

Finance & Audit Scrutiny Committee Wednesday 17 March 2021

A meeting of the above Committee will be held remotely on Wednesday 17 March 2021, at 6.00pm and available for the public to watch via the Warwick District Council [YouTube channel](#).

Councillor Nicholls (Chair)

Councillor L Bartlett

Councillor G Illingworth

Councillor J Dearing

Councillor M Luckhurst

Councillor R Dickson

Councillor S Syson

Councillor J Grey

Councillor J Tracey

Councillor T Heath

Councillor T Wright

Agenda Part A – General

1. Apologies & Substitutes

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

2. Declarations of Interest

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

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

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

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

3. Minutes

To confirm the minutes of the meeting held on 10 February 2021

(Pages 1 to 4)

Part B – Audit Items

4. Internal Audit Quarter 3 2020/21 Progress Report

To consider a report from Finance

**(Pages 1 to 27 &
Appendices A-C, online only)**

5. Internal Audit Strategic Plan 2021-24 and Internal Audit Charter 2021/22

To consider a report from Finance

(Pages 1 to 25)

6. Review of Internal Audit Service in Compliance with Public Sector Internal Audit Standards

To consider a report from Finance

(Pages 1 to 19)

7. Annual Governance Statement 2019/20 Action Plan Review

To consider a report from Finance

(Pages 1 to 6)

Part C – Scrutiny Items

8. Quarterly Review of Significant Business Risk Register

To consider a report from Finance

(Circulated separately)

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

To consider a report from Civic & Committee Services

(Pages 1 to 10)

10. Executive Agenda (Non-Confidential Items and Reports) – Thursday 18 March 2021

To consider the non-confidential items on the Executive agenda which fall within the remit of this Committee. The only items to be considered are those which Committee Services have received notice of by 9.00am on the day of the meeting.

(Circulated Separately)

11. Public & Press

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

12. Executive Agenda (Confidential Items and Reports) – Thursday 18 March 2021

To consider the confidential items on the Executive agenda which fall within the remit of this Committee. The only items to be considered are those which Committee Services have received notice of by 9.00am on the day of the meeting.

(Circulated separately)

General Enquiries: Please contact Warwick District Council, Riverside House, Milverton Hill, Royal Leamington Spa, Warwickshire, CV32 5HZ.
Telephone: 01926 456114
E-Mail: committee@warwickdc.gov.uk

You can e-mail the Members of the Committee at
FandAscrutinycommittee@warwickdc.gov.uk

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prior to the meeting, by telephoning (01926)
456114

Finance and Audit Scrutiny Committee

Minutes of the remote meeting held on Wednesday 10 February 2021 at 6.00pm, which was broadcast live via the Council's YouTube Channel.

Present: Councillor Nicholls (Chair); Councillors: Bartlett, J Dearing, R Dickson, Grey, Heath, Illingworth, Luckhurst, Syson, Tracey and Wright.

Also present: Councillors Hales (Portfolio Holder for Business & Finance) and Rhead (Portfolio Holder for Environment & Neighbourhood).

72. **Apologies and Substitutes**

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

73. **Declarations of Interest**

There were no declarations of interest made.

74. **Minutes**

The minutes of the meeting held on 9 December 2020 were taken as read and signed by the Chair as a correct record.

75. **Annual Audit Letter 2019/20**

The Committee considered a report from Finance which brought to **Members' attention the External Auditor's 2019/20 Annual Audit Letter.**

The Annual Audit Letter summarised the key findings arising from the work that the external auditors had carried out on the 2019/20 Statement of Accounts and Value For Money Conclusion.

The Annual Audit Letter brought together information that had previously been reported to the Committee, notably within the Audit Findings Letter in September 2020.

Progress on the closure of accounts and audit for 2019/20 had been subject to regular reports to Members over the last year.

The auditors still had to complete the Benefits Subsidy Audit. This was almost complete and was scheduled to be signed off by the end of February. The Pooling of Housing Capital Receipts was also virtually complete.

The planned cost of the audit of the 2019/20 Accounts was £41,290. The auditors were proposing an additional fee of £16,000 as detailed in their report and appendix:

1. £7,500 in respect of issues raised as part of the 2018/19 audit:

- Raising the bar (increased challenge and depth of work;)
- PPE Valuation work of experts;
- Pensions valuation of net pension liabilities under International Auditing Standard (IAS) 19; and
- New standards and development.

2. £8,500 in respect of Covid 19.

3. The total proposed audit fee was £57,290, an increase of 39%. The increase in fees would need to be agreed by Public Sector Audit Appointments (PSAA).

4. The increased audit fee would exceed the budget allowed within the 2019/20 Accounts. Any extra would need to be charged to the 2020/21 Accounts, along with any likely increase for that year. This was likely to exceed the budget available, so requiring use of Contingency Budget if an overspend was not to be reported. Any likely increase for future years would similarly need to be included in future budgets from 2021/22.

Members were advised of a correction to recommendation 2.1 in the report, asking them to “note the conclusion of the ~~2018/2019~~ **2019/2020 Audit**”.

Ms Wren and Mr Patterson, representatives from Grant Thornton, the Council’s external auditors, advised Members that:

- the audit of the Pooling of Housing Capital Receipts had now been completed; and
- the Benefits Subsidy Audit had been extended to the end of the month.

In answer to questions from Members, Mr Patterson advised that:

- when the original contracts were let, a rating of 2b was deemed as an acceptable quality mark. The FRC had now upped that, where all audit needed to aspire to reach a 2a in audit quality. This required additional supervision and leadership, as well as additional challenge and scepticism in areas such as journals, estimates, financial resilience information provided; and
- PSAA had to consult on contract fees. The timeline for this was not known at this point, but a consultation was expected to happen.

The Head of Finance informed Members that he had received the letter from PSAA with regards to the consultation, informing of a fee increase of £3,000 for the 2021/22 audit. In terms of the response to the consultation, this could be a Council response and the Head of Finance would further **discuss the Council’s response** with the Chair of the Finance & Audit Scrutiny Committee.

Resolved that the report be noted.

76. **Executive Agenda (Non-Confidential Items and Reports) – Thursday 11 February 2021**

The Committee considered the following non-confidential items which would be discussed at the meeting of the Executive on 11 February 2021.

Item 8 - Treasury Management Strategy 2021/22

The Finance & Audit Scrutiny Committee noted the report and welcomed the approach of PAB picking up the initial work in this area in respect of the potential Environmental, Social and Governance investment and joint working with Stratford District Council.

(This item was also on the Committee’s agenda because scrutinising it formed part of the Committee’s remit.)

Item 6 - General Fund Budget and Council Tax 2021/22

The Finance & Audit Scrutiny Committee supported the report and took the opportunity to thank all officers for their work in bringing forward the budget for the Council in these challenging times.

(This item was also on the Committee’s agenda because scrutinising it formed part of the Committee’s remit.)

Item 11 – Warwick District Leisure Development Programme – Kenilworth Facilities

The Finance & Audit Scrutiny Committee supported recommendations as amended.

They also welcomed:

- (1) the assurance from the Portfolio Holder in respect of potential delays within Development Services in determining the planning applications for these sites within the 13 weeks due to a backlog in that service area; and
- (2) the understanding that the project would be treated as two separate sites and projects throughout this project to enable them to be more agile in delivery.

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

The Committee considered a report from Democratic Services that informed the Committee of its work programme for the 2020/2021 Municipal Year and of the current Forward Plan.

The work programme, as attached at Appendix 1 to the report, should be updated at each meeting to accurately reflect the workload of the Committee.

Two of the five main roles of overview and scrutiny in local government were to undertake pre-decision scrutiny of Executive decisions and to feed into policy development.

If the Committee had an interest in a future decision to be made by the Executive, or policy to be implemented, it was **within the Committee's remit** to feed into the process.

The Forward Plan was the future work programme for the Executive. If a non-executive Member highlighted a decision(s) which was to be taken by the Executive which they would like to be involved in, that Member(s) could then provide useful background to the Committee when the report was submitted to the Executive and they were passing comment on it.

At its meeting in September, the Committee asked for an update at each meeting on the revised Audit Plan so they were aware of progress. This had been appended to the report for information.

A response from the Executive was provided to the Committee on the comments it made to the Executive at the last meeting, attached as Appendix 2 to the report. In reviewing these responses, the Committee could identify any issues for which it would like a progress report. A future report, for example, on how the decision had been implemented, would then be submitted to the Committee at an agreed date which would then be incorporated within the Work Programme.

Resolved that

- (1) the report be noted; and
- (2) the work coming forward on the potential merger of Warwick and Stratford-on-Avon District Councils be monitored, Members are seeking specific guidance from the Executive when key decisions are to be made, so that these can be planned for, potentially with Joint meetings with the Overview & Scrutiny Committee, and even work with scrutiny partners at Stratford District Council. Members note that this may necessitate additional, specific scrutiny meetings.

(The meeting ended at 7.20pm)

CHAIR

17 March 2021



Finance and Audit Scrutiny Committee
17 March 2021

Title: Internal Audit Quarter 3 2020/21 Progress Report

Lead Officer: Richard Barr

Portfolio Holders: Councillor Hales

Public report / Confidential report: No

Wards of the District directly affected: Not applicable

Contrary to the policy framework: No

Contrary to the budgetary framework: No

Key Decision: No

Included within the Forward Plan: Yes

Equality Impact Assessment Undertaken: Not applicable

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

Checked for Accessibility: Yes

Final Decision: Yes.

Officer/Councillor Approval

Officer Approval	Date	Name
Chief Executive/Deputy Chief Executive	22 Feb 2021	Chris Elliott/Andrew Jones
Head of Service	22 Feb 2021	Mike Snow
CMT	22 Feb 2021	Chris Elliott/Andrew Jones/Bill Hunt
Section 151 Officer	22 Feb 2021	Mike Snow
Monitoring Officer	22 Feb 2021	Andrew Jones
Finance	22 Feb 2021	Mike Snow
Portfolio Holder(s)	3 March 2021	Councillor Hales

1 **Summary**

- 1.1 Report advises on progress in achieving the Internal Audit Plan 2020/21, summarises the audit work completed in the 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 plan accompanying the Internal Audit report issued in the quarter, be reviewed. (Para. 10.2)
- 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)**

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

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

4.2 **FFF Strands**

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

People - Health, Homes, Communities

Services - Green, Clean, Safe

Money- Infrastructure, Enterprise, Employment

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

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

People - Effective Staff

Services - Maintain or Improve Services

Money - Firm Financial Footing over the Longer Term

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

4.3 **Supporting Strategies**

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

4.4 **Changes to Existing Policies**

4.4.1 This section is not applicable.

4.5 **Impact Assessments**

4.5.1 This section is not applicable.

5 **Budgetary Framework**

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

6 **Risks**

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

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

7 **Alternative Options Considered**

7.1 This section is not applicable.

8 **Progress against Plan**

8.1 At the start of each year Members approve the Audit Plan setting out the audit assignments to be undertaken. **This year's Audit Plan had to be revised** due to the impact of the Coronavirus Pandemic. A revised Audit Plan was approved by Members on 30 September. A detailed analysis of progress in completing the Audit Plan for 2020/21 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 Reviews Completed in the Quarter and Management Responses to Recommendations**

10.1 Three audits were completed in the third quarter of 2020/21. The Internal Audit reports arising from them are available for viewing on the online agenda for the meeting.

10.2 The action plans accompanying these reports are set out for separate scrutiny as Appendix 3. This details the recommendations arising together with the management responses, including target implementation dates. As can be seen in the Appendix, responses have been received from managers to all recommendations that were made.

11 **Implementation of Recommendations Issued Previously**

11.1 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 2019/20** is set out in Appendix 4 to this report. There were no **high risk** recommendations issued in the **second quarter of 2020/21** so none is included in this appendix.

11.3 As can be seen in the Appendix, in terms of determining the state of implementation of recommendations, responses from managers have been received in all cases except one: **An update on the state of implementation of the recommendation is outstanding from Finance in respect of the VAT Accounting audit of 5 March.**

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 2020/21: 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>	245.4	184.0	182.3	+1.7
<u>Other Time</u>				
Sundry audit advice	30.1	22.6	18.5	+4.1
Contingency (used mainly for Covid grants)	91.4	68.6	78.2	-9.6
Principal Internal Auditor non-audit work (incl. NFI)	71.9	53.9	38.0	+15.9
Non-chargeable activities	207.3	155.5	187.0	-31.5
Leave and other absences	133.5	100.1	78.7	+21.4
Total Other Time	534.2	400.7	400.4	+0.3
Total Time	779.6	584.7	582.7	+2.0

Time spent: Assignments Completed – Planned Vs Actual

AUDIT ASSIGNMENT	PLAN (DAYS)	TIME TAKEN (DAYS)	UNDER (+) / OVER (-)
Housing Rent Collection	14.2	16.2	-2.0
Catering Concessions	7.0	7.0	0.0
Building Cleaning Services	12.0	7.0	+5.0

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

Building Cleaning Services – Audit more straightforward than anticipated.

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.	%
25	15	60	10	40.0	-5	-33.3

**Summary of Recommendations and Management Responses from Internal Audit Reports
issued Quarter 3, 2020/21**

Report Reference	Recommendation	Risk Rating¹	Responsible Officer	Management Response and Target Implementation Date (TID)
Housing Rent Collection – 10 November 2020				
4.3.10	As agreed in the 2017-18 audit the write-off information should be included in the quarterly reports.	Low	Landlord Services Manager	To be included in quarterly reports going forward, CR to liaise with BD & C Mgr (PS) to have report written and included. TID: 31/12/2020
4.3.10	Management should review the KPI's in the Service Area Plan and consider including a relevant KPI for write-offs.	Low	Landlord Services Manager	Agree this to be included in the performance monitoring, to be decided at DMT whether this is a core or an operational PI. TID: 31/12/2020
Catering Concessions – 14 October 2020				
No recommendations arising from review on this occasion.				

