, however, identified during the course of the audit relating to:
- The accessibility of safeguarding information and advice
 - Out of date information being provided to staff in the whistleblowing policy.
- 5.4 Further 'issues' were also identified where advisory notes have been reported. In these instances, no formal recommendations are thought to be warranted as there is no risk if the actions are not taken. If the changes are made, however, the existing control framework will be enhanced:
- Informing the Safeguarding group of referrals so they can keep a record them
 - Job descriptions and specifications referring to safeguarding responsibilities
 - Top up training and reminders for staff
 - Clarification of information provided to staff regarding information sharing.

6 **Management Action**

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

Richard Barr
Audit and Risk Manager

Action Plan

Internal Audit of Safeguarding – January 2020

Report Ref.	Recommendation	Risk	Risk Rating*	Responsible Officer(s)	Management Response	Target Date
4.2.5	The 'Safeguarding' homepage should be available with the other team pages rather than only being accessible through the search bar.	There may be a risk of staff not finding safeguarding information and advice.	Low	Engagement Officer	The new homepage is due to be launched on the intranet, it will be easy to locate and will be kept up-to-date.	End of Feb 2020
4.6.2	The whistleblowing policy should be reviewed and corrected with the current information.	Staff may be provided with incorrect information relating to whistleblowing.	Low	Audit and Risk Manager	The whistleblowing policy is about to undergo a thorough review and, as part of that process, will be updated with the correct information.	Feb 2020

* Risk Ratings are defined as follows:

High Risk: Issue of significant importance requiring urgent attention.

Medium Risk: Issue of moderate importance requiring prompt attention.

Low Risk: Issue of minor importance requiring attention.

INTERNAL AUDIT REPORT

FROM: Audit and Risk Manager
TO: Head of Finance
C.C. Chief Executive
Deputy Chief Executive (AJ)
Strategic Finance Manager
Assistant Accountant (GW)
Portfolio Holder – Cllr. Hales

SUBJECT: VAT Accounting
DATE: 7 May 2020

1 Introduction

- 1.1 In accordance with the Audit Plan for 2019/20, an examination of the above subject area has been completed recently and this report presents the findings and conclusions for information and action where appropriate.
- 1.2 Wherever possible, results obtained have been discussed with the staff involved in the various procedures examined and their views are incorporated, where appropriate, in any recommendations made. My thanks are extended to all concerned for the help and co-operation received during the audit.

2 Background

- 2.1 Value Added Tax (VAT) is a subject highly familiar to businesses, the general consumer and the accountancy profession. It is complex to administer requiring effective financial systems, key staff with a measure of specialist understanding and checks and controls over financial operations throughout the Council.
- 2.2 As a substantially public-funded organisation, the Council is a net receiver of refunded VAT from Her Majesty's Revenues and Customs (HMRC) that in the last financial year amounted to around £5½ million. To receive this the Council must meet a raft of legislative obligations, the most crucial of which include:
- being registered for VAT;
 - submitting monthly returns in the form and method determined by HMRC within strict deadlines;
 - maintaining proper accounts and supporting records.

3 Scope and Objectives of the Audit

- 3.1 The audit examination was undertaken for the purpose of reporting a level of assurance on the adequacy of controls in place to ensure that VAT is accounted for completely and correctly and that claims arising are processed promptly.

- 3.2 The examination took the form of an evidential overview of the structures and processes for administering VAT in the context of the following themes:
- roles and responsibilities
 - policies and procedures
 - monitoring and review.
- 3.3 The findings are based on discussions with a range of contacts, primarily with Gary Walker (Assistant Accountant) and on examination of relevant documents and records supplemented by analysis of financial data.

4 Findings

4.1 Recommendations from previous report

- 4.1.1 The current position in respect of the recommendations from the audit reported in June 2016 is as follows:

Recommendation	Management Response	Current Status
1 A set of clear instructions should be compiled for the application of VAT free use of council facilities and issued to all relevant managers. <i>(Low risk)</i>	The relevant VAT Guidance contains clear criteria on when VAT exemption can be applied to the letting of sports facilities. This will be used to provide clear guidance to managers.	This issue in question has been overtaken by events in the form of the outsourcing of sport and leisure management.
2 The monthly VAT return should be prepared and submitted by another member of staff at least annually. <i>(Medium risk)</i>	Agreed. The Assistant Accountant responsible for checking the return has prepared it in the past but not on a regular basis. The frequency will be formalised going forward.	It was confirmed from enquiry that this is being applied.
3 The VAT Reference Manual should be reviewed and publicised with an Intranet notice. <i>(Low risk)</i>	Agreed.	An updated version of the VAT Manual was launched in February 2019.
4 Staff should be encouraged to refer routine queries to the Assistant Accountant. <i>(Low risk)</i>	Agreed. Staff will be made aware of this via the intranet when the VAT Manual is relaunched.	

4.2 **Developments since the last audit**

- 4.2.1 The prioritisation of areas to review under the audit have been partly influenced by the following developments that occurred since the last audit:
- HMRC's 'Making Tax Digital' programme extended to VAT;
 - on-line payment facilities extending to Council services subject to VAT;
 - auto-matching of creditor invoices;
 - project started to replace the Total FMS and Paris Income Management System in progress with implementation scheduled for April 2021.
- 4.2.2 In the light of the system replacement project, testing of controls was primarily by process walkthrough as distinct from computer-aided transaction level testing that had been performed in the past.
- 4.2.3 The report takes note of two voluntary disclosure cases since the previous audit where input tax claimed on VAT returned had to be repaid to HMRC. One from 2016 related to invoicing error by the construction contractor (the amount concerned was subsequently recovered from the contractor so there was no financial loss to the Council).
- 4.2.4 The other case is recent and gives rise to a retrospective compliance check by HMRC concerning VAT treatment of election costs. The check was ongoing at the time of the audit.

4.3 **Roles and Responsibilities**

- 4.3.1 The mapped hierarchy of responsibilities for VAT takes in elements of the Constitution, especially provisions of the Scheme of Delegation and Code of Financial Practice. There has been no noticeable change in this hierarchy since the previous audit.
- 4.3.2 At day-to-day administrative level, the role placements come from the specialism provisions of the generic Assistant Accountant job description with some enhancements in the Finance Risk Register. The designated post holder for the VAT specialism remains unchanged since the previous audit, as does the designation of a colleague Assistant Accountant to cover the role with provision for taking occasional turns in preparing the VAT returns.

4.4 **Policies and Procedures**

- 4.4.1 VAT on income (output tax)
It goes without saying that the Council is registered for VAT and there is an obligation to ensure that the VAT registration number appears as standard on relevant invoices rendered and receipts for payment of taxable goods services provided (among other prescribed information).
- 4.4.2 Traditionally, compliance with this had been tested in audits by examination of specimen sundry debtors' invoices, cash income system-generated receipts and pre-printed manual receipt books. It became evident on this occasion, however, that paper receipts are now well eclipsed in importance as a consequence of Digital Transformation.

- 4.4.3 To give some indication as to where this test should be focused, a profile analysis of output tax generated from income transactions was performed. Based on current year output tax postings (expected to total over £1½ million) the significant source components that make this up are shown below with the percentage of output tax represented by each:
- | | |
|---|-----|
| Car park on-site (card and cash) | 40% |
| Car park season tickets (telephone payments) | 4% |
| Sundry Debtor Invoicing | 27% |
| Royal Spa Centre (shows and bar purchases) | 11% |
| Building Control (telephone and on-line payments) | 9% |
| Garage Rents | 6% |
- 4.4.4 The VAT portions of Spa Centre income and garage rent charges have to be allocated by journal entry based on periodic returns from their respective source processing systems. Sundry debtor invoices are posted directly within the Total FMS while the remaining elements are posted daily via interfaces with the Paris income management system with VAT at standard rate automatically split out based on in-built parameters.
- 4.4.5 Compliance with VAT Regulations (per 4.4.1 above) was again tested by examination of specimen invoices/receipts but focusing on the above listed elements (ultimately this had to exclude the Royal Spa Centre). The only areas raising questions over compliance related to building control fees and garage rents.
- 4.4.6 VAT is charged on garages only where the tenant is not a Warwick District housing tenant or where an individual housing tenant is renting more than two garages from the Council's stock (in which case only two of those garages would be free of VAT).
- 4.4.7 The review failed to find evidence that garage tenants are being supplied with any documentation that quotes the Council's VAT number. In this case the issue is an essentially technical one - the tenancy conditions preclude the possibility of tenants running a VAT-registered business in such a way that the rental VAT element could be legitimately reclaimed from HMRC as input tax. In discussion with the Business Manager (Housing Services) it was agreed that the VAT registration number can be added to the tenant statement template and this was left as an informal suggestion.
- 4.4.8 The situation with building control fees is of more concern as a significant proportion of customers can be businesses with legitimate right themselves to reclaim VAT on fees as input tax. In fact, there have been reported cases where the Council has been unable to supply properly constituted tax invoices when requested by such customers (this is addressed in practice by a follow-up confirmatory e-letter quoting the Council's VAT number to supplement automatic e-receipts generated at the time of the transaction).
- 4.4.9 The issue relates primarily to fees payable at the time of plan submission (subsequent fees known as inspection fees are raised by sundry debtor invoice although it is evident in some cases that payment of this fee may be rendered without being so invoiced).

- 4.4.10 From the auditor's own understanding of 'tax invoice' requirements, specimen e-receipts examined showed that those generated for payments via the online portal are constituted validly as acceptable tax invoices for transactions of not more than £250 but not for higher amounts. For telephone payments, the e-receipts generated show as satisfying the full tax invoice detail requirements but for one crucial omission – the Council's VAT registration number.
- 4.4.11 The findings here suggest a degree of reputational risk with potential adverse impact on the Building Control Consortium's ability to maximise its income in a competitive environment. The severity of the issue can only be assessed by further detailed investigation with expert input on technological considerations as well as VAT compliance.

Risk

The Council may be viewed as not fulfilling its obligations to customers in respect of VAT compliance.

Recommendation

VAT compliance in respect of e-receipting by the Council's on-line payment portals and systems processing telephone payments should be investigated.

- 4.4.12 VAT Guidance
The Council still maintains an internal VAT Guidance Manual which is generally accessible in the Intranet via the Finance Team pages. The Manual was updated and re-launched in February 2019.
- 4.4.13 VAT Accounting Framework
The basic accounting structures and transactional processing streams are unchanged from the last audit, subject to a shift in traffic away from internally processed receipting towards greater use of bank and internet streams.
- 4.4.14 The key to correct accounting for input tax remains the processing of creditor invoices with adequate checks that they meet regulatory criteria for valid tax invoices. This process has become more centralised with the advent of invoice auto-matching. In the light of the current major system replacement project, it was decided not to perform the traditional sample tests on invoices at this juncture.
- 4.4.15 VAT Returns
The process flows involved in compiling the Council's monthly VAT returns are unchanged from the last audit, subject to latter-stage enhancements to account for anomalies that started to arise from the advent of invoice auto-matching and to meet the HMRC's 'Making Tax Digital' requirements. A walkthrough of the process for a recent month revealed no issues.

4.5 **Monitoring and Review**

- 4.5.1. Annual checks continue to be undertaken for ensuring that the Council remains below the 'de minimis' of 5 per cent of input tax claimed attributed to VAT-exempt activity.
- 4.5.2 A review of the Finance Risk Register confirmed that the control of VAT-related risks is given due profile and that the mitigation and control activity represented stands up to scrutiny. This is subject to some minor anomalies of detail which have been raised informally.

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 overall in respect of VAT accounting are appropriate and are working effectively.

- 5.2 The assurance bands are shown below:

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

- 5.3 The only issues to emerge are concentrated on VAT compliance in the operation of the Council's on-line payment portals and systems processing telephone with particular attention drawn to building control fees. The issues raised are not deemed conclusive in themselves and warrant further detailed investigation.

6 **Management Action**

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

Richard Barr
Audit and Risk Manager

Appendix A**Action Plan****Internal Audit of VAT Accounting - March 2020**


Report Ref.	Recommendation	Risk	Risk Rating*	Responsible Officer(s)	Management Response	Target Date
4.4.11	VAT compliance in respect of e-receipting by the Council's on-line payment portals and systems processing telephone payments should be investigated.	The Council may be viewed as not fulfilling its obligations to customers in respect of VAT compliance.	Medium	Head of Finance	Work with the Housing Services Team and Building Control teams (with potential IT support) to implement process to ensure compliance.	September 2020

* Risk Ratings are defined as follows:

High Risk: Issue of significant importance requiring urgent attention.

Medium Risk: Issue of moderate importance requiring prompt attention.

Low Risk: Issue of minor importance requiring attention.

 Finance & Audit Scrutiny Committee 27 May 2020		Agenda Item No. 7	
Title		Internal Audit Annual Report 2019/20	
For further information about this report please contact		Richard Barr Tel: (01926) 456815 E Mail: richard.barr@warwickdc.gov.uk	
Service Area		Finance	
Wards of the District directly affected		Not applicable	
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006		No	
Date and meeting when issue was last considered and relevant minute number		Finance & Audit Scrutiny Committee – 29 May 2019	
Background Papers		Accounts and Audit (England) Regulations 2015 Delivering Good Governance in Local Government: Framework (CIPFA in association with SOLACE, 2016) Delivering Good Governance in Local Government: Guidance Notes for English Authorities 2016 Edition (CIPFA in association with SOLACE) The Annual Governance Statement – Rough Guide for Practitioners (CIPFA Financial Advisory Network) Public Sector Internal Audit Standards Internal Audit Reports Quarterly Progress Reports Post-audit client questionnaires and satisfaction surveys	
Contrary to the policy framework:		No	
Contrary to the budgetary framework:		No	
Key Decision?		No	
Included within the Forward Plan? (If yes include reference number)		No	
Equality & Sustainability Impact Assessment Undertaken		N/A: no direct service implications	
Officer/Councillor Approval			
With regard to officer approval all reports <i>must</i> be approved by the report author's relevant director, Finance, Legal Services and the relevant Portfolio Holder(s).			
Officer Approval	Date	Name	
Chief Executive	11 May 2020	Chris Elliott	
Monitoring Officer	11 May 2020	Andrew Jones	
Section 151 Officer	11 May 2020	Mike Snow	
Finance	11 May 2020	As Section 151 Officer	
Leader of the Council	12 May 2020	Councillor Day	
Portfolio Holder	12 May 2020	Councillor Hales	
Consultation and Community Engagement			
Consultation with members and officers listed above.			
Final Decision?		Yes	
Suggested next steps (if not final decision please set out below)			

1 **Summary**

- 1.1 Forming part of the evidence for the Annual Governance Statement, the Internal Audit Annual Report presents a summary of the internal work undertaken during 2019/20 and provides a conclusion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

2 **Recommendation**

- 2.1 That this Committee considers the Annual Report of Internal Audit for the year ended 31 March 2020 as part of its consideration and approval of the Annual Governance Statement 2019/20.

3 **Reason for the Recommendations**

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

4 **Policy Framework**

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

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

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

FFF Strands		
People	Services	Money
External		
Health, Homes, Communities	Green, Clean, Safe	Infrastructure, Enterprise, Employment
<u>Intended outcomes:</u> Improved health for all Housing needs for all met Impressive cultural and sports activities Cohesive and active communities.	<u>Intended outcomes:</u> Becoming a net-zero carbon organisation by 2025. Total carbon emissions within Warwick District are as close to zero as possible by 2030. Area has well looked after public spaces All communities have access to decent open space Improved air quality Low levels of crime and ASB.	<u>Intended outcomes:</u> Dynamic and diverse local economy Vibrant town centres Improved performance/ productivity of local economy Increased employment and income levels.

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

4.2 **Supporting Strategies**

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

4.3 **Changes to Existing Policies**

This section is not applicable.

4.4 **Impact Assessments**

This section is not applicable.

5 **Budgetary Framework**

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

6 **Risks**

- 6.1 Internal Audit provides a view on all aspects of governance, including corporate and service arrangements for managing risks.
- 6.2 It is impractical to provide a commentary on risks as the report is concerned with the outcome of reviews by Internal Audit on other services. Having said that, there are risks to the Council in not dealing with the issues raised in the

Internal Audit reports. There is also an overarching risk associated with the Finance & Audit Scrutiny Committee not fulfilling its role properly e.g. not scrutinising this report robustly.

7 **Alternative Options Considered**

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

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

- 8.1 The Public Sector Internal Audit Standards state:

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

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

The annual report must incorporate:

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

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

**Head of Internal Audit's Annual Report and Presentation of
Audit Opinion 2019/20**

Introduction

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

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

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

The annual report must incorporate:

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

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

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

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

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

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

The Public Sector Internal Audit Standards states that *"Where the chief audit executive believes that the level of agreed resources will impact adversely on the provision of the annual internal audit opinion, the consequences must be brought to the attention of the board."*

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

Summary of the internal work undertaken during 2019/20 from which the opinion on the internal control environment is derived

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

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

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

The list of audits in Appendix 1A comprises audit reviews only (including one consultancy-based review that replaced a programmed assignment) – it does not include investigations into concerns that arose during the year.

Issues particularly relevant to the Annual Governance Statement

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

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

This is set out as Appendix 1B.

Compliance with the Public Sector Internal Audit Standards

The Public Sector Internal Audit Standards state that:

"Chief audit executives are expected to report conformance on the Public Sector Internal Audit Standards in their annual report."

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

A review by the Chartered Institute of Public Finance and Accountancy (CIPFA), undertaken three years ago, highlighted non-compliance with some elements of the Public Sector Internal Audit Standards. An action plan was produced to address those areas of non-compliance and this was reported to Finance & Audit Scrutiny Committee on 1 June 2016, together with the full results of the review. As reported previously, all areas of non-compliance have been addressed and Internal Audit is now fully-compliant with the Public Sector Internal Audit Standards. The Public Sector Internal Audit Standards require such external reviews to be undertaken at least once in a five-year period. Thus, the next external review is required to be undertaken by 31 March 2021.

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

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

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

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

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

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

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

In terms of the post audit questionnaires, no auditees awarded less than full marks (5) in their assessment of the audit that they had received. Obviously this indicates very broad satisfaction with the audits undertaken.

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

Summary of Internal Audit Work Undertaken 2019/20¹

Assignment	Client Service Area	Level of Assurance	No. of Recs.
Corporate Governance – Gifts and Hospitality and Risk Management Framework.	Chief Executive's Office	Substantial	2 + 4 advisories
Human Resources Management	HR	Substantial	0
Housing Stock Asset Management	Assets	Substantial	4 + 1 advisory
Planning Policy	Development Services	Substantial	0
Financial Strategy, Planning and Budgetary Control	Finance	Substantial	2 + 1 advisory
Council Tax	Finance	Substantial	2
National Non-Domestic Rates	Finance	Substantial	1
Housing Benefit & Council Tax Reduction	Finance	Substantial	1
Main Accounting System	Finance	Substantial	2 + 2 advisories
Sundry Debtors	Finance	Substantial	3
Treasury Management	Finance	Substantial	1
Housing Repairs and Maintenance	Assets	Substantial	3
Infrastructure Security and Resilience	ICT	Substantial	3
Information Systems Policies	ICT	Moderate	5
Cloud Applications	ICT	Moderate	5
Recruitment and Selection, Terms and Conditions	HR	Substantial	0
Website Management	ICT	Substantial	2 advisories
Loans to External Organisations	Chief Executive's Office	Moderate	3 + 1 advisory
Equality and Diversity	HR	Substantial	3
Corporate Health and Safety	Health and Community Protection	Substantial	3
Safeguarding Children and Vulnerable Adults	Corporate	Substantial	2 + 3 advisories
Health and Wellbeing	HR	Substantial	3
Catering Concessions	Cultural Services	Moderate	0

¹ Planned and additional audits only.

Assignment	Client Service Area	Level of Assurance	No. of Recs.
Local Elections	Chief Executive's Office	Moderate*	2
Utilities Management	Assets	Moderate	6
Gas and Electrical Safety Checks	Assets	Substantial	3 + 1 advisory
Health and Safety Compliance of Council Buildings	Assets	Moderate	6 + 3 advisories
Events Management	Development Services	Moderate	11 + advisories
Conservation and Design	Development Services	Substantial	0
Banking Arrangements	Finance	Substantial	1 + 3 advisories
VAT Accounting	Finance	Substantial	1
Food Safety	Finance	Substantial	0
CCTV Services	Health and Community Protection	Not applicable	26 + 1 advisory
Homelessness and Housing Advice (Temporary Accommodation)	Housing Services	Substantial	2 + 3 advisories
Affordable Housing Development Programme	Housing Services	Substantial	0
Lettings and Void Control	Housing Services	Substantial	1 advisory
Open Spaces	Neighbourhood Services	Substantial	0
Bereavement Services	Neighbourhood Services	Substantial	1 + 2 advisories
Grounds Maintenance	Neighbourhood services	Moderate	3 + 1 advisory

*Upgraded following 'Follow-up Review'

Key to Level of Assurance:

Level of Assurance	Definition
Substantial Assurance	There is a sound system of control in place and compliance with the key controls.
Moderate Assurance	Whilst the system of control is broadly satisfactory, some controls are weak or non-existent and there is non-compliance with several controls.
Limited Assurance	The system of control is generally weak and, where there are controls, these are often not complied with.

Overall Summary of Performance 2019/20

Performance Indicator	In-house Team	External Contractors	Overall for Service
Number of planned audits assigned	36	3	39
Number of planned audits completed	36	3	39
% assigned audits completed	100.0%	100.0%	100.0%
Number of audits completed within time allocation	15	N/A	15
% audits completed within time allocation	46.9	N/A	46.9
Number of audit days – planned	337.0	N/A	337.0
Number of audit days – actual	344.1	N/A	344.1
Productive time as % of available time – target	71.1%	N/A	71.1%
Productive time as % of available time – actual	69.0%	N/A	69.0%
Number of audit recommendations issued	97	13	110
Number of audit recommendations agreed	94	13	107
% audit recommendations agreed	96.9	100.0	97.3
Number of High Priority audit recommendations issued	2	0	2
Number of High Priority audit recommendations implemented	2	0	2
% High Priority audit recommendations implemented	100	N/A	100

Post Audit Questionnaire

Audit:

Date of report:

Auditor:

Manager:

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

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

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


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

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

Manager: _____

Date: _____

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

 Finance & Audit Scrutiny Committee 27 May 2020		Agenda Item No. 8
Title		Annual Governance Statement 2019/20
For further information about this report please contact		Richard Barr Tel: (01926) 456815 E Mail: richard.barr@warwickdc.gov.uk
Service Area		Finance
Wards of the District directly affected		Not applicable
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006		No
Date and meeting when issue was last considered and relevant minute number		Finance & Audit Scrutiny Committee – 29 May 2019
Background Papers	Accounts and Audit (England) Regulations 2015 Delivering Good Governance in Local Government: Framework (CIPFA in association with SOLACE, 2016) Delivering Good Governance in Local Government: Guidance Notes for English Authorities 2016 Edition (CIPFA in association with SOLACE) The Annual Governance Statement – Rough Guide for Practitioners (CIPFA Financial Advisory Network) Minutes of Senior Management Team Minutes of Senior Management Team	

Contrary to the policy framework:		No
Contrary to the budgetary framework:		No
Key Decision?		No
Included within the Forward Plan? (If yes include reference number)		No
Equality & Sustainability Impact Assessment Undertaken		N/A: no direct service implications
Officer/Councillor Approval		
With regard to officer approval all reports <i>must</i> be approved by the report author's relevant director, Finance, Legal Services and the relevant Portfolio Holder(s).		
Officer Approval	Date	Name
Chief Executive	11 May 2020	Chris Elliott
Senior Management Team	11 May 2020	
Section 151 Officer	Various dates	Mike Snow
Monitoring Officer	Various dates	Andrew Jones
Finance	Various dates	As Section 151 Officer
Leader of the Council	12 May 2020	Councillor Day
Portfolio Holder	12 May 2020	Councillor Hales
Consultation and Community Engagement		
With members and officers listed above.		
Final Decision?		Yes
Suggested next steps (if not final decision please set out below)		

1 **Summary**

- 1.1 This report sets out the Council's Annual Governance Statement for 2019/20 describing the governance arrangements that were in place during the financial year. The Statement will be signed by the Chief Executive and the Leader of the Council and will accompany the Council's Statement of Accounts that is approved by Full Council.

2 **Recommendations**

- 2.1 That Committee approves the Annual Governance Statement for 2019/20 for Warwick District Council as set out at Appendix A.

3 **Reason for the Recommendations**

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

4 **Policy Framework**

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

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

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

FFF Strands		
People	Services	Money
External		
Health, Homes, Communities	Green, Clean, Safe	Infrastructure, Enterprise, Employment
<u>Intended outcomes:</u> Improved health for all Housing needs for all met Impressive cultural and sports activities Cohesive and active communities.	<u>Intended outcomes:</u> Becoming a net-zero carbon organisation by 2025. Total carbon emissions within Warwick District are as close to zero as possible by 2030. Area has well looked after public spaces All communities have access to decent open space Improved air quality Low levels of crime and ASB.	<u>Intended outcomes:</u> Dynamic and diverse local economy Vibrant town centres Improved performance/ productivity of local economy Increased employment and income levels.

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

4.2 **Supporting Strategies**

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

4.3 **Changes to Existing Policies**

This section is not applicable.

4.4 **Impact Assessments**

This section is not applicable.

5 **Budgetary Framework**

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

6 **Risks**

- 6.1 Risk management is an intrinsic element of corporate governance and the Annual Governance Statement describes the Council's risk environment.

7 **Alternative Options Considered**

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

8 **Background to the Annual Governance Statement**

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

Review of internal control system

- 6.**—(1) A relevant authority must, each financial year—
- (a) conduct a review of the effectiveness of the system of internal control required by regulation 3; and
 - (b) prepare an annual governance statement;
- (2) If the relevant authority referred to in paragraph (1) is a Category 1 authority, following the review, it must—
- (a) consider the findings of the review required by paragraph (1)(a)—
 - (i) by a committee; or
 - (ii) by members of the authority meeting as a whole; and
 - (b) approve the annual governance statement prepared in accordance with paragraph (1)(b) by resolution of—
 - (i) a committee; or
 - (ii) members of the authority meeting as a whole.
- (3) If the relevant authority referred to in paragraph (1) is a Category 2 authority, following the review it must—
- (a) consider the findings of the review by members of the authority meeting as a whole; and
 - (b) approve the annual governance statement prepared in accordance with paragraph (1)(b) by resolution of members of the authority meeting as a whole.
- (4) The annual governance statement, referred to in paragraph (1)(b) must be—
- (a) approved in advance of the relevant authority approving the statement of accounts in accordance with regulations 9(2)(b) or 12(2)(b) (as the case may be); and
 - (b) prepared in accordance with proper practices in relation to accounts(a).

