

Finance and Audit Scrutiny Committee

Tuesday 29 November 2016

A meeting of the above Committee will be held at the Town Hall, Royal Leamington Spa on Tuesday 29 November 2016 at 6.00pm.

Membership:

Councillor Quinney (Chairman)	
Councillor Ashford	Councillor Harrington
Councillor Barrott	Councillor Illingworth
Councillor G Cain	Councillor Rhead
Councillor Mrs Falp	Councillor Thompson
Councillor Gifford	(Conservative vacancy)

Emergency Procedure

At the commencement of the meeting, the Chairman will announce the emergency procedure for the Town Hall.

Agenda

Part A – General Items

1. Apologies and 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 entered on the form to be circulated with the attendance sheet and declared during this item. However, the existence and nature of any interest that subsequently becomes apparent during the course of the meeting must be disclosed immediately. If the interest is not registered, Members must notify the Monitoring Officer of the interest within 28 days.

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

3. **Minutes**

(a) To confirm the minutes of the meetings held on 31 August, 20 September, and 27 September 2016; and **(Pages 1 to 14)**

(b) To confirm the minutes of the meeting held on 1 November 2016 **(To follow)**

Part B – Audit Items

4. **Internal Audit Quarter 2 2016/17 Progress Report**

To consider a report from Finance **(Pages 1 to 39)**

5. **Annual Governance Statement Action Plan 2016/17: Review of Progress**

To consider a report from Finance **(Pages 1 to 6)**

6. **Review of Cultural Services Contracts Register**

To consider a report from Cultural Services **(Pages 1 to 6)**

7. **Treasury Management Activity Report for the period 1 April 2016 to 30 September 2016**

To consider a report from Finance **(Pages 1 to 17)**

Part C – Scrutiny Items

8. **Comments from the Executive**

To receive a report from Democratic Services **(Pages 1 to 5)**

9. **Review of the Work Programme & Forward Plan**

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

10. **Executive Agenda (Non Confidential Items and Reports) – Wednesday 30 November 2016**

To consider 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. You are requested to bring your copy of that agenda to this meeting.

(Agenda circulated separately)

11. **Public and 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 paragraphs of Schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006, as set out below.

Item Nos. Para Nos. Reason

- | | | |
|----|---|---|
| 12 | 1 | Information relating to an Individual |
| 12 | 2 | Information which is likely to reveal the identity of an individual |
| 12 | 3 | Information relating to the financial or business affairs of any particular person (including the authority holding that information) |

12. **Update on Procurement Issues**

To consider a report from Chief Executive **(Pages 1 to 4)**

13. **Minutes**

To confirm the confidential minutes of the meeting held 27 September 2016
(Pages 1 to 2)

Published Monday 21 November 2016

General Enquiries: Please contact Warwick District Council, Riverside House, Milverton Hill, Royal Leamington Spa, Warwickshire, CV32 5HZ.

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Enquiries about specific reports: Please contact the officers named in the reports.

You can e-mail the members of the this Committee at
F&Ascrutinycommittee@warwickdc.gov.uk

Details of all the Council's committees, councillors and agenda papers are available via our website www.warwickdc.gov.uk/committees

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The agenda is also available in large print, on request, prior to the meeting by calling 01926 456114.

Finance and Audit Scrutiny Committee

Minutes of the meeting held on Tuesday 20 September 2016 at the Town Hall, Royal Leamington Spa at 6.00pm.

Present: Councillor Quinney (Chair); Councillors Ashford, Day, Illingworth, Mrs Knight, Murphy J.P., Mrs Stevens and Thompson.

Also present: Councillor Whiting.

46. **Apologies and Substitutes**

- (a) Apologies for absence were received from Councillors Cain, Mrs Falp and Gifford; and
- (b) Councillor Day substituted for Councillor Harrington, Councillor Mrs Knight substituted for Councillor Barrott, Councillor Murphy substituted for Councillor Rhead and Councillor Mrs Stevens substituted for Councillor Mann.

47. **Declarations of Interest**

There were no declarations of interest.

48. **Audit Findings Report from External Auditor**

The Committee received a report presenting the external auditors' Audit Findings Report in respect of 2015/16, which was attached as Appendix A to the report.

Mr Gregory and Mrs Lillington attended the meeting to present the report on behalf of the external auditor, Grant Thornton.

The Committee, in its role as the Council's audit committee, was expected to consider the Audit Findings Report, which identified key issues that Members should consider before the auditors issued their opinion, conclusion and certificate.

Some minor changes had been proposed to the original Statement of Accounts prepared in June and all changes had been included in the paperwork due to be agreed by Council on 21 September, after which time the accounts would be published ahead of the 30 September deadline.

Also attached to the report was a letter of representation which, with the Committee's agreement, would be signed by the Committee Chair and the Head of Finance and then distributed to the external auditors.

The report advised that whilst work on the audit was still on-going, the auditors anticipated being able to issue an unqualified audit opinion on the accounts.

Members were reminded that the auditors were still unable to certify the completion of the 2013/14 and 2014/15 audits due to the inability to

conclude their work on one of the four objections received in respect of the 2013/14 accounts. In addition, as the related expenditure continued into 2015/16, the audit for this year could not be concluded at this stage. However, it was noted that no objections had been received in respect of the 2015/16 accounts.

Mrs Lillington addressed Members and advised that the report pulled together the findings from the audit and reminded them that work had been done to 'declutter' the accounts. The data had also been simplified to include diagrams and tables. Mrs Lillington also directed members to the three risks identified on page 26 of the report. These related to the arrangements in place for the following: finding a suitable operator for the management of the Council's leisure centres, identifying and agreeing savings plans and working with others.

It had been noted that there was not an overall clear idea of partnership working, and the key findings from the audit were summarised in the report.

With regard to savings, it had been highlighted that there was a surplus issue and the report reiterated that there needed to be arrangements in place to identify any surplus, and officers needed to be making accurate estimates when managing budgets.

Mr Gregory made reference to the long-standing objection to the accounts, relating to the ongoing legal action concerning the collection of Council Tax debt. As in previous reports, he advised that the sign off of the audit was on hold whilst the legal process progressed. Mr Gregory implied that the issue had almost 'run its course' and the auditors should be able to certify the outstanding accounts in due course.

The Chair thanked Mr Gregory and Mrs Lillington for their eloquent presentation and assured them that the concerns relating to the Council's surplus had been discussed at length, not only at Finance and Audit Scrutiny Committee but also with the relevant Portfolio Holder and Head of Finance.

Members noted that the 'decluttering' of the accounts had been a laborious process and were pleased with the good working relationship the auditors had with Council officers.