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)
Building Cleaning Services – 10 December 2020				
4.3.9	The agenda for the monthly contract liaison meetings should include a standing item to review previous minutes for accuracy and to follow up on progress against agreed actions.	Low	Contract Services Manager	Agreed. The agenda for all future meetings will include the review of previous minutes and the status of agreed actions. TID: January 2021
4.4.6	Variation orders in relation to additional works should be checked to prices included in the contract for day rates where applicable to ascertain whether the payments are in line with agreed rates.	Low	Contract Services Manager	Agreed. All future variation orders will be checked where additional staffing is included to ensure that the correct rates are being used. TID: January 2021
4.6.5	The Neighbourhood Services risk register should be updated to include reference to the building cleaning services contract.	Low	Contract Services Manager	Agreed. The issue will be raised at the next management team meeting when the risk register is reviewed to ensure that the contract is included. TID: March 2021

**Current Implementation Position for Low and Medium Risk Recommendations
issued in Quarter 4 2019/20**

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE (PID)	CURRENT STATE OF IMPLEMENTATION PER MANAGER
Housing Stock Asset Management – 7 May 2020		
<p>The HRA Business Plan should be reviewed as soon as practical with a report subsequently being presented to Executive.</p> <p>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).</p>	<p><i>Head of Housing Services:</i> Accepted. The plan will be reviewed as soon as practicable taking account of the current Covid-19 demands placed on the Council. PID: March 2020</p>	<p>The HRA Business Plan was reviewed and was approved by Executive at their December 2020 meeting.</p>
<p>The 'handover checklist template' obtained should be reviewed to ensure that it captures all relevant information, with amendments being made accordingly.</p>	<p><i>Head of Assets:</i> The checklist will be reviewed by Assets / Housing to ensure that it captures all necessary detail. PID: July 2020</p>	<p>As part of the invoice process the contractor must provide details of the attributes replaced / renewed via the ActiveH contractor portal. If this is not done, then the job cannot be closed on the system.</p> <p>We are working to ensure all orders go through ActiveH so that this process is followed</p>

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE (PID)	CURRENT STATE OF IMPLEMENTATION PER MANAGER
Contractors should be reminded of the need to use the portal wherever possible and to follow the naming conventions on the documents being uploaded.	Head of Assets: Reminder to be issued to all Contractors using the Portal when works recommence post Covid-19. PID: August 2020	Many HIP contractors are already on the portal and more are being added this year
Relevant staff should be reminded of the need to perform manual updates in relation to performed works on a timely basis.	Head of Assets: Reminder to be issued to all relevant staff for when works recommence post Covid-19. PID: June 2020	We are working to get all contractors onto the portal. Staff are regularly reminded of the importance of this.
Financial Strategy, Planning and Budgetary Control – 31 March 2020		
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.	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. PID: March 2021	Sessions have been arranged with the L & D Officer (including ad hoc where required). Further dates planned for 2021. Completed.
Limits relating to capital expenditure set out in the Code of Financial Practice should be reviewed to ensure that they remain relevant.	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. PID: August 2020	Delegated authority already in place to allow Asset manager ability to amend HIP within agreed total budget.

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE (PID)	CURRENT STATE OF IMPLEMENTATION PER MANAGER
Council Tax: Recovery and Enforcement – 20 February 2020		
The bulk write-off authorisation sheets should be checked for obvious errors and omissions post-scanning.	<i>Exchequer Manager / Revenues and Recovery Manager:</i> This is part of the process and I will ensure this is done. PID: Immediate.	No further response required.
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.	<i>Exchequer Manager / Revenues and Recovery Manager:</i> I will ensure that all authorisations in the future include any aggregated accounts that are above the threshold. PID: Immediate.	No further response required.
National Non-Domestic Rates – 30 January 2020		
A variation of contract should be completed to ensure the correct authority is listed.	Senior Procurement Business Partner: A variation of contract will be completed to ensure WDC is listed as the authority. PID: Completed.	No further response required.

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE (PID)	CURRENT STATE OF IMPLEMENTATION PER MANAGER
Main Accounting System – 31 March 2020		
<p>The journal authorisation process should be brought up to date.</p>	<p>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.) PID: Ongoing.</p>	<p>Owing to the volume of work faced this year as a result of COVID-19 and other significant projects, it has not yet been possible to fully implement the new deadlines so far this year. Work is ongoing to build this into the new FMS solution to ensure material journals are authorised as part of a timely, robust and consistent process. The new system is due to go live in July 2021.</p>
<p>The year-end write off of suspense account balances should be reconsidered as opposed to carrying forward the balances.</p>	<p>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. PID: End of April 2020.</p>	<p>Suspense is cleared down more frequently to ensure balances are not carried forward if it is not appropriate to do so.</p>

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE (PID)	CURRENT STATE OF IMPLEMENTATION PER MANAGER
Equality and Diversity – 16 January 2020		
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.	HR Manager: Update of intranet and access to information in conjunction with Comms. PID: June 2020.	An updated page is in the process of being created (Feb 2021) to link with work from the Task and Finish Group and training events through WCC e.g. EQUIA's . Completed.
Corporate Health and Safety – 8 January 2020		
The review of the Driving for Work Policy should be expedited and the final document rolled out to staff as soon as possible.	Head of Health and Community Protection: The driving for work policy is being reviewed and will be consulted upon in due course. PID: 03/20.	Draft is with Workforce steering group currently. It is linked to the new payroll system and therefore is awaiting the correct time to roll out widely.
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.	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. PID: 03/20.	As above.

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE (PID)	CURRENT STATE OF IMPLEMENTATION PER MANAGER
<p>The role and activity of the Safety Representative Groups should be revisited in light of the failure to re-institute properly attended meetings.</p>	<p>Head of Health and Community Protection / Senior Management Team: A review of the function of the group, its attendees will be undertaken. PID: 03/20.</p>	<p>With Covid this group hasn't been able to meet. This will be timetabled when capacity across organisation allows. This work has, however, been included in Covid work streams as they progressed in alternative ways.</p>
<p>Safeguarding Children and Vulnerable Adults – 22 January 2020</p>		
<p>The 'Safeguarding' homepage should be available with the other team pages rather than only being accessible through the search bar.</p>	<p>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. PID: End of Feb 2020</p>	<p>The new homepage was launched on the intranet on 14 July 2020. It is accessible through the team pages, in the Staff Resources section in Useful Links, as well as using the search bar of the intranet. The homepage is regularly reviewed and updated to reflect changes in guidance and procedures. The intranet main page has also highlighted specific safeguarding issues e.g. County Lines and Hate Crime.</p>
<p>The whistleblowing policy should be reviewed and corrected with the current information.</p>	<p>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. PID: Feb 2020</p>	<p>The Audit Risk Manager and one of the HR Business Partners have reviewed the Policy thoroughly. Time now needs to be found to update the document before eventually storing it on the intranet.</p>

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE (PID)	CURRENT STATE OF IMPLEMENTATION PER MANAGER
Local Elections – 2 March 2020		
New payment rates should be formally agreed for all relevant posts with agreements regarding pay award uplifts being adhered to.	<p><i>Democratic Services Manager:</i></p> <p>New payment rates will be presented to a meeting of the Licensing & Regulatory Committee prior to the May 2020 elections.</p> <p>PID: April 2020</p>	The report on fees is going to the Licensing & regulatory Committee on 8 February 2021.
Arrangements should be made to pay the additional amount to the Chief Executive.	<p><i>Electoral Services Manager:</i></p> <p>The fee paid in relation to the elections to be held in May 2020 will be amended to include this additional amount.</p> <p>PID: July 2020</p>	The amount paid to the Chief Executive, as Returning Officer in respect of contested Town and Parish elections held in May 2019 was incorrect by £183.04. Arrangement for this amount to be paid the Returning Officer, will be included with the fee to be paid as Returning Officer for the Police Crime Commissioner and Warwickshire County Council Elections to be held on Thursday 6 May 2021.

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE (PID)	CURRENT STATE OF IMPLEMENTATION PER MANAGER
Events Management – 31 March 2020		
<p>A penalty should be established for markets that go ahead without approval.</p>	<p><i>Business Support Team Manager:</i> 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. PID: December 2020.</p>	<p>I have been looking at this a part of the wider work of re writing the markets policy and tendering out the new market operators contract. Penalty charges differ from council to council and are sometimes just eluded too, rather than a monetary figure given. Personally, I would like to have a monetary figure given.</p>
<p>An appeals process should be established to allow organisers the opportunity to appeal should permission be denied.</p>	<p><i>Business Support Team Manager:</i> 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. PID: December 2020.</p>	<p>An appeals process is mentioned in the current markets policy, but it is not formally laid out. Once the new markets policy is agreed then a new appeals process should be listed along with it. This is an ongoing bit of work alongside the wider market work.</p>

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE (PID)	CURRENT STATE OF IMPLEMENTATION PER MANAGER
<p>The markets policy should be publicised appropriately to create awareness of it amongst organisers and venues within the district.</p>	<p><i>Business Support Team Manager:</i> 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. PID: December 2020.</p>	<p>The Market Policy is already available on the WDC website, but we will be highlighting its location through the new Events Manual which will act as the one stop shop for all events organisers.</p>
<p>The status of the Operational Agreement as a true licence document should be clarified with legal advice and documented for future reference.</p>	<p><i>Business Support Team Manager:</i> 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. PID: September 2020.</p>	<p>No further response required.</p>
<p>Payment of bonds or deposits specified in contractual agreements should be followed and incorporated into a procedure document for future staff to follow.</p>	<p><i>Business Support Team Manager:</i> 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. PID: October 2020.</p>	<p>This has now been agreed and a full list of the Bonds have been listed in the new Events Manual which is in the final stages of development. When the events finally start again we will be taking bonds.</p>

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE (PID)	CURRENT STATE OF IMPLEMENTATION PER MANAGER
<p>There should be clarification over the definition of “markets” and staff should be following the legislation as appropriate.</p> <p>The markets policy should be reviewed and updated accordingly.</p>	<p><i>Business Support Team Manager:</i></p> <p>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.</p> <p>PID: December 2020.</p>	<p>We have researched the definition of market and this is noted in the new events manual. The Markets Policy is being updated and a link to the policy is in the new events manual to make is easy to find.</p>
<p>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.</p>	<p><i>Business Manager - Projects and Economic Development:</i></p> <p>The risk register is reviewed regularly and this will be raised as a risk and monitored going forward.</p> <p>PID: Immediate and ongoing.</p>	<p>An element of risk to WDC Events Staff responsible for facilitating and attendance at events has been added to the Development Services, Business Portfolio Holder risk register. Mitigation to include relevant risk assessments for attendance at events and appropriate PPE if required for WDC staff. Virtually no events have taken place since the first lockdown, and events for 2021 look likely to be heavily impacted and many may not proceed.</p>

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE (PID)	CURRENT STATE OF IMPLEMENTATION PER MANAGER
<p>A formal review of expenditure with suppliers should be undertaken by service managers, with the appropriate procurement practices being followed for all suppliers.</p>	<p><i>Business Support Team Manager:</i> 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. PID: January 2021.</p>	<p>This is a piece of work that has been brought up by in the audit and by myself separately. I have a meeting with procurement in the following month to work on some new contracts to formally appoint businesses for the various lines of expenditure. Work has already started to reduce this additional random expenditure in relation to the Christmas lights.</p>
<p>The Procurement team should be contacted immediately to discuss the issues over the expenditure with CJ's Events.</p>	<p><i>Business Support Team Manager:</i> 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. PID: Ongoing.</p>	<p>This is the main company that the issue above refers too. I am working with procurement to make this type of expenditure/work a specific contract that can be tendered out.</p>

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE (PID)	CURRENT STATE OF IMPLEMENTATION PER MANAGER
<p>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.</p>	<p><i>Business Support Team Manager / Business Manager - Projects and Economic Development:</i> 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. PID: November 2020.</p>	<p>No further response required.</p>
<p>Banking Arrangements – 2 March 2020</p>		
<p>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.</p>	<p><i>Strategic Finance Manager:</i> 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. PID: June 2020.</p>	<p>Screenshots not required to confirm that payment has been made, as this information is held within the system.</p>

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE (PID)	CURRENT STATE OF IMPLEMENTATION PER MANAGER
VAT Accounting – 5 March 2020		
<p>VAT compliance in respect of e-receipting by the Council's on-line payment portals and systems processing telephone payments should be investigated.</p>	<p><i>Head of Finance:</i> Work with the Housing Services Team and Building Control teams (with potential IT support) to implement process to ensure compliance. PID: September 2020.</p>	<p>Response Outstanding.</p>

INTERNAL AUDIT REPORT

FROM: Audit & Risk Manager **SUBJECT:** Building Cleaning Services
TO: Head of Neighbourhood Services **DATE:** 10 December 2020
C.C. Chief Executive
Deputy Chief Executive (BH)
Head of Finance
Business Support & Development
Manager
Contract Services Manager
Portfolio Holder (Cllr Grainger)

1 Introduction

- 1.1 In accordance with the Audit Plan for 2020/21, 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.
- 1.3 The audit was undertaken during the COVID-19 pandemic. This has meant a slightly different approach has been taken to complete the audit. Rather than observing staff members and meeting staff face to face, correspondence has been via email or Teams video calls.

2 Background

- 2.1 Since the last audit, undertaken in March 2018, responsibility for the management of the building cleaning contract has transferred to Neighbourhood Services from Housing Services.
- 2.2 A new contract has also recently been let, with the service now provided by Churchill Contract Services Ltd. The contract should cover various corporate buildings, housing blocks and other buildings, such as public conveniences, although there have been some issues with the way the contract was set up which will be covered in detail within the Findings sections of this report.

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:

- Contract award
- Service provision and monitoring
- Contract amendments and variations
- Finance
- Contingency planning and risk management.

3.3 The control objectives examined were:

- The contract was awarded to the most appropriate company following an appropriate tendering exercise
- Staff are aware of what the Council aims to achieve in relation to the services that are being provided
- Contractors are aware of the services to be provided
- Works are undertaken to agreed standards
- Permanent changes to the contracts are formally agreed
- The Council only pays for work that has been previously agreed
- 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
- Payments are valid and accurate and processed in accordance with the appropriate conditions of contracts
- Contingency plans exist to ensure that the service continues to be provided
- The Council would not be financially disadvantaged should the contractor fail to provide a service
- The Council will not be liable for any claims received due to the work of the contractor
- The Council is aware of the risks in relation to the services provided (where it retains responsibility) and has taken steps to address them
- The contractor is aware of the risks in relation to undertaking the contracted services and has taken steps to address them.