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

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

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

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

- A. Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of the law
- B. Ensuring openness and comprehensive stakeholder engagement
- C. Defining outcomes in terms of sustainable economic, social, and environmental benefits
- D. Determining the interventions necessary to optimise the achievement of the intended outcomes
- E. Developing the entity's capacity, including the capability of its leadership and the individuals within it
- F. Managing risks and performance through robust internal control and strong public financial management
- G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability

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

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

Objective 1, ESTABLISHING PRINCIPAL STATUTORY OBLIGATIONS AND ORGANISATIONAL OBJECTIVES

Step 1: Mechanisms established to identify principal statutory obligations

Step 2: Mechanisms in place to establish organisational objectives

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

Step 4: Performance management arrangements are in place

THEN apply the CIPFA/SOLACE Core Principles

Objective 2, IDENTIFY PRINCIPAL RISKS TO ACHIEVEMENT OF OBJECTIVES

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

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

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

Objective 4, OBTAIN ASSURANCES ON THE EFFECTIVENESS OF KEY CONTROLS

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

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

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

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

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

Objective 7, ANNUAL GOVERNANCE STATEMENT

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

Objective 8, REPORT TO CABINET / EXECUTIVE COMMITTEE

Step 1: Report in accordance with pro-forma

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

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

WARWICK DISTRICT COUNCIL

ANNUAL GOVERNANCE STATEMENT 2019/20

1 INTRODUCTION

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

2 THE PURPOSE OF THE ANNUAL GOVERNANCE STATEMENT

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

3 THE COUNCIL'S GOVERNANCE FRAMEWORK

- 3.1 Warwick District Council must operate in accordance with the law and appropriate standards and ensure that public money is safeguarded, properly accounted for and used economically, efficiently and effectively.
- 3.2 Warwick District Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised
- 3.3 In discharging these responsibilities Warwick District Council is responsible for putting in place suitable governance arrangements, including provisions for the management of risk.
- 3.4 The governance framework comprises the systems and processes, culture and values by which the authority is directed and controlled as well as its activities

through which it accounts to, engages with and leads its communities. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

- 3.5 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve aims and objectives and can therefore provide only reasonable, not absolute, assurance of effectiveness.
- 3.6 Warwick District Council has approved and adopted a Local Code of Corporate Governance that is consistent with the principles of the latest CIPFA/SOLACE¹ Framework for Delivering Good Governance in Local Government (2016).
- 3.7 The Council's corporate strategy is set out in its Fit for the Future (FFF) programme which draws together a shared vision, setting out the Council's objectives and priorities for the District and how these are to be achieved. The FFF programme is the key planning instrument for the Council. In February 2020 the Council adopted a new Business Strategy. The Strategy is based around five themes and will be used to identify and prioritise the work programme over the next three years.
- 3.8 Delivery of the Council's change programme is through the Service Area Plans in which the corporate objectives are translated into more specific aims and objectives. These are then fed down into individual performance development reviews through the Council's performance appraisal system. These include agreed expectations and, where appropriate, service standards against which service quality and improvement can be judged. Performance is monitored by individual services and reported to the Overview & Scrutiny Committee. During the course of 2019/20, a new approach to performance management oversight was in development. Additional officer resource was recruited and it is envisaged that 2020/21 will see a full roll-out of the revised approach.
- 3.9 Warwick District Council has adopted a Constitution that establishes the roles and responsibilities for members of the Executive, Finance & Audit Scrutiny Committee, Overview & Scrutiny Committee and Standard Committees, together with officer functions. It includes details of delegation arrangements, the Councillors' Codes of Conduct and protocols for councillor/officer relations. The Constitution is kept under review to ensure that it continues to be fit for purpose. The Council has adopted a Standards regime pursuant to the Localism Act 2011 and appointed a Standards Committee. Conduct of officers is governed through the Employee Code of Conduct and through the values and behaviours which are part of the Council's individual performance appraisal system.
- 3.10 The Constitution contains procedures, rules and financial regulations that define clearly how decisions are taken and where authority lies for decisions. The statutory roles of Head of Paid Service, Monitoring Officer and Chief Financial Officer are described together with their contributions to provide robust assurance on governance and that expenditure is lawful and in line with approved budgets and procedures. The influence and oversight exerted by

¹ Chartered Institute of Public Finance & Accountancy / Society of Local Authority Chief Executives
Item 8 / Page 9

these posts is backed by post-holders' membership (whether permanent or 'as required') of the Corporate Management Team.

- 3.11 In 2010 CIPFA published a statement on the Role of the Chief Financial Officer (CFO) in local government, setting out core principles and standards relating to the role of the CFO and how it fits into the organisation's governance arrangements.
- 3.12 A specific statement is required to be reported in the Annual Governance Statement on whether the authority's financial management arrangements conform to the governance requirements of the CIPFA Statement.
- 3.13 The governance requirements in the Statement are that the CFO should be professionally qualified, report directly to the Chief Executive and be a member of the Leadership Team, with a status at least equivalent to other members. The Statement requires that if different organisational arrangements are adopted the reasons should be explained publicly in the Council's Annual Governance Report, together with how these deliver the same impact.
- 3.14 The Head of Finance has confirmed that the Council's financial management arrangements conform to the CIPFA Statement other than in three specific aspects:
- Head of Finance reporting directly to Chief Executive.
 - Head of Finance being a member of Leadership Team.
 - Head of Finance having responsibility for Asset Management.
- 3.15 The Council's view is that the way it operates – the Head of Finance's regular attendance at Corporate Management Team/Executive meetings, budget planning meetings, and numerous ad-hoc meetings – enables the officer to have unhindered access to the most senior officer as well as senior councillors. The Head of Finance reports to the Deputy Chief Executive/Monitoring Officer. This approach has been in place for several years without any apparent problems; consequently, the Council considers that the risk of there being any detriment to the authority is low. These arrangements were confirmed within the review of the Senior Management Team during 2019.
- 3.16 For the financial year 2017/18 the Council failed to meet the statutory deadline for publication of its financial statements. A thorough examination of the reasons for this was conducted by the Chief Executive. From this, a comprehensive plan of actions and initiatives was produced and monitored during the subsequent year. This was reported to Executive and Finance and Audit Scrutiny Committee on a monthly basis. Within the actions, additional financial training has been provided for all officers across the Council who contribute to the closure of the accounts. This led to procedural improvements that resulted in the financial statement for 2018/19 being produced on time and with no notable issues. Measures continue to be in place to ensure the Accounts for 2019/20 and future years comply with all the legal requirements and deadlines.
- 3.17 With regard to asset management, responsibility for this comes under the post of Head of Assets. This newly created post was as part of the recent Senior Management Team Review. This follows the organisational requirement to

enhance the way it uses its Assets and is one of the key areas of the Council's Business Strategy.

- 3.18 The Executive provides the strategic direction for the Council, ensuring that the Council's priorities are established and that corporate objectives are set and achieved.
- 3.19 The primary counterbalances to the Executive are the Finance & Audit Scrutiny and the Overview & Scrutiny Committees. The role of these committees is to provide a robust challenge to the Executive.
- 3.20 The Finance & Audit Scrutiny Committee monitors the performance of the Council, fulfilling the core functions of a typical 'audit committee' in respect of External Audit, Internal Audit and Risk Management. The Committee seeks assurance from the relevant Executive councillor (Portfolio Holder) and/or senior manager when it has concerns or queries in respect of matters relating to particular service areas.
- 3.21 'Task and Finish' Groups, comprising solely councillors, are appointed by the Scrutiny Committees to examine various issues in detail. These Groups report back to their respective Scrutiny Committees with recommendations on improvements which are, when approved, taken forward.
- 3.22 The Council has a formal complaints procedure which allows the public or other stakeholders to make a complaint regarding the service received from the Council or the conduct of councillors. The Standards Committee has responsibility for overseeing the investigation of complaints against councillors.
- 3.23 The Council has policies to help safeguard the organisation and its staff when making decisions. An Anti-Fraud and Corruption Strategy and set of Policies and Procedures, including a Fraud Response Plan, Whistleblowing Policy and Procedure, Money Laundering Policy and Procedure and Bribery Act 2010 Policy and Procedure, have been developed and communicated to all staff via the intranet and as part of the Staff Induction process. The Anti-Fraud and Corruption Strategy and the Whistleblowing Policy are reviewed by councillors annually.
- 3.24 The Council has embedded Risk Management throughout its arrangements with the Significant Business Risk Register (in effect, the Council's corporate and strategic risk register) being reviewed and updated each quarter, firstly by the Senior Management Team and then by the Finance & Audit Scrutiny Committee before being considered by the Executive who assumes overall responsibility for it.
- 3.25 Council services are delivered by staff with the appropriate skills, training and level of experience. Job Descriptions and Person Specifications are in place for all posts and together with a rigorous recruitment and selection process this helps to ensure that the best candidates are appointed into each position. A significant commitment has also been made towards retaining good staff, by offering numerous 'work friendly' schemes and where possible encouraging succession planning and promotion from within. This ensures that valuable skills and experience are retained and passed on, rather than being lost. Training needs are identified through the performance appraisal system.

- 3.26 The individual performance appraisal system has been operated in the Council for a number of years, having been reviewed and subsequently refined on several occasions. Staff are measured against operational objectives that derive from the Business Strategy and Fit for the Future change programme. The performance appraisal system also identifies learning and developmental needs to ensure that appropriate training is made available to staff to ensure that they are able to undertake their role effectively and have the opportunity to develop.
- 3.27 In May 2019 a new Council was elected. A comprehensive training programme was delivered for all Councillors covering a range of subjects. Attendance at these was generally very good, as was feedback, and Group Leaders have been provided the attendance records to discuss within their Groups.
- 3.28 Following the Local Elections in May 2019 it was agreed by the Executive, after discussions with all Group Leaders, to review the Democratic Structure of the Council. A Governance Working Party was set up within the Council (comprising Group leaders plus an extra member from each of the Conservative, Lib Dems and Green Groups) and a series of workshops led by the Centre for Public Scrutiny (CfPS) was run. Following the third workshop, the draft notes from the meeting were passed to CfPS for them to consider. CfPS have considered these and wish to discuss the outcome with CMT before responding. After the CfPS have responded, the intention is for CMT to consider how the proposals could be supported by officers and the implications of these. This will be brought to the Working Party to take an informed view. The work on this, however, has paused at present due to responding to the Coronavirus pandemic.
- 3.29 In addition to this, the two Scrutiny Committees at their meetings in March were due to reflect on their work since May 2019 and what changes they could make or what training they needed to help them prepare for their work in the next 12 months. This would have included detailed scrutiny of both the Business Plan for the Council and the Climate Change Emergency Action Plan and how this could be incorporated alongside the planned work. The Committees were also to reflect on the value of the reports from each Service Area, being mindful that from 1 April the number of service areas was increasing from seven to ten. On that basis the scrutiny committees were to consider whether the arrangements provided value for money. An alternative approach would be for the committees to take a more Strategic approach by scrutinising the Business Plan instead.
- 3.30 The Council strives to be open and accessible to the community. All Council committee meetings are open to the public except where confidential matters are discussed. All agendas and minutes are placed on-line, along with the Council's policies and strategies. All Council meetings that are held in the Council Chamber, such as the meetings of the Council's Executive, are now recorded. When identifying the priorities and objectives for the Strategic Plan, the views of stakeholders and the wider community are sought through a number of consultation mechanisms, and are taken into account. The Strategic Plan is made available to all via the Council's website.
- 3.31 There are terms of reference and constitutions set up for key partnerships which ensure that partners act lawfully throughout the decision-making process. Key partnerships include the Coventry and Warwickshire Local

Enterprise Partnership and South Warwickshire Crime and Disorder Partnership. Warwick District Council also works closely with several other councils and operate shared services for Building Control, Business Rates, Corporate Fraud and Legal Services.

- 3.32 During the year the Council introduced the position of Performance Management Officer. Part of the role will be to monitor the information published on the website to ensure it meets the 2015 Local Government Transparency Code. The Council strives to publish information that is accessible and understandable to councillors and the public, and continues to seek to make improvements in this. An example of this is achievement of the required Website Content Accessibility Guidelines (WCAG).
- 3.33 Also, the Council's Scrutiny Committees looked at various areas of Council decision-making and service delivery, with their Annual reports submitted to the April 2019 Council meeting. This included the continued work of a Task & Finish Group to look at the Role of the Chairman of the District Council and the monitoring of the implementation of the recommendations from another Task & Finish Group regarding Houses in Multiple Occupation.
- 3.34 Internal Audit reviews were undertaken during 2019/20 on various aspects of governance, including reviews of the efficacy of the Service Assurance Statements, the fulfilment of ethical obligations in the Council's work and the effectiveness of Performance Management arrangements.

4 REVIEW OF EFFECTIVENESS

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

2018. The Section 151 Officer is also responsible for reporting any significant breaches of the Codes to the Executive and/or the Council. All reports to Executive, Committees and Council are seen by appropriate staff within the Finance Department to ensure compliance with financial requirements.

- 4.6 The CIPFA Statement on the Role of the Head of Internal Audit in Public Service Organisations requires the head of internal audit to give an opinion annually to the Authority on its risk management, governance and control environment and that this should be used as a primary source of evidence for the annual governance statement. In regard to this, the Audit and Risk Manager's Annual Report and Opinion for 2019/20 has concluded that, in overall terms, the areas audited were adequately managed and controlled.
- 4.7 In addition to the above, the Council has conducted a formal review of its internal control environment and collated evidence and assurance from a variety of sources. This has included assurances, set out on "service assurance statements", from heads of services on the effectiveness of the internal control environment. The Statements did not reveal any issues of significant concern.
- 4.8 The work of the Council's Internal Audit function is governed by the UK Public Sector Internal Audit Standards (PSIAS). The PSIAS are mandatory for all internal auditors working in the UK public sector. The Standards require an external and independent assessment at least every five years of the performance of public sector internal audit units and their conformance with the PSIAS. In Warwick District Council's case the review was undertaken four years ago, well within the specified period for such reviews. Some minor shortcomings were identified that were promptly addressed. The findings of this review together with the resultant actions to address the shortcomings were reported to the Finance and Audit Scrutiny Committee. An essential element of the assessment is to confirm that the annual audit opinion issued by Internal Audit may be relied upon as a key source of evidence and assurance and this was found to be the case.
- 4.9 Grant Thornton was appointed as the Council's External Auditor for 5 years from 2018/19 to 2022/23 and is responsible for reviewing the Council's Statements of Accounts. In addition to reviewing the 2018/19 Statement of Accounts, Grant Thornton issued a formal opinion on the Council's arrangements for securing Value for Money, concluding that the Council had made proper arrangements in all significant respects to secure economy, efficiency and effectiveness in its use of resources.

5 THE IMPACT OF THE CORONAVIRUS PANDEMIC

- 5.1 On 23rd March 2020 the Prime Minister made an unprecedented broadcast to the nation which in effect triggered a "lockdown" to limit the spread of coronavirus. An element of the lockdown instruction was that people would only be able to travel to work if it was necessary and the individual was unable to work from home. This had an immediate impact on the business of the Council; for both officers and Councillors.
- 5.2 In order to continue the delivery of services upon which our communities rely, a roll-out plan was developed to enable as many officers as possible to work from home and, where site visits were required, clear guidance was provided

to staff to enable them to continue to provide essential services in a safe way that complies with social distancing guidance. In tandem with this, arrangements were made to enable the Council's Executive, Group Leaders and most senior officers to meet 'virtually' each Monday afternoon to provide the strategic oversight and direction for the Council at this most challenging of times.

- 5.3 Arrangements were also quickly put in place to enable the Chief Executive, in consultation with the Group Leaders, to make decisions on matters deemed to be an emergency. Shortly after this, Parliament put into law the Coronavirus Act 2020 which provided authority for the Secretary of State to make Regulations enabling Council committees to meet virtually. At the time of writing, the mechanics of how the virtual meetings will operate are still being developed. During the Interim period a temporary scheme of delegation was quickly also put in place to enable decisions relating to key services to be made; this includes, for instance, planning decisions that would otherwise have been determined by planning committee.
- 5.4 The pandemic has revealed many issues the Council will need to reflect on once business returns to a steady state, however, it is already clear that the possibilities provided by new technology need to be fully harnessed to improve, among other things, work-life balance, environmental impact and mental well-being of both officers and members. There also needs to be reflection on the governance structures of the Council and it is therefore apposite that the Council is currently part way through such a review which can be restarted once the lockdown situation is eased.
- 5.5 An immediate consequence for the Council of the lockdown has been the reduction in income from sources such as parking charges, planning fees and rent and service charges. Whilst it is not the remit of this statement to go into the detail of the impact, there will be issues of financial governance to reflect upon which must cover management, monitoring, review and scrutiny.
- 5.6 The financial implications from the pandemic are still being assessed up to the time of writing. These fall broadly into the following areas:
- Additional costs relating to the crisis.
 - Reduced service income as service provision and demand has reduced.
 - Impact upon 2020/21 Budget and Medium Term Financial Strategy, and Housing Revenue Account Business Plan.
 - Impact on individual Council projects and the capacity of the Council to undertake those projects in the short and medium term.

These need to continue to be assessed by officers throughout 2020/21 and be reported to members to help to inform the decision making process.

6 SIGNIFICANT GOVERNANCE ISSUES

- 6.1 Last year's Annual Governance Statement included just one Significant Governance Issue. This related to the Council's failure to meet the statutory deadline for publication of its financial statements for 2017/18, although the Audited Accounts for 2018/19 were agreed by the statutory deadline. The actions originating from the 2017/18 Accounts have all now been completed.

The Authority continues to ensure the preparation of the Accounts is given the priority it requires across the organisation.

- 6.2 The Coronavirus pandemic has raised issues about the Council's preparedness. Although most organisations are likely to have faced major challenges in responding to the Coronavirus pandemic that does not in any way diminish the need for the Council to learn from the experience. In addition, there are financial challenges resulting from funding pressures.
- 6.3 The Council is therefore to include within the scope of its current governance review the learning points from Council's response to the Coronavirus pandemic. Without pre-empting the learning points, it is clear that the following actions will be required: a deployment plan that enables rapid roll-out of homeworking; the testing of such a plan on a regular basis; amendments to the Council's Consultation to ensure that Committee meetings can continue should physical meetings not be possible.
- 6.4 In relation to the financial aspects, the General Fund Balance will be reviewed to determine whether it is adequate.

7 CERTIFICATION


- 7.1 The governance framework has been in place at Warwick District Council for the year ended 31 March 2020 and up to the date of approval of the annual statement of accounts.

Signed:

Councillor Andrew Day
Leader of the Council

Christopher Elliott
Chief Executive

Dated:

 Finance and Audit Scrutiny Committee 27 May 2020		Agenda Item No. 9
Title	Internal Audit Strategic Plan 2020/21 – 2022/23 and Internal Audit Charter 2020	
For further information about this report please contact	Richard Barr Tel: (01926) 456815 email: richard.barr@warwickdc.gov.uk	
Service Area	Finance	
Wards of the District directly affected	Not applicable	
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006	No	
Date and meeting when issue was last considered and relevant minute number	Finance and Audit Scrutiny Committee – 5 March 2019	
Background Papers	Internal Audit risk assessment file; email correspondence with members of SMT.	

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

Officer/Councillor Approval		
With regard to officer approval all reports <i>must</i> be approved by the report author's relevant director, Finance, Legal Services and the relevant Portfolio Holder(s).		
Officer Approval	Date	Name
Chief Executive/Deputy Chief Executive	18/02/20	Chris Elliott
Head of Service	18/02/20	Mike Snow
SMT	18/02/20	SMT
Section 151 Officer	18/02/20	As Head of Service
Monitoring Officer	18/02/20	Andrew Jones
Finance	18/02/20	As Section 151 Officer
Portfolio Holder	04/03/20	Councillor Hales
Consultation and Community Engagement		
None other than consultation with members and officers listed above.		
Final Decision?		Yes
Suggested next steps (if not final decision please set out below)		

1 **Summary**

- 1.1 The report presents the Internal Audit Strategic Plan 2019/20 – 2021/22 and the Internal Audit Charter 2019 for consideration and approval.

2 **Recommendation**

- 2.1 That Members consider and approve the Internal Audit Strategic Plan 2019/20 – 2021/22 and the Internal Audit Charter 2019.

3 **Reason for the Recommendation**

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

4 **Policy Framework**

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

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

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

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

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

4.2 **Supporting Strategies**

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

4.3 **Changes to Existing Policies**

This section is not applicable.

4.4 **Impact Assessments**

This section is not applicable.

5 **Budgetary Framework**

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

6 **Policy Framework**

- 6.1 Although there are no direct policy implications, Internal Audit provides a view on all aspects of governance and will take into account the Council's policies.

7 **Risks**

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

8 **Alternative Options Considered**

- 8.1 This section is not applicable.

9 **Internal Audit Strategic Plan**

- 9.1 Internal Audit provides an independent opinion to the organisation on the control environment by evaluating its effectiveness in achieving the organisation's objectives. It examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.
- 9.2 The Internal Audit Strategic Plan 2019/20 to 2021/22 comprising the planned reviews over this period is set out as the first Appendix to this report.
- 9.3 The Audit Plan is organised as follows:
- Risk-based coverage
 - Coverage for core activities that traditionally require Internal Audit input for assurance on financial probity and regularity
 - Other internal audit coverage
- 9.4 The audits set out in the first year of the Plan are carried out throughout the year with timings (start dates) agreed with managers on individual audits, usually at the beginning of the year.
- 9.5 The Internal Audit Charter for delivering this assurance is also included and is set out as Appendix 2.

10 **Formulation of the Plan**

- 10.1 To produce the audit plan, the following has been taken into consideration:
- The strategic objectives of the organisation and the specific risks associated with those objectives;
 - the content of risk registers and assurance frameworks to understand the risks faced, and the controls that the organisation places reliance on to manage those risks;
 - areas of concern or previous requests for coverage from management and the Finance & Audit Scrutiny Committee;
 - areas where the External Auditors will wish to place reliance on the testing performed by Internal Audit;
 - other sources of assurance available to the organisation e.g. inspections, peer reviews, accreditations;
 - any recent significant changes within the organisation and its operations;
 - regulatory requirements for internal audit coverage;
 - emerging issues, including any additional risks that do not appear on the risk profile but may merit internal audit coverage;

- the timing for each internal audit review to maximise the benefit of assurance provided; and
 - the results of previous internal audit coverage.
- 10.2 In recent years we have strengthened our risk-based approach by placing greater reliance on the risk registers to identify priority areas. An exercise to link the audit plan to the risk registers also highlighted some new areas that required audit coverage. A good example of this was climate change where an audit of the Authority's preparations for responding to climate change was identified. We have continued that approach for this year.
- 10.3 An earlier draft of the Strategic Plan was issued to CMT and Service Area Managers for their views.
- 10.4 Views were sought on a number of aspects, including:
- ❖ The amounts of time allocated to the various proposed assignments;
 - ❖ whether anything important has been missed;
 - ❖ whether any planned assignments should be excluded (because, for example, the function is considered very low risk or because the function is no longer performed);
 - ❖ whether any risk profiles had changed significantly in the last 12 months.
- 10.5 Deputy Chief Executives and Service Area Managers were requested to share the draft Plan as widely as possible within their service areas and to feed back comments to Internal Audit.
- 10.6 The draft Plan was subsequently revised to reflect the aforementioned feedback and this updated version is now presented to Committee.

STRATEGIC AUDIT PLAN 1ST APRIL 2020 TO 31ST MARCH 2023**RISK-BASED COVERAGE**

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

Note: Risk Item 10 (....partnerships not delivering stated objectives) will in future be considered for review of partnerships individually in the context of their respective service/functions under 'Core Systems' and 'Other Coverage' assignments as applicable.

Assignment Name	Risk Description	Assignment Objective	Year Last Audited	Assurance Rating Last Audit	2020-21 (Days)	2021-22	2022-23
Corporate Governance	Risk of corporate governance arrangements not maintained effectively.	To ensure that the Council has appropriate structures, procedures and monitoring arrangements in place with reference to relevant standards.	2019-20	Substantial	5	✓	✓
Performance Management	Fit for the Future Change Programme not managed appropriately/effectively Risk of sustained service quality reduction.	Evaluate the effectiveness of corporate framework for managing performance in relation to the Council's priority objectives.	2018-19	N/A (Consultancy Exercise)		✓	
Emergency Planning & Business Continuity Management	Risk of a major incident not responded to effectively.	Evaluate the adequacy of arrangements in place to secure effective Council response to civil emergency incidents in accordance with its statutory duties.	2017-18	Substantial	10		
Human Resources Management	Risk of staff not developed effectively.	To ascertain whether there are adequate controls in place to ensure that structures and processes in place at the council for the management of its workforce are working appropriately.	2019-20	Substantial			✓
ICT Strategies and Policies	Risk of ineffective utilisation of information and communications technology.	An assurance review of the continued relevance of the key information systems and security policies and the understanding of them and adherence to them in the operational areas of the Council.	2019-20	Moderate		To be determined based on next update of IT Audit Needs Assessment.	
Housing Investment/Maintenance Programmes	Risk of failing to provide, protect and maintain Council-owned property.	To ensure that capital monies available for Housing Improvement are appropriately allocated and that programmed maintenance works are sufficient to ensure that Council dwellings are kept in a good state of repair.	2018-19	Substantial	14		
Housing Stock Asset Management	Risk of failing to provide, protect and maintain Council-owned property.	Appraisal of systems for effective management of the portfolio including maintenance of proper records, asset utilisation, and progressing relevant provisions of Asset Management Plan (excludes rent accounting - covered as separate assignment).	2019-20	TBA			✓
Corporate Property and Portfolio Management	Risk of failing to provide, protect and maintain Council-owned property.	To ensure that the arrangements in place to manage the non-operational property are appropriate, making effective, efficient and economic use of the resources available to achieve performance objectives.	2018-19	Substantial		✓	

STRATEGIC AUDIT PLAN 1ST APRIL 2020 TO 31ST MARCH 2023**RISK-BASED COVERAGE**

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

Note: Risk Item 10 (....partnerships not delivering stated objectives) will in future be considered for review of partnerships individually in the context of their respective service/functions under 'Core Systems' and 'Other Coverage' assignments as applicable.