Overall, Members were pleased with the progress that had been made and noted that sustainable working systems were a work in progress. The auditors reiterated the importance of trying to enable faster closing off of the accounts towards the end of July, but noted that the department had lost a number of key members of staff.

The Portfolio Holder for Finance, Councillor Whiting, addressed Members and highlighted that one of the discrepancies with local authority accounts was that they did not include depreciation of assets. This often resulted in any surplus being immediately evaporated because major capital assets or projects had required emergency funding. However, he agreed that officers should not encounter the levels of surplus identified that late in the year. He felt that more robustness was needed around the budget

review each quarter and was mindful that Elected Members did not push officers too far in the opposite direction.

In response to a question, Councillor Whiting confirmed that officers were working on the Asset Review with the Deputy Chief Executive (BH), which should provide more information than was currently available.

Councillor Whiting also referred to Fees and Charges of the Council and felt that the Council needed to look at the overall cost of services, including staff and maintenance, as well as ensuring services generated enough income to maintain the Council's assets.

It was agreed that some of the budget estimates had been incorrect, but it was not felt that this was due to a lack of resources or budgeting tools. However, officers agreed to look at successful tools used by other local authorities.

The Committee thanked Mr Gregory and Mrs Lillington for their attendance and

Resolved that

- (1) the 2015/16 Audit Findings Report, attached at Appendix A to the report, be noted; and
- (2) the letter of representation, attached at Appendix B to the report, be approved on behalf of the Council before the District Auditor issues his opinion and conclusion.

49. **Council Agenda – Wednesday 21 September 2014**

The Committee considered the audited Statement of Accounts 2015/16 which was due to be presented to Council on 21 September 2016.

An unaudited Statement of Accounts had previously been presented to the Finance and Audit Scrutiny Committee in July 2016.

The report recommended that Council approved the formal Statement of Accounts for the year ending 31 March 2015, which would then be signed by the Councillor chairing the meeting.

The accounts had been closed in respect of the financial year 2015/16 and the outturn duly reported to the Executive in June.

Recommended that Council approves the formal Statement of Accounts 2015/16.

Councillor Whiting left the meeting at the conclusion of this item.

50. **Infrastructure Delivery Plan**

The Committee considered a briefing note circulated from Development Services updating them on the progress to date of the Infrastructure Delivery Plan (IDP).

The document explained that the development of the IDP was an ongoing process which would continue to evolve throughout the Local Plan period.

It went on to explain that due to operational pressures within the department, it had been necessary to focus efforts on meeting deadlines for the preparation of evidence to be submitted to the Inspector for the Local Plan Examination. This was one of the reasons that the Committee had been supplied with a briefing note rather than a full report, as originally requested.

Mr Ward updated Members on the current situation with regards to Transport & Highways and the delivery of Kenilworth Railway Station at Priory Road. In addition, he summarised the works to date at Stanks Island Warwick, the A46 Stoneleigh Junction and the A452 Europa Way Corridor. Mr Ward advised that the briefing note was slightly misleading in its description of the works known as 'Whitley South'; Coventry City Council had secured funding in conjunction with the Local Enterprise Partnership and not Jaguar Land Rover as stated.

Further updates were provided relating to Education, Health-Related Infrastructure and IndoorSports / Leisure.

In response to questions from the Committee, Mr Ward advised that:

- Officers continued to work with partners to maximise bids for Section 106 monies and were concentrating on a more forensic analysis of receipts.
- Officers were mindful that there was concern over funding gaps, but it was sometimes necessary to address current / existing issues and it was not always possible to link these into future ambitions.

Councillor Illingworth raised concerns about the A46 Stoneleigh Junction and the increased housing allocation due to further development at Kings Hill and Burton Green. He explained that this also linked in with the ongoing HS2 issues, and Mr Ward assured him that Council officers continued to work with the County Council to try to mitigate these problems.

Councillor Mrs Knight highlighted the importance of securing more cycleways, along with the necessary medical provision for existing and future residents of the District. Mr Ward advised that work was ongoing with regards to addressing the lack of doctors.

Councillor Ashford raised the issue that some roads at Chase Meadow in Warwick had still not been adopted by the County Council, which caused issues for residents. It was agreed that this issue needed to be raised with officers at WCC.

The Committee thanked Mr Ward for the briefing paper and wished him and his colleagues luck with the forthcoming Local Plan Examination.

(The meeting ended at 7.49 pm)

Finance and Audit Scrutiny Committee

Minutes of the meeting held on Tuesday 27 September 2016 at the Town Hall, Royal Leamington Spa at 6.00pm.

Present: Councillor Quinney (Chair), Councillors; Barrott, Mrs Falp, Gifford, Illingworth, Murphy, and Thompson.

Also present: Councillors; Mobbs, Phillips and Whiting.

51. Apologies and Substitutes

- (a) Apologies for absence were received from Councillors Cain, Harrington and Mann; and
- (b) Councillor Murphy substituted for Councillor Rhead.

52. Declarations of Interest

There were no declarations of interest.

53. Public and Press

Resolved that under Section 100A of the Local Government Act 1972 that the public and press be excluded from the meeting for the following item by reason of the likely disclosure of exempt information within the paragraph 5 and the subsequent item by virtue of paragraph 3, of Schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006, as set out below.

54. Learning from the Outcome of the further Audit Work on Electrical Repair & Maintenance Contract

The Chief Executive provided an update on the progress on the learning from this Audit. The details of which will be reported in the confidential minutes for this meeting.

Resolved that a meeting of the Committee, in December 2016, be arranged to consider the detailed report on this subject.

55. Executive Agenda (Confidential Items & Reports – Wednesday 28 September 2016)

Item Urgent – Premises in Spencer Street

The Committees comments will be detailed in the confidential minutes. supported the recommendations in the report and were assured of the urgency for the report considering the desire by the current owner to place the property on the market in the immediate future.

56. **Executive Agenda (Non-Confidential Items & Reports – Wednesday 28 September 2016)**

Item 9A - Significant Business Risk Register

The Committee supported the report and welcomed the recognition of the challenges in “staff recruitment and retention” and the work of the People Strategy Steering Group (PSSG) to respond to that specific matter. Due to this, it was noted that in some areas of the Council the risk of “sustained quality service reduction” was now an emerging issue rather than a risk.

The Committee welcomed the information that the PSSG and Employment Committee would see results of the work and recommended actions to mitigate the risk at their next meetings.

Item 8 - HEART Shared Service to deliver Home Adaptations (including Disabled Facilities Grants)

The Committee welcomed the high quality report and the recommendations contained within it. Members were pleased that service/turnaround targets for the District and regular performance monitoring would continue. One member queried whether the planned gains in efficiency and productivity of the new service would reduce its cost to the Council over time.