4 Findings

4.1 Recommendations from Previous Reports

4.1.1 Whilst the responsibility for the management of the contract has now moved to a different service and the contract is provided by a different contractor, the current position in respect of the recommendations from the audit reported in March 2018 was also reviewed. The current position is as follows:

Recommendation	Management Response	Current Status
1 A strategy should be developed and implemented to outline the Council's position on cleaning of corporate buildings and all Council public buildings and spaces. This should be made	It is not felt that there is a need for a formal strategy. Information is posted in the locked communal notice boards in relevant properties so that tenants are aware of what to expect from the	The response to the previous report, insofar as it relates to the adoption of a strategy, is still relevant. The specification of the contract effectively sets out what is to be done, although does not

Recommendation	Management Response	Current Status
available to the public to enable better understanding of expected services.	contractor in terms of service levels. Notices are also on display in public toilets. A notice will now be introduced to the corporate buildings and a summary of all cleaning frequencies will be made available on the website.	provide 'justification' for why this is to be the case. The review of information displays was not considered relevant to this audit, especially in light of COVID restrictions.
2 A suite of KPIs should be agreed with Kingdom, ensuring only valid and necessary indicators are included, allowing the Council to measure service levels, efficiency, effectiveness and quality of services, as well as overall performance and satisfaction levels.	KPIs have now been agreed with the Area Manager from Kingdom which are to reflect those that were in place with Ocean.	KPIs are included in the new contract and are monitored at the monthly contract management meetings (see 4.3.8 below).
3 The current monthly meeting process should be further developed to include a meeting agenda with standing agenda items and should also document actions cleared from previous meetings.	Agreed. An agenda will be in place for the next meeting. Whilst not specifically recorded as such, the actions from the previous meeting are covered in the minutes of the subsequent meeting.	Whilst a specific agenda document was not seen during this audit, all the monthly meeting minutes that were provided followed a standard agenda. However, it was noted that, whilst actions were being recorded in the meeting minutes, there was nothing in the minutes to show whether actions had subsequently been addressed, as there was not agenda item to follow these up (see 4.3.9 below).
4 Where complaints are received, the Council should record the results of the action taken and confirm whether the complaint has been resolved. In addition, the complainants should be informed of the	The 'issues' recorded on the spreadsheet so far have not been formal complaints. These have been addressed straight away by Kingdom and, as such, there has not been a need to formally advise the 'complainant' of the outcome as it will be	The Business Support and Development Manager (BSDM) advised that there have been no formal complaints relating to the new contract, although some minor issues have been raised. He advised that he was

Recommendation	Management Response	Current Status
outcome to ensure they are aware that the complaint has been dealt with.	obvious that it has been addressed. Were a formal complaint to be received it would be addressed by the Tenancy Manager in the first instance and a formal response would be issued.	retaining records of these issues along with copies of any follow-up correspondence with the person who raised the issue, although there was no summary document recording these (see 4.3.10 & 4.3.11 below).
5 The results of the Service Improvement Team's survey should be formally assessed and action taken to address the issues raised.	Due to anonymous nature of the responses and the lack of detail as to what caused any dissatisfaction, it is not possible to address any 'issues'. The block in question is covered as part of the normal inspection routines and no issues have been noted during recent inspections.	The issues raised related to the performance of the previous contractor. No surveys have been undertaken in relation to the current contract due to COVID and the fact that the contract started during the pandemic. Inspections have been undertaken as part of the current contract, so any issues should be identified as and when they occur (see 4.3.7 below).
6 Invoices processed should be subject to independent review on a monthly basis to ensure any errors and miscodings are identified promptly and corrected to enable accurate month end accounts to be produced.	The issue noted arose during a pilot of the auto-matching process that is to be employed at the Council. In future, if an order number is not stated on the invoice, the invoice will be returned to the supplier. This should ensure that the payments are correctly coded.	This is no longer an issue. Auto-matching of invoices is now undertaken across the Council so the invoice will be paid automatically if it matches to an authorised order on the system.

4.2 Contract Award

- 4.2.1 The Senior Procurement Business Partner (SPBP) advised that the contract was awarded following a mini competition through an existing framework. The process was run through the CSW Jets system, with the opening process being undertaken directly on the system.
- 4.2.2 The agreement of the specification was undertaken by a member of staff that has subsequently left the Council (the previous Contract Services Manager (CSM)) in consultation with staff from relevant departments, although it subsequently transpired that some buildings had erroneously been left out of the specification (see section 4.4 below).

- 4.2.3 The SPBP highlighted that only two responses were received and only one of these was compliant. The compliant response was still evaluated and passed the relevant criteria and was subsequently awarded the contract.
- 4.2.4 The evaluation of the submitted tender was undertaken by four members of staff, covering different departments and buildings. Due to staffing changes, the person currently responsible for managing the contract (the Business Support and Development Manager (BSDM)) and the new CSM were not involved in the evaluation, although the BSDM did get involved towards the end of the process.
- 4.2.5 A formal, signed document is in place, which is available to all staff through the contract register on the intranet.

4.3 **Service Provision & Monitoring**

- 4.3.1 The BSDM **advised that there is not a 'strategy' as such for which buildings** are to be cleaned or the frequency of cleaning etc. However, the specification of the contract effectively sets out what is to be done, although does not **provide 'justification'** for why this is to be the case.
- 4.3.2 The BSDM highlighted that this had been agreed prior to his involvement in the contract, but believed that the previous CSM had spoken to relevant services to agree the specification although, as previously suggested, certain services / buildings had been omitted (e.g. sports pavilions, Green Spaces **'buildings'**).
- 4.3.3 The main contract document includes high-level method statements and more **detailed 'job-specific'** method statements are also set out as part of the risk assessment documents completed by the contractor. The contract and the associated Service Level Requirements also set out the quality standards to be applied.
- 4.3.4 The Service Area Plan for Neighbourhood Services contains a specific measure relating to the building cleaning contract (i.e. the percentage of buildings cleaned to the required standard). However, these figures have not yet been collated or reported for the first two quarters.
- 4.3.5 The BSDM highlighted that this measure was adopted prior to the new Head of Neighbourhood Services taking her role and it may, therefore, be amended. There has also been the COVID pandemic which has meant that a number of the buildings have not been open, so any figures could be misleading.
- 4.3.6 More relevant to the regular monitoring of the performance of the contractor are the inspections performed and the KPIs that are included within the contract.
- 4.3.7 The inspections performed are a mixture of direct reviews performed by the contractor and some joint inspections that the BSDM undertakes with the contractor. The BSDM provided copies of the documentation completed following the recent joint inspections to evidence the process.

4.3.8 The BSDM highlighted that the KPIs are reviewed as part of the monthly liaison meetings held with the contractor and this was confirmed upon review of the minutes of the meetings.

4.3.9 However, it was noted that parts of some of the minutes had not been updated (e.g. the KPIs section had been amended, but the financial and general sections and the date of the next meeting recorded were the same as previous months). There was also no reflection as to whether actions recorded had been addressed as there was no standing agenda item to cover the agreed actions.

Risk

Agreed actions may not be undertaken which could lead to underperformance against the contract.

Recommendation

The agenda for the monthly contract liaison meetings should include a standing item to review previous minutes for accuracy and to follow up on progress against agreed actions.

4.3.10 As evidenced by the minutes provided, there have been no formal complaints received in relation to the contract. **However, where individual 'issues' are raised, the BSDM advised that these will be picked up and addressed as and when required.**

4.3.11 He advised that he was retaining records of these issues along with copies of any follow-up correspondence with the person who raised the issue, although there was no summary document recording these.

Advisory

An issues log could be maintained in relation to 'informal complaints' received with regards to the service provided to enable any potential patterns to be identified.

4.3.12 The BSDM advised that there had been no rectification notices issued. Whilst some issues may have ordinarily have led to rectification notices being required, the BSDM highlighted that the contractor has taken on a lot of additional items to help the Council address COVID-related issues and cover areas not included on the contract. To that end, it was suggested that it **would not be in the Council's interest to penalise them.**

4.3.13 He also highlighted that, where quality issues had been raised, these had been addressed and resolved wherever possible, although some issues were **outside of the contractor's control due to COVID.**

4.4 Contract Amendments & Variations

4.4.1 The BSDM advised that there had been some requests for additions to the contract with regards to Housing properties (i.e. William Wallsgrove House

and Beauchamp House). He highlighted that a change request form from Procurement needed to be completed by the relevant Head of Service, including justification for the change, but this had not yet been fully accepted.

- 4.4.2 As previously highlighted, there are also a number of omissions from the original contract specification that need to be resolved, although some were **included in a 'clarifications' document within the final contract document**. The BSDM also advised that revised schedules had been set out for the works being undertaken.
- 4.4.3 A meeting held on 13 November with staff from the contractor along with Finance staff (the relevant Principal Accountant and the SBBP) was to cover a revised bill of quantities in order to identify exactly what the contractor is covering and what is believed to be in the contract. This was also to include discussion of extra works that have been taken on that are specifically in relation to COVID so that these can be separately costed out.
- 4.4.4 However, the BSDM highlighted that the contractor had not provided the required information, partly due to being very busy dealing with the second lockdown, but had advised that this would be provided in time for the next meeting on 30 November.
- 4.4.5 The BSDM provided a copy of the log that he has maintained for variation orders that have been raised to date. He advised that he had obtained a template from Contract Services to use for these variations and they would be **based on requests received from relevant 'building managers'**. There was no requirement for him to get these authorised by anyone, so he was signing them off.
- 4.4.6 He advised that these are based on specific prices quoted by the contractor for each item / piece of work as opposed to relating to a specific schedule of rates. However, the contract identifies provisional day work rates (hourly costs), so it may be that these should be applied for additional works undertaken, although they may not relate specifically to the additional works required due to COVID.

Risk

The Council may not be paying the correct rate for additional works undertaken.

Recommendation

Variation orders in relation to additional works should be checked to prices included in the contract for day rates where applicable to ascertain whether the payments are in line with agreed rates.

4.5 **Finance**

- 4.5.1 The BSDM advised that he had not been involved in the budget setting, with the cost of the contract being split across the various cost centres for the relevant buildings.

- 4.5.2 The Assistant Accountant (AA) highlighted that the budget setting had been **'quite messy' for this new contract, with the figures based on estimates from** Housing & Property Services who had managed the previous contractor. Some of the costs within the estimates had also been miscoded (William Wallsgrove House and Beauchamp House). The current budget does not, therefore, properly reflect the costs against each cost centre as per the order raised by the Systems Development Officer.
- 4.5.3 The AA provided various items of email correspondence that highlight the discussions held to identify and resolve the issues as well as copies of spreadsheets showing the changes required and the work that had been done for reviewing the current budget to enable the setting of next **year's budget**.
- 4.5.4 As suggested above, an order has been raised to cover the (current) contracted costs, so TOTAL shows the committed costs for the year in relation **to the 'core' contract costs plus additional work / resources provided. That,** coupled with the issues identified above with regards to the setting of the budget, make reviewing the current position and any variances against the budget difficult.
- 4.5.5 However, the BSDM highlighted that the overall contract costs are monitored in his monthly meetings with the AA (i.e. those against subjective code 2705), although it is up to the individual departments to monitor their cost centre budgets.
- 4.5.6 He also highlighted that he has asked for the additional works to be included on separate invoices to allow for these to be identified over and above the core contract costs. As some of this additional work related specifically to COVID, the BSDM suggested that he was looking to get some of these **additional costs coded to a separate COVID cost code as they hadn't been included in the contract's budget.**
- 4.5.7 As highlighted above, the BSDM highlighted that inspections had been performed and work standards are covered in the monthly liaison meetings and, whilst some issues had been noted, there was no issue with the work in terms of payment of the main contracted amount.
- 4.5.8 Of the payments made to the contractor, the majority (27 of 32) relate to non-contracted works and are supported by variations orders (VOs). Some of **these VOs relate to consumables and those that relate to 'works' would be** monitored in the same way as the contracted works. As such, there is nothing to evidence that the work relating to each invoice has been specifically checked, but is covered in overall terms.
- 4.5.9 Testing was undertaken to ensure that the orders supporting the invoices paid had been authorised by appropriate staff and that the payments were appropriate (i.e. related to contracted costs or variation orders included on the log provided by the BSDM). This test proved satisfactory.

4.6 **Contingency Planning & Risk Management**

- 4.6.1 The BSDM advised that there was not a formal contingency plan in place for the provision of the cleaning contract. He highlighted that, as the contract

commenced during lockdown, reactionary changes have been implemented as required including using staff from other areas of the company to help service **the Council's** contract, adding additional work to ensure buildings were COVID secure and not cleaning other, closed, buildings.

- 4.6.2 The contract highlights that the service provider **shall hold both employers' and public liability insurances** with a limit of indemnity of not less than £10m.
- 4.6.3 Upon request, the contractor provided a letter from their insurance broker confirming that **both public liability and employers' liability insurance was in place** to the value of £25m. The insurance confirmation letter also highlighted that the cover is in place until 1 December 2020.
- 4.6.4 As previously highlighted, the responsibility for management of the contract is due to transfer to the new CSM in the near future, so would be responsible for obtaining updated details when required.

Advisory

The new Contract Services Manager should set a reminder to obtain confirmation that the insurance policies have been renewed at the appropriate date.

- 4.6.5 The BSDM provided a copy of the Neighbourhood Services risk register. Upon review it was identified that, whilst other specific contracts are covered in the Contract Services section of the document (i.e. waste collection, grounds maintenance and street cleansing) and there are some generic risks that could relate to the provision of the contracted services, there is no direct reference to the building cleaning contract.

Risk

Risks relating to the provision of the building cleaning contract may not be appropriately identified and controlled.

Recommendation

The Neighbourhood Services risk register should be updated to include reference to the building cleaning services contract.

- 4.6.6 The BSDM highlighted that the contractor maintains a suite of risk assessments for the contracted services and provided sample copies. He also provided a copy of the electronic COSHH spreadsheet which covers the chemicals used by the contractor for cleaning.

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 Building Cleaning Services 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 Whilst there are issues with the way that the contract was set up, action has been taken to try to resolve these matters. A couple of minor issues that require further action were, however, identified:

- Agreed actions are not followed up at subsequent contract liaison meetings
- Variation orders for additional works are not linked to the day works figures included in the contract
- The Neighbourhood Services risk register does not make reference to the building cleaning contract.

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:

- **An issues log could be maintained in relation to 'informal complaints'** received with regards to the service provided to enable any potential patterns to be identified
- The new Contract Services Manager should set a reminder to obtain confirmation that the insurance policies have been renewed at the appropriate date.

6 **Management Action**

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

Richard Barr
Audit & Risk Manager

Action Plan

Internal Audit of Building Cleaning Services – November 2020

Report Ref.	Recommendation	Risk	Risk Rating*	Responsible Officer(s)	Management Response	Target Date
4.3.9	The agenda for the monthly contract liaison meetings should include a standing item to review previous minutes for accuracy and to follow up on progress against agreed actions.	Agreed actions may not be undertaken leading to underperformance against the contract.	Low	Contract Services Manager	Agreed. The agenda for all future meetings will include the review of previous minutes and the status of agreed actions.	January 2021
4.4.6	Variation orders in relation to additional works should be checked to prices included in the contract for day rates where applicable to ascertain whether the payments are in line with agreed rates.	The Council may not be paying the correct rate for additional works undertaken.	Low	Contract Services Manager	Agreed. All future variation orders will be checked where additional staffing is included to ensure that the correct rates are being used.	January 2021
4.6.5	The Neighbourhood Services risk register should be updated to include reference to the building cleaning services contract.	Risks relating to the provision of the building cleaning contract may not be appropriately identified and controlled.	Low	Contract Services Manager	Agreed. The issue will be raised at the next management team meeting when the risk register is reviewed to ensure that the contract is included.	March 2021

* 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 Cultural Services
C.C. Chief Executive
Deputy Chief Executive (AJ)
Head of Finance
Arts Manager
Portfolio Holder (Cllr Grainger)

SUBJECT: Catering Concessions
DATE: 14 October 2020

1 Introduction

- 1.1 In accordance with the Audit Plan for 2020/21, 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.
- 1.3 The audit was undertaken during the COVID-19 pandemic. This has meant a slightly different approach has been taken to complete the audit. Rather than observing staff members and meeting staff face-to-face, interaction has been via email, telephone and virtual meetings.

2 Background

- 2.1 Catering is provided at a number of Council-owned sites. In most cases, the sites are leased with annual rental income being paid.
- 2.2 Some sites, however, are operated as concessions. In January 2019 a three-year catering and events contract was agreed with Complex Development Projects (CDP), the creative quarter development partner. This contract included the catering concessions, essentially making them sub-contracts, with CDP as the main contractor. Previous to this the catering contract was held by Kudos.
- 2.3 **Until November 2019 concessions were operated at two of the Council's most prestigious sites, the Royal Pump Rooms (housing the Assembly Rooms and Café) and the Glasshouse in the Jephson Gardens.** Since then, after following a formal contract amendment process, the Royal Pump Rooms was removed from the contract. The management of the Assembly Rooms was tasked to the Arts team and the Café was offered as a leasehold. This left the Glasshouse as the only catering concession, where a percentage of their income is paid to the Council.