Assignment Name	Risk Description	Assignment Objective	Year Last Audited	Assurance Rating Last Audit	2020-21 (Days)	2021-22	2022-23
Corporate Procurement	Risk of major contractor going into administration or deciding to withdraw from the contract. Risk of improper procurement practices and legislative requirements not being complied with.	Report a level of assurance on the adequacy of controls in place to ensure that the Council's procurement activity accords with best practice and complies with legislation.	2016-17	Substantial	12		
Information Governance	Risk of not complying with key legislation or legal requirements, including failure to protect data.	Assurance review of the information governance arrangement in light of the legislation changes in 2018 and to include information asset policies, ownership, categorisation, and sharing.	2018-19	Moderate	6		
Financial Strategy, Planning and Budgetary Control	Risk of not investigating potential income sources. Risk of insufficient finance to enable the council to meet its objectives (including insufficient reduction in operational costs). Risk of additional financial liabilities.	To ensure that there are appropriate controls in place for financial planning and budgetary control to ensure that the Council's operations and key objectives continue to be sufficiently resourced.	2019-20	TBA			✓
Cyber Security	Risk of failure to protect information assets from a malicious cyber attack	Appraise the adequacy of the systems and controls in place to ensure that resources are efficiently, effectively and economically deployed, and performance objectives are met.	2017-18	Substantial	7		
TOTAL DAYS					54		

STRATEGIC AUDIT PLAN 1ST APRIL 2020 TO 31ST MARCH 2023**CORE SYSTEMS**

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

Assignment Name	Assignment Objective	Year Last Audited	Assurance Rating Last Audit	2020-21 (Days)	2021-22	2022-23
Council Tax	To ascertain whether there are adequate controls in place to ensure that the Council raises accurate and timely Council Tax bills and that appropriate steps are taken with regards to the recovery of monies owed and the enforcement of any debt agreements	2019-20	Substantial	10	✓	✓
Collection of National Non-Domestic Rates	To ascertain whether there are adequate controls in place to ensure that the Council raises accurate and timely NNDR bills and that appropriate steps are taken with regards to the recovery of monies owed and the enforcement of any debt agreements	2019-20	Substantial	10	✓	✓
Administration of Housing Benefit & Council Tax Reduction	To ascertain whether there are adequate controls in place to ensure that benefits are accurately paid and overpayments are appropriately identified and reclaimed.	2019-20	Substantial		✓	✓
Main Accounting System	To ascertain whether there are adequate controls in place to allow for the complete and accurate accounting of all financial transactions and timely production of final accounts in accordance with statutory and regulatory requirements.	2019-20	TBA			✓
Payroll and Staff Expenses	To ascertain whether there are adequate control in place to ensure that only bona fide employees and Members are paid according to entitlement, and that all payments, deductions, etc. are properly discharged and accounted for.	2018-19	Substantial		✓	
Sundry Debtors	To ensure that there are appropriate systems and controls in place for the raising of sundry debtor invoices, the accounting for invoices and income received in settlement, the recovery of arrears and the writing-off of bad debts.	2019-20	Substantial			✓
Payment of Creditors	To ensure that appropriate arrangements are in place to pay valid creditors for goods and services provided and ensuring that transactions are properly accounted for.	2018-19	Substantial		✓	
Capital & Treasury Management	To ascertain whether there are appropriate controls and processes in place for the delivery of treasury management in accordance with relevant legislation, Statement of Professional Practice, Codes of Practice and associated guidance.	2019-20	Substantial			✓
Housing Rent Collection	To ascertain whether there are appropriate controls and processes in place for rent setting, collection and accounting of rents due and control of arrears.	2017-18	Substantial	14		
Housing Repairs and Maintenance	To ascertain whether there are appropriate controls and processes in place for commissioning and paying for responsive repair work to domestic HRA properties.	2019-20	Substantial		✓	
TOTAL DAYS				34		

STRATEGIC AUDIT PLAN 1ST APRIL 2020 TO 31ST MARCH 2023**OTHER INTERNAL AUDIT COVERAGE**

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

Client Service	Assignment Name	Assignment Objective	Risk Source	Year Last Audited	Assurance Rating Last Audit	2020-21 (Days)	2021-22	2022-23
ICT Services	ICT Business Continuity/Disaster Recovery	Evaluation of the Council's business continuity plans in place and the supporting ITDR arrangements to ensure they are properly co-ordinated and fit for purpose. The review will include the arrangement with the business continuity provider.	IT Audit Needs Assessment	2016-17	Substantial		To be determined based on next update of IT Audit Needs Assessment.	
ICT Services	Infrastructure Security and Resilience	An assurance review of the continued security and resilience of the ICT network infrastructure during / after the relocation planned for 2019. Added to this review may be an element of ensuring the best use is being made of the available technologies.	IT Audit Needs Assessment	2019-20	Substantial			
ICT Services	ICT Change Management and Testing	To report a level of assurance on the key controls in place for managing changes to ICT systems owned by the Council.	IT Audit Needs Assessment	2016-17	Substantial			
ICT Services	Telephony	Report a level of assurance on the adequacy of structures and processes to maintain and develop corporate telephony in accordance with priority aims and objectives in an environment appropriately secured against unauthorised access and wider cyber hazards	Internal Audit Needs Assessment	2011-12	Not Classified			
ICT Services	Patching and Firmware Updates	Assess whether an adequate patch management policy is in place and is applied consistently.	IT Audit Needs Assessment	2016-17	Substantial			
ICT Services	Remote Access	Review and appraise the adequacy of the systems and controls in place to ensure that remote working arrangements are secure and that devices are appropriately managed.	IT Audit Needs Assessment	2017-18	Substantial			
ICT Services	System Ownership and Management	This audit is to ensure that adequate processes are in place around the management and ownership of key Council systems and that system owner's roles and responsibilities are appropriately defined and documented.	IT Audit Needs Assessment	2018-19	Moderate			
ICT Services	Cloud Applications	An assurance review to assess the risks known to exist as a result of the increased use of cloud technologies within the Council along with controls in place.	IT Audit Needs Assessment	2019-20	Moderate			
ICT Services	Database Security	An assurance review to ensure that database system administration processes are sound and that adequate logical security settings have been implemented on the live server database environment.	IT Audit Needs Assessment	2018-19	Substantial			
ICT Services	Digital Transformation	Ascertain whether the digital transformation project is appropriate and will be able to deliver the anticipated benefits.	IT Audit Needs Assessment	None as specific assignment	N/A	7		
ICT Services	Web Applications	Vulnerability assessments' will be performed to ensure that web applications in place are appropriately secure.	IT Audit Needs Assessment	None as specific assignment	N/A	6		
Assets	Corporate Properties Repair and Maintenance	Assess the adequacy of controls to maintain the Council's non-housing property assets in proper state of repair, including planning, procurement and work management processes.	Service Risk Register	2017-18	Substantial	13		

STRATEGIC AUDIT PLAN 1ST APRIL 2020 TO 31ST MARCH 2023

Client Service	Assignment Name	Assignment Objective	Risk Source	Year Last Audited	Assurance Rating Last Audit	2020-21 (Days)	2021-22	2022-23
Assets	Energy Management	To ascertain whether there are adequate controls in place to ensure that the energy requirements of the council are met via economic, efficient and effective procurement and consumption of all forms of energy resources and ensuring compliance with legislation.	Service Risk Register	2019-20	Moderate		✓	
Assets	Highways Functions	To ascertain whether there are adequate controls in place to ensure that 'highways' works are undertaken appropriately.	Service Risk Register	2018-19	Substantial		✓	
Assets	Asbestos Management	To ascertain whether there are adequate controls in place to ensure that asbestos is appropriately managed within Council-owned buildings in accordance with statutory duties and relevant legislation.	Service Risk Register	2018-19	Substantial		✓	
Assets	Gas and Electrical Safety Checks	Evaluate the controls in place for ensuring that all Council housing stock has had appropriate gas and electrical safety checks performed and that any actions identified as being required are performed as necessary.	Management consultation	2019-20	Substantial			✓
Chief Executive	Loans to External Organisations	Verify that loans advanced to external organisations are lawful and subject to proper governance arrangements	Reports of emerging issues	2019-20	Moderate		✓	
Corporate Functions	Equality and Diversity	Ascertain the adequacy of the corporate framework for facilitating the fulfilment of the Council's duties under the Equality Act 2010.	Service Risk Register	2019-20	Substantial			✓
Corporate Functions	Corporate Health and Safety	To ensure that appropriate processes are in place to meet the Council's statutory obligations on health and safety as an employer and provider of services and facilities to customers and the public.	Service Risk Register	2019-20	Substantial			✓
Corporate Functions	Management of Contracts	To give assurance that the management of contracts is undertaken appropriately across the Council	Senior management consultation	None as specific assignment	N/A	15		
Corporate Functions	Safeguarding	To ascertain whether there are appropriate policies and procedures in place to identify and deal with those that need 'safeguarding (i.e. children and vulnerable adults).	Senior management consultation	2019-20	Substantial			✓
Corporate Functions	Health and Wellbeing	To ascertain whether there are appropriate processes in place at the Council to identify the health and wellbeing needs of the district and to undertake appropriate actions to ensure that these needs are met in line with available funding.	Senior management consultation	2019-20	Substantial			✓
Corporate Functions	Health & Safety Compliance of Council Buildings	To ascertain whether the buildings owned and operated by the Council are compliant with relevant Health & Safety legislation	Senior management consultation	2019-20	Moderate			✓
Cultural Services	Royal Spa Centre	To ensure that the Council has appropriate controls in place over the operational and financial activities of the venue.	Service Risk Register	2017-18	Substantial	14		
Cultural Services	Royal Pump Rooms (including Art Gallery)	To ensure that the operational, financial and management controls at the Royal Pump Rooms and Art Gallery are appropriate.	Service Risk Register	2018-19	Substantial		✓	
Cultural Services	Town Hall Lettings	To ensure that the Council has appropriate controls in place over the hiring of the facilities, both in terms of income receivable and safeguarding the facilities against loss and damage.	Internal Audit Needs Assessment	2017-18	Substantial	8		
Cultural Services	Leisure and Recreation Facilities	To ensure that appropriate controls are in place with regards to both the on-site operational and financial activities at each relevant facility as well as the management and monitoring of the agreements that are in place.	Service Risk Register	2018-19	Substantial		✓	
Cultural Services	Sports Development	Report a level of assurance on the effectiveness of deployment and management of resources in developing sporting and physical activity in the community.	Internal Audit Needs Assessment	2018-19	Substantial		✓	

STRATEGIC AUDIT PLAN 1ST APRIL 2020 TO 31ST MARCH 2023

Client Service	Assignment Name	Assignment Objective	Risk Source	Year Last Audited	Assurance Rating Last Audit	2020-21 (Days)	2021-22	2022-23
Cultural Services	Catering Concessions	To ascertain whether there are adequate controls in place for managing the catering concessions that operate on Council premises to ensure compliance with the agreed conditions and the proper collection and accounting for income due.	Service Risk Register	2019-20	Moderate	5		
Cultural Services	Leisure Facilities Contracts	To ascertain whether the Council has appropriate controls in place to ensure that the Leisure Facilities contractor runs the facilities in line with the contract in place.	Service Risk Register	2018-19	Substantial		✓	
Democratic Services & Corporate Support	Committee Services	Report a level of assurance on the adequacy of systems of control operating to support the Council's democratic processes economically, efficiently and effectively.	Service Risk Register	2017-18	Substantial	9		
Democratic Services & Corporate Support	Electoral Registration	Report a level of assurance on the adequacy of structures and processes to maintain economically, efficiently and effectively a complete, accurate and up-to-date Electoral Register in accordance with relevant legislation and standards.	Service Risk Register	2018-19	Substantial		✓	
Democratic Services & Corporate Support	Local Elections	To ascertain whether there are appropriate processes in to place help the Council ensure that local elections are administered economically, efficiently and effectively in compliance with relevant legislation and regulatory provisions. (Specific follow-up in year one to review accounts from the 2019 local elections)	Service Risk Register	2019-20	Moderate	5		
Democratic Services & Corporate Support	Income Receipting and Document Management	Report a level of assurance on structures and processes to secure economic, efficient and effective collection of income and document management support.	Service Risk Register	2017-18	Substantial	8		
Deputy Chief Executive	Shared Legal Services	To ensure that the Council has appropriate controls in place to secure economic, efficient and effective delivery of legal services under the shared services agreement with Warwickshire County Council (WCC).	Service Risk Register	2017-18	Substantial	10		
Development Services	Economic Development	Report a level of assurance on the adequacy of structures and processes in place to deliver the Council's economic development and regeneration functions economically, efficiently and effectively to achieve priority objectives and targets.	Service Risk Register	2017-18	Substantial		✓	
Development Services	Events Management	Report a level of assurance on the adequacy of arrangements to regulate approved markets and deliver events (including the Warwick MOP) economically, efficiently and effectively in accordance with relevant strategy, policy and regulatory provisions.	Internal Audit Needs Assessment	2019-20	TBA			✓
Development Services	Business Applications - IDOX Planning, Bldg. Control & Land Charges	Assess the adequacy of key IT controls in place for the Plantech Acolaid application to maintain the confidentiality, integrity and availability of data stored and processed within the system.	Internal Audit Needs Assessment	2016-17	Substantial		To be determined based on next update of IT Audit Needs Assessment.	
Development Services	Development Management	Appraise adequacy of controls to ensure that the Development Management functions comply with governing legislation, policies, standards, etc. and are delivered economically, efficiently and effectively to met relevant priority objectives.	Service Risk Register	2017-18	Substantial	14		
Development Services	Building Control	To ascertain whether the Council has appropriate controls in place to ensure that the building control services are delivered economically, efficiently and effectively, across all areas of the partnership, in accordance with statutory requirements etc.	Service Risk Register	2018-19	Substantial		✓	

STRATEGIC AUDIT PLAN 1ST APRIL 2020 TO 31ST MARCH 2023

Client Service	Assignment Name	Assignment Objective	Risk Source	Year Last Audited	Assurance Rating Last Audit	2020-21 (Days)	2021-22	2022-23
Development Services	Planning Policy	To ascertain whether the processes in place help the Council monitor progress against the Local Plan and to ensure that appropriate policies are being developed to allow for the developments to be undertaken in line with best practice.	Significant Business Risk Register	2019-20	Substantial			✓
Development Services	Local Land Charges	Report a level of assurance on the adequacy of systems in place to ensure compliance with statutory requirements, completeness and accuracy of records and economic/efficient/effective service delivery.	Service Risk Register	2017-18	Substantial	5		
Development Services	Community Infrastructure Levy and Section 106 Agreements	To ensure that there are appropriate arrangements in place for the new Community Infrastructure Levy (CIL) and that s106 agreements are being appropriately entered into; that other relevant public bodies and teams within the Council are being consulted to ensure that their issues are being considered; and contributions are being received and are used in accordance with the agreement.	Service Risk Register	2018-19	Moderate	12		
Development Services	Conservation and Design	To ascertain whether there are adequate controls in place to ensure that the historic built environment of the district is maintained to an appropriate standard and that consultative and promotional functions are delivered appropriately	Service Risk Register	2019-20	TBA			✓
Development Services	Enterprise Facilities	To ensure that there are appropriate controls in place in relation to the operation of the Council's enterprise facilities.	Service Risk Register	2017-18	Substantial	10		
Finance	Business Applications - TOTAL Financial Management	Assess the adequacy of key IT controls in place for the TOTAL Financials application to maintain the confidentiality, integrity and availability of data stored and processed within the system.	IT Audit Needs Assessment	2016-17	Substantial		To be determined based on next update of IT Audit Needs Assessment.	
Finance	Business Applications - PARIS Income Management	To ensure that there are no data security or application control weaknesses in the set-up, use of, and management of the application.	IT Audit Needs Assessment	2017-18	Moderate			
Finance	Business Applications - Civica OPENRevenues	Assess the adequacy of key IT controls in place for the Civica OPENRevenues applications to maintain the confidentiality, integrity and availability of data stored and processed within the system.	IT Audit Needs Assessment	2018-19	Substantial			
Finance	Banking Arrangements	To ensure that the Council has appropriate banking arrangements in place that meet the needs of the Authority and that these are effectively controlled.	Internal Audit Needs Assessment	2019-20	Substantial			✓
Finance	Rural and Urban Capital Improvement Scheme	Report a level of assurance on the adequacy of controls in place to ensure that RUCIS grant funding is awarded and deployed in adherence to the approved scheme.	Internal Audit Needs Assessment	2017-18	Substantial	6		
Finance	Insurances	To ensure that the Council has appropriate, competitively priced insurance cover which is appropriately 'managed' on a day-to-day basis.	Service Risk Register	2018-19	Substantial		✓	
Finance	VAT Accounting	Report a level of assurance on the adequacy of controls in place to ensure that VAT is accounted for completely and correctly and that claims arising are processed promptly.	Service Risk Register	2019-20	TBA			✓
Finance	Purchasing Cards	Verify that deployment and use of procurement cards is authorised, reasonable and in compliance with the Code of Procurement Practice and relevant specific instructions.	Internal Audit Needs Assessment	2017-18	Substantial	7		
Finance	Financial Systems Interfaces	This audit is to ensure that the Council's Financial system interfaces are appropriately documented and controlled, and that data is appropriately secured as it is exchanged between systems.	IT Audit Needs Assessment	2018-19	Substantial		To be determined based on next update of IT Audit Needs Assessment.	

STRATEGIC AUDIT PLAN 1ST APRIL 2020 TO 31ST MARCH 2023

Client Service	Assignment Name	Assignment Objective	Risk Source	Year Last Audited	Assurance Rating Last Audit	2020-21 (Days)	2021-22	2022-23
Health & Community Protection	Licensing Services	To ensure that the Council's licensing operations comply with statutory and regulatory requirements and that resources are deployed economically, efficiently and effectively to achieve relevant corporate objectives and targets.	Service Risk Register	2017-18	Substantial	11		
Health & Community Protection	Business Applications - APP Civica	Assess the adequacy of key IT controls in place for the APP Civica application to maintain the confidentiality, integrity and availability of data stored and processed within the system.	IT Audit Needs Assessment	2015-16	Substantial		To be determined based on next update of IT Audit Needs Assessment.	
Health & Community Protection	Funding of Voluntary Organisations	To ascertain whether there are adequate controls in place to ensure that funding provided to voluntary organisations is awarded in line with agreed policies and that the funding is spent in line with the individual agreements.	Internal Audit Needs Assessment	2018-19	Substantial		✓	
Health & Community Protection	Food Safety	Appraise the adequacy of the systems and controls in place to ensure that all applicable premises are identified and inspected, incidents are appropriately responded to, resources are efficiently, effectively and economically deployed and objectives met	Service Risk Register	2019-20	Substantial			✓
Health & Community Protection	Health and Safety Enforcement in the District	To ensure that the arrangements for undertaking inspections at relevant premises and responding to incidents are appropriate, making effective, efficient and economic use of the resources available to achieve performance objectives.	Service Risk Register	2018-19	Substantial		✓	
Health & Community Protection	Statutory Monitoring Functions	To ensure that the processes in place for undertaking the Council's statutory monitoring functions are appropriate.	Service Risk Register	2017-18 (As part of Environment Protection Functions)	Substantial	10		
Health & Community Protection	Community Services	To ascertain whether there are adequate controls in place to ensure that the Pest Control, Dog Warden and Public Space Protection Orders functions are undertaken appropriately.	Service Risk Register	2018-19	Substantial		✓	
Health & Community Protection	Crime and Disorder	To ensure that there are adequate structures and processes in place to ensure compliance with legislation and it can be demonstrated that that Crime and Disorder activity is properly managed.	Service Risk Register	2016-17	Substantial	9		
Health & Community Protection	CCTV Services	Evaluation of operational controls within the CCTV service to ensure effective continual serviceability and contribution to street scene objectives.	Service Risk Register	2019-20	N/A - Consultancy			✓
Health & Community Protection	Sustainability and Delivery Outcomes	To ascertain whether there are adequate controls in place to manage the risks in relation to sustainability and the projects that are undertaken to achieve the Council's agreed sustainability actions.	Significant Business Risk Register	2017-18	Substantial	6		
Health & Community Protection	Nuisance and Other Protection Duties	To ascertain whether there are adequate controls in place to ensure that nuisances and other 'protection' services (e.g. Public Health Funerals, Accumulations etc.) are dealt with appropriately.	Service Risk Register	2017-18 (As part of Environment Protection Functions)	Substantial		✓	
Housing Services	Business Applications - MIS Housing and Corporate Property	Report a level of assurance on the adequacy of key IT controls in place for the MIS ActiveH housing management application to maintain the confidentiality, integrity and availability of data stored and processed within the system.	IT Audit Needs Assessment	2016-17	Substantial	10	To be determined based on next update of IT Audit Needs Assessment.	

STRATEGIC AUDIT PLAN 1ST APRIL 2020 TO 31ST MARCH 2023

Client Service	Assignment Name	Assignment Objective	Risk Source	Year Last Audited	Assurance Rating Last Audit	2020-21 (Days)	2021-22	2022-23
Housing Services	Homelessness and Housing Advice	Appraisal of systems to ensure compliance with statutory/regulatory/policy requirements, achievement of relevant performance objectives and integrity of financial transactions.	Service Risk Register	2019-20	Substantial			✓
Housing Services	Affordable Housing Development Programme	Appraisal of systems in place for implementation of Programme, monitoring adherence to relevant policies, management of funding, partnership working and performance review/reporting.	Service Risk Register	2019-20	Substantial			✓
Housing Services	Private Sector Housing Regulation	To ensure that the Council has appropriate controls in place to deliver the functions of the team in an economic, efficient, and effective manner.	Service Risk Register	2017-18	Substantial	13		
Housing Services	Lettings and Void Control	To ascertain whether there are adequate controls in place for the effective administration of residential property letting.	Service Risk Register	2019-20	TBA			✓
Housing Services	Estate Management	Review of the management of the function and an assessment of the efficiency and effectiveness of the service.	Service Risk Register	2018-19	Substantial		✓	
Housing Services	Right to Buy	Appraise the adequacy of the arrangement in place to ensure compliance with legislation, efficient and effective processing of applications and adherence to the associated conditions.	Internal Audit Needs Assessment	2018-19	Substantial		✓	
Housing Services	Leaseholder Service Charges	Verify that arrangements for setting, levying and collection of leaseholder service charges are adequate to ensure compliance with legislation, inclusion of all chargeable persons and effective recovery of applicable service and management costs.	Service Risk Register	2018-19	Substantial		✓	
Housing Services	Housing Related Support Services	To ascertain whether the Council has appropriate controls in place to ensure that housing related support services are provided economically to the right people at the right time in line with regulation, policies and procedures.	Service Risk Register	2017-18	Substantial	12		
Housing Services	Tenancy Management	To give assurance that the processes and controls within Housing Services for the management of tenancies are appropriate and are working effectively.	Senior management consultation	None as specific assignment	N/A	10		
Housing Services	William Wallsgrove House	Assess the adequacy of control over on-site operational and financial activities.	Senior management consultation	None as specific assignment	N/A	10		
Neighbourhood Services	Open Spaces	Report a level of assurance on the adequacy of structures and processes in delivering relevant community, strategic and operational objectives in respect of open spaces.	Service Risk Register	2019-20	Substantial			✓
Neighbourhood Services	Building Cleaning Services	To ascertain whether the Council has appropriate controls in place to ensure that the Building Cleaning contractor performs the duties expected of them, in line with the contract in place.	Internal Audit Needs Assessment	2017-18	Substantial	10		
Neighbourhood Services	Refuse Collection and Recycling	Appraisal of management systems to ensure compliance with statutory and regulatory requirements and economic/efficient/effective deployment of resources to achieve priority objectives, national targets, etc.	Service Risk Register	2017-18	Substantial		✓	
Neighbourhood Services	Street Cleansing	Appraisal of planning and contract administration to ensure that street cleansing services are delivered to the requisite standards in an economic, efficient and effective manner.	Service Risk Register	2017-18	Substantial		✓	
Neighbourhood Services	Car Parking	To ensure that the arrangements in place for managing the district's off-street car parks are appropriate, to ensure that all income can be appropriately accounted for and to ensure that resources are deployed appropriately.	Service Risk Register	2018-19	Substantial		✓	
Neighbourhood Services	Bereavement Services	Assess adequacy of controls in place to ensure economic, efficient and effective management of burial and cremation services and integrity of operational systems and statutory records.	Service Risk Register	2019-20	Substantial			✓

STRATEGIC AUDIT PLAN 1ST APRIL 2020 TO 31ST MARCH 2023

Client Service	Assignment Name	Assignment Objective	Risk Source	Year Last Audited	Assurance Rating Last Audit	2020-21 (Days)	2021-22	2022-23
Neighbourhood Services	Grounds Maintenance	To ascertain whether the Council has appropriate controls in place to ensure that the Grounds Maintenance contractor performs the duties expected of them, in line with the contract in place.	Service Risk Register	2019-20	Moderate			✓
People & Communications	Recruitment and Selection, Terms and Conditions	Appraisal of systems to ensure compliance with statutory requirements and performance issues in setting/reviewing conditions of service, effective recruitment processes operated and appropriate action on termination of service.	Service Risk Register	2019-20	Substantial			✓
People & Communications	Corporate Training	Appraisal of Council-wide processes for assessing and funding training needs and measuring the effectiveness of training to meet performance objectives and IIP requirements.	Service Risk Register	2017-18	Substantial	6		
People & Communications	Employee Attendance Management	To ensure that there are appropriate processes in place for managing staff absence, including monitoring of absence and support for staff.	Service Risk Register	2018-19	Substantial		✓	
People & Communications	Communications	To ascertain whether there are adequate controls in place to manage the Council's internal and external communication channels.	Service Risk Register	2017-18	Substantial	8		
People & Communications	Media Services	Report a level of assurance on the adequacy of structures and processes of the Media Services Team in discharging its roles economically, efficiently and effectively in accordance with relevant legislation and corporate policies/strategies.	Service Risk Register	2017-18	Substantial	10		
People & Communications	Website Management	Appraise the adequacy of the arrangement in place to ensure that the website is fit for purpose, is accessible, and includes access management controls to ensure that only appropriate staff can update the site.	Service Risk Register	2019-20	Substantial			✓
TOTAL DAYS						279		

STRATEGIC AUDIT PLAN 1ST APRIL 2020 TO 31ST MARCH 2023**OTHER FUNCTIONS AND RESOURCE BALANCING**

Category	Function	Days (2020-21)
Ongoing Advisory Input and Non-Audit Duties	National Fraud Initiative	15
	Sundry Advice & Consultancy	30
Contingency Audit Work	(Miscellaneous assignments)	20
Contingency Non-Audit Work	(Miscellaneous assignments)	10
PIA Management Time	Various duties	63
	TOTAL OTHER FUNCTIONS	138
	TOTAL RISK BASED COVERAGE	54
	TOTAL COVERAGE FOR EXTERNAL REQUIREMENTS	34
	TOTAL OTHER AUDIT COVERAGE	279
	TOTAL AUDIT DAYS REQUIRED	505
	TOTAL INTERNAL AUDIT DAYS AVAILABLE *	475
	ESTIMATED DAYS CONTRACTED OUT (IT AUDIT)	30
	Total Estimated Resources Available	505
	SURPLUS / SHORTFALL (-)	0
* Total Internal Audit Days Available		
	Total Days for 3.0 FTE	780
	<u>Less:</u>	
	Absence (Annual Leave, Statutory Holidays, Sickness, etc.)	136
	Administration & Training	169
	Target productive time (days)	475
	Target productive time as % of available time	72%
<u>Estimates for PIA Management Time</u>		2020-21
	TIAA Contract Management	5
	Corporate Fraud Contract Management	10
	Staff Supervision & Review of Work	15
	Deputising for Audit & Risk Manager	8
	Planning & Progress Recording	15
	General Management	10
		63
<u>Estimates for Non-Chargeable Time</u>		2020-21
	Technical Reading	24
	Audit Planning	6
	Time Recording	9
	Training	70
	Team Meetings/Briefings	15
	Sundry Administration	30
	Corporate Initiatives/Briefings	6
	Service Development	9
		169
<u>Estimates for Absence</u>		2020-21
	Bank Holidays (Assuming additional two days)	33
	Annual Leave	82
	Sickness	15
	Other Leave	6
		136

Internal Audit Charter 2020

Introduction

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

Purpose of Internal Audit

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

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

Statutory Basis of Internal Audit

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

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

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

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

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

function. The Section 151 Officer relies, amongst other sources, upon the work of internal audit in reviewing the operation of systems of internal control and financial management.

Role

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

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

Professionalism

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

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

Authority

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

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

Organisation

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

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

The following groups are defined in terms of their powers and responsibilities in relation to Internal Audit:

Finance and Audit Scrutiny Committee

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

Senior Management⁴

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

Independence and Objectivity

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

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

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

Conflicts of Interest

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

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

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

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

Responsibility and Scope

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

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

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

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

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

Role in Anti-Fraud

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

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

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

Internal Audit Plan

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

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

Any significant deviation from the approved Internal Audit Plan will be communicated through the periodic activity reporting process.

Reporting and Monitoring

The Audit and Risk Manager will arrange for a written report to be prepared and issued following the conclusion of each internal audit engagement; this will be distributed to appropriate managers at various stages of draft. When the report is in final form it will also be issued to the relevant member portfolio holder.

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

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

Internal Audit will determine the state of implementation of recommendations contained in audit reports. For each assignment this will initially be done through managers' self-assessment and then will be achieved through direct confirmation by the auditor as part of the next audit of that subject. In both cases, the Finance and Audit Scrutiny Committee will be informed of the results.

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


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

Periodic Assessment

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

Review of the Audit Charter

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

 Finance and Audit Scrutiny Committee 27 May 2020		Agenda Item No. 10
Title	2019/20 Audit of Accounts	
For further information about this report please contact	Mike Snow 01926 456800	
Wards of the District directly affected	N/A	
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?	No.	
Date and meeting when issue was last considered and relevant minute number	N/A	
Background Papers	External audit papers included as appendices	

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

Officer/Councillor Approval		
Officer Approval	Date	Name
Chief Executive/Deputy Chief Executive	5/3/2020	Andrew Jones
Head of Service	5/3/2020	Mike Snow
CMT	5/3/2020	
Section 151 Officer	5/3/2020	Mike Snow
Monitoring Officer	5/3/2020	Andrew Jones
Portfolio Holder(s)	5/3/2020	Richard Hales
Consultation & Community Engagement		
Insert details of any consultation undertaken or proposed to be undertaken with regard to this report.		
Final Decision?		Yes/No
Suggested next steps (if not final decision please set out below)		

1. **Summary**

- 1.1 The External Auditors, Grant Thornton, have prepared their Audit Plan for 2019/20 for members' consideration. This is supported by the "Informing the Risk Assessment" document.
- 1.2 As in recent years, the auditors have commenced work on the audit. Progress on the audit work to date, is also included.