Item 5 - Fees and Charges

The Committee had some concerns about the retrospective recovery of costs on taxi licences in particular and it's possible impact on the trade overall, especially with respect to new applicants. Members asked how recovery of cost was being smoothed over time and asked whether it would be acceptable to phase it in. The Committee therefore asked officers to circulate to Councillors the process used to calculate the costs of these applications. One Councillor was not in favour of the fees and charges proposal because of these concerns.

The Committee noted that the detail of Paragraph 15.4.1 had been omitted from Appendix A, and an addendum containing this would be circulated at the Executive.

57. **Minutes**

The minutes of the meetings held on 31 August and 20 September 2016 were not presented for consideration.

58. **Review of the Work Programme & Forward Plan**

The Committee considered its Work Programme for 2016 and the Forward Plan.

Resolved that the Work Programme be amended to include the additional meeting to look at the Learning from the Outcome of the further Audit Work on Electrical Repair and maintenance contract

and that the National Fraud Initiative report will be presented to the Committee on 1 November 2016.

(The meeting ended at 8.25 pm)

Finance and Audit Scrutiny Committee

Minutes of the meeting held on Wednesday 31 August 2016 at the Town Hall, Royal Leamington Spa at 6.00pm.

Present: Councillor Quinney (Chair), Councillors; Ashford, Barrott, Mrs Falp, Gifford, Harrington, Illingworth, Rhead and Thompson.

Also present: Councillors; Phillips and Whiting.

37. **Apologies and Substitutes**

- (a) Apologies for absence were received from Councillors Cain and Mann; and
- (b) There were no substitutes.

38. **Declarations of Interest**

There were no declarations of interest.

39. **Minutes**

The minutes of the meeting held on 26 July 2016 were agreed and signed by the Chairman as a correct record, subject to the amendment of minute number 36. It was agreed that minute 36 should state that a report should focus simply on the facts of the Council Tax losses for different bodies and whether there was any recompense to the Council.

40. **Internal Audit Quarter 1 2016/17 Progress Report**

The Committee considered a report from Finance which advised on the progress being made in implementing the Internal Audit Plan 2016/17, summarised the audit work completed in the first quarter and provided assurance that action had been taken by managers in respect of the issues raised by Internal Audit.

The report stated that guidance on the role and responsibilities of audit committees was available from a number of sources. That which related to audit committees' relationship with internal audit, in particular the type and content of reports they should receive from internal audit, was summarised in Appendix 1 to the report.

To help fulfil these responsibilities, audit committees were advised to review summary internal audit reports and the main issues arising, and seek assurance that action had been taken where necessary.

At the start of each year, Members approved the Audit Plan which set out the audit assignments to be undertaken. An analysis of the progress in completing the Audit Plan for 2015/16 was set out at Appendix 2 to the report.

The report highlighted that a slow start had been made with respect to achieving the current year's plan. This was mainly the result of resources being diverted to investigation work, but it was hoped that with careful planning there could be a degree of "catch-up" over the coming months. Progress would be monitored and reported back to Finance & Audit Scrutiny Committee.

Three audits were completed in the first quarter of 2016/17 and copies of all the reports issued during this quarter were available for viewing. None of the audits completed were awarded a lower than substantial assurance opinion.

The action plans accompanying all Internal Audit reports issued in the first quarter were set out at Appendix 3 to the report and detailed the recommendations arising from the audits, together with the management responses, including target implementation dates.

This report was for information only and therefore the consideration of alternative options was not relevant.

The Audit & Risk Manager, Mr Barr, outlined the report and highlighted that an update on the Electrical Repair and Maintenance contract had been completed at the end of July and passed to CMT at the beginning of August. He acknowledged that the department needed to catch up on the three audits they were currently behind on. In response to a question from Councillor Illingworth, Mr Barr stated that he was confident that the team would catch up and had the sufficient level of resources required to do so. However, he assured Members that he would report back to them if the team encountered any difficulties.

In response to questions from the Committee, Mr Barr also assured Members that the Council re-tendered for indemnity insurance on a cyclical basis, in liaison with brokers, and believed the price to be competitive. He explained that there was a level of confidentiality with respect to the indemnity cover used by other Local Authorities and officers had to balance the cost of investigating the lowest price with simply paying the initial sum.

Members thanked the Audit and Risk Manager for a concise report; and

Resolved that the report be noted.

41. **Annual Governance Statement Action Plan 2016/17: Review of Progress**

The Committee considered a report from Finance which reviewed the progress being made in addressing the 'Significant Governance Issues' facing the Council, as set out in the Annual Governance Statement 2015/16. The appendix accompanying the report detailed the progress in addressing these Significant Governance Issues.

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

The Annual Governance Statement described governance arrangements relating to the Council's corporate priorities and key strategic projects that were reflected in Fit for the Future. The Fit for the Future programme was also based on an agreed set of values, amongst which were the ones of openness and honesty. This was integral to the consideration of governance in an organisation; governance issues needed to be discussed and debated and mitigations put in place in order to prevent or rectify weaknesses.

CIPFA/SOLACE issued a framework and guidance on delivering good governance in local government. The framework was 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 were detailed in section 8.2 of the report.

The Audit and Risk Manager introduced the report and highlighted the two Significant Governance Issues detailed in the appendix to the report; the Call In Process and the Service Area Crisis.

The appendix showed the relevant responsible officer for each issue and the position of progress as of the end of June 2016. As both issues were new, neither had any information relating to its previous position in the last quarter.

Members raised concerns that the Call In document was not easy to navigate and understood that officers wanted to address the process to make it simpler for Members and officers to implement. However, it was noted that this was an important democratic tool and should be utilised appropriately.

Resolved that the report be noted.

42. **Risk Management Annual Report 2015/16**

The Committee considered a report from Finance which updated the Risk Management Strategy, attached as Appendix A to the report, for implementing and embedding risk management throughout the organisation. The report also contained details of an external review that had been performed during the year. The review provided an independent assessment of the Council's risk management arrangements, leading to the identification of areas for improvement that provided the basis of an action plan.

In its management paper, "Worth the risk: improving risk management in local government", the Audit Commission set out clearly the responsibilities of members and officers. Although the Audit Commission had since been abolished, its guidance was still relevant and Members were responsible for overseeing the organisation's risk management arrangements.

Within the strategy was an action plan that detailed the tasks necessary to advance risk management. The action plan included areas for improvement identified from a recent appraisal of the Council's

arrangements undertaken by a consultant from Zurich Insurance. Full details were provided at Annexe 1 to Appendix A of the report.