- 2.4 The concession within the Glasshouse covers day-to-day operations and special events. The provisions governing recharges for premises and equipment service, along with the criteria for determining concession charges remain unchanged from the previous contract with Kudos.
- 2.5 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.
- 2.6 The Arts team have been unsuccessful at recruiting to the new Events Officer role to manage the Assembly Rooms and, although a caterer was selected to take on the lease for the Café, the lockdown halted the 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:
- Contract award
 - Service provision and monitoring
 - Contract amendments and variations
 - Finance
 - Contingency planning and risk management.
- 3.3 The control objectives examined were:
- The contract was awarded to the most appropriate company following an appropriate tendering exercise
 - Staff are aware of what the Council aims to achieve in relation to the services that are being provided
 - Contractors are aware of the services to be provided
 - Works are undertaken to agreed standards
 - Permanent changes to the contracts are formally agreed
 - The Council only pays for work that has been previously agreed
 - 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
 - Payments are valid and accurate and processed in accordance with the appropriate conditions of contracts
 - All income due to the Council is received
 - Contingency plans exist to ensure that the service continues to be provided
 - The Council would not be financially disadvantaged should the contractor fail to provide a service
 - The Council will not be liable for any claims received due to the work of the contractor
 - The Council is aware of the risks in relation to the services provided (where it retains responsibility) and has taken steps to address them

- The contractor is aware of the risks in relation to undertaking the contracted services and has taken steps to address them.

3.4 The audit scope focused on the concessions and the changes since the last audit of Catering Concessions (December 2019). The controls in place over the leases are covered in the audit of Corporate Property & Portfolio Management.

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 2019, was also reviewed. The 2019 audit was given a moderate level of assurance due to a number of concerns, although no recommendations were made. There have been no changes to the concerns raised in the previous audit due to the ongoing pandemic and this is explored further below.

4.2 Contract Award

4.2.1 A formal ten-year contract for the creative quarter agreement was procured under OJEU terms in November 2017 with Complex Development Projects Ltd (CDP). In 2019, after the catering contract with Kudos had come to an end, CDP took on the agreement for both the catering and events on a 3-year contract. With CDP as the main contractor and Just Inspire as the sub-contractor for the catering concession. The contract includes various key **performance indicators (KPI's) and the concession charges**. These will be covered below in the Monitoring and Finance sections of the report.

4.3 Service Provision and Monitoring

4.3.1 The Service Area Plan in place for Cultural Services refers to providing support and the monitoring of both the Just Inspire contract and the Royal Pump Rooms (RPR) catering and events. Although the main contract is with CDP the Council has tasked the Arts Manager with providing the support and monitoring of the catering concession. The CDP contract is monitored by the Development Services Manager.

4.3.2 There are no monitoring measures expressed in the Service Area Plan but there are various KPIs included within the signed contract with CDP and Just Inspire. The KPIs include: prompt service times, food temperature tolerances, customer surveys and other measurable qualities.

4.3.3 Formal meetings are held with Just Inspire and the Arts Manager on a quarterly basis. Informal monthly contact has also been made with them since it became apparent they were having difficulties six months into the contract. The meetings are an opportunity to review the KPIs and discuss any additional issues.

4.3.4 Customer satisfaction surveys are carried out by Just Inspire and the results are reported back to the Arts Manager on an annual basis, usually in

October. Any complaints are dealt with directly by Just Inspire, usually by the director.

4.3.5 There is an improvement notice process set out in the contract for instances where substandard work is identified but this has not yet been needed. The Arts Manager's focus has been supporting Just Inspire, getting their business model to work and helping them to begin operating again. Just Inspire, along with many other businesses, had to close earlier in the year due to the pandemic. In this time all of the existing bookings have been cancelled and the staff have all been furloughed. The aim is to have them open and fully operational by Spring 2021.

4.3.6 A lease is in place for the RPR café so it is not subject to any contract monitoring. The only income from the RPR café will be through the rent. The lease for the RPR café is signed by The Larder, a local company who also hold the lease for the Aviary in Jephson Gardens. This lease was originally due to be signed earlier in the year but was halted due to the current pandemic. It is hoped that The Larder will be in a position to open the RPR café within the next few weeks.

4.4 **Contract Amendments and Variations**

4.4.1 Early into the contract with Just Inspire it was noted that they were experiencing difficulties managing all of the catering concessions (i.e. the Glasshouse, RPR café and Assembly Rooms). In October 2019 it was agreed at Executive Committee to allow Just Inspire to exit from the RPR café and Assembly Rooms, with the Arts Team taking back the management of the Assembly Rooms and the café being offered as a leasehold.

4.4.2 The Arts Team also gained approval to recruit to a new post for an Events Officer. Unfortunately, they were unsuccessful at recruiting to the role and have postponed a second recruitment attempt until Covid restrictions have lifted.

4.5 **Finance**

4.5.1 The charges for the concession are 5% from catering and 15% from events and hire (gross revenue). These are to be paid quarterly along with service charges.

4.5.2 The concession has been unable to be open this financial year due to the pandemic therefore no concession payments are due. It has been agreed by CMT and the Portfolio holder for Cultural Services that service charges will be deferred until early 2021, due to the restrictions in place preventing Just Inspire from operate effectively.

4.5.3 The budget position is reviewed frequently and discussed at the quarterly meetings between Just Inspire and the Arts Manager. Just Inspire currently owe the Council approximately £38,000 for the 2019/20 financial year. They had a repayment plan in place which was due to start in April 2020 but it has been agreed that this will now start in the Spring 2021 when the concession is up and running again. Just Inspire have provided a business case to

support this and the plan has been approved by CMT and the Portfolio Holder for Cultural Services.

- 4.5.4 Kudos, the previous catering provider, currently owe the Council £34,000. This was covered in the previous audit and there has been no change or further developments since then.
- 4.5.5 As no income has been collected since the last audit, further financial testing could not be carried out.

4.6 **Contingency Planning and Risk Management**

- 4.6.1 There are no contingency plans in place if the catering concession fails. This is because the contract is not directly with the caterers but with CDP who would be tasked to find new caterers.
- 4.6.2 Copies of the insurance for Just Inspire are normally held by the Council. However, the copies on file at the moment relate to expired policies. The Arts Manager has viewed the recent documents and confirmed the correct cover is held, but copies have not yet been obtained. This is because recent meetings have been held via virtual methods rather than face to face. The Arts Manager will aim to copy the documents when restrictions lift to enable him to physically obtain copies.
- 4.6.3 The risk register includes all relevant risks and mitigations for the catering concessions but may require an update regarding the RPR café and Assembly Rooms.

Advisory

A review of the risk register could be carried out to ensure the identified risks are still appropriate.

5 **Summary & Conclusion**

- 5.1 It is difficult to provide a single level of assurance for an audit area which has not been fully operational for almost a year. Various audit tests could not be completed due to the restrictions in place and because no income has been received since the last audit. Monies owed by the previous concession and the current catering provider have not been collected and the reputational damage caused by the closures, even before the pandemic, still remain. However, the regular contact with Just Inspire and the support offered to them will allow the Arts Manager to identify issues as they arise, enabling solutions to be established in a timely manner.
- 5.2 Following our review, we feel it is appropriate to give a MODERATE degree of assurance that the systems and controls that are currently in place in respect of Catering Concessions are appropriate and are working effectively. Due to the inability to carry out testing of the controls in place and there being very little change since the last audit, we feel we cannot give an overall level of substantial assurance at this time.

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 Although there are no formal recommendations, one issue was identified where an advisory note has 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

FROM: Audit and Risk Manager
TO: Head of Housing Services
C.C. Chief Executive
Deputy Chief Executive (BH)
Head of Finance
Service Manager Landlord
Services
Business Administration Manager
Portfolio Holder (Cllr Matecki)

SUBJECT: Housing Rent Collection
DATE: 10 November 2020

1 Introduction

- 1.1 In accordance with the Audit Plan for 2020/21, 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.
- 1.3 The audit was undertaken during the COVID-19 pandemic. This has meant a slightly different approach has been taken to complete the audit.

2 Background

- 2.1 Housing rents are managed using Active H. Various staff have access, allowing tenants details to be added and updated and ensuring that housing assets can be effectively managed.
- 2.2 The Council owns 5,391 houses and flats which generate an annual rental income in the region of £24.8m. As well as these rental properties, the Council also manages twelve shared ownership properties, 616 Leaseholders and 40 non secure / temporary accommodation places.
- 2.3 The Council also 'offers' the 'Right to Buy' (RTB) scheme. Twenty-six properties were sold under this scheme in the last financial year.

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. Detailed testing was performed to confirm that controls identified have operated, with documentary evidence being obtained where possible, although some

reliance has had to be placed on discussions with relevant staff, including the Income Recovery & Financial Inclusion Manager and the Business Administration Manager.

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

- Staff within Housing Finance are aware of relevant regulations and have access to relevant procedural documentation
- Council employees that are also tenants have declared this interest and are up-to-date with the rent payments
- Annual rent reviews are performed, with rents subsequently approved at the appropriate level
- Rents are charged at the correct rate, with rents received allocated to **the correct tenant's account**
- Rent refunds are only undertaken when the tenant has no outstanding arrears
- Appropriate reconciliations are performed against other relevant systems (e.g. the income system and the general ledger)
- Rent arrears are correctly calculated
- Write-offs are only approved once all relevant recovery avenues have been taken and exhausted
- Management is aware of current rent collection and arrears levels.

3.3 The CIPFA Matrices for Housing Rents were used. The expected controls under these matrices are categorised into the following areas:

- Calculation and collection.
- Rent arrears management and collection.

3.4 Some 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 Housing Rents system). Observation based testing could also not be completed at this time due to the current homeworking arrangements.

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 July 2017, were also reviewed. The current position is as follows (see overleaf):

Recommendation	Management Response	Current Status
<p>1 As previously recommended the procedures and guidance notes held by Housing Services should be reviewed periodically and updated by a nominated officer. This should be evidenced by the inclusion of a version control table detailing the responsible officer, issue date and next review date. Furthermore, this should also be included when the Income Recovery and Financial Inclusion Manager develops the revised procedures for arrears and debt recovery.</p>	<p>Agreed. The rent procedures and guidance notes will be reviewed and updated as suggested.</p>	<p>Rent procedures and guidance are updated and reviewed, current guidance and procedures in place were reviewed and were up to date and complete.</p>
<p>2 The Business Administration Manager should coordinate the issue and retention of annual declaration forms for all staff across the Council and a central register should be maintained of completed forms. A log should then be produced of all Council employees who are also Council tenants, regardless of the method of rent payment.</p>	<p>It is not thought that a central register is warranted. However, the documentation for all Housing Services staff will be maintained.</p>	<p>There is no a central register. However, a system of tagging staff accounts is being developed which will allow easy identification of them in the future. Annual declarations are maintained by the relevant line manager.</p>
<p>3 All Tenancy Agreements should be signed and dated by the respective tenants and then retained on file.</p>	<p>Agreed. This should happen anyway.</p>	<p>All tenancy accounts reviewed in the sample testing had signed tenancy agreements.</p>

Recommendation	Management Response	Current Status
4 Write-off information should be included in the quarterly performance report to ensure the Council is aware of the uncollectable rent total and year to date rents written off.	A discussion will be held with Finance to ascertain whether the quarterly performance reports are the most appropriate place for this information to be circulated and action will be taken accordingly.	Although it was agreed that write-off information would be included in the quarterly reports from the start of 2018-19 it has not been.

4.2 Calculation and Collection

- 4.2.1 There are various policies and procedure documents in place that can be used when calculating rent, collecting rent and arrears. They set out the need for the procedures to be in place and why they need to be followed.
- 4.2.2 The procedure documents are available for Housing staff both in digital form and hard copy. They are reviewed regularly to ensure they provide current guidance. The procedures in place ensure there is appropriate segregation of duties amongst the Housing staff.
- 4.2.3 Access to Active H is granted to Housing staff providing them with the appropriate access for them to be able to carry out their role. Access to Active H is checked with line managers on a regular basis to ensure the access provided is still valid and appropriate for their role.
- 4.2.4 Rent amendments are made when the rent is changed. This is set up at the start of a new payment year. The rent increases are agreed at Executive committee. A review process is in place that ensures that the correct rent is applied to each property. Special arrangements can only be applied to rent accounts by the Income Management team, with the Rent Collection team being unable to adjust rent amounts, with this being enforced by system access controls.
- 4.2.5 Members of staff that rent a Council property do not have access to edit their rent account or details on Active H. This also applies if staff members have a close relative who rents a Council property. The staff who rent from the Council or have family that do are required to declare this on their annual declaration which is maintained by their line manager.
- 4.2.6 A process on Active H has recently been implemented where markers are attached to staff who rent from the Council. This allows for a report to be generated showing the status of these accounts and enables managers to check that the correct rent has been applied. As this has only recently been implemented, the report provided only showed staff registered on HomeChoice, the Council property bidding system.
- 4.2.7 Rent is reviewed annually in April. A report issued to Executive in February 2020 followed **the Secretary of State's guidelines for the rent increases. The**

resulting increases were applied at the recommended rate, a rise of 1.7% from September plus an additional 1% per annum, totalling 2.7%.

- 4.2.8 There is a two stage process to update the rent increase on Active H. The update is prepared on the system in advance by the Business Administration team and, as soon as the report has been approved at Executive, the changes can be implemented on the system and a notice of the increase is issued to the tenants.
- 4.2.9 The rent changes are calculated by the Principal Accountant. Active H has a parameter to make this change rather than having to make this change on each individual property. Changes are reviewed by the Business Administration Manager and reconciled by the Principal Accountant.
- 4.2.10 A spot check is carried out on the system when the changes are uploaded with further checks carried out on the first Monday of the new payment year to ensure the changes have been implemented. Any properties that are void when the changes are uploaded are manually updated on allocation of a new tenancy.
- 4.2.11 Sample testing showed that rents are being charged at the correct amount following the implementation of the increase.
- 4.2.12 A sample of void and deleted properties was also reviewed. It was found that all void dates corresponded with the tenancy agreements attached. Most of the deleted properties (i.e. those sold under the RTB scheme) had the appropriate documentation attached to the relevant file although some of the more recently sold properties were missing some of the documentation due to delays in receiving documents from solicitors because of the lockdown and ongoing pandemic.
- 4.2.13 All tenancies are allocated a unique number which allows for identification for correspondence purposes and allocation of payments. The unique number distinguishes the current tenant from previous tenants.
- 4.2.14 For the above sample of current tenancies the tenancy start date on the agreement was checked and these corresponded with the date input on Active H.
- 4.2.15 Active H shows all payments received, along with allowances, refunds and arrears history for each account. Rent statements are issued to tenants at the start of each payment. Where properties are let part way through the year, the rent amount is updated on the system and a statement is issued to the new tenant.
- 4.2.16 Tenants have access to their statements through the Council website. Once they have created an online account they can view their rent records and up-to-date account details. Other than the annual statement, tenants only receive a paper copy of their statement if they are in arrears.