2. **Recommendations**

It is recommended that Finance and Audit Scrutiny Committee:-

- 2.1 Agree the 2019/20 External Audit Plan (Appendix A) and the supporting document, Informing the Risk Assessment (Appendix B).
- 2.2 Note the progress on the 2019/20 audit to date.
- 2.3 Note the documents supplied by Public Sector Audit Appointments (Appendices C and D) which consider the local authority external audit market and potential fee implications, together with Grant Patterson's presentation thereon (Appendix E).

3. **Reasons for the Recommendation**

- 3.1 The auditors have submitted the External Audit Plan for 2019/20 (Appendix A). This is included as Appendix A. Members are requested to agree the Plan and may wish to seek assurance from officers and auditors that all is being done to ensure the statutory requirement will be met.
- 3.2 Appendix B, Informing the Risk Assessment (Appendix B), has been produced by the external auditors, bringing together details of responses from officers. The document is to assist in the communication between members and the external auditors. Members should consider and agree the document and make any observations to the auditors. Officers responses to the document have been included.
- 3.3 The auditors have been on site for one visit to commence work on the audit, with the next visit for two weeks from 23 March. The intention is to undertake as much work as possible ahead of closedown and the compilation of the Statement of Accounts, so as to reduce their audit time in June/July.
- 3.4 The documents and supporting information requested by the auditors was supplied to the auditors during their interim visit. A few further requests have subsequently been raised, the majority of which have been responded to.
- 3.5 As for the 2018/19 Audit, active use is being made of Inflo. This is an on-line portal to securely share documents between the relative teams. Inflo worked well for 2018/19, with all parties keen to continue with this for 2019/20.
- 3.6 All external audit firms have stressed in recent months how tight their resources are for the audit to be completed by 31 July 2020. For 2018/19, a significant number of audits (none carried out by Grant Paterson) were not completed by the required date. If the 2019/20 audit is to be completed by the end of July, it is imperative that their requests for information are responded to

promptly by Council officers. This will impact on the Accountants and officers from other Services.

- 3.7 In view of the pressure upon auditors, Public Sector Audit Appointments (PSAA) have recently have recently emailed (Appendix C) all S151 officers setting out the pressure external auditors are under and how this may impact upon future fees. PSAA have also commissioned a review on the Future Procurement and Market Supply Options Review (Appendix D) for external audit. The document considers the sustainability of audit supply alongside improvements in audit quality and the associated fee implications. The research concludes that 'almost all of the approved firms have reservations about remaining in the market'. These issues are considered further within the presentation prepared by Grant Thornton (Appendix E) which the auditors will discuss in more detail at the meeting.

4. **Policy Framework**

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

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

FFF Strands		
People	Services	Money
External		
Health, Homes, Communities	Green, Clean, Safe	Infrastructure, Enterprise, Employment
<u>Intended outcomes:</u> Improved health for all Housing needs for all met Impressive cultural and sports activities Cohesive and active communities	<u>Intended outcomes:</u> Becoming a net-zero carbon organisation by 2025 Total carbon emissions within Warwick District are as close to zero as possible by 2030 Area has well looked after public spaces All communities have access to decent open space Improved air quality Low levels of crime and ASB	<u>Intended outcomes:</u> Dynamic and diverse local economy Vibrant town centres Improved performance/ productivity of local economy Increased employment and income levels
Impacts of Proposal		
No direct impact.	No direct impact.	No direct impact.
Internal		
Effective Staff	Maintain or Improve Services	Firm Financial Footing over the Longer Term
<u>Intended outcomes:</u> All staff are properly trained All staff have the appropriate tools	<u>Intended outcomes:</u> Focusing on our customers' needs Continuously improve our processes	<u>Intended outcomes:</u> Better return/use of our assets Full Cost accounting Continued cost

All staff are engaged, empowered and supported The right people are in the right job with the right skills and right behaviours	Increase the digital provision of services	management Maximise income earning opportunities Seek best value for money
Impacts of Proposal		
No direct impact.	No direct impact.	The work provided by the Council's external auditors should provide members with assurance that the Council's finances are being properly managed and reported upon in accordance with statutory requirements.

4.2 Supporting Strategies

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

4.3 Changes to Existing Policies

No changes to existing policies are proposed.

4.3 Impact Assessments

Not applicable.

5. Budgetary Framework

- 5.1 The agreed planned fee charged for the 2019/20 Audit of the Accounts is £41,290, as agreed by Public Sector Audit Appointments (PSAA), who tendered for the audit work for the vast majority of local authority audits. This is the same fee as originally agreed for 2018/19, to which an additional £4,500 was agreed. The auditors have included in their report how they propose to charge an additional £7,500. More details are being ascertained from the auditors in terms of what extra work this will mean for the Auditors and the Accountants. This additional fee, if agreed by PSAA, will be able to be accommodated with the overall budget available.

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.

External Audit Plan

Year ending 31 March 2020

Warwick District Council

17 March 2020



Contents



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Section

1. Introduction & headlines
2. Key matters impacting our audit
3. Significant risks identified
4. Other risks
5. Other matters
6. Materiality
7. Value for Money arrangements
8. Audit logistics & team
9. Audit fees
10. Independence & non-audit services

Page

- 3
- 4
- 5
- 7
- 8
- 9
- 10
- 11
- 12
- 14

Appendix

- A. Audit quality – national context

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

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1. Introduction & headlines

Purpose

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

Respective responsibilities

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

Scope of our audit

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

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

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

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

Significant risks

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

- Under ISA (UK&I) 240 it is presumed that the risk of management over-ride of controls is present in all entities
- Valuation of land and buildings
- Valuation of net pension fund liability

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

Materiality

- We have determined planning materiality to be £1.2m (PY £1.2m) for the Council, which equates to 1.4% of your prior year gross expenditure (cost of services) for the year.
- We design our procedures to detect errors in specific accounts at a lower level of precision which we have determined to be £25k for senior officers' remuneration disclosures.
- We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £60k (PY £60k) for the Council.

Value for Money arrangements

Our value for money risk assessment remains in progress. However, given the in-year challenges and those anticipated looking forward we believe a residual VFM risk in respect of planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions remains. We will continue our review of your arrangements, including reviewing your Annual Governance Statement, before we issue our auditor's report.

Audit logistics

Our interim visit is split between February and March and our final visit is planned to take place in June and July. Our key deliverables are this Audit Plan and our Audit Findings Report. Our audit approach is detailed in Appendix A.

Our proposed scale fee for the Authority's audit will be £48,890 (subject to PSAA approval) (PY: £45,790), subject to the Council meeting our requirements set out on page 11.

Independence

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

2. Key matters impacting our audit

External Factors

UK withdrawal from the EU

In January 2020 the UK government and the EU ratified the Withdrawal Agreement and the UK's membership of the EU formally ceased on 31 January.

The existence of a 'transition period' to 31 December 2020 means that there will be little practical change for the Authority until at least 2021. However, the nature of the future relationship between the UK and the EU is still to be determined and considerable uncertainty persists.

Financial pressures and the wider economy

Local Government funding continues to be stretched with increasing cost pressures and demand from residents. For 2019/20 the Authority amended its budget and is forecasting net expenditure of £19,790,607 resulting in a surplus of £202,000. This surplus has been allocated to the Business Rate Retention Volatility Reserve.

The proposed Budget for 2020/21 with Net Expenditure of £20,204,988 is forecasting a deficit of £1,600,100, prior to use of reserves.

When Members approved the 2019/20 Budget in February 2019, the Medium term Financial Strategy showed that that the Council would be in deficit by £574,000 by 2023/24.

A number of changes have been made largely resulting from a re-profiling of savings and the Council is now showing a deficit of £1.868m by 2023/24. In the short term it is proposed to use the Business Rates Retention Volatility Reserve (BRRVR) to help smooth the savings needed to be secured.

Financial reporting and audit – raising the bar

The Financial Reporting Council (FRC) has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge, and to undertake more robust testing as detailed in Appendix 1.

Our work in 2018/19 has highlighted areas where local government financial reporting, in particular, property, plant and equipment and pensions, needs to be improved, with a corresponding increase in audit procedures. We have also identified an increase in the complexity of local government financial transactions which require greater audit scrutiny.

Internal Factors

Achieving 31 July 2020 Financial Statement target

In 2017/18, the statutory date for publication of audited local government accounts was brought forward to 31 July, across the whole sector. The Authority did not achieve this deadline in 2017/18.

In 2018/19 the finance team implemented 'lessons learnt' including the development of a detailed closedown table. As a consequence of these actions the Council published its financial statements by 31 July 2019.

The Council has indicated it is seeking to meet this target again in 2020.

Group Accounts

PSP Warwick LLP was incorporated as a Limited Liability Partnership on 26 March 2013 as a collaborative activity between the Council and PSP Facilitating Limited.

In 2018/19 the Council determined that group accounts were not required as the Council was not legally responsible for any of the losses, assets or liabilities of PSP.

Our response

The Authority will need to ensure that it is prepared for all outcomes, including those with any impact on contracts, on service delivery and on its support for local people and businesses.

- We will consider your arrangements for managing and reporting your financial resources as part of our work in reaching our Value for Money conclusion.
- We will consider whether your financial position leads to material uncertainty about the going concern of the Authority and will review related disclosures in the financial statements.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and local government financial reporting. Our proposed work and fee, as set further in our Audit Plan, has been agreed with the Executive Director - Resources and is subject to PSAA agreement.

We will:

- meet with management regularly to discuss the Council's progress and to ensure any issues which could cause a bottleneck in the audit process are escalated and addressed promptly.
- work closely with the finance team to understand any changes in roles and responsibilities that could potentially impact upon our audit approach.
- review the progress against the detailed closedown plan throughout the year.

Our current understanding is that the position remains the same and there will be no requirement for group accounts but we will continue to monitor the position.

3. Significant risks identified

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

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
The Revenue cycle includes fraudulent transactions	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Authority, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Warwick District Council, mean that all forms of fraud are seen as unacceptable <p>Therefore we do not consider this to be a significant risk for Warwick District Council.</p>
Management override of controls	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate the design effectiveness of management controls over journals • analyse the journals listing and determine the criteria for selecting high risk unusual journals • test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration • gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence • evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.

3. Significant risks identified (continued)

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of PPE	<p>The Authority revalues its land and buildings on a rolling five-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£470m in the Authority's balance sheet at 31 March 2019) and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the Authority financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where a rolling programme is used.</p> <p>As part of the 2018/19 audit we made recommendations regarding the specific instructions issued to the valuer.</p> <p>We have therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work; • evaluate the competence, capabilities and objectivity of the valuation expert; • write to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the CIPFA code are met; • challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding; • test revaluations made during the year to see if they had been input correctly into the Authority's asset register and accounted for correctly; and • evaluating the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end.
Valuation of the pension fund net liability	<p>The Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£48.5 million in the Authority's balance sheet at 31 March 2019) and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Authority's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.</p>	<p>We will:</p> <ul style="list-style-type: none"> • update our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluate the design of the associated controls; • evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assess the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation; • assess the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability; • test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; • undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and • obtain assurances from the auditor of Warwickshire Pension Fund as to the controls surrounding the validity and accuracy of membership data, contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings Report in July 2020.

4. Other risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
International Financial Reporting Standard (IFRS) 16 Leases – (issued but not adopted)	<p>The public sector will implement this standard from 1 April 2020. It will replace IAS 17 Leases, and the three interpretations that supported its application (IFRIC 4, Determining whether an Arrangement contains a Lease, SIC-15, Operating Leases – Incentives, and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease). Under the new standard the current distinction between operating and finance leases is removed for lessees and, subject to certain exceptions, lessees will recognise all leases on their balance sheet as a right of use asset and a liability to make the lease payments.</p> <p>In accordance with IAS 8 and paragraph 3.3.4.3 of the Code disclosures of the expected impact of IFRS 16 should be included in the Authority's 2019/20 financial statements. The Code adapts IFRS 16 and requires that the subsequent measurement of the right of use asset where the underlying asset is an item of property, plant and equipment is measured in accordance with section 4.1 of the Code.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Evaluate the processes the Authority has adopted to assess the impact of IFRS16 on its 2020/21 financial statements and whether the estimated impact on assets, liabilities and reserves has been disclosed in the 2019/20 financial statements; and • Assess the completeness of the disclosures made by the Authority in its 2019/20 financial statements with reference to The Code and CIPFA/LASAAC Local Authority Leasing Briefings.

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings Report in July 2020.

5. Other matters

Other work

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

- We read your Narrative Report and Annual Governance Statement to check that they are consistent with the financial statements on which we give an opinion and consistent with our knowledge of the Council
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with the guidance issued by CIPFA
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions
- We consider our other duties under the Local Audit and Accountability Act 2014 (the Act) and the Code, as and when required, including:
 - Giving electors the opportunity to raise questions about your 2019/20 financial statements, consider and decide upon any objections received in relation to the 2019/20 financial statements
 - Issue of a report in the public interest or written recommendations to the Council under section 24 of the Act, copied to the Secretary of State
 - Application to the court for a declaration that an item of account is contrary to law under Section 28 or for a judicial review under Section 31 of the Act or
 - Issuing an advisory notice under Section 29 of the Act.
- We certify completion of our audit.

Other material balances and transactions

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

Going concern

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

Climate Emergency Action Programme

Warwick District Council's Officers and a cross-party group of Councillors have developed a plan 'The Climate Emergency Action Programme'. The Programme advocates strong local leadership and significant investment to change the District's future for the better. The Programme aims to enable the Council to be carbon-neutral by 2025 and help the District to also be carbon-neutral by 2030.

To support the programme, on 26 February 2020 the Council approved the creation of an annual £3 million ring fenced Climate Action Fund from 2020/21, created through a progressive increase in Council tax, which would see a Band D household contributing an additional £1 per week.

To raise this sum the Council has determined that under section 52ZB(a) of the Local Government Finance Act 1992 ("the 1992 Act") its relevant basic amount of council tax for a financial year would meet the definition of 'excessive'. As a result the Council is required to conduct a referendum in line with the Local Authorities (Conduct of Referendums) (Council Tax Increases) (England) Regulations 2012 (S.I. 2012/444) ("the 2012 Regulations"), as amended.

Parliament has provided local authorities with the powers to conduct referendums in these circumstances. Any financial impact will not be seen until 2020/21 onwards. We have noted that reports have been taken through the Executive, the Audit Finance and Scrutiny Committee and full Council. We have not identified this as a specific audit or value for money risk in respect of the 2019/20 financial year but we will continue to monitor the position as part of our on-going risk assessment.

6. Materiality

The concept of materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality for planning purposes

We have determined financial statement materiality based on a proportion of the gross expenditure (cost of services) of the Council for the financial year. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £1.2m (PY £1.2m) for the Council, which equates to 1.4% (1.5% in prior year) of your prior year gross expenditure for the year.

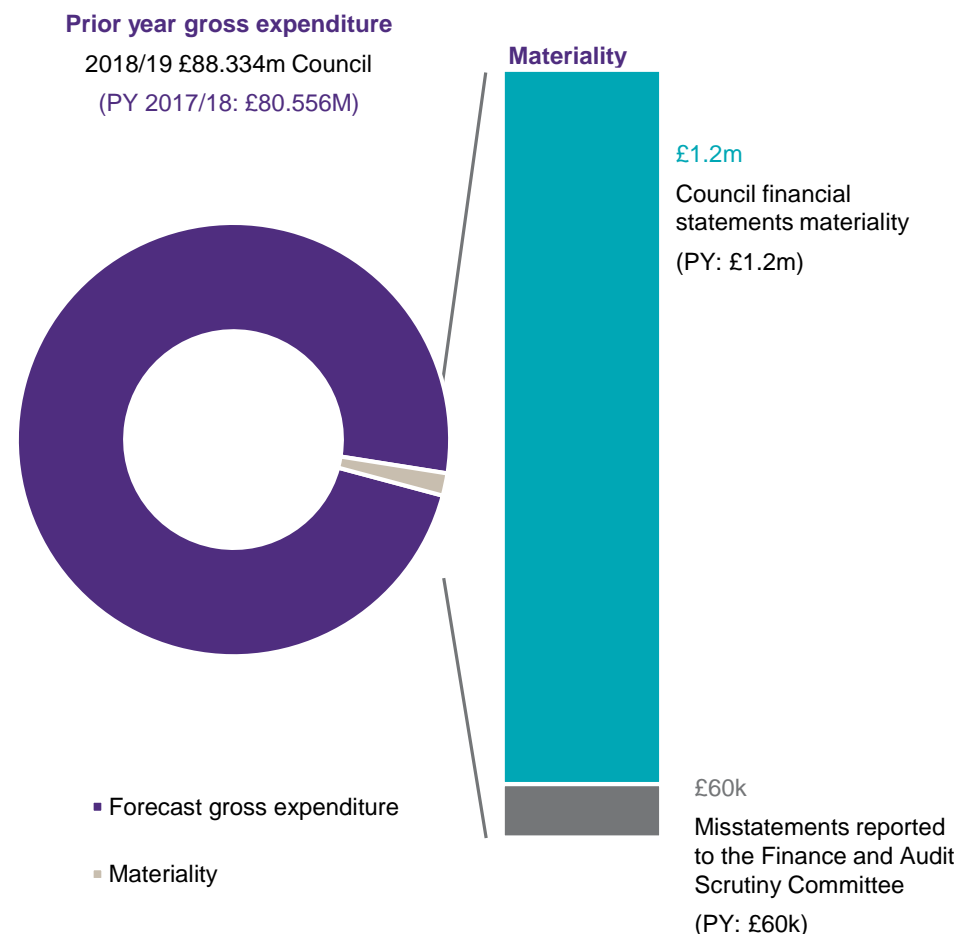
In accordance with ISA 320 we have considered the need to set lower levels of materiality for sensitive balances, transactions or disclosures in the accounts. We consider the disclosures of senior officer remuneration to be sensitive as we believe these disclosures are of specific interest to the reader of the accounts. As such we have determined a lower materiality level of £25k to be appropriate.

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

Matters we will report to the Finance and Audit Scrutiny Committee

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

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



7. Value for Money arrangements

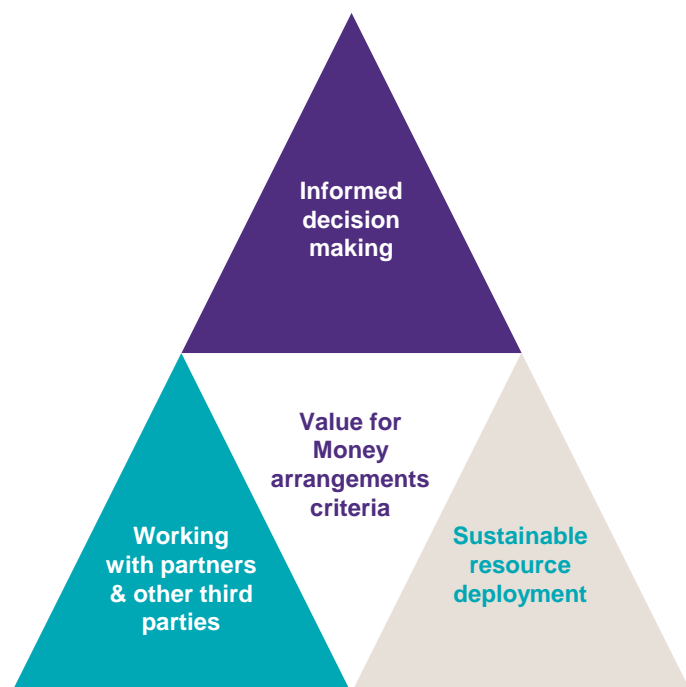
Background to our VFM approach

The NAO issued its guidance for auditors on Value for Money work in November 2017. The guidance states that for Local Government bodies, auditors are required to give a conclusion on whether the Council has proper arrangements in place to secure value for money.

The guidance identifies one single criterion for auditors to evaluate:

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

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



Significant VFM risks

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



Financial sustainability

When Members approved the 2019/20 Budget in February 2019, the Medium term Financial Strategy showed that that the Council would be in deficit by £574,000 by 2023/24.

A number of changes have been made largely resulting from re-profiling of savings and the Council is now showing a projected increase in the recurring deficit of £1.868m by 2023/24. In the short term it is proposed to use the Business Rate Retention Volatility Reserve (BRRVR) to help smooth the savings needed to be secured.

This will eliminate the projected deficits in 2020/21 and 2021/22 and has enabled the Council to agree a balanced Budget for 2020/21. However, recurrent savings of £522k will be required in 2022/23 and additional recurrent savings of £1,346k in 2023/24.

The Council acknowledged that by using the BRRVR it has effectively bought itself some time to get new initiatives in place but that it now needs to develop strategies for balancing its budget over the medium to long term to create a sustainable platform to deliver services.

Our value for money risk assessment remains in progress. However, given the in-year challenges and those anticipated looking forward we believe a residual VFM risk in respect of planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions remains. We will review the Council's arrangements for identifying and agreeing savings plans to ensure that it remains resilient to the increasing financial challenges of coming years. We will keep the Audit and Finance Scrutiny Committee updated with our assessment.

8. Audit logistics & team



Grant Patterson, Engagement Lead

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



Mary Wren, Audit Manager

Mary's role will be to manage the delivery of a high quality and efficient audit, meeting the highest professional standards and adding value to the Council. She will be on hand to answer any queries.



Aaron Smallwood, Audit In-Charge

Aaron's role will be the day to day contact for the wider Council finance team and ensure there is effective communication and understanding by finance team of audit requirements.

Client responsibilities

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

Our requirements

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

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

9. Audit fees

Planned audit fees 2019/20

Across all sectors and firms, the FRC has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing. Within the public sector, where the FRC has recently assumed responsibility for the inspection of local government audit, the regulator requires that all audits achieve a 2A (few improvements needed) rating.

Our work across the sector in 2018/19 has highlighted areas where local government financial reporting, in particular, property, plant and equipment and pensions, needs to be improved. We have also identified an increase in the complexity of local government financial transactions. Combined with the FRC requirement that 100% of audits achieve a 2A rating this means that additional audit work is required. We have set out below the expected impact on our audit fee. The table overleaf provides more details about the areas where we will be undertaking further testing.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and local government financial reporting. Our proposed work and fee for 2019/20 at the planning stage, as set out below and with further analysis overleaf, has been discussed with the Director of Finance and is subject to PSAA agreement.

	Actual Fee 2017/18 (excluding fee variation)	Actual Fee 2018/19	Proposed fee 2019/20
Council audit scale fee (excluding VAT)	£53,623	£41,290	£41,290
Fee variation	-	£4,500	£7,500
Total audit fees (excluding VAT)	£53,623	£45,790	£48,790

Assumptions:

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

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

Relevant professional standards:

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

Audit fee variations – Further analysis

Planned audit fees

The table below shows the planned variations to the original scale fee for 2019/20 based on our best estimate at the audit planning stage. Further issues identified during the course of the audit may incur additional fees. In agreement with PSAA (where applicable) we will be seeking approval to secure these additional fees for the remainder of the contract via a formal rebasing of your scale fee to reflect the increased level of audit work required to enable us to discharge our responsibilities. Should any further issues arise during the course of the audit that necessitate further audit work additional fees will be incurred, subject to PSAA approval.

Audit area	£	Rationale for fee variation
2019/20 Original Scale Fee	£41,290	
Raising the bar (increased challenge and depth of work)	£2,500	The Financial Reporting Council (FRC) has highlighted that the quality of work by all audit firms needs to improve across local audit. This will require additional supervision and leadership, as well as additional challenge and scepticism in areas such as journals, estimates, financial resilience and information provided by the entity.
PPE Valuation – work of experts	£1,750	We have increased the volume and scope of our audit work to ensure an adequate level of audit scrutiny and challenge over the assumptions that underpin PPE valuations.
Pensions – valuation of net pension liabilities under International Auditing Standard (IAS) 19	£1,750	We have increased the granularity, depth and scope of coverage, with increased levels of sampling, additional levels of challenge and explanation sought, and heightened levels of documentation and reporting.
New standards and developments	£1,500	PSAA's original scale fee for this contract was set in March 2018, so any new developments since that time need to be priced in, additional work will be required for IFRS 16 implementation and corresponding disclosure required in 2019/20 under IAS 8.
Revised scale fee (to be approved by PSAA)	£48,790	

10. Independence & non-audit services

Auditor independence

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

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 and PSAA's Terms of Appointment which set out supplementary guidance on ethical requirements for auditors of local public bodies.

Other services provided by Grant Thornton

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following other services were identified

Service	£	Threats	Safeguards
Audit related:			
Housing Benefit Assurance Process 2019/20	(Final fee TBC)	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work in comparison to the total fee for the audit of £48,890 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Additional HBAP 2017/18 Module X	2,850	Self-Interest	Whilst a one-off we are remunerated for the work. The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £2,850 in comparison to the total fee for the audit of £48,890 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Certification of Housing capital receipts grant	2,300	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £2,300 in comparison to the total fee for the audit of £48,890 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.

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

None of the services provided are subject to contingent fees. The firm is committed to improving our audit quality – please see our transparency report -

<https://www.grantthornton.ie/about/transparency-report/>

Appendices

A. Audit Quality – national context

Appendix A: Audit Quality – national context

What has the FRC said about Audit Quality?

The Financial Reporting Council (FRC) publishes an annual Quality Inspection of our firm, alongside our competitors. The Annual Quality Review (AQR) monitors the quality of UK Public Interest Entity audits to promote continuous improvement in audit quality.

All of the major audit firms are subject to an annual review process in which the FRC inspects a small sample of audits performed from each of the firms to see if they fully conform to required standards.

The most recent report, published in July 2019, shows that the results of commercial audits taken across all the firms have worsened this year. The FRC has identified the need for auditors to:

- improve the extent and rigour of challenge of management in areas of judgement
- improve the consistency of audit teams' application of professional scepticism
- strengthen the effectiveness of the audit of revenue
- improve the audit of going concern
- improve the audit of the completeness and evaluation of prior year adjustments.

The FRC has also set all firms the target of achieving a grading of '2a' (limited improvements required) or better on all FTSE 350 audits. We have set ourselves the same target for public sector audits from 2019/20.

Other sector wide reviews

Alongside the FRC, other key stakeholders including the Department for Business, energy and Industrial Strategy (BEIS) have expressed concern about the quality of audit work and the need for improvement. A number of key reviews into the profession have been undertaken or are in progress. These include the review by Sir John Kingman of the Financial Reporting Council (Dec 2018), the review by the Competition and Markets Council of competition within the audit market, the ongoing review by Sir Donald Brydon of external audit, and specifically for public services, the Review by Sir Tony Redmond of local Council financial reporting and external audit. As a firm, we are contributing to all these reviews and keen to be at the forefront of developments and improvements in public audit.

What are we doing to address FRC findings?

In response to the FRC's findings, the firm is responding vigorously and with purpose. As part of our Audit Investment Programme (AIP), we are establishing a new Quality Board, commissioning an independent review of our audit function, and strengthening our senior leadership at the highest levels of the firm, for example through the appointment of Fiona Baldwin as Head of Audit. We are confident these investments will make a real difference.

We have also undertaken a root cause analysis and put in place processes to address the issues raised by the FRC. We have already implemented new training material that will reinforce the need for our engagement teams to challenge management and demonstrate how they have applied professional scepticism as part of the audit. Further guidance on auditing areas such as revenue has also been disseminated to all audit teams and we will continue to evolve our training and review processes on an ongoing basis.