The report also explained a number of other activities undertaken during the year to assist with embedding risk management within the Council. These were broken down into Corporate Activities and Service-Led Activities and were attached as Appendix B to the report.

Finally, Appendix C to the report gave a review of progress made in completing the Risk Management Strategic Action Plan and explained the action, the timescale given to complete it, the responsible officer and the progress made to date.

The Audit and Risk Manager, Mr Barr, presented the report and assured Members that the Council was making progress with Risk Management, especially following the completion of the external review. He advised that Heads of Service had been making improvements and following a recent challenge on Licensing Fees, had been able to easily demonstrate the Service Area position because it had been flagged as a potential risk early on.

Councillor Barrott queried why some of the completion dates in the audit plan had passed. In response, Mr Barr advised that two of them had been actioned and one was being carried forward to September.

Councillor Rhead noted that five items had been delayed due to workload being redirected to cover other priorities. In response to a question about re-prioritisation, Mr Barr agreed that the audits programmed in equated to a fair amount of work and there were some big tasks on the horizon next year. However, he felt that some of the work would be closed off quite quickly but this would depend on the ability of officers to deliver the action plan.

In response to a query regarding the risks surrounding S106 agreements, Mr Barr advised that this was on the Development Services Risk Register and Members would receive a future audit report appraising arrangements.

The Chairman queried the process for identifying emerging risks and was advised that the Corporate Management Team (CMT) would identify these and as soon as they became 'live' risks, they would be submitted to the Corporate Management Risk Register, which the Senior Management Team (SMT) managed. This risk register was reported to the Executive quarterly and would be managed alongside other corporate risks. Mr Barr reminded Members that it was still his intention to make all of these documents accessible via the Council's intranet and was confident that this would be achieved.

Members highlighted that many Councillors who were operating from mobile devices were now unable to access the intranet.

The committee thanked Mr Barr for his report and for responding to Councillors' questions.

Resolved that

- (1) the report and its contents are noted, in particular that which sets out Members' responsibilities for risk management;
- (2) the Council's Risk Management Strategy, attached as Appendix A to the report, is affirmed;
- (3) Members are satisfied with the progress being made in embedding risk management within the Council, and note the activities undertaken during the year that help to embed risk management, as per Appendix B to the report, and the progress made to date in completing the current Risk Management Strategic Action Plan as per Appendix C to the report; and
- (4) the report be forwarded to Executive for its consideration on 28 September 2016.

43. **Review of Housing & Property Services Contracts Register**

The Committee considered a report from Housing and Property Services which set out the process for the review by Finance & Audit Scrutiny Committee of the Housing & Property Services Contracts Register, and highlighted any issues which needed to be addressed in the next 12 months.

The report provided Members with the opportunity to consider the robustness of the register, make appropriate suggestions on how the register could be improved, and consider the document within the context of promoting sound procurement practice across the Council.

The latest version of the register was attached as Appendix 1 to the report and explained that one of the issues being tackled was Future Procurement. There were two priority procurement areas for the department; one was the re-provision of repairs and maintenance to municipal homes and the other was the formalisation and clarification of the contracts in place to deliver services to homeless and other households in need of accommodation.

The Head of Housing and Property Services, Mr Thompson, and the Housing and Property Services Portfolio Holder, Councillor Phillips, addressed the Committee, highlighted that there were a significant number of contracts and assured Members that they were slowly beginning to get on top of the inherited issues.

Mr Thompson provided the example of the contract covering the Maintenance of Council Houses. The department had now moved to the Schedule of Rates style of works and were on track to make £550k to £600k worth of savings.

In addition, Mr Thompson reminded Members that the contract register was a live document and advised that since the introduction of the Repairs

Inspectors, the response from customers had been very positive. Officers had also launched a satisfaction survey via text messaging and this documented that (their) customers had been satisfied with 76% of the repair work carried out in July.

Following questions from Members, Mr Thompson and Councillor Phillips gave these responses:

- Contracts HP91 and HP92 had previously been funded by the County Council. This funding had ceased and the service would not be replaced directly but covered by floating support;
- they agreed that some of the review dates should be altered because some of the time periods had already started;
- officers wanted to give themselves sufficient time to complete works and many of the contract ends would coincide with the results of the Stock Condition Survey, so it was important not to rush into decisions;
- there was a temporary accommodation review taking place which could impact on a number of the contracts, including HP93;
- there were 13 contracts ending on 01/03/2018, all of which were large Housing Maintenance & Repairs contracts. Officers may choose to combine these into one contract in the future as they were all interrelated but also linked into the Stock Condition Survey taking place;
- the Council wide mobile phone contract had ended up in their service area and a better location for this to sit was being sought;
- it was hoped that the satisfaction text messaging survey would help build up data to hold contractors to account, especially in instances involving kitchen and bathroom replacements and repairs;
- with regard to the cleaning contract, officers did not set the hours that the contractor needed to provide, only the outcomes required from the contract. Officers had made it clear to the contractors that it was important that set outcomes were achieved and that it was the quality of the work that was being measured; and
- it would be suggested to officers that the customer feedback via text messaging could be rolled out with regards to the cleaning contract.

Members thanked Mr Thompson and Councillor Phillips for attending and answering their questions.

Resolved that the report be noted.

44. **Comments from the Executive**

The Committee considered a report from Democratic Services which detailed the responses from the Executive to the comments the Committee made regarding the reports submitted to the Executive on 26 July 2016.

Resolved that the report be noted.

45. **Review of the Work Programme & Forward Plan**


The Committee considered its Work Programme for 2016 and the Forward Plan.

The Senior Committee Services Officer advised the Committee that the Infrastructure Delivery Plan (IDP) report and the update on the further audit work on the Electrical Repair and Maintenance contract had been moved to the 27 September 2016 meeting at the agreement of the Chairman.

However, since that time it had been agreed that the IDP report could be given as a verbal report at the 20 September committee meeting.

Resolved that the revised work programme be noted.