- 4.2.17 Annual statements are issued to the tenants, independently from the Rent Collections team, by the Business Administration team. Active H automatically generates a statement for each active rent account.
- 4.2.18 When a refund is issued the rent account is updated and the relevant supporting documentation is saved to the account. A tenant may request a refund when they have overpaid rent or left a property whilst the account was in credit. Refunds are issued and approved separately from the Rent Collection team, being processed by the Business Administration team.
- 4.2.19 Rent payments are automatically allocated when they come in to the Council via PARIS. They are identified by their unique seven-digit account reference number. A payment with an incorrect reference number will go into the suspense account. In these instances, where possible the payment is allocated to the correct account manually using any reference information provided. Alternatively, the payment can be found when the tenant contacts the Council **to inform them that their payment isn't showing up on their rent account**. Payments received are posted to the correct account daily and reconciled against the payments expected.
- 4.2.20 Tenants can pay for their rent at the post office and Paypoint locations, although payment via direct debit is preferred. **Where these 'in-person'** payments are made, the income is allocated to the correct rent account as payment is made using a barcode which includes the rent account reference number. The post office and Paypoint payments are banked in full on receipt and this is checked daily on the banking statements.

4.3 **Rent Arrears Management and Collection**

- 4.3.1 A sample of accounts in arrears was reviewed. The sample included both current and former tenants. The accounts held all relevant information regarding the debts including: the dates the debts were incurred, the amount of debt, and the type of debt (rent arrears, court fee, repair recharges etc.). All correspondence was documented in the diary notes with some accounts having additional documentation saved to the relevant folder. Where arrangements were in place to repay the debt, it was detailed on the account, which also showed any payments that had been made towards debts.
- 4.3.2 Appropriate recovery action is being taken for all of the sample. Where the debts are for anything other than rent arrears this is also clearly detailed on the account in the appropriate tab. Where letters had been issued to the tenants, further recovery procedures were detailed should the tenant not repay the amount owed or take action as advised in the letter.
- 4.3.3 Rent recovery had been significantly affected since March 2020 due to the Covid-19 pandemic. During the lockdown the Government had introduced a stop on all evictions, which ended on 21 September. The guidance was updated in August which stated that, from the 21 September, the Council can only evict tenants that have at least twelve-months rent arrears and arrears which cannot be attributed to Covid-19.

- 4.3.4 A sample of accounts in arrears where the tenant was deceased was reviewed. These accounts were taking longer than normal to clear due to the ongoing pandemic. In many cases the lockdown had prevented the next of kin from accessing the property to enable them to clear it out or the ability to hire house clearance companies or skips when needed.
- 4.3.5 There is no acceptable level of arrears. All arrears form part of the workflow for the Income officers. Active H automatically generates a workflow for each individual officer listing any accounts which have arrears of one week or more. Officers also run their own reports to cross-check against the workflow ensuring that accounts in arrears are not missed.
- 4.3.6 Accounts in arrears are reviewed on an individual basis by the Income officer responsible for that 'patch'. They take into account the situation of the tenant and circumstances of the arrears, e.g. tenants may be waiting on a universal credit application, which can take four to five weeks, and the arrears would be allowed on a temporary basis until the universal credit becomes active.
- 4.3.7 Persistent debt is not monitored; each new phase of debt starts the debt process from the beginning. However, the Income office is able to view previous debt periods and arrangements.
- 4.3.8 Debt collection agencies are used only for recovery of arrears with former tenants. This is a last resort which is only used when all other methods of recovering the debt have been unsuccessful.
- 4.3.9 Where a tenant has various debts on their housing account, the rent arrears are always cleared first. Debts on their account can include recharges for repair work and court costs.
- 4.3.10 Quarterly reports are shared with management. They include relevant housing information allowing the service to be monitored and compared against the KPIs set in the Service Area Plan. The reports detail arrears, collection rates and payment type. However, as stated in 4.1 above, the performance reports do not include write-off information.

Risk

Management may not be aware of the loss of income from uncollectable rents and amounts written off.

Recommendation

As agreed in the 2017-18 audit the write-off information should be included in the quarterly reports.

Risk

Rents may be written off inappropriately as a method of reducing the arrears. (Arrears are monitored as a KPI whereas write-offs are not.)

Recommendation

Management should review the KPI's in the Service Area Plan and consider including a relevant KPI for write-offs.

- 4.3.11 Debts that are written off are usually those incurred by former tenants where the debt collectors have failed to recover the funds or it is un-economical to pursue them. Write-offs where the tenant is deceased can also be carried out only when there is no estate to reclaim the funds from. Write-offs over £70 must be authorised by the Head of Housing Services and amounts over £1,000 require authorisation from the Head of Finance.
- 4.3.12 A sample of write-offs and write-ons was reviewed. All transactions in the sample had appropriate documentation and authorisation. All transactions were for former or deceased tenants. The amounts written off corresponded with the amount owed on the account. Write-ons are carried out to re-add written off amounts to accounts, or on some occasions write-ons are used to **transfer debt from a 'former account' onto a new one**. Write-offs/ons are not just carried out for rent debts but include various other housing related reasons such as: contents insurance, court fees, benefits adjustments, rechargeable repairs, lifeline, service charges and buildings insurance.
- 4.3.13 In some cases, the debt has been written off for accounting purposes where the former tenant is still liable for the debt but there is little expectation of the Council receiving payment; this is classed as bad debt. It means it no longer shows as outstanding arrears **and the system doesn't include it when producing the Income officer's workflow**. In cases where payments are made against written-off amounts, periodic reconciliations are carried out which reduce the amount written off by the amount that has been paid. Full reversal of the total written off amount cannot be done as the bad debt will be counted as arrears again.

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 Housing Rent Collection 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 Minor issues were, however, identified relating to:
- Management reporting of write-offs of uncollectable rent
 - **KPI's** included in the Service Area Plan.

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 Rent Collection – November 2020

Report Ref.	Recommendation	Risk	Risk Rating*	Responsible Officer(s)	Management Response	Target Date
4.3.10	As agreed in the 2017-18 audit the write-off information should be included in the quarterly reports.	Management may not be aware of the loss of income from uncollectable rents and amounts written off.	Low	Landlord Services Manager	To be included in quarterly reports going forward, CR to liaise with BD & C Mgr (PS) to have report written and included.	31/12/2020
4.3.10	Management should review the KPI's in the Service Area Plan and consider including a relevant KPI for write-offs.	Rents may be written off inappropriately as a method of reducing the arears. (Arears are monitored as a KPI whereas write-offs are not.)	Low	Landlord Services Manager	Agree this to be included in the performance monitoring, to be decided at DMT whether this is a core or an operational PI.	31/12/2020

* 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
17 March 2021

Title: Internal Audit Strategic Plan 2021/22 – 2023/24 and Internal Audit Charter 2021/22

Lead Officer: Richard Barr

Portfolio Holders: Councillor Hales

Public report / Confidential report: No

Wards of the District directly affected: Not applicable

Contrary to the policy framework: No

Contrary to the budgetary framework: No

Key Decision: No

Included within the Forward Plan: Yes

Equality Impact Assessment Undertaken: Not applicable

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

Final Decision: Yes.

Officer/Councillor Approval

Officer Approval	Date	Name
Chief Executive/Deputy Chief Executive	25 Jan 2021	Chris Elliott/Andrew Jones
Head of Service	25 Jan 2021	Mike Snow
CMT	25 Jan 2021	Chris Elliott/Andrew Jones/Bill Hunt
Section 151 Officer	25 Jan 2021	Mike Snow
Monitoring Officer	25 Jan 2021	Andrew Jones
Finance	25 Jan 2021	Mike Snow
Portfolio Holder(s)	3 March 2021	Councillor Hales

1 **Summary**

1.1 The report presents the Internal Audit Strategic Plan 2021/22 – 2023/24 and the Internal Audit Charter 2021/22 for consideration and approval.

2 **Recommendation**

2.1 That Members consider and approve the Internal Audit Strategic Plan 2021/22 – 2023/24 and the Internal Audit Charter 2021/22.

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)**

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

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

4.2 **FFF Strands**

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

People - Health, Homes, Communities

Services - Green, Clean, Safe

Money- Infrastructure, Enterprise, Employment

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

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

People - Effective Staff

Services - Maintain or Improve Services

Money - Firm Financial Footing over the Longer Term

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

4.3 **Supporting Strategies**

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

4.4 **Changes to Existing Policies**

4.4.1 This section is not applicable.

4.5 **Impact Assessments**

4.5.1 This section is not applicable.

5 **Budgetary Framework**

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

6 **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 **Background: Internal Audit 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 2021/22 to 2023/24 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. The **previous year's Charter has been updated** to reflect findings and recommendations arising from the Public Sector Internal Audit Standards review that was conducted recently. The results of that review are reported elsewhere on the agenda for Finance and Audit Scrutiny Committee.

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 2021 TO 31ST MARCH 2024

RISK-BASED COVERAGE

Assignment Name	Risk Description	Assignment Objective	Year Last Audited	Assurance Rating Last Audit	2021-22 (Days)	2022-23	2023-24
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.	2020-21	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)	7		
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	Substantial		✓	
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	12		

STRATEGIC AUDIT PLAN 1ST APRIL 2021 TO 31ST MARCH 2024

RISK-BASED COVERAGE

Assignment Name	Risk Description	Assignment Objective	Year Last Audited	Assurance Rating Last Audit	2021-22 (Days)	2022-23	2023-24
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.	2020-21	Substantial			✓
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.	2020-21	Not yet completed			✓
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	Substantial		✓	
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.	2020-21	Not yet completed	To be determined based on next update of IT Audit Needs Assessment.		
TOTAL DAYS					48		

STRATEGIC AUDIT PLAN 1ST APRIL 2021 TO 31ST MARCH 2024

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	2021-22 (Days)	2022-23	2023-24
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	2020-21	Not yet completed	10	✓	✓
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	2020-21	Substantial		✓	✓
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. Suggest that the scope for 2021/22 could be Discretionary Housing Benefits	2019-20	Substantial	10	✓	✓
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	Substantial		✓	
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	12		
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.	2020-21	Substantial			✓
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	13		
				TOTAL DAYS	45	

STRATEGIC AUDIT PLAN 1ST APRIL 2021 TO 31ST MARCH 2024

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	2021-22 (Days)	2022-23	2023-24
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	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	2020-21	Not yet completed			
ICT Services	Web Applications	Vulnerability assessments' will be performed to ensure that web applications in place are appropriately secure.	IT Audit Needs Assessment	2020-21	Not yet completed			
ICT Services	ICT Operations as a Joint Service	To ascertain whether ICT operations are effective in light of the new (and future) joint service with Stratford DC	IT Audit Needs Assessment	No previous audit of this topic	N/A	6		
ICT Services	Microsoft 365	To ascertain whether there are appropriate controls in place over the use of Microsoft 365	IT Audit Needs Assessment	No previous audit of this topic	N/A	7		
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 2021 TO 31ST MARCH 2024

Client Service	Assignment Name	Assignment Objective	Risk Source	Year Last Audited	Assurance Rating Last Audit	2021-22 (Days)	2022-23	2023-24
Assets	Utilities 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	12		
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	10		
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	2020-21	Substantial			✓
Corporate Functions	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		✓	
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	2020-21	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		✓	
Corporate Functions	Responding to Complaints & FOI Requests	To ensure that complaints and FOI requests are responded to in an appropriate and timely manner	Senior management consultation	No previous audit of this topic	N/A	10		
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		✓	
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		✓	

STRATEGIC AUDIT PLAN 1ST APRIL 2021 TO 31ST MARCH 2024

Client Service	Assignment Name	Assignment Objective	Risk Source	Year Last Audited	Assurance Rating Last Audit	2021-22 (Days)	2022-23	2023-24
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		✓	
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	2020-21	Moderate			✓
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	11		
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.	Service Risk Register	2020-21	Substantial			✓
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	2020-21	Not yet completed			✓
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	2020-21	Substantial			✓
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	Moderate		✓	
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.		

STRATEGIC AUDIT PLAN 1ST APRIL 2021 TO 31ST MARCH 2024

Client Service	Assignment Name	Assignment Objective	Risk Source	Year Last Audited	Assurance Rating Last Audit	2021-22 (Days)	2022-23	2023-24
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	2020-21	Substantial			✓
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	15		
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	2020-21	Substantial			✓
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	2020-21	Substantial			✓
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	Substantial		✓	
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 - TechOne Financial Management	Assess the adequacy of key IT controls in place for the TechOne 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 - 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	2020-21	Substantial			✓
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	10		
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	Substantial		✓	
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	2020-21	Not yet completed			✓

STRATEGIC AUDIT PLAN 1ST APRIL 2021 TO 31ST MARCH 2024

Client Service	Assignment Name	Assignment Objective	Risk Source	Year Last Audited	Assurance Rating Last Audit	2021-22 (Days)	2022-23	2023-24
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	7		
Finance	COVID Grants	To ensure that grants made to businesses in relation to COVID lockdown periods have been administered appropriately and Government monies have been accounted for.	Senior management consultation	No previous audit of this topic	N/A	10		
Finance	Test & Trace	To ensure that the Test & Trace process, including payments made, has been set up and run appropriately	Senior management consultation	No previous audit of this topic	N/A	8		
Finance	New FMS - Balance Transfers	To ensure that all relevant balances and details have transferred across from TOTAL & PARIS to TechOne	Senior management consultation	No previous audit of this topic	N/A	10		
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	11		
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 Crime and Disorder activity is properly managed.	Service Risk Register	2020-21	Substantial			✓
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		✓	

STRATEGIC AUDIT PLAN 1ST APRIL 2021 TO 31ST MARCH 2024

Client Service	Assignment Name	Assignment Objective	Risk Source	Year Last Audited	Assurance Rating Last Audit	2021-22 (Days)	2022-23	2023-24
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	2020-21	Not yet completed		✓	
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	2020-21	Substantial	To be determined based on next update of IT Audit Needs Assessment.		
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	Substantial		✓	
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	9		
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	9		
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	2020-21	Not yet completed			✓
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		✓	
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	2020-21	Substantial			✓
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	10		
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	10		

STRATEGIC AUDIT PLAN 1ST APRIL 2021 TO 31ST MARCH 2024

Client Service	Assignment Name	Assignment Objective	Risk Source	Year Last Audited	Assurance Rating Last Audit	2021-22 (Days)	2022-23	2023-24
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	13		
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		✓	
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	2020-21	Substantial			✓
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	2020-21	Substantial			✓
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						266		

Internal Audit Charter 2021-22

1 Introduction

- 1.1 The Public Sector Internal Audit Standards (PSIAS) 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's**¹ functional relationship with the board² as well as the rights of access to records, personnel and physical properties relevant to internal audit engagements.

2 Definition of Internal Audit

- 2.1 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.”