What will be different in this audit?

We will continue working collaboratively with you to deliver the audit to the agreed timetable whilst improving our audit quality. In achieving this you may see, for example, an increased expectation for management to develop properly articulated papers for any new accounting standard, or unusual or complex transactions. In addition, you should expect engagement teams to exercise even greater challenge management in areas that are complex, significant or highly judgmental which may be the case for accounting estimates, going concern, related parties and similar areas. As a result you may find the audit process even more challenging than previous audits. These changes will give the Finance and Audit Scrutiny Committee – which has overall responsibility for governance - and senior management greater confidence that we have delivered a high quality audit and that the financial statements are not materially misstated. Even greater challenge of management will also enable us to provide greater insights into the quality of your finance function and internal control environment and provide those charged with governance confidence that a material misstatement due to fraud will have been detected.

We will still plan for a smooth audit and ensure this is completed to the timetable agreed. However, there may be instances where we may require additional time for both the audit work to be completed to the standard required and to ensure management have appropriate time to consider any matters raised. This may require us to agree with you a delay in signing the announcement and financial statements. To minimise this risk, we will keep you informed of progress and risks to the timetable as the audit progresses.

We are absolutely committed to delivering audit of the highest quality and we should be happy to provide further detail about our improvement plans should you require it.



Informing the audit risk assessment for Warwick District Council

Year ended 31 March 2019

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Contents

Section	Page
Purpose	3
Fraud	4
Fraud Risk Assessment	5
Laws and Regulations	10
Impact of Laws and Regulations	11
Going Concern	12
Going Concern Considerations	13
Related Parties	15
General enquiries of management	16
Accounting Estimates	18
Appendix A – Accounting estimates	19



Purpose

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

Background

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

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

Communication

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

- fraud
- laws and regulations
- going concern
- accounting estimates
- related parties.

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

Fraud

Issue

Matters in relation to fraud

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

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

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

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

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

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

Fraud risk assessment

Question	Management response
<p>Have the Authority assessed the risk of material misstatement in the financial statements due to fraud?</p> <p>How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process?</p>	<p>The financial statements are subject to internal quality assurance checks which are carried out by the Head of Finance and Strategic Finance Manager, and other members of the Finance Team.</p> <p>The monthly review of Service Revenue and Capital budgets will identify any material risk of material misstatement.</p> <p>Risk management processes drive good financial reporting.</p>
<p>What processes does the Authority have in place to identify and respond to risks of fraud?</p>	<p>All suspected cases of fraud, theft, corruption should be notified to Head of Finance or the Audit & Risk Manager.</p> <p>Anti Fraud & Corruption and Whistle Blowing Policies in place.</p> <p>Risk Registers in place for all services, where the potential for fraud is included, with controls and mitigations.</p> <p>The annual Internal Audit Plan has audits determined by risk ratings.</p>
<p>Have any specific fraud risks, or areas with a high risk of fraud, been identified and what has been done to mitigate these risks?</p>	<p>Investigations of suspected fraud, as a result of cases brought to the attention of the Head of Finance or Audit and Risk Manager, are carried out by the Internal Audit team.</p> <p>No Significant Fraud risk identified.</p> <p>Locations handling income, particularly in the form of cash, are more likely to be at risk of fraud. However, as noted above, these are not significant.</p> <p>Housing Benefits continue to be the budget most at risk of fraud.</p> <p>Budgets for payment of external creditors are at risk of procurement fraud in the forms of: payment of goods/services not actually received; deliberate disaggregation of spend to avoid undertaking formal procurement inline with Public Contract Regulations; purchase of goods or services for personal use. However, many controls are in place to seek to remove this risk.</p>

Fraud risk assessment continued

Question	Management response
<p>Are internal controls, including segregation of duties, in place and operating effectively?</p> <p>If not, where are the risk areas and what mitigating actions have been taken?</p>	<p>Sound systems of internal control with roles and responsibilities are defined in various places such as the Constitution, Code of Financial Practice and Code of Procurement Practice. The updated Code of Procurement Practice was agreed by full Council in November 2018, and the updated Code of Financial Practice in April 2016. The role of internal audit provides assurance that the Council's Internal Controls are in place. Annually, the Audit & Risk Manager provides an opinion on the Council's control environment.</p> <p>Services controls e.g. segregation of duties of officers to mitigate fraud, are in place to support the Council's Anti-Fraud and Corruption Strategy and Whistle Blowing Policy.</p> <p>There is a strong risk management culture, with Finance & Audit Scrutiny Committee actively involved in reviewing Service Risk Registers.</p>
<p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)?</p>	<p>None known.</p>
<p>How does the Finance and Audit Scrutiny Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control?</p> <p>What arrangements are in place to report fraud issues and risks to the Finance and Audit Scrutiny Committee?</p>	<p>The reporting of fraud issues to Finance & Audit Scrutiny Committee is made by various methods ; i) Investigation reports by the Audit and Risk Manager, as a result of the Whistleblowing Policy; ii) Reports by the Head of Finance; and iii) Annual Governance Statement report for Internal Control to mitigate fraud risk.</p>
<p>From a fraud and corruption perspective, what are considered to be high-risk posts?</p> <p>How are the risks relating to these posts identified, assessed and managed?</p>	<p>Those that have the scope to perpetrate fraud and corruption on a significant scale. Through the risk assessment process performed by Internal Audit when drawing up its Annual and Strategic Plans.</p>

Fraud risk assessment continued

Question	
<p>Have you identified any specific fraud risks?</p> <p>Do you have any concerns there are areas that are at risk of fraud?</p> <p>Are there particular locations within the Authority where fraud is more likely to occur?</p>	<p>Investigations of suspected fraud, as a result of cases brought to the attention of the Head of Finance or Audit and Risk Manager, are carried out by the Internal Audit team.</p> <p>No Significant Fraud risk identified. However, we are not complacent and are constantly looking to improve procedures.</p> <p>Locations handling income, particularly in the form of cash, are more likely to be at risk of fraud. However, as noted above, these are not significant. Procurement fraud is also identified as an area at risk of fraud.</p>
<p>What processes does the Authority have in place to identify and respond to risks of fraud?</p>	<p>All suspected cases of fraud, theft, corruption should be notified to Head of Finance or the Audit & Risk Manager.</p> <p>Anti Fraud & Corruption and Whistle Blowing Policies in place.</p> <p>Risk Registers in place for all services, where the potential for fraud is included, with controls and mitigations.</p> <p>The annual Internal Audit Plan has audits determined by risk ratings.</p> <p>Procurement fraud is mitigated through issued guidance on 'Preventing Procurement Fraud' and a 'Conflict of Interest' form that must be completed and signed by Officers for each individual procurement exercise they are involved in. All procurement card activity is checked by the FSTeam and reviewed by Procurement to identify areas of misuse or disaggregation.</p>
<p>How would you assess the overall control environment for the Authority, including:</p> <ul style="list-style-type: none"> - the process for reviewing the effectiveness the system of internal control; - internal controls, including segregation of duties; exist and work effectively? <p>If not, where are the risk areas and what mitigating actions have been taken?</p> <p>What other controls are in place to help prevent, deter or detect fraud?</p> <p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)?</p>	<p>By a systematic and ongoing process of internal audits together with a process for production of the Annual Governance Statement, supported by the Head of Internal Audit's Annual Report that provides an opinion on the Council's control environment.</p> <p>Sound systems of internal control with roles and responsibilities are defined in various places such as the Constitution, Code of Financial Practice and Code of Procurement Practice.</p> <p>None known. Miscoding occurs to enable purchases to be made when budgets are not available.</p>

Fraud risk assessment continued

Question	
<p>How do the Authority communicate and encourage ethical behaviours and business processes of its staff and contractors?</p> <p>How do you encourage staff to report their concerns about fraud?</p> <p>What concerns are staff expected to report about fraud? Have any significant issues been reported?</p>	<p>The code of conduct for members and employees outlines the Council's expectations for business practice and ethical behaviour.</p> <p>We have recently reviewed, and subsequently updated, our Code of Conduct for Employees, with this being agreed by Council in January 2019. Much of this Code is concerned with working practices and matters of ethical behaviour. The revised Code was extensively consulted on, including with staff, and was the main topic at a recent Managers Forum meeting. The presentation at Managers Forum ended with a group-based question and answer session covering various elements of the Code to promulgate and reinforce learning. A 'meta training' exercise is shortly to be launched on the Council's intranet on this topic which will be mandatory for all employees to complete.</p> <p>Within procurement there is the Equality in Procurement Policy and Ethical Procurement Statement, which identifies ethical behaviours expected of officers when undertaking procurement.</p> <p>Also during this timeframe we have reviewed, and consequently updated, our Local Code of Corporate Governance.</p> <p>Training sessions on 'Social Media Discrimination and the Law' have been delivered to the majority of staff across the Council and to some Members. This has included an overview of the responsibilities of staff in using Social media and the behaviour expected together with the repercussions from a law perspective relating to the Equality Act and protected characteristics. This also links with our Dignity at work Policy relating to ethical behaviour.</p> <p>Management also takes the opportunity to promote the Council's organisational values as and when appropriate. For example this was included in the recent Managers Forum session mentioned above. Organisational values are also highlighted during the Chief Executive's Annual Presentation that all employees attend. In fact the values feature on the lanyard device that employees wear to hold their ID badges.</p> <p>Employees should be aware of the anti-fraud and corruption strategy and Whistle Blowing Policy, details are available on the Intranet and induction training for all new staff covers fraud and corruption awareness. Staff undertake CPD, with ethics being a key element for professionals such as accountants. Audits of Organisational Culture and, separately, Ethics have been completed by Internal Audit in the last two years.</p> <p>Staff are expected to report any and all concerns. Some concerns have been reported and these have been, or in one case are being, investigated.</p>

Fraud risk assessment continued

Question	
<p>How do you encourage staff to report their concerns about fraud?</p> <p>Have any significant issues been reported?</p>	<p>Employees should be aware of the Anti-Fraud and Corruption Strategy and Whistle Blowing Policy, details of which are available on the Intranet; induction training for all new staff covers fraud and corruption awareness.</p> <p>Staff undertake CPD, with ethics being a key element for professionals such as accountants. Corporate Governance audit by Internal Audit, and an Ethics Audit in 2018.</p> <p>The Audit & Risk Manager investigates all cases of suspected fraud.</p>
<p>Are you aware of any related party relationships or transactions that could give rise to instances of fraud?</p> <p>How do you mitigate the risks associated with fraud related to related party relationships and transactions?</p>	<p>Most of the related party transactions that could give rise to potential fraud are those in which Councillors have a direct interest.</p> <p>Risks are mitigated by Councillors' declaration of interests and non-participation in debates. Officers are also expected to declare any potential interest or conflict. Senior Managers complete an annual Related Party Declaration. Officers and other individuals involved in tender processes over £50k are required to sign a declaration of interests and will not participate if any potential conflict.</p>
<p>Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within the Authority as a whole or within specific departments since 1 April 2019?</p> <p>As a management team, how do you communicate risk issues (including fraud) to those charged with governance?</p>	<p>A very recent case of suspected fraud is currently being investigated. No other internal cases.</p> <p>We submit written reports, quarterly in the case of risk management issues and as and when in the case of fraud.</p>
<p>Are you aware of any whistleblower reports or reports under the Bribery Act since 1 April 2018?</p> <p>If so, how has the Finance and Audit and Scrutiny Committee responded to these?</p>	<p>No.</p>

Laws and regulations

Issue

Matters in relation to laws and regulations

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

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

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

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



Impact of laws and regulations

Question	Management response
What arrangements does the Authority have in place to prevent and detect non-compliance with laws and regulations?	The Council has arrangements in place for legal advice to be provided by Warwickshire County Council. Employees are expected to keep themselves updated of laws and regulations related to their area of work. Suspected non-compliances with laws and regulations will be investigated.
How does management gain assurance that all relevant laws and regulations have been complying with?	Through effective governance processes and review mechanisms such as internal audit. The Monitoring Officer will advise the Council's Corporate Management team and Councillors as appropriate.
How is the Finance and Audit Scrutiny Committee provided with assurance that all relevant laws and regulations have been complied with?	Through audit reviews carried by Internal Audit and by the completion of self-assessment Service Assurance Statements performed by services as part of the Annual Governance Statement.
Have there been any instances of non-compliance or suspected non-compliance with laws and regulations since 1 April 2019, or earlier with an on-going impact on the Authority's 2019/20 financial statements?	The Council failed to have audited accounts for 2017/18 published by the statutory date of 31 July 2018, with the audited 2018/19 Statements being produced by the due date. No other instances of non-compliance are known.
What arrangements does the Authority have in place to identify, evaluate and account for litigation or claims?	All potential insurance claims should be notified by officers to the Council's Insurance and Risk Officer.
Is there any actual or potential litigation or claims that would affect the financial statements?	Any litigation or claims will be considered on a case by case basis as part of the financial statements preparation process.
Have there been any reports from other regulatory bodies, such as HM Revenues and Customs which indicate non-compliance?	No.

Going Concern

Issue

Matters in relation to going concern

ISA(UK&I)570 covers auditor responsibilities in the audit of financial statements relating to management's use of the going concern assumption in the financial statements.

The going concern assumption is a fundamental principle in the preparation of financial statements. Under this assumption entities are viewed as continuing in business for the foreseeable future. Assets and liabilities are recorded on the basis that the entity will be able to realise its assets and discharge its liabilities in the normal course of business.

Going concern considerations have been set out below and management has provided its response.



Going concern considerations

Question	Management response
Does the Authority have procedures in place to assess the Authority's ability to continue as a going concern?	The Council maintains up to date five year financial projections for the General fund and a 50 year HRA Business Plan. These are regularly updated and periodically reported to members and officers. Projections are also held of future level of reserves. Alongside this, potential financial liabilities are monitored. Accordingly, the authority is able to assess any future surplus/deficit and its ability to continue as a going concern.
Is management aware of the existence of other events or conditions that may cast doubt on the Authority's ability to continue as a going concern?	<p>The financial projections (February 2020), based on current assumptions show the Council needs to find additional savings of circa £1.8m on its revenue budget by 2023/24 based on existing savings plans and current assumptions, so as to be able to maintain existing services. Initiatives that should generate savings are due to be reported to members in forthcoming months. Also, the Council needs to invest major sums in its corporate assets in future years so as to be able to ensure future service provision, for which future funding will be required.</p> <p>The Council does have substantial reserves, notably the Business Rate Volatility Reserve, which is being used to assist the Council "smooth" the savings requirement.</p>
Are arrangements in place to report the going concern assessment to the Finance and Audit Scrutiny Committee?	The financial projections and liabilities are reported to the Executive. These reports are scrutinised by the Finance & Audit Scrutiny Committee.
Are the financial assumptions in that report (e.g. future levels of income and expenditure) consistent with the Authority's Business Plan and the financial information provided to the Authority throughout the year?	Yes, but assumptions will need to change over the year, as the MTFS is a living document. Any changes to assumptions are explained within the reports to Executive.
Are the implications of statutory or policy changes appropriately reflected in the Business Plan, financial forecasts and report on going concern?	Yes. All known changes which impact upon the financial projections will be factored in.

Going concern considerations (continued)

Question	Management response
Have there been any significant issues raised with the Finance and Audit Scrutiny Committee during the year which could cast doubts on the assumptions made? (Examples include adverse comments raised by Internal Audit regarding financial performance or significant weaknesses in systems of financial control).	<p>No. The last Internal Audit report on the Financial Planning gave Substantial Assurance.</p> <p>The Council encountered difficulties in closing the 2017/18 Accounts, and subsequent audit thereof. The Audit Opinion did not raise any concerns with the Council being a Going Concern as part of that audit nor for 2018/19.</p>
Does a review of available financial information identify any adverse financial indicators including negative cash flow? If so, what action is being taken to improve financial performance?	No. See earlier comments on projected long term shortfall.
Does the Authority have sufficient staff in post, with the appropriate skills and experience, particularly at senior manager level, to ensure the delivery of the Authority's objectives? If not, what action is being taken to obtain those skills?	<p>Most services do have sufficient staff in post with the appropriate skills and experience. However, selected services may encourage recruitment and retention problems. In such instances actions include:-</p> <ul style="list-style-type: none"> Use of agency staff Redeployment of staff Work prioritisation Increasing the establishment, going through appropriate processes to agree.
Has the management team carried out an assessment of the going concern basis for preparing the financial statements for the Authority? What was the outcome of that assessment?	Part of the on-going update to the MTFS, review and modelling, as reported to Exec in February 2020 as part of the Budget and Council tax report 2020/21.
Are the financial assumptions in that report (e.g., future levels of income and expenditure) consistent with The Authority's and the financial information provided to the Authority throughout the year?	Yes. The MTFS ties in to the Budget and the Budget monitoring throughout the year.

Related Parties

Issue

Matters in relation to Related Parties

Local Authorities are required to comply with IAS 24 and disclose transactions with entities/individuals that would be classed as related parties. These may include:

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

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

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

Question	Management response
What controls does the Authority have in place to identify, account for and disclose related party transactions and relationships?	Officers and Councillors do not participate in decisions where they are a related party. Annual accounts disclosures for related parties and transactions are reviewed for completeness by the General Fund Accountant. Officers and other individuals involved in tender processes over £50k are required to sign declaration of interests and will not participate if any potential conflict.

General enquiries of management

Question	Management response
What do you regard as the key events or issues that will have a significant impact on the financial statements for 2019/20?	<p>The have been minimal changes to the CIPFA code for 2019/20. There should therefore be limited changes to the format of the financial statements.</p> <p>Additional disclosure notes will be required regarding the impact of IFRS 16 leases</p>
<p>Have you considered the appropriateness of the accounting policies adopted by The Authority?</p> <p>Have there been any events or transactions that may cause you to change or adopt new accounting policies?</p>	<p>Yes, policies reviewed with no changes required so far. As the Statements are compiled, changes may become appropriate and will be duly disclosed.</p>
3. Is there any use of financial instruments, including derivatives?	No
4. Are you aware of any significant transaction outside the normal course of business?	No

General enquiries of management (continued)

Question	Management response
Are you aware of any changes in circumstances that would lead to impairment of non-current assets?	No, but all members of the Senior Management Team are being asked to confirm before the end of the financial year.
Are you aware of any guarantee contracts?	Some of the Council's contracts do include guarantees. The Council has insurances in place which may be regarded as a from of guarantee.
Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements?	Contingent liabilities as included in 2018/19 Accounts in respect of pension scheme ruling still outstanding. To be formally assessed as part of compiling 2019/20 Accounts, along with any other potential liabilities.
Other than in house solicitors, can you provide details of those solicitors utilised by the Authority during the year. Please indicate where they are working on open litigation or contingencies from prior years?	Legal Services are provided by Warwickshire County Council . Current areas of litigation are considered as part of our financial close process as part of the review of provisions and contingencies.
Have any of the Authority's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements?	No, but will be formally ascertained as part of annual Service Assurance Statements.
Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	Consultants appointed for many Council projects, many being reported to Executive.

Accounting estimates

Issue

Matters in relation to accounting estimates

Local Authorities apply appropriate estimates in the preparation of their financial statements. ISA (UK&I) 540 sets out requirements for auditing accounting estimates. The objective is to gain evidence that the accounting estimates are reasonable and the related disclosures are adequate.

Under this standard we have to identify and assess the risks of material misstatement for accounting estimates by understanding how the Authority identifies the transactions, events and conditions that may give rise to the need for an accounting estimate.

Accounting estimates are used when it is not possible to measure precisely a figure in the accounts. We need to be aware of all estimates that the Authority is using as part of its accounts preparation; these are detailed in appendix 1 to this report. The audit procedures we conduct on the accounting estimate will demonstrate that:

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

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

Question	Management response
Are the management arrangements for the accounting estimates, as detailed in Appendix A reasonable?	Yes. Where estimation is necessary, appropriate estimating methodology is utilised. Estimates will be prepared by those best qualified, e.g. Pension Fund Actuary to supply estimates relating to IAS 19 – Employee Benefits, assets are professionally valued. In line with discussions with auditors, further evidence of challenge will be provided by the Accountants.
How is the Finance and Audit Scrutiny Committee provided with assurance that the arrangements for accounting estimates are adequate?	Details of estimates disclosed in accounting policies within Accounts. Finance & Audit Scrutiny Committee is responsible for agreeing the audited Statement of Accounts.

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Property Valuations	Property valuations are made by the external valuer from Carter Jonas. Significant Heritage Assets valued by external valuer. Minor valuations provided by Art Gallery & Museum staff.	Valuer notified of changes to the estate from the prior year	Use the external valuer (RICS qualified) from Carter Jonas for PPE. Significant Heritage Assets valued by external valuer.	Valuations are made in-line with the CIPFA Code of Practice guidance - reliance on expert	No
Estimated remaining useful lives of PPE	Assets are assigned to asset categories with appropriate asset lives.	Consistent asset lives applied to each asset category.	Use the external valuer (RICS qualified) from Carter Jonas	The useful lives of property are recorded in accordance with the recommendations of the external RICS qualified valuer.	No
Depreciation	Depreciation is provided for on property plant and equipment with a finite useful life on a straight-line basis	Consistent application of depreciation method across assets	No	The length of the life is determined at the point of acquisition or revaluation.	No

Appendix A Accounting Estimates (Continued)

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

Appendix A Accounting Estimates (Continued)

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

Appendix A Accounting Estimates (Continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Pension Fund Actuarial gains/losses	The actuarial gains and losses figures are calculated by the actuarial experts (Hymans Robertson). These figures are based on making % adjustments to the closing values of assets/liabilities.	For the LGPS the Authority responds to queries raised by the administering authority Warwickshire County Council.	The Authority are provided with an actuarial report by Hymans Robertson (LGPS).	The nature of these figures forecasting into the future are based upon the best information held at the current time and are developed by experts in their field.	No
Overhead allocation	The accountants apportion central support costs to services based on appropriate bases.	All support service cost centres are allocated according to the agreed processes.	No	Appropriate bases are reviewed each year to ensure equitable.	No



Dear S151 officer,

Given all of the turbulence within the audit industry at the moment, it may be helpful to summarise the local audit position in relation to the three financial years spanning 2018-21.

By this time of the year we would normally expect the vast majority of audits of 2018/19 accounts to be a matter of record and consigned to history. However, at the end of January there remain nearly 80 opinions still outstanding. Needless to say, that is an incredibly unsatisfactory position, particularly for all of the bodies and auditors concerned, and a significant concern going forward.

In response to the significant challenges, PSAA has recently commissioned independent research into the sustainability of the audit market which we plan to publish in the near future. As well as informing our own forward planning, we are keen to ensure that this and other research is available to support the work of the Redmond Review.

One of the consequences of the multiple pressures and challenges which have arisen in 2018/19 audits is an increase in the number of proposed fee variations for additional audit work. In previous years the level of such variations has remained relatively stable at around 5% of the sector's aggregate audit fees. However, while PSAA is still awaiting submission of some of the relevant proposals, it is already clear that a higher level of variations is likely to be proposed for 2018/19 than previously.

Meantime, audits of 2019/20 accounts are approaching. In planning for this next round, PSAA has tried to address two of the concerns which featured most frequently in our conversations and exchanges with bodies about their 2018/19 audit experience. Firstly, bodies want greater certainty about when their audit will take place and, if for any reason it cannot be undertaken in time to meet the 31 July target date for publication of audited accounts, they want to know that is the case at the earliest opportunity. Secondly, if there is any likelihood of additional audit work being required which may lead to a fee variation proposal, again bodies want early information and explanation.

Against this backcloth PSAA has therefore worked with auditors to address both of these issues - the planned timetable and any likely fee variations - in their audit planning submissions to bodies as part of a concerted effort to strengthen auditor-audited body communications.

This theme carries through into preparations for audits of 2020/21 accounts. We are currently consulting on the scale of audit fees for this year in accordance with the timetable prescribed in statutory regulations, which requires PSAA to fix the scale of fees before the start of the relevant year of account. <https://www.psaa.co.uk/audit-fees/consultation-on-2020-21-audit-fee-scale/>. This means having to set the fees ahead of the results of the completion of the 2018/19 round and ahead of the commencement of 2019/20 audits. Additionally, in looking ahead to 2020/21, we can also see a series of new developments which are likely to impact on the audit including revised auditing and accounting standards as well as a new Code of Audit Practice. Although these developments will affect all bodies, their impact will be variable depending on the specific local circumstances of each body.

Again, PSAA is encouraging auditors and local bodies to consider these issues in audit planning discussions, to give proper early notice of factors which may require additional work and have implications for fees, and also to allow time for actions which might mitigate risk to the smooth conduct of the audit. We note that the NAO will be consulting on guidance for auditors' work on the new Code of Audit Practice, and so detailed conclusions about how it will affect individual bodies will need to be reserved until the guidance is finalised.

In discussing the fee implications of any factors, whether they relate to developments which affect all bodies or are more specific to an individual local audit, we particularly need the parties to consider both short and long term implications. Some issues will have a one-off impact, affecting a single year. Any resulting variation proposal is for a one-off adjustment. Others will have ongoing implications which may or may not be the same as the impact in the first year. These are likely to point to a need to vary the body's scale fee. Appendix 1 explains PSAA's approach to fees more fully, and sets out the importance of revising scale fees where new developments or other local factors have clear ongoing implications.

It is important to stress that the 2019/20 local discussions on fees are happening at the planning stage, which is earlier than has generally been the case in previous years (perhaps not until the results of the audit were reported to you). One of the advantages of earlier discussion is that it allows more time for scrutiny and reflection. If you are unsure about a proposed fee variation, it can be deferred for any relevant information to be collated and examined with a view to revisiting the matter at an agreed later date. Please remember that PSAA reviews and determines every proposed additional fee, whether agreed or not – this is a statutory requirement.

We hope that this information is helpful to you and would be grateful if you would share it with members of your Audit Committee and any other relevant members and officers.

Appendix 1

PSAA's approach to fees

PSAA's position is unusual because, as the appointing person for principal local authorities, the company is required to set a scale of fees spanning more than 480 audits, each of which is unique, reflecting differing levels of size, responsibility, complexity, capacity, capability, risk, etc.

The company's current scale of fees reflects the continuation of a methodology developed by the Audit Commission during its tenure. It is intended to reflect a good representation of the risks associated with the conduct of each of the individual audits within PSAA's jurisdiction, assuming the timely production of draft accounts and working papers of an appropriate standard. However, PSAA recognises that every fee within the scale is subject to a margin for error and is also susceptible to change over time. Accordingly, the company's arrangements in relation to fees are designed to include a number of checks and balances to enable the scale to be adjusted as and when appropriate. These include :

- i) Placing the extant scale of fees at the heart of any tender process and inviting suppliers to express their bids as a proportion of the current scale;
- ii) Pooling winning firms' bids so that the fees of individual bodies are not linked to the bid prices of the individual firm that is appointed as their auditor;
- iii) Consulting with bodies, as appropriate, when firms exercise their right to submit proposals to charge additional fees for additional audit work over and above that assumed in the relevant scale fee;
- iv) Similarly consulting with bodies when firms submit proposals to amend the scale fee of an individual body to reflect an ongoing change to the level of audit work required.

Each of these arrangements is discussed in more detail below.

i). Linking tender prices to the extant scale of fees

When PSAA goes out to tender for audit services, as it did most recently in 2017, it provides suppliers with details of the then current scale of fees and invites firms to price their bids by reference to that scale. This is a vital opportunity for firms to bring their own experience and judgement to bear about the reasonableness of current scale fees in the context of current and expected future market conditions and risks. If the firm considers the current scale to be generous, it can bid at say, 70 or 80% of scale. Conversely, if current fees are felt to be too low, the firm can bid at say, 120 or 130% of scale. PSAA does not impose any parameters in this process - each firm is completely free to reflect its own considered judgement.