(The meeting ended at 7.43 pm)

 Finance and Audit Scrutiny Committee 29 November 2016		Agenda Item No. 4
Title	Internal Audit Quarter 2 2016/17 Progress Report	
For further information about this report please contact	Richard Barr Tel: (01926) 456815 E Mail: richard.barr@warwickdc.gov.uk	
Service Area	Finance	
Wards of the District directly affected	Not applicable	
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006	No	
Date and meeting when issue was last considered and relevant minute number	Finance and Audit Scrutiny Committee – 31 August 2016	
Background Papers	Internal Audit Reports	

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

Officer/Councillor Approval		
With regard to officer approval all reports <i>must</i> be approved by the report author's relevant director, Finance, Legal Services and the relevant Portfolio Holder(s).		
Officer Approval	Date	Name
Chief Executive	9 Nov 2016	Chris Elliott
Section 151 Officer	9 Nov 2016	Mike Snow
Monitoring Officer	9 Nov 2016	Andrew Jones
SMT	9 Nov 2016	Senior Management Team
Human Resources		
Finance	9 Nov 2016	As Section 151 Officer
Portfolio Holder	15 Nov 2016	Councillor Whiting
Consultation and Community Engagement		
None other than consultation with members and officers listed above.		
Final Decision?	Yes	
Suggested next steps (if not final decision please set out below)		

1 **Summary**

- 1.1 Report advises on progress in achieving the Internal Audit Plan 2016/17, summarises the audit work completed in the second 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 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 **Alternative Options Considered**

- 4.1 This report is not concerned with recommending a particular option in preference to others so 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.
- 7.2 It is difficult 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.

8 **Role and Responsibilities of Audit Committees**

- 8.1 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.

- 8.2 Essentially, the purpose of an audit committee is:
- To provide independent assurance of the associated control environment.
 - To provide independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment.
- 8.3 To help fulfil these responsibilities audit committees should review summary internal audit reports and the main issues arising, and seek assurance that action has been taken where necessary.
- 8.4 The following sections provide information to satisfy these requirements.

9 **Progress against Plan**

- 9.1 At the start of each year Members approve the Audit Plan setting out the audit assignments to be undertaken. An analysis of progress in completing the Audit Plan for 2016/17 is set out as Appendix 2.
- 9.2 As can be seen, satisfactory progress is being made in respect of completing the Plan. As reported at the last meeting, some planned audit time was diverted onto investigation work in respect of the Electrical Maintenance Contract. Being just one audit behind schedule at the half-way stage of completion of the Audit Plan reflects a significant recovery of time.

10 **Assurance**

- 10.1 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.
- 10.2 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).

11 **Internal Audit Assignments Completed During Quarter**

- 11.1 Nine audits were completed in the second quarter of 2016/17. Copies of all the reports issued during the quarter are available for viewing on the following hyper-link: [Reports](#).
- 11.2 The action plans accompanying all Internal Audit reports issued in the quarter are set out as Appendix 3. These detail the recommendations arising from the audits together with the management responses, including target implementation dates.
- 11.3 As can be seen, responses have been received from managers to all recommendations contained in audit reports issued during the quarter in question.
- 11.4 One of the audits completed during the quarter was awarded a lower than substantial assurance opinion. The audit was Asbestos Management. In line with procedure the report relating to this audit is set out as Appendix 4 for specific scrutiny.

12 **Implementation of Recommendations Issued Previously**

- 12.1 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.
- 12.2 The state of implementation of **low and medium risk** recommendations made in the **third quarter of 2015/16** is set out as Appendix 5 to this report. (Ordinarily, the state of implementation of **high risk** recommendations issued in the **first quarter of 2016/17** would also be included in this appendix but there was none on this occasion.)
- 12.3 As can be seen, responses have been received from all managers in order to provide the state of implementation of recommendations issued in this earlier quarter.

13 **Review**

- 13.1 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.

INTERNAL AUDIT PROGRESS 2016/17: QUARTER 2**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>	267.0	133.5	112.5	+21.0
<u>Other Time</u>				
Sundry audit advice	25.0	12.5	9.4	+3.1
Special investigations (e.g. Fraud/Irregularities)	27.0	13.5	25.8	-12.3
Corporate and departmental Initiatives	45.0	22.5	19.6	+2.9
Non-chargeable activities	106.0	53.0	52.7	+0.3
Leave and other absences	102.0	51.0	65.0	-14.0
<i>Total Other Time</i>	305.0	152.5	172.5	-20.0
<i>Total Time</i>	572.0	286.0	285.0	+1.0

Time spent: Assignments Completed – Planned Vs Actual

AUDIT ASSIGNMENT	PLAN (DAYS)	TIME TAKEN (DAYS)	UNDER (+) / OVER (-)
Medium Term Financial Strategy	Contracted-out audit		
Financial Planning and Budgetary Control	Contracted-out audit		
Main Accounting System	Contracted-out audit		
Housing Repairs and Maintenance	Contracted-out audit		
Business Applications - MIS Housing and Corporate Property	10.0	9.0	+1.0
Food Safety	10.0	7.1	+2.9
Council House Sales	8.0	6.6	+1.4
Asbestos Management	8.0	10.1	-2.1
Bereavement Services	13.0	13.9	-0.9

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

Food Safety: The audit was more straightforward than envisaged.

Asbestos Management: Significant issues were raised.

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.	%
37	13	35.0	12	32.4	-1	-7.7

**SUMMARY OF RECOMMENDATIONS AND MANAGEMENT RESPONSES FROM INTERNAL AUDIT REPORTS
ISSUED QUARTER 2, 2016/17**

Report Reference	Recommendation	Risk Rating ¹	Responsible Officer	Management Response and Target Implementation Date
Medium Term Financial Strategy – 29 September 2016				
4.3.2	<p>The political, economic, social and technological environment should be surveyed routinely for their impact on the MTFS.</p> <p>The results should be categorised as Certain, Probable or Possible with the first two categories assessed for their financial impact on the MTFS.</p> <p>The frequency of updating to the MTFS should be monthly to align with the revenue budget monitoring arrangements.</p>	Low	Strategic Finance Manager	<p>The MTFS is a living document, fed from many sources, including the Significant Business Risk Register, where the consideration of such aspects is considered. Following such consideration, if there are any issues that need to be included within the MTFS with reasonable certainty, these are duly factored in. To create a new process/routine is not necessary.</p> <p>MTFS updated regularly on an on-going basis. MTFS is reported periodically as part of Budget Monitoring arrangements, notably when significant changes have been newly included.</p> <p>Not applicable.</p>

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
4.4.2	The MTFS should be prepared such that it groups recurring developments, limited growth, savings and items funded from reserves by service area by year.	Low	Strategic Finance Manager	This will only be practicable for the MTFS presented as part of the February Budget report and Budget Book due to the MTFS being a living document with all changes forming part of the full audit trail. February 2017.
4.4.4	A reconciliation of the 2017/18 to 2020/21 revenue savings/additional income per the FFF change programme report should be made with the MTFS for the same period and the MTFS updated accordingly.	Medium	Strategic Finance Manager	MTSF is a living document. It has been updated to include the Summer 2016 Executive update, and is also informed from other supplementary sources of information. Done.
Financial Planning and Budgetary Control – 25 August 2016				
4.6.2	The Senior Management Team should identify staff requiring budgetary control training, taking account of future staff changes, so that the control environment for budgetary monitoring and control is maintained.	Medium	Principal Accountant (Systems)	Training of Budget Managers will be mentioned quarterly in reports to SMT. Refresher training for existing managers and training for new budget holders will be offered periodically. March 2017.
4.7.3	Consideration should be given to amending the limits set within the Code of Financial Practice in relation to housing capital improvement and renewal. Suggested limits are £500,000 in any one year, and £150,000 for each request per scheme, subject to the appropriate funding being in place.	Medium	Strategic Finance Manager	This will be considered within the next review of the Code of Financial Practice. March 2017.