3 Purpose of Internal Audit

- 3.1 Internal audit is an arm of management. Management is responsible for internal control and establishing policies and procedures to help the council achieve its objectives. To provide optimum benefit to the council, internal audit works in partnership with management to improve the control environment and assist the organisation in achieving those objectives. This is achieved through the mix of audit work e.g. assurance work and consultancy and advice, whether this is ad hoc or through project related work. **The objective supports the ‘Mission of Internal Audit’ which is defined within section 3 of the PSIAS as ‘To enhance and**

¹ The term Chief Audit Executive (CAE) is the generic title used in the Public Sector Internal Audit Standards to describe the head of internal audit at an organisation. The CAE describes the role of a person in a senior position responsible for managing the internal audit activity in accordance with the internal audit charter and the mandatory elements of the International Professional Practices Framework. The CAE, or others reporting to the CAE, will have appropriate professional certifications and qualifications. The specific job title and/or responsibilities of the CAE may vary across organisations. At WDC the CAE has the post title of Audit and Risk Manager.

² **In the Council’s case** the board 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.

protect organisational value by providing risk-based and objective assurance, advice and insight’.

4 Statutory Basis of Internal Audit

4.1 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.”

4.2 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 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.

5 Core Principles for the Professional Practice of Internal Auditing

5.1 The PSIAS set out Core Principles that underpin the effectiveness of internal audit. The application of the principles will help internal audit achieve its mission. The principles and how Internal Audit at Warwick District Council (‘the Council’ or ‘WDC’) achieve these are set out below:

Principle	Examples of how the principles are applied
Demonstrates integrity	<ul style="list-style-type: none"> Confidentiality of work undertaken. Building trust with clients. Compliance with requirements of relevant professional bodies. Requirements with rules and procedures of the Council.
Demonstrates competence and due professional care	<ul style="list-style-type: none"> Quality-assured work. Work towards professional qualification. Training and development.
Is objective and free from undue influence.	<ul style="list-style-type: none"> Ensure there is no conflict of interest. Factual accuracy of audit findings Safeguard arrangements in relation to CAE role
Aligns with the strategies, objectives and risks of the organisation.	<ul style="list-style-type: none"> Risk based audit plan Consideration of risks with corporate risk register (SBRR) ICT risk assessment
Is appropriately positioned and adequately resourced.	<ul style="list-style-type: none"> Independently located within the Council’s organisational structure

Principle	Examples of how the principles are applied
	<ul style="list-style-type: none"> • Adequate staff resource to deliver the audit plan • Direct reporting line to senior management and to chair of Finance & Audit Scrutiny Committee
Demonstrates quality and continuous improvement	<ul style="list-style-type: none"> • Delivery of quality assurance and improvement actions
Communicates effectively	<ul style="list-style-type: none"> • Client satisfaction feedback • Clear and concise planning engagement • Quality of audit reporting and recommendations • Assurance to Finance & Audit Scrutiny Committee
Provides risk-based assurance	<ul style="list-style-type: none"> • Categorisation of audit opinions and recommendations • Audit work linked to corporate objectives • Auditing "what matters".
Is insightful, proactive and future-focused	<ul style="list-style-type: none"> • Participates within professional networks • Horizon scanning of internal and external audit-related activity • Service development time allowed
Promotes organisational improvement	<ul style="list-style-type: none"> • Implementation of audit recommendations • Development time allocated within the Audit Plan • Consultancy and advice on corporate projects

6 Responsibility, Authority and Scope of Internal Audit

- 6.1 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.
- 6.2 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.
- 6.3 Internal Audit has direct, free and unrestricted 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.

- 6.4 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 or Deputy 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**.
- 6.5 The following groups are defined in terms of their powers and responsibilities in relation to Internal Audit:

Finance and Audit Scrutiny Committee

The PSIAS refers to 'the board'. This is usually taken to mean the audit committee. Its key responsibility as per the PSIAS is to maintain an **overview on the adequacy of the council's governance, internal control and risk management processes**. The **Council's Finance and Audit Scrutiny Committee operates as the organisation's audit 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.

- 6.6 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

⁴ Senior management comprises the members of the Senior Management Team i.e. the Chief Executive, the Deputy Chief Executive and the Heads of Service Areas.

- Safeguarding of assets.

- 6.7 **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.
- 6.8 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, where it has the necessary skills and resources to do this, may perform consulting and advisory services as appropriate for the organisation as determined by the Audit and Risk Manager on a case-by-case basis. It may also evaluate specific operations at the request of the Finance and Audit Scrutiny Committee and senior management, as appropriate.
- 6.9 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.

7 Professionalism and Ethical Behaviour

- 7.1 The work of Internal Audit is governed by 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.
- 7.2 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.
- 7.3 When undertaking their work, internal auditors are required to demonstrate integrity, objectivity, confidentiality and competency. This establishes trust and thus provides the basis for reliance on their judgement. Internal Audit officers will have due regard to the Committee on **Standards of Public Life's 'Seven Principles of Public Life'** and must comply to the code of ethics of any professional body where they are members.

8 Independence and Objectivity

8.1 Organisational Independence

- 8.1.1 Internal Audit is part of the Finance service area and the Audit and Risk Manager reports directly to the Head of Finance. The PSIAS requires that the CAE must report to a level within the organisation that allows the internal audit activity to fulfil its responsibilities. To enable this to happen, the CAE has unfettered access to the Chief Executive, the Deputy Chief Executive and Monitoring Officer and to the Chair of the Finance and Audit Scrutiny Committee. To develop effective communication with the Chair, regular meetings are held to provide an update on internal audit activities.
- 8.1.2 Organisational independence is also achieved through functional reporting to the Finance and Audit Scrutiny Committee. Examples of functional reporting include the approval of this charter, approval of the internal audit plan, receiving regular monitoring reports on internal audit activity and the presentation of an annual report. The annual report will be timed to support the **Council's Annual Governance Statement**. Confirmation of **Internal Audit's organisational independence will be** included in the annual report of the Audit and Risk Manager.
- 8.1.3 A key determinant of the effectiveness of internal audit is that it is seen to remain free from interference in all regards. This shall include, but not limited to matters of audit selection, scope, procedure, frequency, timing or report content. To ensure this, Internal Audit will operate within a framework that allows unrestricted access to senior management and members, reporting in its own name and segregation of team members from line operations.
- 8.1.4 It is not uncommon, given the financial challenges facing local government, that a CAE will have operational responsibility for other service areas. At Warwick District Council, the Audit and Risk Manager has responsibility for Risk Management, Insurance and Corporate Fraud Investigation.
- 8.1.5 PSIAS standard 1112 requires that where responsibilities of the CAE fall outside of internal auditing, safeguards must be in place to limit impairments to independence or objectivity. In practical terms, at Warwick District Council, where an audit is to be undertaken on a service area that is managed by the Audit and Risk Manager then the audit will be reviewed and signed off by the Head of Finance. The relevant internal auditor will report direct to the Head of Finance for the purpose of approving documentation such as the audit assignment brief and draft and final reports.

8.2 Individual Objectivity

- 8.2.1 Internal auditors must have an impartial, unbiased attitude and avoid any conflict 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.

- 8.2.2 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.
- 8.2.3 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**. The Audit and Risk Manager will consider the materiality of the conflict and if necessary take remedial action. For example, assigning the audit to another team member or contracting the audit work externally.
- 8.2.4 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.

9 Role in Anti-Fraud

- 9.1 Managing the risk of fraud and corruption is the responsibility of management. At WDC **this responsibility is defined within the Council's Code of Financial Practice and within the Anti-fraud and Corruption Strategy**. Audit procedures alone, even when performed with due professional care, cannot guarantee that fraud or corruption will be detected. Internal auditors will, however, be alert in all their work to risks and exposures that could allow fraud or corruption.
- 9.2 The work programme of Internal Audit is designed, in part, to help deter fraud and corruption. With this in mind, Internal Audit bases its planning on regular risk assessment and works with senior managers in determining its programme of work.
- 9.3 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.
- 9.4 The Audit and Risk Manager must be notified immediately of all suspected or detected fraud, theft, corruption or any other impropriety so that the impact upon control arrangements can be evaluated, including implications for the provision of an overall opinion on the internal control environment contained within the Internal Audit Annual Report as well as implications for the Annual Governance Statement.

10 Resourcing

- 10.1 The Internal Audit service is provided through an in-house team of three full time equivalent officers. These officers report to the Audit and Risk Manager. The team sits within the Finance service area.
- 10.2 The audit plan is aligned to the available staff resource and this resource is deemed sufficient to ensure the coverage and effectiveness of internal audit activity. The remit of Internal Audit is not just related to financial control and therefore it is essential the skills mix within the team reflects this wider responsibility. Where necessary, if it is deemed the audit team do not possess the required skills and knowledge or to supplement the in-house resource where that is insufficient in size, resources from external providers are utilised.
- 10.3 The Audit and Risk Manager is responsible for ensuring that the resources of the Internal Audit section are sufficient to meet its responsibilities and achieve its objectives. If a situation arose whereby it was the opinion these resources were insufficient, this would be formally reported to the Head of Finance and to the Finance and Audit Scrutiny Committee. It would also be reported to other members of senior management if deemed necessary.

11 Relationship with External Audit

- 11.1 Both internal audit and external audit have a commitment to work together to ensure resources are effectively and efficiently deployed. The two parties should meet regularly to support a cooperative, professional working relationship, share relevant information and coordinate the overall audit effort.
- 11.2 Both parties should advise each other of any significant issues which arise as soon as practicable, and of any changes or delays in agreed areas of reliance. They should also liaise during the planning stage of producing audit plans to ensure the timing and scope of our work makes the most of coverage and avoids duplication. External audit will have full and free access to all internal audit documentation.

12 Internal Audit Planning

- 12.1 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.
- 12.2 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.**

- 12.3 Any significant deviation from the approved Internal Audit Plan will be communicated through the periodic activity reporting process.

13 Reporting and Monitoring

- 13.1 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.
- 13.2 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.
- 13.3 **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.
- 13.4 Internal Audit will determine the state of implementation of recommendations contained in audit reports. For each assignment, managers are expected to provide Internal Audit with updates on the completion of the agreed action with evidence provided accordingly. Finance and Audit Scrutiny Committee will be informed of the completion (or otherwise) of the agreed actions on a quarterly basis.
- 13.5 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.
- 13.6 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.
- 13.7 As set out in the PSIAS, para 2450, the CAE must also provide an annual report to the board that includes:
- An annual internal audit opinion on the overall adequacy and **effectiveness of the organisation's governance, risk and control** framework
 - A summary of the audit work from which the opinion is derived, and
 - A statement on conformance with the PSIAS and the results of the Internal Audit Quality Assurance and Improvement Programme
- 13.8 Thus, every internal audit report should give an opinion on the risk and controls of the area under review, building up to the annual opinion on **the overall adequacy and effectiveness of the organisation's framework** of governance, risk management and control.
- 13.9 A fundamental part of the work undertaken by Internal Audit is the follow up of audit recommendations to ensure that management actions have been properly implemented. The Finance and Audit Scrutiny

Committee has the remit to call in any officer to explain where recommendations remain unaddressed. All audit opinions and the results of follow up work, particularly the need to escalate any outstanding recommendations and/or adverse audit opinions, are also considered by the senior management team on a quarterly basis.

13 Periodic Assessment of the Effectiveness of Internal Audit

- 13.1 In accordance with the Public Sector Internal Audit Standards an external review of the effectiveness of Internal Audit will be performed at least once every five years.

14 Review of the Internal Audit Charter

- 14.1 This Charter will be subject to annual review by the Audit and Risk Manager and subsequent approval by the Finance and Audit Scrutiny Committee.

Finance and Audit Scrutiny Committee
17 March 2021

Title: Review of Internal Audit Service in Compliance with Public Sector Internal Audit Standards

Lead Officer: Richard Barr

Portfolio Holders: Councillor Hales

Public report / Confidential report: No

Wards of the District directly affected: Not applicable

Contrary to the policy framework: No

Contrary to the budgetary framework: No

Key Decision: No

Included within the Forward Plan: Yes

Equality Impact Assessment Undertaken: Not applicable

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

Checked for Accessibility: Yes

Final Decision: Yes.

Officer/Councillor Approval

Officer Approval	Date	Name
Chief Executive/Deputy Chief Executive	3 March 2021	Chris Elliott/Andrew Jones
Head of Service	3 March 2021	Mike Snow
CMT	3 March 2021	Chris Elliott/Andrew Jones/Bill Hunt
Section 151 Officer	3 March 2021	Mike Snow
Monitoring Officer	3 March 2021	Andrew Jones
Finance	3 March 2021	Mike Snow
Portfolio Holder(s)	3 March 2021	Councillor Hales

1 **Summary**

1.1 The report contains the results of a review of the Council's Internal Audit Service, required under the Public Sector Internal Audit Standards.

2 **Recommendations**

2.1 That the report be noted and its contents be accepted or, where appropriate, acted upon.

3 **Reason for the Recommendations**

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

4 **Policy Framework**

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

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

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

4.2 **FFF Strands**

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

People - Health, Homes, Communities

Services - Green, Clean, Safe

Money- Infrastructure, Enterprise, Employment

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

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

People - Effective Staff

Services - Maintain or Improve Services

Money - Firm Financial Footing over the Longer Term

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

4.3 **Supporting Strategies**

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

4.4 **Changes to Existing Policies**

4.4.1 This section is not applicable.

4.5 **Impact Assessments**

4.5.1 This section is not applicable.

5 **Budgetary Framework**

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

6 **Risks**

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

7.2 It is difficult to provide a commentary on risks as the report is concerned with the outcome of a review by Internal Audit by an external body. 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 report is not concerned with recommending a particular option in preference to others so this section is not applicable.

8 **Background**

8.1 *The Public Sector Internal Audit Standards (PSIAS) require that "The chief audit executive must develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity" and that "The "quality assurance and improvement programme must include both internal and external assessments."*

8.2 As well as internal assessments of the performance of the internal audit function that include ongoing monitoring of the activity and periodic self-assessments, external assessments must be conducted at least once every five years by a qualified, independent assessor from outside the organisation.

- 8.3 The PSIAS states that the "*External assessments can be in the form of a full external assessment, or a self-assessment with independent external validation.*" The Council has opted for a full external assessment to provide greater objectivity and potential for learning i.e. greater value from the exercise.
- 8.4 The PSIAS requires that the results of external assessments be **communicated to 'the board'**. Consequently, the **assessor's report is set out** as the appendix.
- 8.5 The **assessor's report includes an action plan with the assessor's recommendations on improvements and Internal Audit's responses** to them detailing how the recommendations will be addressed. In compliance with the PSIAS, Members will be updated on progress.
- 8.6 The PSIAS also states that "*The results of the quality and assurance programme and progress against any improvement plans must be reported in the annual report.*" The **improvement plan that forms part of the external assessor's report** will therefore be included within the Internal Audit Annual Report that will be issued to Finance & Audit Scrutiny Committee on 26 May 2021.

Tilia Solutions
CORPORATE GOVERNANCE CONSULTANCY



FINAL

Review of

Warwick District Council's Internal Audit Team

18 January 2021

Elizabeth Humphrey CPFA

Review of Warwick District Council's Internal Audit Team (January 2021)

Internal audit within the public sector in the United Kingdom is governed by the Public Sector Internal Audit Standards (PSIAS) which have been in place since 1 April 2013, were revised on 1 April 2016 and further revised on 1 April 2017. The purpose of the PSIAS is to improve the professionalism and standing of internal audit, to support good governance in local government and to add value. The standards require periodic self-assessments and an assessment by an external person every five years. Warwick District Council's internal audit team was last reviewed in April 2016 and a re-evaluation was therefore due. The review also included checking compliance with the Local Government Advisory Note (LGAN) where this has requirements in addition to those in the PSIAS.