Following a rigorous evaluation of tenders, the contracts awarded to successful suppliers reflect the specific price at which each individual firm has bid.

ii). Pooling firms' costs

In setting the overall scale of audit fees, PSAA has regard not only to the payments which will be due to firms under the contracts awarded but also the need to fund PSAA's own costs incurred in carrying out its functions - principally letting and managing contracts, appointing auditors and setting a scale of fees.

When re-setting the fees of individual bodies within the scale following a procurement, PSAA does not reflect the specific costs of the particular audit firm appointed to the body. Rather it applies average costs, taking into consideration details of all of the contracts awarded to successful suppliers – with the result that, for example in 2018/19, all bodies received the

same proportionate fee adjustment. This shares the risk of price variations between firms across the system and also avoids the need to vary a body's scale fees because it has been allocated a new auditor.

iii). Charging for additional audit work

The nature of an audit is such that it may be necessary for an auditor to carry out more audit work than has previously been required or planned. PSAA has the power to determine the fee above or below the scale fee where it considers that substantially more or less work was required than envisaged by the scale fee. In such circumstances, the auditor may therefore be entitled to charge for the additional work depending upon the specific drivers which have given rise to it. If, for example, additional work arises because the auditor has not conducted the audit in accordance with expected standards, the auditor must bear the cost. Alternatively, if additional work is necessary because the local body has not met its obligations to deliver accounts and working papers which enable the auditor to reach the required level of assurance, the auditor may be entitled to propose a fee variation to reflect the scale of the work concerned.

Additional work may also be required as a result of the introduction of new accounting or auditing standards, or new regulatory requirements. Where it is clear that these have arisen after bids have been submitted and could not reasonably have been foreseen, the auditor will usually be entitled to propose an appropriate fee variation.

It is important to emphasise that the process for approving one-off fee variations (and/or ongoing scale fee adjustments - see para 4 below) is itself subject to careful checks and balances. Auditors are required to discuss any relevant proposals with appropriate representatives of the body concerned. All such proposals are subject to approval by PSAA. In making any submissions to PSAA, auditors are required to confirm that proposals have been discussed with the body and to indicate whether or not they have been agreed by the body. In turn, PSAA will consider the legitimacy and reasonableness of the proposals and advise the parties accordingly.

iv). Amendments to scale fees

The vast majority of fee proposals submitted by auditors in respect of additional audit work are limited to one-off fee variations. In some cases it is apparent that this does not reflect possible longer term implications. This is an important conversation which will sometimes alert the body to potential ongoing work and expected further variations which can be avoided by the body taking additional measures or taking other remedial actions. In other circumstances it will highlight the need to adjust the scale fee going forward so that the additional work concerned is properly reflected as a recurring requirement.

By routinely working through longer term implications and engaging in constructive discussions, bodies and firms can play a critically important role in helping PSAA to ensure that the scale of fees is subject to continuous review and, where appropriate, updating.



TouchstoneRenard
Management Consultants



Future Procurement and Market Supply Options Review

Final Report

Review Team: Harry Machin, Phil Austin
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Touchstone Renard Code: 1296PSAA

Date: 26 February 2020

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<u>CONTENTS</u>	<u>Page</u>
1. EXECUTIVE SUMMARY	4
2. PURPOSE AND SCOPE	6
2.1 Overview	6
2.2 Specific issues to be addressed	6
3. WORK DONE AND METHODOLOGY	7
3.1 Interviews	7
3.2 Analysing responses	7
4. BACKGROUND	8
4.1 The market and PSAA's role	8
4.2 Supply of auditors	10
4.3 Audit fees	11
4.4 Performance in the 2018/19 round of audits	12
5. THE VIEWS OF APPROVED PROVIDERS	13
5.1 Introduction	13
5.2 In the current contract, what works well and what works less well? (Contract holders only)	13
5.3 Number of lots and lot sizes	13
5.4 Composition of lots and the allocation of audits to each firm	14
5.5 The 5 year duration of the contract and PSAA's ability to extend by 2 years	14
5.6 The balance between quality and price used to evaluate the tenders	15
5.7 The degree of emphasis on social value / apprenticeships	15
5.8 Timing issues	15
5.9 The Code of Audit Practice	16
5.10 CIPFA's Code of Practice for local authority accounting	16
5.11 The quality monitoring regime	16
5.12 Other issues – fees	16
5.13 What factors would influence the firm's decision to bid in the next procurement round?	17
5.14 Is your firm's capacity to deliver local audits increasing or decreasing?	17
5.15 Is local auditing an attractive career option?	17
5.16 Would your firm consider participating in a joint or shared audit appointment with a new entrant to the market?	18
5.17 How can more firms be encouraged to enter the local audit market? What advice and support could / should be provided to enable them to do so?	18
5.18 What are your views on creating a not-for-profit (NFP) supplier to work alongside existing firms and any new firms entering the market?	18
6. THE VIEWS OF NON-APPROVED PROVIDERS	19
6.1 Introduction	19
6.2 What capability does your firm currently have to carry out local audits?	19
6.3 Awareness of the local audit environment	19
6.4 Would your firm consider bidding for any local audits in the next round of procurement?	19
6.5 How important would the following factors be?	19

6.6 As regards the procurement itself, would any of the following factors affect your decision to bid?	20
6.7 Is local audit an attractive career option? What would make it more attractive?	21
6.8 How can more firms be encouraged to enter the local audit market?	21
6.9 Would your firm consider participating in a joint audit appointment? On what basis?	21
6.10 What are your views on creating a not-for-profit (NFP) supplier to work alongside existing firms and any new firms entering the market?	21
7. ISSUES AND OPTIONS	22
7.1 Introduction	22
7.2 SWOT analysis for the market for audits of PSAA's eligible bodies	22
7.3 The CBS report revisited	23
7.4 Opening up the market to new entrants	24
7.5 Supply side resources	25
7.6 Timing of audits	25
7.7 Fees and quality	25
7.8 Number of lots and lot sizes	26
7.9 Composition and location of lots	27
7.10 Contract duration	28
7.11 Contract structure	28
7.12 Joint audit options	29
7.13 Collaborative response with other audit agencies	29
7.14 Creating a not-for-profit supplier	30
GLOSSARY	31

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Covering statement

This report and its contents have been prepared for PSAA's use as part of the Future Procurement & Market Supply Options Review project. Statements throughout this work are made in good faith on the basis of the information provided by those involved in the review or otherwise made available or disclosed during the period of the project.

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1. EXECUTIVE SUMMARY

We were tasked with capturing the views of actual and potential external audit providers on how to structure a future procurement approach and audit contracts in order to maximise a sustainable audit supply in the next procurement exercise.

In summary, we have found that sustainability of audit supply will be difficult to achieve and will depend to a great extent on factors that are outside PSAA's control.

PSAA operates in a specific market which covers almost 500 'principal local authorities' with nine approved external audit firms. We have held interviews with all nine of these firms, as well as with six non-approved firms that are active in the government and not-for-profit sectors.

Key issues

Our research has identified a lack of experienced local authority auditors as the main threat to the future sustainability of the market. Across the UK there are only 97 Key Audit Partners (KAPs) who are authorised to act as engagement leads for local audits (which covers both principal local authorities and health audits) and there is also a shortage of audit managers and audit seniors with experience of these audits. It is not clear how the future supply chain of auditors will compensate for the retirement of the current cohort of partners, directors and senior managers.

External auditing is seen as an increasingly unattractive career option, and local auditing is seen as unattractive relative to corporate auditing.

Firms that are not currently approved to operate in this market

Our research shows that it will be difficult to bring the non-approved firms into the market, due to:

- A lack of enthusiasm on their part for getting involved with this market in its current state.
- Barriers to entry, including the accreditation process for both firms and KAPs.
- A lack of belief that they could succeed in winning tenders against the established firms.

If new firms could be encouraged to enter the market, their initial impact would be small – of the order of 5-10 audits per firm for perhaps a couple of firms. New suppliers could improve sustainability in the longer term, but they are not a solution for the next procurement round.

Firms that are approved to operate in this market

Of the nine approved firms, only five have current contracts with PSAA, while four – including KPMG and PwC – do not. The firms that do not have current contracts employ 33 of the 97 KAPs, meaning that 34% of KAPs are not currently active in PSAA's market. If all the approved firms bid for and were awarded contracts in the next procurement round, the market would become more sustainable.

However, our research shows that almost all of the approved firms have reservations about remaining in the market, for two main reasons.

First, the firms perceive that their risks have increased since bids were submitted for the current contracts. Their reasons include:

- The unprecedented scrutiny of the whole external auditing profession, which has made auditing less attractive and riskier for audit partners.
- Regulation and scrutiny have, in their view, become more onerous.
- Audit risk has increased as a result of the impact of austerity, including local authorities cutting back on finance staff and in some cases undertaking more risky commercial ventures.

In this climate, fees have not risen to compensate for the higher risks that firms perceive they face. This makes it harder for local authority audit partners to make the business case to their partners in other sectors and disciplines for continuing to tender in this market.

The firms acknowledge that audit fees are effectively set by the bids which the firms submitted during the 2017 procurement process.

They also recognise their ability to claim for additional work through the fee variations process. Nevertheless, they argue that audit risks have increased since 2017 and that their continued involvement in the market is now much more difficult to justify.

Second, the timing of local audits is problematic. The target date for signing off audits has been set by government as 31st July, two months after the working papers should be (but in some cases are not) ready to be audited. This results in a short peak period during June and July, putting pressure on experienced staff and requiring less experienced staff to be drafted in, potentially compromising quality.

Options available to PSAA

Some of the issues that impact future sustainability are outside PSAA's control, including: the fragmentation of the market for procurement of public sector audits (including different distinctive arrangements in local government, health and central government); the accreditation regime for local audits; the timing of local authority audits; and the regulatory regimes for quality checking of audits. PSAA can, however, lobby for change in some of these areas.

PSAA controls the balance between price and quality in its tender evaluation arrangements. The firms would like to see this balance shifted further in favour of quality and the Kingman report has also expressed concern over this issue. Although it is beyond our remit to comment on the balance of interests between the audit firms on the one hand and audit clients on the other, the firms would like to see higher weightings given to quality aspects of the next procurement, as well as tenders being subjected to close scrutiny on clearly defined and differentiated aspects of quality.

PSAA controls the size and composition of the lots that firms will bid for in the next procurement round. The actual number of audits to be included in the next procurement round will depend on the decisions of eligible bodies about whether to opt into the PSAA national scheme for the next appointing period. Firms would like to see a larger number of smaller contracts, with no one contract accounting for more than 20% of the total market (the two largest lots in the current procurement are for 40% and 30% of the market respectively). In considering any changes to lot sizes PSAA will, of course, need to satisfy itself that it can secure sufficient supplier capacity to ensure the appointment of an auditor to every opted-in body. In our view an ideal outcome would be for PSAA to enter into a sufficient number of contracts to enable all of the approved firms to participate in the market, subject, of course, to them submitting acceptable bids.

The firms almost unanimously agreed that five years was the most suitable duration for the next contract. Although the agreement in itself is positive, there is a risk of resources being eroded from the market if a major approved firm is locked out of the market for a five year period.

Options for attracting new entrants to the market include:

- Introducing 'starter lots' of say 5-10 audits, which would be more attractive if they involve: a) similar types of audit, for example all district councils; and b) locations that are not too widely dispersed.
- Promoting joint audit arrangements between established firms and new entrants. These are more likely to succeed if each firm is responsible for a clearly defined area, such as a stand-alone subsidiary (it should be noted that PSAA has no role in appointing subsidiary auditors, and so this would not be a joint appointment and is a matter for local determination). Approved firms consider this option would increase audit costs.
- Promoting mentoring for the new entrants.

We considered the pros and cons of the option to consider establishing a not-for-profit audit supplier. Perhaps understandably this is not something that would be welcomed by firms. In our view this would be difficult to achieve particularly if the timetable for publication of audited accounts remains unchanged. The timetable alone poses a major threat to the viability of the organisation's business model. The most significant potential benefits of this option would lie in the long term if the organisation was able to develop a strong commitment to training and development of staff specialising in local audit. That might enable it to make an important contribution to mitigating the key threats to sustainability of the market.

2. PURPOSE AND SCOPE

2.1 Overview

This exercise is a review of options relating to PSAA's future procurement approach, in preparation for letting audit contracts for the next appointing period (the five years starting with the audit year 2023/24).

PSAA wish to **capture the views of the current cohort of actual and potential audit providers** on how a future procurement approach and audit contracts could be structured so as to **maximise a sustainable audit supply in the next procurement exercise**, thereby securing a **strong, competitive supply** market.

This work is intended to enable PSAA to contribute to **developing capacity within the audit market** for the next appointing period, providing the evidence from firms currently registered as local audit providers, and the broader audit market, as to the possible options that would support this.

This exercise does not include:

- The prospective decisions from eligible bodies to opt into the appointing person scheme for the next appointing period
- Making recommendations on the procurement approach itself.

2.2 Specific issues to be addressed

The starting point for the review was research that PSAA commissioned and published in early 2018 from Cardiff Business School (CBS), as part of a 'lessons learned' exercise. The CBS work reported very positively on PSAA's project to develop and implement its scheme including its handling of the 2017 procurement process. However, it also highlighted a series of challenges for the next PSAA audit procurement cycle, recommending further, more detailed preparatory work to explore several important variables. Key issues identified for further work were:

- Number of lots and lot sizes
- Lot composition
- Length of contracts
- Price:quality ratio

PSAA also cited the following 'options for consideration':

- How more firms can be encouraged to enter the local audit market, including providing advice and support to enable them to do so.
- Tendering on a basis which could offer a number of smaller "starter pack" contracts for new entrants.
- Introducing a number of joint audit appointments to enable new entrants to gain experience of local public audits alongside established audit suppliers.
- Exploring the possibility of a collaborative response with other audit agencies such as the NAO, Audit Scotland and the Wales Audit Office.
- Exploring the possibility of creating a not-for-profit audit supplier to work alongside existing and any new firms entering the market.

2.3 Other issues

PSAA will need to balance the views of the firms with wider considerations including the needs of audited bodies and the requirement to appoint an auditor to every individual body opting in to its collective scheme.

3. WORK DONE AND METHODOLOGY

3.1 Interviews

In collaboration with PSAA we prepared three interview questionnaires for the three main groups of interviewees identified by PSAA:

- Current contract holders (Grant Thornton (GT), Ernst and Young (EY), Mazars, BDO and Deloitte). We held interviews with all five of these firms.
- Approved firms that do not hold current contracts (KPMG, PwC, Scott Moncrieff and Cardens). We held interviews with all four of these firms.
- Firms that are not approved to operate in this market ('non-approved firms'). We contacted 13 of these firms and held interviews with six of them.

The questionnaires, which were sent in advance to all interviewees, addressed the specific questions arising from the 'lessons learned' exercise carried out by CBS, as well as the further questions posed by PSAA in their specification for our research.

We carried out a mixture of face-to-face interviews and conference calls, according to interviewees' preferences, in which we invited interviewees to begin by addressing the topics that were of most interest and relevance to them and proceeded from there.

We also interviewed representatives of the NAO and CIPFA, seeking their views on specific issues that had emerged from our conversations with the firms.

ICAEW declined our request for an interview, referencing its timing in relation to the Redmond Review. ICAEW's representations to the Redmond review were published on 19th December 2019 and included suggestions to improve the sustainability of the local public audit market.

The interviews were carried out on the basis that comments would be unattributable, promoting an environment in which interviewees could talk freely and frankly. We therefore needed to record firms' responses without revealing their sources.

3.2 Analysing responses

This report presents a set of mainly qualitative findings, structured as follows:

- The views of approved providers
- The views of non-approved firms
- Our comments on the issues raised and options for the next procurement.

4. BACKGROUND

4.1 The market and PSAA's role

The following comments draw heavily on background notes provided by PSAA, with some additional points that we have added.

Abolition of the Audit Commission

The Audit Commission (AC) had previously controlled and managed the whole system of audit for local public bodies, including local authorities, other local government bodies, local police and NHS bodies. Its responsibilities included setting the scope of audit (by publishing a code of audit practice every five years), appointing auditors, setting scales of fees, and overseeing the quality of auditors' work.

The AC's own arms-length audit force (District Audit) undertook 70% of local audits, with the remaining 30% undertaken by audit firms contracted by the AC. In 2012 all audit work transferred to audit firms, with many District Audit staff transferred under the TUPE regulations as a result.

The Local Audit and Accountability Act 2014 (the 2014 Act) established the new local audit framework which introduced changes including:

- Relevant bodies were given the power to appoint their own auditors, subject to certain procedural requirements.
- The National Audit Office (NAO) became responsible for publishing the Code of Practice.
- Regulatory oversight of the regime and the work of auditors became the responsibility of the Financial Reporting Council, which has a similar responsibility in relation to listed companies.
- The Secretary of State was given the power to specify an 'appointing person' to make auditor appointments on behalf of principal local bodies and giving them the right to opt to subscribe to its services. Essentially this reflected a value for money argument that a single body procuring multiple audits would deliver significant savings.

Establishment of PSAA

PSAA was established in August 2014 and, from April 2015, the company undertook transitional functions delegated by the Secretary of State, including making and managing auditor appointments and setting fees for local public bodies in England, under contracts originally let by the Audit Commission.

In July 2016 the Secretary of State appointed PSAA to a long-term role as the appointing person for principal local government bodies as defined by the 2014 Act and including police and fire bodies. The role of the appointing person is to lead the development, implementation and management of a collective scheme for appointing auditors for these bodies and also the setting scales of fees.

The bodies can choose either to make their own auditor appointments (thereby 'opting out') or to join the collective scheme provided by PSAA ('opting in'). Individual NHS bodies, which are also 'local audits' subject to the National Audit Office's (NAO) Code of Audit Practice, appoint their own auditors in the absence of a national collective scheme for Health.

The current appointing period

The legislation requires the appointing person to discharge its responsibilities for consecutive appointing periods of five years. The first appointing period began in April 2018 and covers the audits of the financial years 2018/19 to 2022/23. Following its appointment, PSAA had a period of eighteen months in which to develop and implement its appointing person arrangements.

PSAA was highly successful in achieving opt-ins of 98% of eligible bodies in 2017, with 484 of the total 494 bodies eligible at that time choosing to opt into the scheme. Once opted-in, an authority remains in the scheme for the duration of the appointing period.

PSAA let audit services contracts to five audit firms in 2017, enabling it to make auditor appointments for all opted-in bodies for the 2018/19 - 2022/23 appointing period.

A further contract was let to a consortium of two further firms, with no guarantee of appointments, however, that contract is now redundant following firm mergers.

Based on the bids received during the procurement exercise, PSAA was able to reduce scale fees for 2018/19 by 23% compared to the previous year. The first audits under these contracts covering the 2018/19 financial statements of opted-in bodies were undertaken during 2019.

Code of Audit Practice

The National Audit Office (NAO) is required to publish a Code of Audit Practice which defines the scope of local auditors' work. The NAO is required to publish the Code at least every five years and consulted during 2019 on the next Code, which will be operational by April 2020.

The Code is currently principles-based and requires local auditors to comply with the detailed technical and professional standards published by the relevant standard-setting bodies.

The impact of any changes in the Code of Audit Practice will not take effect until audits of the 2020/21 financial year are undertaken in 2021. Their full impact on scale fees may not be clear until PSAA sets the scale fees for 2022/23 or possibly 2023/24 (PSAA will, as required, consult on and publish a scale of fees before the financial year to which the scale applies).

Regulation

Local audit is now regulated by the FRC. The first local government FRC reviews of audit quality under the local audit framework will be completed in 2020.

The FRC monitors and enforces audit quality for Major Local Audits (MLAs - eligible bodies with income or expenditure in excess of £500 million per year), and those bodies that meet the Public Interest Entity definition (e.g. with listed debt). PIEs are subject to a further regulatory regime which includes specific rules for: auditor selection and tendering; auditor rotation; restrictions on non-audit services; and the FRC's quality monitoring regime.

Sir John Kingman, in his report of December 2018, has recommended that the FRC be abolished and replaced by a new independent body - the Audit, Reporting and Governance Authority (ARGA) - with a new mandate, new clarity of mission, new leadership, wider powers, and a new regime to identify warning signs when auditees may be at risk. Kingman has been critical of the FRC's approach to local audit regulation, for example:

'The FRC's execution of its functions regarding local audit appear based on an assumption that financial audit is a uniform product based on a uniform process, regardless of the body subject to the audit and the landscape within which it sits. The FRC is an expert in private sector corporate audit; and its expertise on, and detailed understanding of issues relevant to local audit are currently limited.'

The Institute of Chartered Accountants in England and Wales (ICAEW) is the Recognised Supervisory Body (RSB), which monitors audit quality for eligible bodies that are not MLAs or PIEs in England and Wales. The Institute of Chartered Accountants of Scotland (ICAS) has the same role in Scotland.

Registration and licensing

Local public auditors are registered and licensed by the ICAEW in England and Wales, and by ICAS in Scotland. External audits of eligible bodies ('relevant authorities' as defined by the 2014 Act) can, by law, only be carried out by 'registered local auditors'. To become a registered local auditor with ICAEW (ICAS imposes similar requirements in Scotland), a firm must, inter alia: satisfy ICAEW's Audit Registration Committee that it meets certain criteria; comply with the Local Audit Regulations and Guidance; and comply with ICAEW's Professional Indemnity Insurance Regulations.

Individuals who sign local audit reports within a registered local audit firm are called 'key audit partners' (KAPs). To become a KAP, the individual must meet detailed eligibility requirements set by the Act and the FRC's Guidance to RSBs on the Approval of KAPs for local audit.

Continuing change in the external audit and local audit sectors

The five years of the current appointing period are likely to require PSAA, its appointed firms and opted-in bodies, to adapt to continuing change.

Implementation of the local audit legislation has occurred in parallel with a period of government and public concern about the role of the auditor, following a number of high profile corporate failures in the private sector, and questions about the financial resilience of some local authorities after a long period of austerity.

Several reviews are relevant, as summarised in the table below:

Author	Publication date	Subject matter / Recommendations
MHCLG / Rand Europe	March 2018	Baselining and scoping work for a possible future evaluation of the impact of reform of local audit in England.
Sir John Kingman	December 2018	Recommendations re overhauling and replacing the FRC. The report was critical of the 'fragmented' nature of local audit regulation and procurement and its potential impact on audit quality.
NAO	January 2019	Recommendations including: <ul style="list-style-type: none">Local public bodies should take prompt and effective action in response to weaknesses in arrangements to secure value for money (VFM).Local auditors should exercise their additional reporting powers appropriately, especially where local bodies are not taking sufficient action.
The Competition and Markets Authority	April 2019	Recommendations re: <ul style="list-style-type: none">Separation of audit from consulting services.Mandatory 'joint audit' to enable firms outside the Big 4 to develop the capacity needed to review the UK's biggest companies.Introduction of statutory regulatory powers to increase accountability of audit committees.
Sir Donald Brydon	December 2019	Recommendations on quality and effectiveness of audit, including: <ul style="list-style-type: none">A redefinition of audit and its purpose.The creation of a corporate auditing profession governed by principles.The introduction of suspicion into the qualities of auditing.The extension of the concept of auditing to areas beyond financial statements.
Sir Tony Redmond	Due 2020	The arrangements in place to support the transparency and quality of local authority financial reporting and external audit including those introduced by the 2014 Act.

The Redmond review is particularly likely to have a significant bearing on PSAA's work to prepare for its next procurement approach. The review has already sought the views of audit firms as important stakeholders.

4.2 Supply of auditors

The supply market for audits of principal local authorities can be summarised as below. The number of KAPs as stated below are not all available to do local authority audits in England – some are in Scotland, some work only on NHS audits, some will now no longer be available as firms separate audit from other services, and most of them undertake other work besides local audit.

- Two of the firms commonly referred to as the 'Big 4' (EY and Deloitte) currently hold PSAA contracts.

- Of the two other 'Big 4' firms, KPMG have considerable capability remaining, including 21 KAPs. We understand that they are undertaking only one opted-out local government audit. PwC have eight KAPs but are not undertaking any local government audits. Note that some KAPs who do not carry out audits of principal local authorities, are involved in conducting local audits of NHS bodies.
- Three other 'top 10' audit firms (GT, Mazars and BDO) currently hold PSAA contracts. Moore Stephens (which was a top 10 firm, approved to carry out local audits) merged with BDO earlier this year and is therefore no longer a separate firm itself.
- Two of the 'top 10' audit firms (RSM and Smith & Williamson) are not carrying out local audits and have no KAPs.
- Baldwins, a recent entrant to the 'top 10', acquired Scott Moncrieff (SM) earlier this year. SM are approved to carry out local audits and do so in Scotland but not in England and have three KAPs.
- PKF have a large share of the smaller bodies market covering town and parish councils but are not an approved firm for local audit purposes and do not have any KAPs.
- Many of the other 'top 20' audit firms carry out consultancy and other public sector audit work but are not approved firms for local audits and do not have any KAPs.
- There is one other approved audit firm (Cardens), a local SME firm based in Sussex with one KAP who has an Audit Commission career background.

The following table shows work that firms currently carry out for eligible local government bodies and the numbers of KAPs:

Firm	Current work for PSAA eligible bodies	Number of KAPs
<i>Incumbents</i>		
GT	40% by value of opted in bodies (183 audits)	26
EY	30% by value of opted in bodies (162 audits)	15
Mazars	18% by value of opted in bodies (85 audits)	9
Deloitte	6% by value of opted in bodies (31 audits)	8
BDO / Moore Stephens	6% by value of opted in bodies (26 audits)	6
<i>Others</i>		
Scott Moncrieff / Baldwins	Scotland only	3
KPMG	East Hants only	21
PWC	None	8
Cardens	None	1
Total number of key audit partners		97

KPMG and PwC, two firms that do not hold current contracts, between them have 29 (30%) of the 97 registered KAPs, **their absence from the local government audit market significantly reduces the number of active KAPs**. For reference, KAPs are able to and do work in other areas not just local audit.

4.3 Audit fees

Scale fees for 2018/19 for all opted-in bodies were reduced by 23 per cent, as a result of the prices tendered by firms in the last procurement.

The Kingman report noted that this 'follows a period from 2012/13 to 2017/18 in which scale fees reduced in two stages by an aggregate of 55 per cent, in part reflecting reductions in the size and scope of the Audit Commission, for example with the closure of its inspection services.' We understand that audit fee reductions determined by the Audit Commission in 2012 and 2014 reflect the progressive downsizing of the organisation and reduction of the scope and scale of its activities in the run-up to the organisation's closure. There is no doubt, however, that the opportunity for firms to bid for much larger contracts than previously has resulted in the submission of increasingly competitively priced tenders.

4.4 Performance in the 2018/19 round of audits

As stated above, 2019 is the first year of audit work on the contracts awarded following the 2017 procurement. PSAA's quality monitoring for 2019 included the following section (abridged by us, with our highlights in bold font) concerning the timeliness of audit reports that were due for delivery by 31st July 2019:

"The number of delayed audit opinions in local government has risen sharply this year..... **More than 40% (210 out of 486) of audit opinions on 2018/19 statements of accounts were not available by the target date of 31 July 2019.** The comparable position in relation to 2017/18 accounts was that approximately 13% of opinions were not available by the target date.

A number of factors have driven this deterioration in performance, posing challenges for both auditors and audited bodies. As previously reported, the target date has been missed in some cases because of a shortage of appropriately skilled and experienced auditors. In others the standard and timeliness of draft accounts, and/or associated working papers, has been lacking.

Other delayed opinions arise from difficulties in obtaining responses to and resolving audit queries, and unresolved technical issues including matters arising within group accounts. In a relatively small number of cases 2018/19 opinions are delayed by the fact that prior year accounts await sign off.

Whilst the 31st July target date is not a statutory deadline for audit, both audited bodies and auditors strive to meet it wherever possible. The increase in the number of audit opinions not given by the target is therefore a significant concern.