Report Reference	Recommendation	Risk Rating ¹	Responsible Officer	Management Response and Target Implementation Date
Main Accounting System – 19 September 2016				
4.6.2	Consideration should be given to obtaining a pre-list of draft monthly payroll by employee revenue cost centre for checking potential general ledger cost centre coding errors.	Medium	Principal Accountant (Systems)	We have started doing this as a trial, with the electronic payroll file. In the past, incorrect codes normally defaulted to payroll suspense. These numbers are now very small. Ongoing – formalise by end of Dec 2016.
4.6.2	Consideration should be given to providing cost centre amendments to the Coventry City Council payroll team each month before the final payroll is run in order to reduce the need for payroll miscode journals.	Medium	Principal Accountant (Systems)	Now we have started to review, in detail, the electronic payroll file, this has reduced errors significantly. Finance now regularly alerts HR about any coding errors to ensure that they are not repeated in the future. Ongoing – formalise by end of Dec 2016.
4.7.2	The income suspense account code B357 should be reconciled immediately and, thereafter, quarterly.	Low	Principal Accountant (Capital)	This account is primarily a “dump” code for FST to return debtors payments to the ledger that they do not consider theirs. Treasury are usually informed by FST to transfer the payment to another account e.g. rents or Council Tax and this account is therefore outside of Treasury’s control and is not capable of being reconciled to any control figure. Any balance on this account at year end will be written off to revenue. March 2017.

Report Reference	Recommendation	Risk Rating ¹	Responsible Officer	Management Response and Target Implementation Date
Housing Repairs and Maintenance – 26 September 2016				
4.2.4	The housing repair procedure notes should be transferred from the previous intranet system to the current intranet Housing page.	Low	Housing Repairs Manager	Agreed. This has been completed. 22/9/16.
4.10.3	Refresh the business process to ensure that all rechargeable works are invoiced to the tenant on a timely basis.	Low	Housing Repairs Manager	Agreed. A new process has been implemented. 22/9/16.
Business Applications - MIS Housing and Corporate Property – 10 August 2016				
No recommendations were required.				
Food Safety – 3 August 2016				
4.3.7	The system should be updated to remove the duplicate entry and the temporary event stall.	Low	Food & Safety Team Leader.	The system has been updated accordingly.
Council House Sales – 30 August 2016				
4.2.4	Procedure notes should be updated to reflect current practices and staffing.	Low	Business Administration Manager	Agreed. There is an intention to reduce the dependency on spreadsheets, so this will be undertaken once the new processes are established. End of October 2016.
4.3.3	Regular communication (e.g. quarterly) should take place with Legal Services regarding the status of open cases.	Low	Business Administration Manager	Agreed. This will be set up. With immediate effect.

Report Reference	Recommendation	Risk Rating¹	Responsible Officer	Management Response and Target Implementation Date
4.3.5	Staff should be reminded to check that all relevant detail is included on the application forms received.	Low	Business Administration Manager	Agreed. Staff will be reminded. With immediate effect.
4.3.8	Clarification should be sought on the process for taking inherited tenancies into account when calculating discounts.	Low	Business Administration Manager	Agreed. Clarification will be sought. With immediate effect.
Asbestos Management – 1 September 2016				
4.2.3	The Asbestos Management Plan should be tailored to ensure that all officer posts specified use the actual established post titles, and should be signed off by the holders of those posts.	Medium	Head of Housing and Property Services	The Asbestos Management Plan will be updated and amended to implement the recommendation, with officers and managers advised accordingly so that they are made clearly aware of their role and responsibilities. October 2016.
4.2.3	An 'Appointed Person' as defined by the HSE should be designated and the post of which the appointee is holder specified in the Asbestos Management Plan.	Medium	Head of Housing and Property Services.	H&PS will therefore work with the Council's Health and Safety Co-ordinator to determine the most appropriate post and for that post-holder to be given the information and understanding they will need to fulfil that role. December 2016.
4.2.7	Records of all asbestos awareness training going back a suitable period should be compiled and continually maintained with all future training logged.	Low	Asset Manager	This recommendation will be progressed. A training register for Housing & Property Services is now in use and has been populated with the most recent training records. September 2016.

Report Reference	Recommendation	Risk Rating ¹	Responsible Officer	Management Response and Target Implementation Date
4.2.11	The approach to promoting asbestos awareness among stakeholders (including tenants) should be clarified and consideration given to a joined-up approach between Housing and Property Services and Health and Community Protection.	Low	Asset Manager/ Repairs Manager	H&PS is introducing a different approach to engagement with its clients (including tenants) that is more personal and takes advantage of e-communications. This process has taken some time to introduce and focus has been on moving the previous printed newsletter and Tenant Panel to this wider, more varied approach. The dissemination of asbestos awareness will now be given enhanced status within engagement work (for example inclusion in Tenant Welcome Packs). December 2016.
4.4.4	Performance monitoring and reporting arrangements should be implemented in accordance with the terms of the contracts.	Medium	Repairs Manager	Contract management in the early stages of the contract has focused on developing our working and operational relationships with the contractors and the role of Asbestos Contract Co-ordinator, a new role. Now that the relationship and the role are better established, more focus can and will be given to contract performance management. December 2016.