The review was carried out through a process of interview and document review. A list of interviewees is included at appendix 2. I should like to thank all those who took the time to talk to me for their help. I reviewed eight audits carried out during the 2019/20 and 2020/21 financial years and I examined key documents including the Charter and reports to the Finance and Audit Scrutiny Committee (F&ASC).

Internal audit at Warwick District Council **partially conforms with the PSIAS** (see appendix 3 for details of the PSIAS ratings). I identified no areas of non-compliance with the standards that would affect the overall scope or operation of the internal audit activity and the team is well-regarded in the council. It was pleasing to see the progress that the team has made since the last review, especially the shift from an entirely compliance-driven approach to some consideration of risk. The team does, however, now need to become risk-driven and only carry out compliance work where a risk appraisal indicates that this is necessary. It also needs to address the changes made to the standards since its last review, especially safeguards for audit when carrying out non-audit work (standard 1112), the mission and the core principles. These will be big changes for the team and for its clients, who value the compliance-based check and challenge that is currently provided. I suggest that they are made over time to allow everyone to become used to the new approach and to recognise the support that audit can give to Warwick and its activities to deliver its corporate objectives and improve services. The proposed amalgamation with Stratford's internal audit function might be a useful impetus to begin making these changes. I have made 14 recommendations (R) and two suggestions (S) to support this. The Audit and Risk Manager (referred to as the CAE below) will need to take action to implement these and an action plan is included as appendix 1.

Summary findings and recommendations

Standard	Conformance	Findings	Recommendations and suggestions	Rec no
Mission	Non-conforming	There is no recognition of the mission in the Charter or other audit documents.	Quote the mission and/or demonstrate how it is delivered in the Charter	R1
Core principles of internal audit	Partially conforms	The team generally conforms to the majority of the core principles of internal audit but the principles are not recognised in any of the key documents (especially the Charter and the Audit Manual) and more needs to be done to deliver to them. The recommendations made elsewhere will support this.	Highlight the Core Principles in the Charter and other relevant documents, identifying how the audit function delivers against them See also R5, R7, R8, R9, R10, R11	R2
Code of Ethics	Conforms	All interviewees stressed the emphasis placed on ethics by the audit team and their independence and objectivity.		
Attribute standards				
1000 Purpose, authority and responsibility	Partially conforms	<p>The Charter is missing some of the required information:</p> <ul style="list-style-type: none"> Reference to the Core Principles and the Code of Ethics (Standard 1010) Details of safeguards for non-audit work (Standard 1112). <p>Audit resources should be determined by the CAE, not by the Head of Finance and the F&ASC as currently specified in the Charter (Standards 1010 and 2030).</p>	<p>See R2 and R6 Revise the Charter to refer to the Code of Ethics</p> <p>The CAE should determine the resources needed by the audit function and set out how this is done in the Charter and the annual audit plan</p>	R3 R4

Standard	Conformance	Findings	Recommendations and suggestions	Rec no
<p>1100 Independence and objectivity</p>	Partially conforms	<p>LGAN Ideally, to safeguard his independence, the CAE should report to a second-tier officer, i.e. one of the deputy chief executives, or the chief executive. The current arrangements work because of the people involved and the CAE has unhindered access to senior staff, but these arrangements should be built into the organisational structure.</p> <p>Standards 1010, 1112, 1130.A2 and LGAN Risk, insurance and counter-fraud come under the leadership of the CAE which could compromise audit's independence and objectivity when undertaking audits of these areas. There should be safeguards put in place to manage this.</p> <p>Independence and objectivity are otherwise well managed.</p>	<p>Examine alternative and more senior reporting arrangements for the CAE</p> <p>Safeguards, including independent audit arrangements and/or alternative reporting arrangements (for example, to another member of the management team), should be put in place to manage audit's independence and objectivity when they carry out non-audit activities. These should be discussed with and approved by the F&ASC and included in the Audit Charter</p>	<p>R5</p> <p>R6</p>
<p>1200 Proficiency and due professional care</p>	Conforms	<p>Audits are well-planned, well-structured, well-documented and easy to follow. Shifting to a risk-centric approach, as opposed to a compliance-driven one, would increase the value provided by audit's activities to the Council.</p>	See R8, R9, R10, R11	

Standard	Conformance	Findings	Recommendations and suggestions	Rec no
1300 Quality assurance and improvement programme (QAIP)	Partially conforms	Internal audit performs and reports QAIP activities as indicated in the Standards but its failure to recognise the updates to the Standards shows some weaknesses in the approach.	Develop a robust programme of QAIP activities that cover all the Standards on a rolling basis and involve all members of the audit team in this work	R7
Performance standards				
2000 Managing the internal audit activity	Partially conforms	<p>Standards 2010, 2010.A1 and the LGAN Internal audit works from a rolling three-year plan which is revised each year to make any changes to reflect the current position of the Council. There is some flexibility in the plan for in-year changes (for example for the pandemic) and also contingency time for ad hoc work. The plan has a general risk reference for each audited area but does not go into details about the risk, its level, to prioritise audit work, or the links to the council's risk registers. It also cross refers to the council's corporate strategy but the strategy is not obviously used as a driver for the audit.</p> <p>Standard 2030 The audit plan should set out how internal audit's resource requirements have been assessed</p> <p>Standard 2050 The annual audit plan does not set out where audit works with other assurance providers (for example, IIP assessors, cyber security reviews, external audit, etc.) to reduce duplication</p>	<p>Develop the risk focus of the annual plan to describe the risk relating to each audit more fully, show the relative priority of each audit based on a risk score and indicate the links to the council's risk registers.</p> <p>Make the link to the council's activities, priorities and strategies clearer, both in the annual plan and in individual engagement plans</p> <p>See R4</p> <p>Indicate other sources of assurance in the audit plan</p>	<p>R8</p> <p>R9</p> <p>S1</p>

Standard	Conformance	Findings	Recommendations and suggestions	Rec no
<p>2100 Nature of work</p>	<p>Conforms</p>	<p>Internal audit's work covers the areas required by the PSIAS and LGAN. It could be improved by increasing the links to the Council's priorities and risks, so demonstrating the contribution that internal audit makes to delivery for the Council and auditees. In particular, it should ensure that it audits against any identified fraud risks (standards 1210.A2 and 2120.A2).</p>	<p>Include an examination of the ways in which fraud risks are managed in relevant audits See also R8, R9 and R11</p>	<p>R10</p>
<p>2200 Engagement planning</p>	<p>Partially conforms</p>	<p>Standards 2201, 2210.A1 and 2210.A2 Engagement planning documents all include a risk appraisal, but that appraisal could be extended to consider risk more broadly (it is under set headings) and the risks identified are not always carried through to the audit testing, especially when the audit focus is on compliance to CIPFA matrices (ICQs), which have not been updated for many years. All audits cross-refer to the Council's priorities, but these are not then a focus of the audit work.</p> <p>Standard 2240.A1 Detailed and clear work programmes are developed for each audit but these are not formally reviewed until the draft audit report is produced. They must be signed off before implementation to check that audit plans are properly focused and practical.</p>	<p>Strengthen risk planning for audit engagements, to address the risks identified in the annual plan and to think broadly about all risks relevant to the audited area. Ensure the audit is carried out against those risks</p> <p>If ICQs are used, tailor them to Warwick's circumstances</p> <p>See R9</p> <p>Sign off the work programme before audit testing starts, perhaps as part of approving the brief</p>	<p>R11</p> <p>R12</p> <p>R13</p>

Standard	Conformance	Findings	Recommendations and suggestions	Rec no
2300 Performing the engagement	Conforms	The review showed that audits are well-performed and clearly documented. It was straightforward to follow audits through from planning to reporting.		
2400 Communicating the results	Conforms	Audit reports are clear and complete. They report all areas examined and, although long, the level of detail is valued by auditees and other readers.	Consider ways to make audit reports punchier (bullet points and similar) and shorter (putting details about the audited area in an appendix)	S2
2500 Monitoring progress	Partially conforms	Audits are formally followed up when they are next reviewed as part of the audit cycle and they are informally followed up on their due dates. This could mean a delay of up to three years before a high-priority recommendation is chased up and it may mean that one-off audits and pieces of consultancy are never followed up formally. The process is not described in the audit manual.	A formal and timely follow-up process should be implemented and set out in the audit manual. As a minimum, high priority/limited assurance recommendations should be formally checked for implementation at their due dates, with evidence being obtained where relevant	R14
2600 Communicating the acceptance of risks	Conforms	There was no evidence that risks have been left unmitigated following an audit, highlighting the priority given to audit findings.		

The Audit and Risk Manager has details of the findings, standard by standard.

Elizabeth Humphrey CPFA

Appendix 1: action plans

Recommendations

No	Recommendation	Comments	Responsible officer	Action date
R1	Quote the mission and/or demonstrate how it is delivered in the Charter	The Charter will be updated to reflect this in time for the production of the new Plan and Charter.	Audit and Risk Manager	March 2021
R2	Highlight the Core Principles in the Charter and other relevant documents, identifying how the audit function delivers against them	The Charter and the audit manual will be updated accordingly.	Audit and Risk Manager (Charter) Principal Internal Auditor (Manual)	March 2021 September 2021
R3	Revise the Charter to refer to the Code of Ethics	The Charter will be updated accordingly.	Audit and Risk Manager	March 2021
R4	The CAE should determine the resources needed by the audit function and set out how this is done in the Charter and the annual audit plan	The resources will be reviewed to ensure that the service for both Warwick and Stratford can be delivered.	Audit and Risk Manager (Charter) Principal Internal Auditor (Manual)	For 2022/23 financial year
R5	Examine alternative and more senior reporting arrangements for the CAE	The Chief Executive and the Deputy Chief Executive & Monitoring Officer have reaffirmed their support for the following arrangements, viewing that the safeguards that are in place and the culture of the organisation	Chief Executive / Deputy Chief Executive & Monitoring Officer / Head of Finance	April 2021

		<p>mitigate the risk: The Audit and Risk Manager reports directly to the Head of Finance (Section 151 Officer). If the Audit and Risk Manager requires, however, he can report to the Chief Executive and/or Deputy Chief Executive & Monitoring Officer. This is set out in the Internal Audit Charter as well as other documents. (The Code of Financial Practice will be updated to strengthen this.) In addition, the Audit and Risk Manager can approach any member of the senior management team directly and can, if necessary, report directly to Members comprising the Leader of the Council, the Chair of Finance and Audit Scrutiny Committee and the Finance Portfolio Holder. In addition, as required, the Audit and Risk Manager meets regularly with the Chair of Finance and Audit Scrutiny Committee on matters of internal audit</p>		
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		business as a matter of routine, as required by the Public Sector Internal Audit Standards.		
R6	Safeguards, including independent audit arrangements and/or alternative reporting arrangements (for example, to another member of the management team), should be put in place to manage audit's independence and objectivity when they carry out non-audit activities. These should be discussed with and approved by the F&ASC and included in the Audit Charter	The 'safeguards' in place will be formally set out within the new Charter	Audit and Risk Manager	March 2021
R7	Develop a robust programme of QAIP activities that cover all the Standards on a rolling basis and involve all members of the audit team in this work	To be done in consultation with the team	Audit and Risk Manager	May 2021
R8	Develop the risk focus of the annual plan to describe the risk relating to each audit more fully, show the relative priority of each audit based on a risk score and indicate the links to the council's risk registers.	The format of the plan will be amended accordingly with the review coinciding with the setting of the plan for Stratford DC when the service is taken on.	Principal Internal Auditor	For 2022/23 financial year
R9	Make the link to the council's activities, priorities and strategies clearer, both in the annual plan and in individual engagement plans	The format of the plan will be amended accordingly with the review coinciding with the setting of the plan for Stratford DC when the service is taken on. The audit brief will be revised to take these issues into account.	Principal Internal Auditor	Revision to audit brief: April 2021 Amendment to format of the plan: For 2022/23 financial year.
R10	Include an examination of the ways in which fraud risks are managed in relevant audits	Where fraud risks are identified (and are recorded	Principal Internal Auditor	April 2021

		on the audit brief), the scope of the work and the testing programme will be set accordingly.		
R11	Strengthen risk planning for audit engagements, to address the risks identified in the annual plan and to think broadly about all risks relevant to the audited area. Ensure the audit is carried out against those risks	The format of relevant documents (i.e. the audit brief, programme and report) will be amended to ensure that risk becomes the focus of the work.	Principal Internal Auditor	For 2022/23 financial year
R12	If ICQs are used, tailor them to Warwick's circumstances	Agreed.	All team members	From 2021/22 financial year
R13	Sign off the work programme before audit testing starts, perhaps as part of approving the brief	Agreed. Work programme will accompany brief and the format of the brief will be amended so that this can be recorded.	Audit and Risk Manager (work programme) Principal Internal Auditor (brief)	April 2021
R14	A formal and timely follow-up process should be implemented and set out in the audit manual. As a minimum, high priority/limited assurance recommendations should be formally checked for implementation at their due dates, with evidence being obtained where relevant	A process making better use of the intranet form is being drawn up. This will require the relevant officer to provide an update on the recommendation as soon as it has been addressed and to provide supporting evidence via completion of the intranet form.	Audit and Risk Manager and Principal Internal Auditor	April 2021

		<p>Reminder emails will be sent to relevant staff on a monthly / quarterly (to be confirmed) basis if they have not provided an update.</p> <p>The reporting process to F&A will also change so that recommendations that were due to be completed in the preceding quarter are reported on as opposed to all recommendations contained within audit reports produced within a certain timeframe.</p> <p>Where recommendations have not been addressed in a timely manner, the relevant officer will be required to provide a new date by which they aim to complete the action, and they will again be expected to provide an update via the intranet form once completed.</p> <p>If the recommendation has not been addressed by this revised date, consideration is being given as to how this will be escalated / reported.</p>		
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Suggestions

No	Suggestion	Comments	Responsible officer	Action date
S1	Indicate other sources of assurance in the audit plan	To be done in conjunction with the rest of the team and after 'surveying' heads of service	Audit and Risk Manager and Principal Internal Auditor	For 2022/23 financial year, to deliver Stratford's internal audit service from 1 April 2022
S2	Consider ways to make audit reports punchier (bullet points and similar) and shorter (putting details about the audited area in an appendix)	Will consider but auditees, managers and Members like format of current Internal Audit reporting style and format.	Audit and Risk Manager	Immediately and ongoing.