Delayed opinions can result in significant inconvenience and disruption, as well as additional costs and reputational damage for all parties. However, auditors have a professional duty only to give the opinion when they have sufficient assurance. Bodies that do not publish their audited accounts by 31st July are required by the Accounts and Audit Regulations 2015 to issue a statement explaining why they are unable to do so."

5. THE VIEWS OF APPROVED PROVIDERS

5.1 Introduction

This section reports on the views expressed by both the current contract holders (GT, EY, Mazars, BDO and Deloitte) and the approved firms that are not contract holders (KPMG, PwC, Scott Moncrieff and Cardens).

The topics covered by the two questionnaires are identical in most respects.

We summarise below the responses to each of the questions that we asked.

5.2 In the current contract, what works well and what works less well? (Contract holders only)

What works well

Firms believed that one of PSAA's main objectives in the last procurement round was to keep fees lower and ensure a high level of opt-in from eligible bodies, and that PSAA had succeeded very well in those objectives. It is important to note, however, that bodies were required to make decisions about opting in in advance of the completion of the procurement process and the setting of the scale of fees.

Most firms agreed that the length of the contract was appropriate. This is discussed further below.

Some firms considered that PSAA had done a successful job of allocating audits to firms, given the range of different factors involved. This is also discussed further below.

What works less well

Firms were keen to report a multiplicity of issues that they thought worked 'less well'. The strength of feeling, the lack of positivity and the unanimity with which those views were held were all quite striking.

Some of the key issues identified by current contract holders are beyond PSAA's control but nevertheless have implications for the sustainability of the market. **The target date for completing audits by 31st July was mentioned as an issue by every firm, without any prompting from us.** Firms complained about the resulting peaks in workload, pressures on staff during the summer months, and knock-on effects when target dates are not met – resulting in pressure on the subsequent audits to which staff have been allocated. These pressures contribute to making local audit work unpopular with staff.

Firms perceive a decline in the quality and quantity of finance staff in the authorities, which they believe results in poorer quality of working papers and delays in providing information and answering auditors' questions. At the same time, they perceive higher expectations from the quality regulators and, in some instances, from audit clients too. Firms expressed the view that the risks of operating in this market are higher than they had anticipated when they bid for their current contracts.

The firms identified as another key issue that the rewards have not increased. They stated that if risks are high and rewards are not sufficient, they will find it increasingly difficult to make the case to their colleagues (other partners) for remaining in this market. We will consider this and other issues in more depth below.

5.3 Number of lots and lot sizes

Six out of the nine approved firms said that they would like to see a larger number of smaller lots. Points that they have made include:

- With potentially nine approved firms bidding for five contracts, some approved firms will be excluded from the opted-in market in each procurement round. This leads to further erosion of scarce resources from the firms that fail to win contracts.
- The 40% and 30% lots have proved excessively challenging for firms in terms of size and demand. The concentration of most of the work into two peak months is seen as contributing to this.
- Suggestions for lot sizes varied considerably and were not consistent but there was no support for any one lot having more than 20% of the market.

- Two firms suggested allowing bidders to bid for and win multiple lots. This suggestion would be consistent with having more, smaller sized lots.

5.4 Composition of lots and the allocation of audits to each firm

Six of the nine approved firms felt that the geographical composition of lots could be improved in the next round of procurement. Suggestions included:

- Reverting to a more regional approach, similar to that adopted by the AC in the 2012 procurement.
- PSAA doing more detailed research into each firm's local coverage and modelling the likely impact of different contract compositions and sizes.
- Communicating more closely with firms to understand their preferences.

Several firms would like to know in advance the detailed composition of the lots they are bidding for, rather than having to adjust their local resources after the contracts have been awarded. If they have to bid 'blind' again in the next procurement round, they would increase their prices to cover unforeseen risks. Two firms said that they could not budget for expenses if they did not know the locations in advance and felt that expenses should be separately remunerated outside the main contract.

Some firms felt that allocations of audits would be fairer if each audit was individually priced based on known factors, including size, known risks and geographical situation. One firm stated that the audits viewed as more desirable were cross-subsidising those viewed as less attractive, and questioned whether this was in accordance with ethical standards.

Only two firms expressed a view on the idea of setting up specialist lots containing similar audits. One firm said that this would help firms to build up knowledge quickly and become experts on the specific issues that arise in their particular market. Another firm pointed out that a lot comprising (say) only police audits would be too widely dispersed geographically to be viable.

There were different views about splitting the audits of financial statements and VFM work, with one firm saying that they were too closely interconnected while another firm thought that they could potentially be separated.

PSAA was clear in its procurement process that auditor appointments would be made in a systematic way by reference to a series of explicit criteria. Overridingly, it must ensure the appointment of an auditor to every opted-in body including those which are based in more remote parts of the country.

5.5 The 5 year duration of the contract and PSAA's ability to extend by 2 years

There was widespread support for the five year duration of the contract. There was no support expressed for a shorter duration - most firms regarded five years as the minimum time needed for them to build and grow their teams and benefit from increasing familiarity with their clients. Only one firm would have preferred a longer duration.

Several firms did not like the 'all or nothing' nature of the current contracts. Points made included:

- Letting all the contracts only once every five years locks any losing bidders out of the market for opted-in firms (currently 98% of the market) for a long period and causes some of their resource to be lost to the market, although they can, of course, remain active in the local audit market for Health bodies.
- There needs to be more flexibility to transfer audits between firms during the period of the contract.
- There needs to be more flexibility to adjust fees in line with changes to clients' risk profiles during the period of the contract. Note: we understand from PSAA that Auditors are able to propose changes to scale fees to reflect changing risk profiles but up to now have rarely taken the opportunity to do so. More frequently they rely upon fee variations to cover the costs of additional work required in response to increased risks.
- PSAA could consider letting say 20% of the total workload every year, over a rolling 5 year cycle. Uncertainty about the number of bodies opting into successive appointing periods would, however, require careful consideration if this model was adopted. More fundamentally, PSAA would need to ensure that the Appointing Person Regulations allow such an approach.

5.6 The balance between quality and price used to evaluate the tenders

All the approved firms expressed a wish for more weight to be given to quality relative to price. Various percentages were suggested, ranging from 60:40 to 100:0. Several firms said that they would not wish to bid again if quality had less than 60% of the weighting.

The firms recognize that both price and quality assessment criteria were used in the last procurement. However, several firms made the point that almost all the firms were able to meet the quality criteria and therefore, in their view, supplier selection tended to depend more on price.

Some advocated a more in-depth assessment of each firm's quality offering and track record in the next procurement.

It was suggested that PSAA could consider in more depth which components of quality they should take into account and what weights to give them in the next procurement. Quality might include, for example: track record in this market; resilience of resources at KAP level and at all grades of staff; ability to adapt to new audit clients; sustainability of supply generally; depth of technical resources. We are aware that PSAA did carry out detailed evaluation of various aspects of quality, and that its methodology will be reviewed for the next procurement exercise.

One firm mentioned that the objective of expanding the market might not be compatible with maintaining quality standards. They believed that this was because new entrants to the market would take time to get up to speed and smaller firms might not provide the same quality as the larger, more experienced firms. They suggested that the regulators might need to make allowances in some unspecified way, to encourage larger firms to support smaller firms into the market.

5.7 The degree of emphasis on social value / apprenticeships

This topic elicited little spontaneous interest from the firms, and we had to prompt them for responses. Two firms made the point that clients want firms to deliver an efficient and effective audit and have little sympathy with inexperienced staff, whether apprentices or not.

5.8 Timing issues

Apart from fee levels, the timing of audits was the most problematic issue for the approved audit firms. The target date for audits to be signed off by 31st July (compared to the pre-2017/18 target date of 30th September, which still applies in Scotland), was stated as exacerbating the peak workloads between May and July and onwards and the reported impacts on the firms included:

- Difficulties in resourcing the audits, which tends to require resources to be drafted in from other parts of the firm as well as a considerable amount of overtime working.
- 'The shorter the period for auditing, the more staff are needed'. Since experienced local audit staff are a limited resource, firms need to draw in more staff, with less relevant expertise, from other areas. This contributes directly to the quality of the audits experienced by clients.
- Putting undue pressure on staff, especially as regards excessive travel, overtime and weekend working. This contributes to staff leaving local auditing and, in some cases, leaving the profession altogether.
- Typical comments included: 'people are exhausted to the point of breakdown, and even then, we can't deliver'; and 'people have delivered out of professional pride this year, but they will not come back and do it again'.
- Particular pressure on senior staff and partners at the end of each audit.
- Failure to deliver audits within the target date, resulting in a perception of failure by the auditors themselves and by other stakeholders.
- Delays to local audit completions have a knock-on effect, delaying the start of future audits to which the staff have been allocated.

A further reason for auditors not always meeting target dates is when clients are unable to provide adequate papers to review or are unable to react in a timely way to queries.

5.9 The Code of Audit Practice

This topic was of some interest but was not at the top of the firms' agendas. Again, we had to prompt for responses.

Three firms expected requirements around VFM, risk and financial sustainability to increase. Two firms welcomed this, because it would enable firms to add value and demonstrate quality in this area. One firm added that the main impact would be on senior managers and partners' time.

5.10 CIPFA's Code of Practice for local authority accounting

Three firms commented that local authority accounts are (a combination of) too long, not user-friendly, 'almost impossible for lay people and even non-specialist auditors to understand', and needed to be simplified.

Two firms specifically commented that the Code of Practice put too much emphasis on technical accounting issues that do not affect operations or council tax and are therefore not of great interest to councillors, officers or electors.

5.11 The quality monitoring regime

Four firms commented along the lines that the regime had become tougher and that this has changed the balance of risk and reward since they bid for PSAA contracts in 2017.

The FRC regime was regarded as being more onerous than before. For example, firms are now working on the basis that they are expected to achieve scores of at least 2a (limited improvements required) on the 4 point scale used by FRC, whereas under the previous scheme under Audit Commission contracts scores of 2b (improvements required) were considered acceptable. We note that this is further complicated by changes in the definition of 2a and 2b.

5.12 Other issues – fees

All the firms believe that fees are now too low across the board and do not offer adequate rewards to compensate for the risks that they perceive they are taking. Although they acknowledge that the current fees are based on bids that they themselves have made, they feel that the audit environment has now changed – especially as regards regulatory expectations and technical complexity. PSAA's contracts allow firms to submit fee variations in respect of new regulatory expectations and new (auditing or accounting) technical requirements. We understand from PSAA that a significantly increased number of variation requests are currently being evaluated or are anticipated.

One firm (not Scott Moncrieff) has claimed that fees for comparable audits are three times as high in Scotland as in England. However, it should be noted that the scope of audits is wider in Scotland in relation to Best Value/value for money arrangements.

Firms have also commented that other types of external audit clients are much more profitable than local audit. They stated generally that the lack of profitability changes the way that local audit work is perceived within the firm and that consequently:

- It is harder for an experienced local audit manager to make the desired case for promotion to partner, since their contribution to partnership profits is relatively low.
- Experienced auditors are not attracted by local auditing as a career path.
- Partners in other parts of the firm are questioning whether local auditing is worthwhile, in terms of risks and rewards, for the firm as a whole.

Several firms believe that fees now need to be re-based to reflect the current risks and scope of work for each audit. There was widespread criticism of the level of the current scale fees, though some firms acknowledge their own role in setting fee levels via their bids in the last procurement round.

Some audits are now perceived by firms as being uneconomic – such as Police and Crime Commissioners and the smaller District Councils – while leaving other audits reasonably attractive.

Four firms made particularly critical comments about the systems for approving fee variations.

Their comments included:

- The time delay in checking and approving fee variations was far too long.
- It is too difficult to get fee variations agreed. It was questioned whether PSAA had the capacity to deal with a high number of variations.
- Average fees for additional work caused by overruns are insufficient to breakeven on the resources involved.

5.13 What factors would influence the firm's decision to bid in the next procurement round?

Seven of the nine firms specifically referenced fees in answer to this question. When we commented that they could bid at any price level they wanted, the firms responded that they would need to have a good expectation of winning a contract at higher fee levels to justify the resources they would put into the tendering process.

Four firms said that they were waiting to see what developed, particularly as regards the Redmond review.

Two firms mentioned the target dates for completing audits as a factor that would affect their decision to bid. Other factors mentioned (by one firm each) were:

- Size of lots.
- Codes of audit and accounting practice.
- The firm's staffing levels.
- Their ability to assess TUPE risks (in terms of the costs that they might need to incur to take on staff from another firm).
- Whether their fellow audit partners would approve the business case for continuing in this market.

5.14 Is your firm's capacity to deliver local audits increasing or decreasing?

Two firms made the point that resources are scarce for external auditing generally and that local audit had to compete for these scarce resources. **The shorter the time period available to complete local audits, the more resource has to be borrowed from other parts of the firm and the less capacity there is in the system.** Several firms mentioned that the CIPFA qualification used to provide a pool of qualified public sector staff, but this is becoming less popular with trainees. ICAEW qualified staff are more marketable across all sectors but are less likely to remain in local auditing.

Three firms identified a shortage of KAPs as an issue – one from the perspective that there were not enough KAPs to enable audit engagement partners to be rotated as required. Another firm stated that some of their KAPs were retiring and would not be replaced. A third firm commented that engagement leads were too stretched at the end /sign off of audits when their main contribution had to be made.

Two firms commented on a shortage of experienced audit managers and seniors in charge. This was linked, in their view, to a 'lost generation' of new auditors who were not recruited because recruitment by the AC was put on hold during its final years.

Several firms felt that their overall resources had not declined in terms of the number of staff available, but the quality of these resources had declined, with more trainees and fewer experienced staff being involved.

5.15 Is local auditing an attractive career option?

External auditing in general is perceived as being less attractive than in earlier years, with 'Long hours and criticism from all sides' for audit generally.

Local auditing is more or less unanimously regarded as being unattractive at present, for reasons stated, including:

- For newly qualified staff, local auditing is not as well remunerated compared with most of the available alternatives.

- Within auditing, local audit is 'outshone by the corporate sector' and has 'Cinderella status'.
- Colleagues within the firm do not give 'kudos' or respect for doing work on the PSAA contract, mainly because it is less profitable than other work.
- It is hard for a local audit manager to make the case for promotion to more senior levels, especially since promotion depends significantly on the profits made for the firm.
- The peak period for PSAA work is very stressful, with long hours and often time spent away from home.
- The work itself is frustrating, especially for junior staff, because clients are often unprepared and slow to obtain the answers to auditors' questions.
- For those local authorities that meet the criteria for PIEs, the quality standards have become more onerous and reputational risks have increased.

On the positive side, the senior local audit staff we interviewed are clearly committed to the sector and generally find their work worthwhile, interesting and relevant to peoples' lives.

5.16 Would your firm consider participating in a joint or shared audit appointment with a new entrant to the market?

Of the seven approved firms that commented on this issue, none would consider participating in a joint audit that required both firms to sign off on the accounts. Comments included that this arrangement 'would double or triple costs'; would incur additional costs to quality assure the joint auditor; and would leave councils and electors without one clear focal point to address their questions and concerns.

5.17 How can more firms be encouraged to enter the local audit market? What advice and support could / should be provided to enable them to do so?

Three firms did not comment on this question, while two firms had no interest in mentoring other firms at current fee rates.

One firm, while noting that 'the barriers to entry are significant', said that they would consider mentoring other firms subject to receiving some financial reward and 'risk mitigation from the regulator'. This second point was presumably a way of pointing out one of the risks of mentoring an inexperienced firm, since it seems unlikely that the regulator would reduce its standards to accommodate new entrants to the market. This firm cited support with training, software, quality and ethics as areas where mentoring support could be valuable.

One firm saw some scope for them to use other firms' staff on audits controlled by their own KAPs, and perhaps enabling those staff to build up expertise by learning on the job.

5.18 What are your views on creating a not-for-profit (NFP) supplier to work alongside existing firms and any new firms entering the market?

Three firms pointed out the practical difficulties of introducing an NFP supplier, including that the senior staff would presumably have to be transferred over under TUPE from existing firms in the market. One firm thought it was a good idea but did not offer any detail as to how it might work alongside the firms in the market.

6. THE VIEWS OF NON-APPROVED PROVIDERS

6.1 Introduction

It has been difficult to persuade non-approved firms to engage with our review. Out of the 13 firms contacted, we have been able to obtain interviews only with five, with one firm completing and returning the questionnaire without an interview.

We summarise below the responses to each of the questions that we asked.

6.2 What capability does your firm currently have to carry out local audits?

The firms we interviewed had limited capability to carry out local audits. Experience levels varied from firm to firm and included:

- Internal auditing, consultancy and other services for local authorities and emergency services.
- External auditing including other government bodies, NFP organisations, academies, other educational bodies, NHS bodies and social housing organisations.

6.3 Awareness of the local audit environment

Two firms were well aware of the local audit market and its issues; two firms had some knowledge of the local audit framework and PSAA's role in it; while the remaining two firms had very little knowledge of this area.

6.4 Would your firm consider bidding for any local audits in the next round of procurement?

There was limited enthusiasm about bidding for work in the next round of procurement, even amongst the firms that were sufficiently interested to talk to us.

The following table summarises the position of each of the firms we spoke to:

Firm	Overall position	Comments
1	Mildly interested	Very limited understanding of what local audit involves.
2	Would not rule anything out	The balance of risk and reward is critical. 'If fees are high enough, why not consider it?'. The partnership would have to approve the business case for getting involved. 'The more hurdles there are, the more benefits there would need to be'.
3	Doubtful	They see many obstacles to getting involved in this market. They would need 'very positive assurances' that they had a near certainty of winning some work before they would consider bidding.
4	Negative	'We should stick to our knitting'.
5	Doubtful	Current fee levels would negate any interest.
6	Interested	Would need guidance, support and a small lot(s) to bid for.

6.5 How important would the following factors be?

The need to register as an approved firm / key audit partners

Those firms that were aware of the requirements saw them as a deterrent to entry.

Fee levels and reward structures

These were seen as unattractive.

The comparative complexity of local government accounts

This was not specifically seen as an issue by five of the six firms. However, it contributes to the costs of entry, which three firms saw as a deterrent for reasons including:

- A significant 'learning curve'.
- The need to understand the sector and the risks.
- The need to prepare audit programmes.

- Investment in technology.

If PSAA provided 'starter pack' contracts for new entrants

This was seen as advantageous. One firm mentioned Parks bodies and another firm mentioned smaller authorities as possible starting points (though it should be noted that these bodies have very little flexibility to accommodate higher fees).

Two firms felt that as newcomers to the market they would find it hard to compete with the established firms as regards quality and that they would need some form of protection to enable them to win any bids.

Advice and support being available to assist with your entry to the market

There was a degree of indifference noted in response to this question. Two firms felt that advice and support from an external source could do little to offset the bulk of the work that they would need to do themselves.

However, one firm explained in some detail the support that they would welcome, including:

- Technical advice on emerging / current issues in the market and on VFM auditing
- Practical advice on timing and budgets, to enable them to plan any future bid
- Courses to train staff.

Other factors

Three firms mentioned aspects of the tendering process as a deterrent, including the resources needed to make a bid and the need for full TUPE implications information.

One firm said that they saw better opportunities for using their scarce resources in their current markets, while another firm made similar comments but would not dismiss the idea if fees were at an acceptable level.

6.6 As regards the procurement itself, would any of the following factors affect your decision to bid?

Lot sizes, locations, values and composition of lots

The main point, made by three of the firms, was that they would be more interested in local lots. Three of the firms said that they would only be interested in smaller lots and a fourth firm implied this as well. One firm said that they would not bid unless they knew the locations in advance.

The duration of the contract

All firms agreed that five years is an appropriate term, with one firm expressing a preference for the additional two-year extension in the right circumstances.

The balance between price and quality used to evaluate the tenders

Three firms favoured a higher weighting for quality, with 80:20 and 70:30 ratios being advocated. One firm added that 'quality' needed to be clearly defined. However, another firm 'would expect about 50:50' and felt that higher weightings for quality would favour the incumbent firms.

Whether lots include audits subject to FRC review

One firm said that 'the FRC is a tough regulator. If your file gets picked it can add 20-25% to time and costs (for that audit)'. Three of the other firms had no comment on the issue and the fifth firm made the general point that 'external reviews increase time and costs' – and, by implication, that they would look for higher fees to compensate for factors like this.

The legal right of electors to object

One firm described this as problematic, and said that they would find it more attractive if another auditor could deal with the objections. Other firms did not see it as a major issue.

6.7 Is local audit an attractive career option? What would make it more attractive?

The comments from the non-approved firms broadly echoed those made by the approved firms, in that external audit is perceived as an unattractive career option, while local audit is less attractive again.

Positive comments included:

- One firm saw some commonality between NFP and local audit clients, such as the need for both types of client to improve their systems and governance.
- One firm saw local auditing as being less risky than the private sector.
- Two firms mentioned that the social responsibility aspect of local auditing is attractive.

6.8 How can more firms be encouraged to enter the local audit market?

One firm summed up the tone of many of our discussions by saying that it would be difficult to encourage new entrants to the market, 'given where we are currently', while another firm saw the image of local government as an underlying problem.

Suggestions made by firms for making the market more attractive included:

- 'Communication and encouragement from PSAA and others; wider dissemination of information about the opportunities.'
- Transfers of technology to smaller firms.
- Reducing barriers to entry.
- Support and information about both technical and practical aspects of these audits.
- Being able to participate in relevant courses.

6.9 Would your firm consider participating in a joint audit appointment? On what basis?

Four of the six firms said they would be prepared to consider a joint audit appointment. Three firms commented on the need for clear separation of responsibility and identifying which firm would be liable in different circumstances. One of these firms would also look to the 'senior' firm to provide technology transfers and professional indemnity cover.

Another firm stated that they would only be interested in auditing stand-alone commercial subsidiaries, with a joint audit partner taking sole responsibility for the group audit (note that PSAA does not appoint to subsidiaries and so this example would be a matter for local determination). Their comment that 'most people are nervous of joint audits' reflects the tone of our conversations with other firms as well.

6.10 What are your views on creating a not-for-profit (NFP) supplier to work alongside existing firms and any new firms entering the market?

Only two firms commented on this issue. One firm implied that they would not want another supplier such as the AC, while the other firm commented that an issue for the AC was a lack of quality and they would not want to see that situation replicated.

7. ISSUES AND OPTIONS

7.1 Introduction

The two previous sections of this report have focused on capturing the views of the firms. In this section we provide our own analysis and commentary.

7.2 SWOT analysis for the market for audits of PSAA's eligible bodies

The table below summarises the strengths, weaknesses, opportunities and threats to the market for external audits of PSAA's eligible bodies, based on both the conversations we have had with firms and our own views. **The most striking aspect of the table is how many weaknesses are apparent from our discussions, and how few strengths.**

Strengths	Weaknesses
<ul style="list-style-type: none">▪ Current fee levels represent good value for eligible bodies.▪ A perception amongst some auditors that local authority work is socially responsible, worthwhile and relevant to people's lives.	<ul style="list-style-type: none">▪ A perception amongst many auditors that local authority auditing is less dynamic and exciting than corporate auditing.▪ Negative perception of external auditing generally.▪ Negative perception of local authorities.▪ Lack of profitability of PSAA contracts compared to other audit work.▪ A limited number of firms approved to operate in this market.▪ Barriers to entry including accreditation; technology; complexity.▪ Indifference and lack of enthusiasm from non-approved firms about entering this market.▪ Specialist nature of the work.▪ Geographical dispersal of the work.▪ Timing of the work in a restricted window during the summer months makes it difficult to resource.▪ Unattractiveness to auditors of aspects of the job, including: timing over the summer months; need to travel; need for overtime work; poor quality of working papers and client staff.▪ Lack of experienced staff, especially at KAP and audit manager level.▪ Complex and poorly coordinated regimes for procuring local audit contracts (separation between PSAA's eligible bodies and other local audits); quality monitoring (different regimes for PIEs and other bodies).▪ Mismatch between codes of audit and accounting practice and client needs / expectations, especially as regards balance sheet work.▪ Current fee levels are unattractive to firms.▪ Recent increases in regulatory pressure have increased risks and pressures for auditors in relation to local audit work.

Opportunities	Threats
<ul style="list-style-type: none"> ▪ The Redmond review could make recommendations that address the firms' current concerns. ▪ The funding climate for local authorities could improve, putting less pressure on their overall finances and making it easier to fund Finance staff. ▪ Options to make future PSAA contracts more attractive, as discussed below. ▪ To bring other existing approved suppliers back into the market. ▪ Separation of external audit and other services should reduce conflicts of interest 	<ul style="list-style-type: none"> ▪ Current contract holders withdraw from the market. ▪ Failure to attract enough new recruits to work on PSAA eligible bodies. ▪ Loss of experienced staff to other disciplines and career paths. ▪ Loss of KAPs to retirement. ▪ Audit risks may continue to increase as local authorities try to alleviate their financial pressures. ▪ Firms being required to separate external audit from advisory and other functions. ▪ Possible further increases in regulatory requirements.

7.3 The CBS report revisited

The specification for our work cites the CBS report (published early in 2019) as the starting point for our research. We set out below some selected 'lessons learned' that CBS highlighted in their report and how these relate to our own findings.

CBS 'Lesson'	Our comments / current situation
A number of aspects of the procurement including the price:quality evaluation rating and lot sizes and compositions remain live issues.	This remains the case. Our comments are set out below.
There are significant challenges to ensuring a long term sustainable competitive and quality audit supply market, including...	The challenges have increased since the publication of the CBS report. Firms' experiences of the 2019 audit cycle have contributed to this.
<ul style="list-style-type: none"> ▪ the lower fees, increased regulatory requirements and higher audit risks arising from local government financial challenges may discourage firms from remaining in the market (although firms stated that they are currently intending to stay in the market). 	These factors remain and are now more strongly felt than before. It is no longer the case that 'firms are intending to stay in the market' . Their position is now less certain and dependent on developments ahead of the next procurement.
<ul style="list-style-type: none"> ▪ there is evidence that gaining new entrants will be challenging. 	This remains the case.
<ul style="list-style-type: none"> ▪ the relationship between number and size of audit firms in a market and quality and price is not clear. But there is a clear preference from CFOs for larger firms for their assumed higher quality. 	We have not investigated this because the views of the opted-in bodies are outside the scope of this piece of work. If true, it indicates the importance of a procurement regime that aims to attract all the 'big 4' firms into the market.
Given the above factors, positive 'market making' action may be advisable.	If 'market making' means opening up the market to new entrants then this does not seem an obvious conclusion to draw from the points above, given the preference from CFOs for the larger firms and the market's lack of attractiveness to new entrants.

CBS 'Lesson'	Our comments / current situation
There is evidence that the process of gaining agreement to the fee variations or additional work may be unnecessarily protracted.	This remains a concern for some firms. We understand from PSAA that the new IT system, referenced in their response to the CBS report, has not yet been implemented. The volume of variation requests is expected to increase sharply following the many challenges experienced in the 2018/19 audits. PSAA acknowledge the likely need to strengthen their staffing to process all of the anticipated submissions on a timely basis.
In light of the concerns raised by CFOs regarding future quality standards and their views on what constitutes audit quality there is a need to engender and communicate a common understanding of audit quality.	This concern is shared by the audit firms, who would like the scoring of tender bids to give more weighting to quality.

7.4 Opening up the market to new entrants

Issues

Our research suggests that this would be difficult to achieve and would not significantly increase the supply capacity of the market.