Report Reference	Recommendation	Risk Rating ¹	Responsible Officer	Management Response and Target Implementation Date
Bereavement Services – 29 September 2016				
4.3.7	Responsibility for the payment of water charges needs to be established and if necessary remedial action should be taken.	Medium	Head of Neighbourhood Services / Energy Manager	All aspects of the budgets for water rates and metered water charges at the cemeteries will be investigated by the Housing and Property Services Energy Team and if necessary, appropriate action will be taken. December 2016.
4.3.8	The petty cash imprest should be returned to Riverside House and paid in.	Low	Bereavement Services Manager	Purchase order 93228 has been raised to cater for receipts; this, together with the cash balance, will be repaid through the Fsteam. By end September 2016.
4.3.12	The Code of Procurement Practice should be complied with and either tenders invited or an exemption sought.	Medium	Bereavement Services Manager	Initial discussions with Procurement Manager will take place in Sept – exact timescales will depend upon advice given. If an exemption is appropriate it may be possible to sign this off within a few weeks, however if a full tender is required, being prudent and allowing time to write the spec and test the market it should be possible to have a contract in place by the end of the financial year. Possibly end of financial year. To be confirmed following meetings with procurement.
4.3.13	The errors on the web page should be corrected.	Low	Bereavement Services Manager	Complete: http://www.warwickdc.gov.uk/info/20639/deaths/429/cemeteries

Report Reference	Recommendation	Risk Rating¹	Responsible Officer	Management Response and Target Implementation Date
4.3.14	Efforts should be made to raise invoices at the beginning of each month.	Medium	Bereavement Services Manager	The Crematorium Administration System is due for replacement and it is anticipated that it will interact with TOTAL which will enable an increased frequency of invoicing. For now, reminder tasks have been set in the relevant officers' diaries to start the process for raising invoices on the first working day of each month. Performance will be measured. Complete.
4.4.2	A current priced inventory should be compiled and a copy forwarded to the council's Insurance and Risk Officer.	Medium	Bereavement Services Manager	This recommendation is accepted. Due to the age of some items it may not be possible to get an exact cost. In those cases a best estimate will be indicated. December 2016.

**AUDIT REPORTS WITH MODERATE OR LOW LEVEL OF ASSURANCE
ISSUED QUARTER 2 2016/17**

Asbestos Management – 1 September 2016

1 Introduction

1.1 In accordance with the Audit Plan for 2016/17, an examination of the above subject area has been completed recently and this report is intended to present the findings and conclusions for information and action where appropriate.

1.1 In accordance with the Audit Plan for 2016/17, an examination of the above subject area has been completed recently and this report is intended to present the findings and conclusions for information and action where appropriate.

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

2 Background

2.1 Asbestos Management was introduced on to the Internal Audit Plan as a discrete assignment from April 2016. This was partially in response to issues arising from a special investigation undertaken in late 2013 into the procurement and management of asbestos consultancy services. The findings of this investigation were ultimately reported to the Council's Executive.

2.2 As owner of a diverse portfolio of residential, operational and commercial properties, the Council has a statutory duty to actively manage threats from asbestos (actual and potential). The need for a dedicated full-time officer post to oversee an asbestos management programme was recognised as far back as 2010, but failure to recruit via internal processes meant a succession of interim arrangements that continued up to 2015. These included specialist agency staff placements and relatively short-lived contracts for specialist asbestos services.

2.3 Following a competitive tendering process, in consultation with the Procurement Team, two contracts were let for an initial period of five years effective from September 2015. One was for asbestos survey and testing while the other was for asbestos removal. Both contracts remain in force at the time of this report.

3 Scope and Objectives of the Audit

3.1 The audit examination was undertaken for the purpose of reporting a level of assurance on the adequacy of current structures and processes in place to manage asbestos hazards economically, efficiently and effectively in accordance with statutory requirements and applicable regulatory provisions.

3.2 The examination took the form of an evidential overview of structures and processes focusing on the following areas:

- planning and organisation
- record keeping
- contract administration.

3.3 The review considered mitigations and actions against asbestos related risks, as provided for in the Housing and Property Services Risk Register, in the context of the above areas.

3.4 The procurement processes leading to the award of the two aforementioned contracts were not examined within the scope of this review.

3.5 The findings are based substantially on discussions with the Repairs Manager and Contract Administrator (Asbestos) combined with examination of supporting documents and records. Analysis and testing of data from the MIS Repairs System, Total FMS and the cloud-based Asbestos Register was also performed.

4 Findings

4.1 Developments Following Special Investigation

4.1.1 Although the investigation report of 2013 included several recommendations, the issues from which they arose have been overtaken by events making them now of historic relevance only. Since the investigation, interim management and contractual arrangements continued alongside a period of organisational restructure.

4.1.2 This included engaging a replacement temporary Asbestos Manager, through the Council's nominated recruitment agency, on a tenure that lasted eighteen months being finally terminated in January 2016. Records of procurement activity during that tenure involve an asbestos consultancy company of which the Asbestos Manager was (and still is) a director, indicating questionable practices with some similarities to those of her predecessor described in the investigation report.

4.1.3 In parallel with this was the adoption of a cloud-based property risk management system that was to host the asbestos register. In addition to the charges from the system provider of £9,090 for setting-up and one year's hosting, the Council would ultimately incur £27,280 in payments to the said asbestos consultancy for back-loading data and document attachments relating to approximately 2,000 surveys that had been performed under the interim contract.

- 4.1.4 The way in which this work was ordered raises questions as to whether the overall project was ever properly costed – the initial purchase order for £2,980 (raised in Total) would be supplemented over a period of eight months by eight further orders with an accumulated value of £31,800. At the time of the audit, the most recent of these orders was still only part-cleared with a potential further payment of £4,520 (the Repairs Manager was notified of this and responded that the order would be cancelled with immediate effect).
- 4.1.5 Further commissions from the company included an order raised in June 2015 for asbestos surveys with a total value of £8,450. In the event only £2,700 was paid (for 20 surveys prior to the current contracts coming into force), before the order was cancelled.
- 4.1.6 While the Council's association with the former Asbestos Manager and her consultancy company had been effectively severed by the time of the audit, their imprint was still visible in parts of the Asbestos Management Plan and the commissioning process for the contracted services (discussed further in Section 4.2 'Planning and Organisation').
- 4.1.7 The management framework in its current form began to crystallise with the appointment of a dedicated Contract Administrator in July 2015 and the commencement of the two asbestos contracts in September 2015. There is no known evidence to suggest any association between the former Asbestos Manager's company and the successful tenderers.
- 4.1.8 Ironically, the aforementioned cloud system which had proved so costly to the Council was ultimately abandoned in favour of an alternative solution that became available at no cost under the new survey contract.
- 4.1.9 At the time of the audit, a procurement exercise was being undertaken for ad-hoc asbestos consultancy services on an initial twelve month contract with the tender evaluation stage imminent at the time of this report.

4.2 **Planning and Organisation**

- 4.2.1 The centrepiece of the management system is the Asbestos Management Plan. The current Plan dates from February 2016 and is based on a draft provided by the former Asbestos Manager in the previous month.
- 4.2.2 The document comes across as mostly sound and well structured, but requires further tailoring to address certain critical shortcomings. In particular, the provisions on roles, responsibilities and training refer to generic job titles that do not reflect the actual management structure or established post titles (the range of job roles as presented suggests a larger organisation than the Council).