Appendix 2: interviewees

Person	Position
Richard Barr	Audit and Risk Manager
Jemma Butler	Internal Auditor
Ian Davy	Principal Internal Auditor
Tracy Dolphin	Head of People and Communications
Chris Elliott	Chief Executive
Andrew Jones	Deputy Chief Executive and Monitoring Officer
Nathan Leng	Internal Auditor
Tarandeep Mahal	HR Business Partner
Caroline Russell	Landlord Services Manager
Mike Snow	Head of Finance
Karen Weatherburn	Learning and Development Officer
Andrea Wyatt	Benefits and Customer Services Manager

Appendix 3: conformance gradings

Conforms	The internal audit service complies with the standards with only minor deviations. The relevant structures, policies, and procedures of the internal audit service, as well as the processes by which they are applied, at least comply with the requirements of the section in all material respects.
Partially conforms	The internal audit service falls short of achieving some elements of good practice but is aware of the areas for development. These will usually represent significant opportunities for improvement in delivering effective internal audit and conformance to the standards.
Non-conforming	The internal audit service is not aware of, is not making efforts to comply with, or is failing to achieve many/all of the elements of the standards. These deficiencies will usually have a significant adverse impact on the internal audit service's effectiveness and its potential to add value to the organisation. These will represent significant opportunities for improvement, potentially including actions by senior management or the audit committee.



Finance and Audit Scrutiny Committee
17 March 2021

Title: Annual Governance Statement 2019/20 Action Plan: Review of Progress

Lead Officer: Richard Barr

Portfolio Holders: Councillors Day and Hales

Public report / Confidential report: No

Wards of the District directly affected: Not applicable

Contrary to the policy framework: No

Contrary to the budgetary framework: No

Key Decision: No

Included within the Forward Plan: Yes

Equality Impact Assessment Undertaken: Not applicable

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

Final Decision: Yes.

Officer/Councillor Approval

Officer Approval	Date	Name
Chief Executive/Deputy Chief Executive	22 Feb 2021	Chris Elliott/Andrew Jones
Head of Service	22 Feb 2021	Mike Snow
CMT	22 Feb 2021	Chris Elliott/Andrew Jones/Bill Hunt
Section 151 Officer	22 Feb 2021	Mike Snow
Monitoring Officer	22 Feb 2021	Andrew Jones
Finance	22 Feb 2021	Mike Snow
Portfolio Holder(s)	3 March 2021	Councillors Day and Hales

1 **Summary**

- 1.1 The purpose of this report is for Committee to review the progress that is being made in addressing the 'Significant Governance Issues' facing the Council set out in its Annual Governance Statement 2019/20. The appendix accompanying this report sets out the progress in addressing the Significant Governance Issues.

2 **Recommendations**

- 2.1 That Committee should review the Action Plan set out in the Appendix and confirm whether it is satisfied with the progress being made in addressing the Significant Governance Issues pertaining to the Annual Governance Statement 2019/20.

3 **Reasons for the Recommendations**

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

4 **Policy Framework**

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

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

4.2 **FFF Strands**

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

People - Health, Homes, Communities

Services - Green, Clean, Safe

Money- Infrastructure, Enterprise, Employment

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

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

People - Effective Staff

Services - Maintain or Improve Services

Money - Firm Financial Footing over the Longer Term

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

4.3 **Supporting Strategies**

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

4.4 **Changes to Existing Policies**

4.4.1 This section is not applicable.

4.5 **Impact Assessments**

4.5.1 This section is not applicable.

5 **Budgetary Framework**

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

6 **Risks**

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

7 **Alternative Options Considered**

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

8 **Corporate Governance in Local Authorities**

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

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

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

8.2 CIPFA/SOLACE has issued a framework and guidance on delivering good governance in local government. The framework is built on the six core principles set out in the Good Governance Standard for Public Services that were themselves developed from earlier work by Cadbury and Nolan. The principles in relation to local government as set out in the framework are:

- a clear **definition of the body's purpose and focusing on the outcomes** for the community and creating and implementing a vision for the local area;
- members and officers are working together to achieve a common purpose with clearly defined functions and roles;
- promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
- taking informed and transparent decisions which are subject to effective scrutiny and managing risk;
- developing the capacity and capability of members and officers to be effective;
- engaging with local people and other stakeholders to ensure robust public accountability.

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

9 **Annual Governance Statement**

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

9.2 The CIPFA Financial Advisory Network has published an advisory document **entitled "The Annual Governance Statement: Rough Guide for Practitioners"**. Its advice is that the Annual Governance Statement is a key corporate document and the most senior member and the most senior officer (Leader and Chief Executive respectively) have joint responsibility as signatories for its accuracy and completeness. It advises that it should be owned by all senior members and officers of the authority and that it is essential that there is buy-in at the top level of the organisation. It advises that the work associated with its production should not be delegated to a single officer.

9.3 The Leader and Chief Executive of the Council as signatories to the Annual Governance Statement need to ensure that it accurately reflects the governance framework for which they are responsible. In order to achieve this they will rely on many sources of assurance, such as that from:

- Members of the Council
- Deputy Chief Executives and Service Area Managers
- the Responsible Financial Officer

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

10 **The Significant Governance Issues**

- 10.1 The governance issues facing the Council have been identified from production of the statutory Annual Governance Statement and are summarised in the Action Plan element of the Annual Governance Statement for 2019/20.
- 10.2 The appendix accompanying this report sets out the progress in addressing those issues. Progress is reported by the officers leading on them and has been endorsed by the Senior Management Team at a recent meeting.

Annual Governance Statement 2019/20: Action Plan for Governance Issues

Review of Progress to Dec 2020

AGS Ref.	Governance Issue	Responsible Officer	Progress Implementing Governance Issues	
			Position as at Sept 2020	Position as at Dec 2020
6.3	The compilation of learning points from the Council's response to the Coronavirus pandemic.	Chief Executive	Deputy Chief Executive (BH) and the Democratic Services Manager & Deputy Monitoring Officer will be leading a review of the Council's response . The scope of the review has been determined and work will commence shortly.	A report was considered by the Overview and Scrutiny Committee on the Council's response to the pandemic at its meeting on 9 th February 2021.
6.4	Review of the General Fund Balance to determine whether it is adequate.	Head of Finance	Consideration of the adequacy of the General Fund Balance and all of the Council's reserves will be included within the 2021/22 Budget report to be reported to members in February 2021.	The General Fund Balance has been reviewed alongside other reserves as part of the 2021/22 Budget report to Executive in February 2021.

Finance and Audit Scrutiny Committee
17 March 2021

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

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

Portfolio Holder: Not Applicable

Public report

Wards of the District directly affected: N/A

Accessibility checked: yes

1. Summary

1.1. This report informs the Committee of its work programme for 2020/2021 Municipal Year (Appendix 1) and of the current [Forward Plan](#).

2. Recommendation

2.1. The Committee to consider the work programme attached as Appendix 1 to the report and make any changes as required.

2.2. The Committee to identify any Executive items on the Forward Plan which it wishes to have an input before the Executive makes its decision;

2.3. The Committee to consider its workload for the coming months, specifically how it can accommodate the work within their scheduled meetings; and

3. Reasons for the Recommendation

3.1. The work programme as attached at Appendix 1 to the report should be updated at each meeting to accurately reflect the workload of the Committee.

3.2. Two of the five main roles of overview and scrutiny in local government are to undertake pre-decision scrutiny of Executive decisions and to feed into policy development.

3.3. If the Committee has an interest in a future decision to be made by the **Executive, or policy to be implemented, it is within the Committee's remit to feed into the process.**

3.4. The Forward Plan is actually the future work programme for the Executive. If a non-executive Member highlighted a decision(s) which is to be taken by the Executive which they would like to be involved in, that Member(s) could then provide useful background to the Committee when the report is submitted to the Executive and they are passing comment on it.

4. Background

- 4.1. The five main roles of overview and scrutiny in local government are: holding to account; performance management; policy review; policy development; and external scrutiny.
- 4.2. The pre-decision scrutiny of Executive decisions falls within the role of **'holding to account'**. To feed into the pre-decision scrutiny of Executive decisions, the Committee needs to examine the Council's Forward Plan and identify items which it would like to have an impact upon.
- 4.3. **The Council's Forward Plan is published on a monthly basis and sets out** the key decisions to be taken by the Council in the next twelve months. The Council only has a statutory duty to publish key decisions to be taken in the next four months. However, the Forward Plan was expanded to a twelve-month period to give a clearer picture of how and when the Council will be making important decisions. A key decision is a decision which has a significant impact or effect on two or more wards and/or a budgetary effect of £50,000 or more.
- 4.4. The Forward Plan also identifies non-key decisions to be made by the Council in the next twelve months, and the Committee, if it wishes, may also pre-scrutinise these decisions. There may also be policies identified on the Forward Plan, either as key or non-key decisions, which the Committee could pre-scrutinise and have an impact upon how these are formulated.
- 4.5. The Committee should be mindful that any work it wishes to undertake would need to be undertaken without the need to change the timescales as set out within the Forward Plan.
- 4.6. At each meeting, the Committee will consider their work programme and make amendments where necessary, and also make comments on specific Executive items, where notice has been given by 9am on the day of the Finance & Audit Scrutiny Committee meeting. The Committee will also receive a report detailing the response from the Executive, on the comments the Committee made on the Executive agenda in the previous cycle.
- 4.7. The Forward Plan is considered at each meeting and allows the Committee to look at future items and become involved in those Executive decisions to be taken, if members so wish.
- 4.8. As part of the scrutiny process, the Committee is not considering the whole of the Executive agenda. On the day of publication of the Executive agenda, all Councillors are sent an e-mail asking them to contact Committee Services, by 9.00am on the day of the Committee meeting to advise which Executive items they would like the Committee to consider.
- 4.9. If the Committee made a comment on an Executive report, a response will be provided to the Committee at its next meeting (Appendix 2). In reviewing these responses, the Committee can identify any issues for which it would like a progress report. A future report, for example, on how the decision has been implemented, would then be submitted to the Committee at an agreed date which would then be incorporated within the Work Programme.

Finance and Audit Scrutiny Committee WORK PROGRAMME

17 March 2021

Title	Audit Item or Scrutiny Item	Format	Lead Officer/ Councillor
IA Quarter 3 Progress Report	Audit	Written report followed by Q&A	Richard Barr / Cllr Hales
AGS Quarter 3 Action Plan Report	Audit	Written report followed by Q&A	Richard Barr / Cllr Day
IA Strategic Plan (2021/22 to 2023/24 plan)	Audit	Written report followed by Q&A	Richard Barr / Cllr Hales
External Review of Internal Audit	Audit	Written report followed by Q&A	Richard Barr / Cllr Hales
Significant Business Risk Register Review	Scrutiny	Written report followed by Q&A	Richard Barr / Cllr Day

21 April 2021

Title	Audit Item or Scrutiny Item	Format	Lead Officer/ Councillor
Update on Health & Community Protection and Finance Systems Replacements	Scrutiny	Written report followed by Q&A This procurement and project management assurance	Keith Eales Councillors Hales and Falp
Procurement full year review	Scrutiny	Written report followed by Q&A	Becky Reading and Councillor Hales

26 May 2021

Title	Audit Item or Scrutiny Item	Format	Lead Officer/ Councillor
Annual Governance Statement	Audit	Written report followed by Q&A	Richard Barr and Councillor day
Internal Audit Annual Report	Audit	Written report followed by Q&A	Richard Barr and Councillor Hales
IA Quarter 4 Progress Report	Audit	Written report followed by Q&A	Richard Barr and Councillor Hales
Annual Governance Statement Quarter 4 Action Plan Report	Audit	Written report followed by Q&A	Richard Barr and Councillor Day

7 July 2021

Title	Audit Item or Scrutiny Item	Format	Lead Officer/ Councillor
Risk Register, Contracts and Budgets Review - Finance	Audit	Written report followed by Q&A	Mike Snow and Councillor Day
Annual Fraud and Corruption Report	Audit	Written report followed by Q&A	Richard Bar and Councillor Hales
Anti Fraud and Corruption Strategy	Audit	Written report followed by Q&A	Richard Barr and Councillor Hales
Final accounts 2020/2021	Scrutiny	Written report followed by Q&A	Andrew Rollins and Councillor Hales
Review of Significant Business Risk Register	Scrutiny	Written report followed by Q&A	Richard Barr and Councillor Day

28 July 2021

Title	Audit Item or Scrutiny Item	Format	Lead Officer/ Councillor

Appendix 1**11 August 2021**

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

22 September 2021

Title	Audit Item or Scrutiny Item	Format	Lead Officer/ Councillor
Procurement Strategy Half Year Update	Scrutiny	Written report followed by Q&A	Becky Reading and Councillor Hales
External Audit Findings Report	Audit	Written report followed by Q&A	Mike Snow and Councillor Hales
Statement of Accounts 2020/2021	Audit	Written report followed by Q&A	Andrew Rollins and Councillor Hales
IA Quarter 1 Progress Report	Audit	Written report followed by Q&A	Richard Barr and Councillor Hales
Annual Governance Statement Quarter 1 Action Plan Report	Audit	Written report followed by Q&A	Richard Barr and Councillor Day

Appendix 1**3 November 2021**

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

15 December 2021

Title	Audit Item or Scrutiny Item	Format	Lead Officer/ Councillor

9 February 2022

Title	Audit Item or Scrutiny Item	Format	Lead Officer/ Councillor
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Appendix 1

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9 March 2022

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

13 April 2022

Title	Audit Item or Scrutiny Item	Format	Lead Officer/ Councillor
Procurement Full Year Review	Audit	Written report followed by Q&A	Becky Reading and Councillor Hales

**Response from the meeting of the Executive on the
F&A Committee's Comments – 11 February 2021**

Item Number: 6 - General Fund Budget and Council Tax 2021/22

Reason Considered:

Part of the remit of the Finance & Audit Scrutiny Committee.

Scrutiny Comment:

The Finance & Audit Scrutiny Committee supported the report and took the opportunity to thank all officers for their work in bringing forward the budget for the Council in these challenging times.

Executive Response:

Councillor Hales thanked the Head of Finance and officers who had worked so diligently in producing the budget in recent months, and he thanked the Finance and Audit Scrutiny Committee. The recommendations in the report were approved.

Item Number: 8 - Treasury Management Strategy 2021/22

Reason Considered:

Part of the remit of the Finance & Audit Scrutiny Committee.

Scrutiny Comment:

The Finance & Audit Scrutiny Committee noted the report and welcomed the approach of PAB picking up the initial work in this area in respect of the potential Environmental, Social and Governance investment and joint working with Stratford District Council.

Executive Response:

Councillor Hales thanked the Finance and Audit Scrutiny Committee Members for their **questions at the Committee's meeting on 10 February. He also explained that he had** spoken to the Chair of the Finance and Business PAB and this item would come to the PAB in September. He thanked the Head of Finance and the report author, the Principal Accountant, and he then proposed the report as laid out.

Item Number: 11 - Warwick District Leisure Development Programme – Kenilworth Facilities

Requested by: Councillor Nicholls

Reason Considered: This falls under the remit of the Committee because of the financial investment, loss of income and the procurement strategy.

Scrutiny Comment:

The Finance & Audit Scrutiny Committee supported recommendations as amended.

They also welcomed:

(1) the assurance from the Portfolio Holder in respect of potential delays within Development Services in determining the planning applications for these sites within the 13 weeks due to a backlog in that service area; and

(2) the understanding that the project will be treated as two separate sites and projects throughout this project to enable them to be more agile in delivery.

Executive Response:

The recommendations in the report were approved, as amended.