Firms that are not currently approved to operate in this market were reluctant to engage with our review, and those that did engage were (with one exception) unenthusiastic. The issues that they raised are covered in detail in section 6 of this report, and several themes stand out:

- **The barriers to entry make it difficult a) to become accredited as a firm and b) to get KAPs accredited.**
- Current fee levels are perceived as unattractive.
- This is a specialised market and new entrants will need advice and guidance with both technical and practical issues.
- The initial impact of any new firm would be small – of the order of say 5 to 10 audits. A package of audits of similar entities – say smaller District Councils – would reduce the learning curve and set-up costs.
- The non-approved firms find it hard to see how they could win a tender against the established firms and would need convincing that such a bid could succeed.

It is important to attract new entrants into the market as part of a longer-term strategy, but this does not appear to be a solution to developing sustainability in the next procurement round.

Options for PSAA

Options include:

- **Offering small lots that are attractive to new entrants and making it clear to the interested firms a) that they have a real chance of winning the lots and b) what they have to do to win them.**
- Encouraging approved firms to mentor new entrants to the market and offering incentives for them to do so. 'Mentoring' could include support with technology, training, risk assessment and audit programmes.
- In tendering for public sector contracts in other sectors small and medium-sized firms (SMEs) are assured that a stated percentage of the contracts let will be awarded to them.

In May 2019 the Cabinet Office made the following statement:

'The government is committed to 33% of central government procurement spend going to small and medium-sized enterprises (SMEs), directly or via the supply chain, by 2022.'

7.5 Supply side resources

Issues

A lack of experienced staff is the main threat to the sustainability of this market. If new firms win contracts for PSAA audits, or if a NFP auditor is created from scratch, in the short to medium term they will still be looking to the same limited pool of experienced auditors to lead the work.

The firms already have a shortage of experienced auditors, with bottlenecks at the levels of senior auditors, audit managers and engagement partners. Factors that have contributed to this situation include:

- A 'lost generation' of trainees because the AC stopped recruiting during its final years.
- The growth of the wider ICAEW qualification (which gives newly qualified accountants wider opportunities and mobility across all sectors) at the expense of the CIPFA qualification (which is specifically for the public sector).
- Reduced popularity of external audit generally, including the continuing growth of non-audit career paths within the firms themselves.

This situation is set to get worse as the current cohort of senior managers, directors and partners retires and firms cannot see who will replace them. The **barriers to entry make it difficult to develop new KAPs**.

When firms cease to operate in this market, their experienced auditors are drawn into other work and their capacity diminishes. Local audit staff can remain active in the market for Health bodies (provided that their firms can win enough of these audits), but that can only slow the attrition rate rather than offsetting it altogether.

Options for PSAA

PSAA could consider setting a specific target to keep all the approved firms, especially the 'Big 4', active in the market and plan the next procurement accordingly. However, we acknowledge that a commissioning body would not normally undertake a procurement with targets as to its preferred successful suppliers and that any such approach would have to be contingent on the suppliers concerned submitting acceptable bids

7.6 Timing of audits

Issues

The government has set a target date of 31st July for the audits of principal local authorities in England to be signed off by their auditors. This is two months earlier than the previous target date of 30th September, which still applies in Scotland.

This **target date is causing problems for the audit firms**, as described in section 5 of this report. It is the single most important factor, apart from fees, that makes the market unattractive to audit firms and therefore threatens its sustainability.

One **important effect of the current target date is that it reduces capacity**, which is already stretched, by restricting the number of auditor hours available to a two-month period. This encourages firms to fill the gap with inexperienced resources drawn from other sectors and disciplines, which impacts quality as well.

Options for PSAA

It is hard to see what PSAA can do, other than lobbying for the target date to be extended.

7.7 Fees and quality

Issues

The firms have been keen to emphasise the extent to which, in their view, the risks of operating in this market have increased since they submitted their bids in the last procurement round.

Their unanimous view is that the rewards, in the shape of fees, have not kept pace with the risks. Where firms perceive that risks and audit costs have increased, they can submit requests for fee variations, but many firms do not trust this mechanism to provide them with adequate compensation on a timely basis.

The Kingman report (paras 6.24 and 6.25) references the reductions in audit fees for principal local authorities (both the 23% reduction achieved by PSAA and earlier reductions which amounted to some 55% compared to previous fees) and states that: 'The Review has serious concern that these arrangements, in practice, may well be prioritising a reduction in cost of audit, at the expense of audit quality. The Review understands that CIPFA has raised publicly its concerns that local public audit fees have been driven too low.'

The audit firms will consider the price:quality ratio as an important indicator of PSAA's intentions as regards fees in the next procurement round. The **higher the weighting given to quality, the more confident they will feel about submitting bids at higher fee levels** – which in several cases is likely to be a precondition for them bidding at all.

Options for PSAA

Of all the issues that PSAA can influence, fees are by far the most important to the firms. Their perception of what level of fees could be acceptable will influence the decisions of most firms whether to bid or not, and at what price level. PSAA can influence these perceptions by the tone and content of their discussions with the firms and by the weighting given to quality compared with price in the next procurement round. It is important to note that the way that the spread of the marks allocated to each category is as important as the headline price:quality ratio.

PSAA must of course act in the interests of the eligible bodies, one aspect of which involves ensuring that audit costs represent good value. This aspect of PSAA's work is outside our brief so we cannot comment on how the potentially opposing interests of audit clients and auditor firms should be balanced.

7.8 Number of lots and lot sizes

Number of lots

By simple arithmetic, if the number of lots available is fewer than the number of bidders, then one or more of the bidders will not win any work. In a more robust market this might not matter, but in this market, there is a strong case, subject to their bids, for attempting to keep all the key players involved.

PSAA do not yet know how many eligible bodies will opt in to the next procurement. If more bodies opt out then the force of this argument will diminish, as there will be more opportunities for the losing bidders to win work with eligible bodies outside the PSAA contract.

Size of lots

All the firms favour smaller lot sizes in the next procurement with no support for any lot being tendered for more than 20% of the total. Again, if fewer eligible bodies opted in to the next procurement then higher percentage lots would become relatively more manageable because they would involve fewer audits.

The market appears to us to involve three 'sizes' of potential bidders, reflecting the resources and aspirations of the different suppliers:

- Firms capable of handling the larger (say 20%) contracts.
- Firms that are comfortable with the 6-7% / £2m contract size.
- Firms, including those non-approved firms that expressed an interest in the market, that would only be interested in lots of say 5-10 audits.

Options for PSAA

Actions could include **modelling the potential outcomes for different distributions of lot numbers and sizes**, based on PSAA's knowledge of the different firms' attitudes and intentions. The number of eligible bodies that choose to opt in will be a key variable that can also be modelled for different scenarios.

The possibility of **introducing starter lots**, perhaps restricted to new entrants to the market and/or joint bids involving new entrants, could be considered.

7.9 Composition and location of lots

Allocation of audits

PSAA's strategy for allocating auditors to individual audited bodies in the last procurement round was based on the following six principles, illustrating the range of issues that have to be taken into account:

1. Ensuring auditor independence
2. Meeting PSAA's contractual commitments
3. Accommodating joint/shared working arrangements amongst auditees
4. Ensuring a blend of authority types in each lot
5. Taking account of a firm's principal locations
6. Providing continuity of audit firm if possible, while recognising best practice on maximum length of tenure.

Principles 1 and 2 above are non-negotiable. Auditors must be independent, which for some authorities narrows the choice of auditor very considerably (principle 1), and contractual commitments must be met.

Principle 3 is highly desirable for both auditors and clients, as is principle 6.

We would question the need for principle 4 as a separate principle in its own right. The issues facing authorities vary between different authority types, and blending them **in each lot** reduces firms' ability to obtain economies of scale and efficiencies by specialising in particular types of audit. For new entrants to the market there will be less of a learning curve if their initial lots include only one type of authority, say district councils, rather than exposing them to multiple new types of audit at the same time.

Principle 4 appears to be needed to avoid the risk of firms bidding for an averagely onerous lot only to discover in due course that the composition of the lot awarded is skewed in some way to what are perceived to be less attractive audits. Different firms have different perceptions of the factors which make a particular audit unattractive. They include the size of the body, its geographical location, its reputation and audit track record, its fee level and how it is classified (as a PIE or non-PIE) for regulatory purposes.

Locations

Regarding principle 5, some firms believe that PSAA could do more to take their office locations into account, but they may be seeing the issue from their own perspective without understanding the other factors that PSAA must take into account.

Local authorities tend by their nature and purpose to be more widely dispersed to serve communities and to have a higher proportion of remote locations than other types of organisation.

The geographical distribution of the audit firms' resources does not match the distribution of the client locations. Locations like Manchester and London are well served by audit firms, while the opposite applies to more remote areas such as Cornwall, Cumbria and Lincolnshire.

Combined with the need to rotate auditors, these aspects of the market are always likely to create difficulties for the audit firms in terms of inconvenience and travel expenses.

In the last procurement round the firms did not know the geographical locations of the audits that they were bidding for, resulting in uncertainty about how much to allow for expenses and increasing the risks associated with each bid. However, they were asked to indicate in advance the regions in which they were prepared to accept audits.

The increasing automation of audit processes is seen by some as potentially reducing the need for on-site working, but not to a significant extent within the current period. However, it may impact the next contract period.

Specialist lots

One point that the firms made against specialist lots is that they would be too widely dispersed geographically. However, this need not necessarily be the case, especially where smaller sized lots (say 5-10 audits) are concerned - for example it would be possible to find groups of district councils or Police / Crime authorities that are reasonably close together and could form the basis for specialist lots, while taking into account principles of joint working and continuity.

Options for PSAA

A re-basing of the scale fees, aimed at making each individual audit equally desirable in terms of risk and reward, would address the imbalances between risks and rewards mentioned above. However, PSAA have pointed out the technical difficulties and resource implications of such an exercise.

The **composition of all or perhaps some lots could be specified in advance, removing uncertainty for the firms.** However, this would potentially disbar firms which have independence conflicts in relation to one or more of the bodies within a lot. PSAA's current methodology enables the composition of lots to be designed around such conflicts.

If the composition of lots cannot be specified in advance, PSAA could devise a mechanism to take some of the risks associated with unknown travel expenses away from the firms, perhaps by enabling expenses to be charged at cost on the basis of agreed guidelines.

Specialist lots could be considered, perhaps as a feature of the starter lots mentioned above.

7.10 Contract duration

Issues

The **5 year contract duration is popular with firms and any shorter period would not be welcomed.** There was little support for a longer duration.

Options for PSAA

PSAA has the option to extend the existing contracts for a further 2 year period. However, firms have indicated little or no support for this option.

7.11 Contract structure

Issues

The last procurement included a lot that was let with no guarantee of appointments, but that contract became redundant following the merger of one of the firms to which it was let. Such a contract provides a ready-made alternative if one of the incumbent firms needs to give up one of their allocated audits for any reason – for example due to a conflict of interest or if a firm's resources become over-stretched. However, this could be difficult to price given comments on pricing for the less attractive audits.

This principle could be extended so that a framework agreement contract becomes the basis for the whole procurement, or a significant part of it, providing PSAA with greater flexibility to offer individual audits or groups of audits to selected firms within the framework agreement.

There are precedents for this approach in the public sector audit market e.g. the Eastern Shires Purchasing Organisation (ESPO) Framework 664 that includes 'Audit Services' within its service offering – PSAA approved audit firms may also be ESPO framework holders.

Also, we note that a procurement notice was issued in July 2019 by Crown Commercial Services, via Contracts Finder, with the purpose 'to establish a pan government commercial agreement for the provision of audit services to be utilised by UK Public Sector Bodies.....including: local government.....'

Options for PSAA

PSAA can consider a range of options involving pre-qualifying firms to carry out audits via framework agreements.

7.12 Joint audit options

Issues

Joint audits, in the sense of audits for which two different firms are equally responsible and for which both firms sign the audit opinion, were not a popular option with the approved firms. However, not all of these firms would rule them out and several of the non-approved firms said that they would consider them as a route into the market, provided other objections and barriers to entry were resolved.

Firms were more relaxed about having one auditor signing the group accounts of an entity for which other firms have audited discrete units such as stand-alone subsidiaries. One of the non-approved firms, that was otherwise not interested in local auditing, saw the audit of commercial subsidiaries of local authorities as an area that they could become involved with.

The idea that new entrants could carry out the VFM aspects of some audits, while established firms take responsibility for the audit as a whole, did not appeal to most firms. VFM work requires understanding and experience of the local authority environment, which is exactly what new entrants do not have.

Options for PSAA

Consider tendering for joint audits as a potential future option. Consider whether there is potential for 'match-making' between approved and non-approved firms.

7.13 Collaborative response with other audit agencies

The current system, with PSAA procuring only the audits of principal local government bodies while other public entities are subject to different procurement and regulatory regimes is, in our view, structurally flawed. Issues include the creation of a brief but very intense peak audit period for the work procured by PSAA, with a lack of other work to occupy specialist local auditors during a prolonged trough period.

Areas where collaboration could be conceivable, under a different structure, are briefly noted below.

SAAA

The Smaller Authorities' Audit Appointments (SAAA) commissions desktop reviews for more than 9,000 smaller authorities. These are not full audits and are not subject to the same Code of Audit Practice and regulation as the principal authorities. They do have certain features in common, such as the requirement to deal with electors' objections. However, firms would still need to be accredited to carry out principal local audits and the audit requirements are of a completely different magnitude compared to those for smaller audits.

NAO

The NAO is responsible for auditing central government departments, government agencies and non-departmental public bodies. The NAO also carries out value for money (VFM) audits into the administration of public policy.

Scotland, Wales and Northern Ireland

Some of PSAA's current contract holders also carry out work in the other jurisdictions. For example, EY, GT, Deloitte and Mazars carry out audits in Scotland, along with Scott Moncrieff and KPMG.

The obstacles to achieving closer co-operation include:

- Different codes of practice – for example the requirements for auditing 'best value' in Scotland are different from those of auditing VFM arrangements in England.
- Different fee structures. One firm stated that fees for comparable audits are higher in other jurisdictions than in England, notwithstanding the differences in the scope of audits.

Options for PSAA

PSAA's options are constrained by the current fragmented structure of the market and by PSAA's precisely defined role within it.

7.14 Creating a not-for-profit supplier

Issues

Most firms did not comment on this option. We see its key features as follows:

- In the short to medium term the not-for-profit (NFP) supplier would be competing for the same scarce resources that the firms are currently using and would probably have a more limited appeal than the private firms. It could therefore struggle to recruit and retain the best staff. However, if in the longer term the NFP supplier developed a strong commitment to staff training and development it might be able to make a distinctive contribution to growing local audit capacity.
- It would suffer from the same issues as the current suppliers, especially the peaks and troughs in workloads, without having the same opportunities to redirect its resources to other work during the troughs.
- It would take time and resource to set up.
- To some it might appear as a retrograde step, recreating the direct labour force element of the AC. Its creation would cast doubt on the claims made at the time of the breakup of the AC, about the capacity of the private sector to handle this market.
- The NFP entity might be designed for a particular set of circumstances that then changed due to the ongoing reviews within the sector.

The case for the NFP supplier would involve it working alongside other agencies, such as perhaps CIPFA, ICAEW, the NAO and others, to actively develop resources for this market; and acting as the employer of last resort for staff who would otherwise be lost to the market.

Options for PSAA

If PSAA chooses to pursue this option, it should carry out a careful assessment of the viability of the prospective NFP supplier having regard to the various challenges it would be likely to face.

GLOSSARY

Initials	Definition
AC	Audit Commission
ARGA	Audit, Reporting and Governance Authority
AS	Audit Scotland
CBS	Cardiff Business School
CFO	Chief Finance Officer
CIPFA	Chartered Institute of Public Finance Accountants
FRC	Financial Reporting Council
ICAEW	Institute of Chartered Accountants in England and Wales
ICAS	Institute of Chartered Accountants of Scotland
KAP	Key Audit Partner
LGA	Local Government Association
MHCLG	Ministry of Housing, Communities and Local Government
NAO	National Audit Office
NFP	Not for profit
PIE	Public Interest Entity
PSAA	Public Sector Audit Appointments Ltd.
RSB	Recognised Supervisory Body
SAAA	Smaller Authorities' Audit Appointments
TUPE	Transfer of Undertakings (Protection of Employment) Regulations 2006
WAO	Wales Audit Office

What is happening in the external audit market?

Warwick District Council

March 2020

Agenda

FRC regulation

Length & complexity
of accounts

Audit deadlines

Audit fees

Recruitment &
retention

Reviews of the audit
market

FRC regulation

	2012	2020
Regulatory body	Audit Commission / PSAA	FRC & ICAEW
Number of external Inspections per annum	5	15
Length of inspection process	3 weeks	3 months
Primary focus	Timeliness of sign off Ensuring fee not too high	Audit opinion correct Ensuring fee not too low
Secondary focus	General Fund balance and Usable Reserves appropriately stated Financial sustainability enables the continued provision of services to expected level Proper governance in place helping to ensure stewardship of funds	Property, Plant and Equipment appropriately valued Pension Fund liabilities appropriately valued Any other areas of critical judgement
Public Reporting	No	Yes
Potential sanction	Recommendation to Head of Audit	Fine of individual and firm

Length & complexity of accounts

The changing face of local government financial reporting – Birmingham City Council

	2008/09	2018/19
Auditor	Audit Commission	Grant Thornton
Length of financial statements (excluding opinion)	91 pages	219 pages
Length of audit opinion	3 pages	12 pages
Date opinion signed	Feb 2010 (11 months after year end)	September 2019 (6 months after year end)
Scale fee for audit opinion	£700,000	£241,000
Audit fee – grant claims	£300,000	£100,000

Audit deadlines

Year	Target date	% opinions signed (all firms)
2016/17	30 Sep	95%
2017/18	31 July	80%
2018/19	31 July	58%

Audit fees

- Audit fees have reduced by c.66% on average in the last 10 years
- Audit firms have sought to make audits more efficient & reduce auditor pay in real terms to remain sustainable
- However, due to the regulators raising the bar, the costs of delivery have started to significantly increase.
Approx. 10%-15% increase in days last year alone.

Recruitment & retention

- Auditor pay has declined in real terms
- Unsustainable – 60+ hour weeks
- Significant loss of experienced people
- Auditor shortages in UK particularly at in-charge grade
- Resorting to foreign recruitment due to shortages in the UK

Reviews of the audit market

- CMA
- Kingman
- Brydon
- Redmond

Our response to The Redmond Review


Local audit is facing an unprecedented set of challenges:

- Accounts have grown far more complex
- Authorities are engaging in more innovative / unusual transactions
- Austerity has reduced the ability of many authorities to prepare high quality accounts and working papers
- Audit fees have fallen to an unsustainably low level
- The sign off date of 31 July is too tight
- Retention of key people is very difficult in this environment
- Authorities are not getting the service they deserve
- Radical reform is needed

Our response to The Redmond Review

A 'system wide' solution is needed. We believe this should include:

- The establishment of a separate regulator for local audit
- Rebasing of audit fees to a level which reflects the additional work we are now undertaking
- A simplified CIPFA Code / tiered approach
- A revised approach to Value for Money
- Replacement of the conclusion with a narrative report, at a different time of year
- A focus on governance, financial sustainability and the three 'E's
- Move the target publication date for LG accounts back to 30 September

 Finance and Audit Scrutiny Committee 27 May 2020		Agenda Item No. 11
Title	2019/20 Audit of Accounts – Update Report	
For further information about this report please contact	Mike Snow 01926 456800	
Wards of the District directly affected	N/A	
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?	No.	
Date and meeting when issue was last considered and relevant minute number	N/A	
Background Papers	External audit paper included as appendix	

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

Officer/Councillor Approval		
Officer Approval	Date	Name
Chief Executive/Deputy Chief Executive	13/5/2020	Andrew Jones
Head of Service	13/5/2020	Mike Snow
CMT	13/5/2020	
Section 151 Officer	13/5/2020	Mike Snow
Monitoring Officer	13/5/2020	Andrew Jones
Portfolio Holder(s)	13/5/2020	Richard Hales
Consultation & Community Engagement		
Insert details of any consultation undertaken or proposed to be undertaken with regard to this report.		
Final Decision?		Yes/No
Suggested next steps (if not final decision please set out below)		

1. **Summary**

- 1.1 This report is to supplement the report prepared for Finance and Audit Scrutiny Committee in March 2020, presenting an update on the current position for the closure of 2019/20 Accounts.

2. **Recommendations**

It is recommended that Finance and Audit Scrutiny Committee:-

- 2.1 Note the new statutory timetable for the closure of accounts and the plans for the completion of the Council's Statement of Accounts.
- 2.2 Note the Audit Action Plan Update issued by the Council's External Auditors.

3. **Reasons for the Recommendation**

- 3.1 In response to the COVID 19 Pandemic the government has amended to key dates for the completion of the 2019/20 Statement of Accounts. These are now as follows:-
- Draft Accounts – to be available from 31 August 2020 (slipped from 31 May 2020)
 - Draft Accounts to be advertised on or before 1 September 2020 (previously 10 June)
 - Audited accounts to be agreed by 30 November 2020 (previously 31 July 2020).
- 3.2 The Accountants are still seeking to adhere as close as possible to the original timescale, despite some time being lost whilst staff adapted to new working practices and the relevant ICT was rolled out. As a consequence, the draft accounts are now planned on being ready for the middle of June.
- 3.3 The External Auditors were previously planning their next work on site 1 June for a week, followed by 15 June. Slipping the Accounts into June assists the Auditors who would have struggled to adhere to the 1 June date due to other audit commitments, primarily in relation to the NHS. Consequently, the Auditors are planning on being on site for 2 weeks from 15 June, then a further 2 weeks from 6 July. On this basis, it is still currently planned to report the Audited Accounts to Finance and Audit Scrutiny Committee at the end of July.
- 3.4 The Accountants and the Auditors acknowledge there will remain risks to achieving these dates. Within the original timetable, there is believed to be sufficient contingency time. Progress on the completion of the Accounts is being closely monitored, any potential changes to the current plan will be shared with the Finance Portfolio Holder and the Chairman of Finance and Audit Scrutiny Committee.
- 3.5 In response to the current pandemic, the External Auditors have issued the External Audit Plan Update.

4. **Policy Framework**

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

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

FFF Strands		
People	Services	Money
External		
Health, Homes, Communities	Green, Clean, Safe	Infrastructure, Enterprise, Employment
<u>Intended outcomes:</u> Improved health for all Housing needs for all met Impressive cultural and sports activities Cohesive and active communities	<u>Intended outcomes:</u> Becoming a net-zero carbon organisation by 2025 Total carbon emissions within Warwick District are as close to zero as possible by 2030 Area has well looked after public spaces All communities have access to decent open space Improved air quality Low levels of crime and ASB	<u>Intended outcomes:</u> Dynamic and diverse local economy Vibrant town centres Improved performance/ productivity of local economy Increased employment and income levels
Impacts of Proposal		
No direct impact.	No direct impact.	No direct impact.
Internal		
Effective Staff	Maintain or Improve Services	Firm Financial Footing over the Longer Term
<u>Intended outcomes:</u> All staff are properly trained All staff have the appropriate tools All staff are engaged, empowered and supported The right people are in the right job with the right skills and right behaviours	<u>Intended outcomes:</u> Focusing on our customers’ needs Continuously improve our processes Increase the digital provision of services	<u>Intended outcomes:</u> Better return/use of our assets Full Cost accounting Continued cost management Maximise income earning opportunities Seek best value for money
Impacts of Proposal		
No direct impact.	No direct impact.	The work provided by the Council’s external auditors should provide members with assurance that the Council’s finances are being properly managed and reported upon in accordance with statutory requirements.

4.2 Supporting Strategies

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

4.3 Changes to Existing Policies

No changes to existing policies are proposed.

4.3 Impact Assessments

Not applicable.

5. Budgetary Framework

5.1 There are no further budget implications to the March 2020 report.

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.

External Audit Plan Update

Warwick District Council
Year ending 31 March 2020

28 April 2020



Introduction & headlines

Purpose

This document provides an update to the planned scope and timing of the statutory audit of Warwick District Council ('the Authority') as reported in our Audit Plan dated 17 March 2020, for those charged with governance.

The current environment

In addition to the audit risks communicated to those charged with governance in our Audit Plan dated 17 March 2020, recent events have led us to update our planning risk assessment and reconsider our audit and value for money (VfM) approach to reflect the unprecedented global response to the Covid-19 pandemic. The significance of the situation cannot be underestimated and the implications for individuals, organisations and communities remains highly uncertain. For our public sector audited bodies, we appreciate the significant responsibility and burden your staff have to ensure vital public services are provided. As far we can, our aim is to work with you in these unprecedented times, ensuring up to date communication and flexibility where possible in our audit procedures.

Impact on our audit and VfM work

Management and those charged with governance are still required to prepare financial statements in accordance with the relevant accounting standards and the Code of Audit Practice, albeit to an extended deadline for the preparation of the financial statements up to 31 August 2020 and the date for audited financials statements to 30 November 2020, however we will liaise with management to agree appropriate timescales. We continue to be responsible for forming and expressing an opinion on the Authority's financial statements and VfM arrangements.

In order to fulfil our responsibilities under International Auditing Standards (ISA's (UK)) we have revisited our planning risk assessment. We may also need to consider implementing changes to the procedures we had planned and reported in our Audit Plan to reflect current restrictions to working practices, such as the application of technology to allow remote working. Additionally, it has been confirmed since our Audit Plan was issued that the implementation of IFRS 16 has been delayed for the public sector until 2021/22.

Changes to our audit approach

To date we have:

- Identified a new significant financial statement risk, as described overleaf
- Reviewed the materiality levels we determined for the audit. We did not identify any changes to our materiality assessment as a result of the risk identified due to Covid-19 at this time but we will keep matters under review.

Changes to our VfM approach

We have updated our VfM risk assessment to document our understanding of your arrangements to ensure critical business continuity in the current environment. We have not identified any new VfM risks in relation to Covid-19.

Conclusion

We will ensure any further changes in our audit and VfM approach and procedures are communicated with management and reported in our Audit Findings Report. We wish to thank management for their timely collaboration in this difficult time.

Significant risk identified – COVID-19 pandemic

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

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Covid-19	<p>The global outbreak of the Covid-19 virus pandemic has led to unprecedented uncertainty for all organisations, requiring urgent business continuity arrangements to be implemented. We expect current circumstances will have an impact on the production and audit of the financial statements for the year ended 31 March 2020, including and not limited to;</p> <ul style="list-style-type: none"> • Remote working arrangements and redeployment of staff to critical front line duties may impact on the quality and timing of the production of the financial statements, and the evidence we can obtain through physical observation • Volatility of financial and property markets will increase the uncertainty of assumptions applied by management to asset valuation and receivable recovery estimates, and the reliability of evidence we can obtain to corroborate management estimates • Financial uncertainty will require management to reconsider financial forecasts supporting their going concern assessment and whether material uncertainties for a period of at least 12 months from the anticipated date of approval of the audited financial statements have arisen; and • Disclosures within the financial statements will require significant revision to reflect the unprecedented situation and its impact on the preparation of the financial statements as at 31 March 2020 in accordance with IAS1, particularly in relation to material uncertainties. <p>We therefore identified the global outbreak of the Covid-19 virus as a significant risk, which was one of the most significant assessed risks of material misstatement</p>	<p>We will:</p> <ul style="list-style-type: none"> • Work with management to understand the implications the response to the Covid-19 pandemic has on the organisation's ability to prepare the financial statements and update financial forecasts and assess the implications on our audit approach • Liaise with other audit suppliers, regulators and government departments to co-ordinate practical cross sector responses to issues as and when they arise • Evaluate the adequacy of the disclosures in the financial statements in light of the Covid-19 pandemic. • Evaluate whether sufficient audit evidence using alternative approaches can be obtained for the purposes of our audit whilst working remotely • Evaluate whether sufficient audit evidence can be obtained to corroborate significant management estimates such as asset valuations and recovery of receivable balances • Evaluate management's assumptions that underpin the revised financial forecasts and the impact on management's going concern assessment • Discuss with management any potential implications for our audit report if we have been unable to obtain sufficient audit evidence

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