4.2.3 Additionally, the Plan does not make clear who is designated as the Appointed Person (i.e. the senior representative of the Council as 'dutyholder' under the Control of Asbestos Regulations 2012). Guidance produced by the Health and Safety Executive (HSE) highlights this as an essential designation for organisational 'dutyholders' with large and complex building portfolios.

Risks

- **Officers and managers are not clear on their respective roles and responsibilities in asbestos management.**
- **Confidence of senior management in the asbestos management system is impaired.**

Recommendations

- (1) The Asbestos Management Plan should be tailored to ensure that all officer posts specified use the actual established post titles, and should be signed off by the holders of those posts.**
- (2) An 'Appointed Person' as defined by the HSE should be designated and the post of which the appointee is holder specified in the Asbestos Management Plan.**

4.2.4 The Asbestos Management Plan contains a survey and removal strategy statement which combines responsive aspects (e.g. voids, minor works, reported concerns, etc.) with project-based input (demolitions/major refurbishment). Enquiries and walkthrough testing have confirmed that the programme of surveys, re-inspections and removal works operates in line with the strategy. The programme is co-ordinated by the aforementioned Contract Administrator under the line management of the Repairs Manager.

4.2.5 As an illustration of the imprint still showing of the former Asbestos Manager and her consultancy company on the management system, form templates for survey and removal requests continued to use that company's details for requesting technical advice. These were removed at the time of the audit and there is no evidence that the company was ever contacted by the contractors for that purpose.

4.2.6 Asbestos awareness training for relevant staff and contractors is an essential component of asbestos management and the Asbestos Management Plan includes a training matrix and outline specifications accordingly. However, the use of generic job titles unrelated to the actual staff structure is also evident in the matrix.

4.2.7 Although there is evidence in the documentation seen of training activity, no authoritative log of asbestos-related training has come to light (this is despite reference to a training log in the Housing and Property Services Risk Register and a commitment to ongoing monitoring of such training).

Risk

The Council is unable to demonstrate adequate asbestos awareness training if challenged.

Recommendation

Records of all asbestos awareness training going back a suitable period should be compiled and continually maintained with all future training logged.

- 4.2.8 Awareness initiatives for stakeholders (in particular housing tenants) are mentioned in both the Risk Register and the Asbestos Management Plan, but there is a clear divergence of approach between them and in neither case is there evidence of the initiatives being implemented as described.
- 4.2.9 The Risk Register refers to regular information articles on asbestos in tenants' newsletters as a mitigation measure in force (as at the last update). A search of back issues over the past three years failed to produce any evidence of this. The Plan refers to a tenants' leaflet of which printed copies were found to exist but with a different title. The contact details on the leaflet were found to be outdated and no electronic version of the leaflet could be located on the Council's web resources. It was advised that the leaflet was being updated and would be re-printed for issue on request.
- 4.2.10 Some information resource was found on the Council's website (Council' Housing) page and in the Tenants' Handbook, although the latter contains out-of-date contact details and contractor name. It was later discovered that the Handbook was being updated at the time of the audit and all reference to asbestos has been removed in the latest draft.
- 4.2.11 Asbestos information resources on the website are dominated by guidance posted by the Regulatory Services Team in Heath and Community Protection and include a separate booklet for homeowners and occupiers. Thinking in terms of the 'One Council' principal and the 'Digital by Default' agenda, a joined up approach to asbestos information for stakeholders may be called for here.

Risk

Council stakeholders are not provided with appropriate information to help them understand how asbestos risks affect them.

Recommendation

The approach to promoting asbestos awareness among stakeholders (including tenants) should be clarified and consideration given to a joined-up approach between Housing and Property Services and Health and Community Protection.

4.3 **Record Keeping**

- 4.3.1 Central to an asbestos management system is the Asbestos Register that records approved surveys undertaken on the Council's properties and supports scheduling of re-inspection and decision making on remedial works based on risk scores. To replace the abandoned cloud system, the Council now has use of a web portal into the survey contractor's database (itself cloud based).
- 4.3.2 Whilst this has been pre-populated with all applicable site data (7,199 records), only surveys carried out under the current contract are recorded (around 1,200 sites to date). It was advised that a download has been taken of the survey data on the abandoned system and the feasibility of uploading this to the current database is being explored.
- 4.3.3 All commissioning of surveys and asbestos removal work is progressed through the raising of job orders in the MIS ActiveH Repairs system (mainly based on pre-tendered schedules of rates) and payments exported to Total supported by monthly valuation certificates and contractors' invoices. This makes for a suitably transparent process trail with appropriate checks and authorisations clearly evident.
- 4.3.4 Cross-matching of data between MIS ActiveH, Total and TEAMS covering from the inception of the contract to date confirmed that:
- there has been no duplication of payment on MIS orders
 - all payments to date match up to valid MIS orders at the correct values
 - the asbestos register survey database accurately reflects the survey work shown as completed in MIS.
- 4.3.5 There were significant instances of MIS orders left hanging for excessive periods and multiple survey and remedial work orders for the same sites in evidence from the testing. In the case of surveys, the majority show time intervals that signify bona-fide re-inspections, although some showed 'hanging' orders as being potential duplicates of completed orders raised around the same time. The cases of multiple remedial work orders mostly represent follow-up orders for additional work, although a small number of cases point to possible duplication in evidence.
- 4.3.6 The details of these have been referred to the Contract Administrator for investigation and feedback. Some outstanding orders have already been deleted as a result, including one that included a mis-keyed Schedule of Rates code that would have added approximately £1,700 to the £1,009 duplicate overpayment had the order been released for payment.
- #### 4.4 **Contract Administration**
- 4.4.1 It was confirmed that both contracts have been duly signed off, in each case by both parties, and regular client/contractor communication has been established as evidenced by minutes of meetings. Ordering and payment arrangements were confirmed as operating according to the terms of the contracts.

4.4.2 However, the meeting minutes show only operational matters discussed and key elements of contract and performance monitoring provisions specified in the terms and conditions have yet to manifest themselves.

4.4.3 In particular, no recorded evidence could be found of:

- period reporting by the contractors
- measurement against pre-specified Key Performance Indicators (KPIs)
- Council and joint client/contractor inspection visits
- any reference to quarterly performance monitoring results in client/contractor meetings.

4.4.4 In post-audit discussions, it was advised that period reports from the contractors were starting to emerge.

4.4.5 The Procurement Team produced a set of KPIs with guidance for each contract prior to their inception, but these are generic ones that have not been developed further.

Risk

Management may not be kept properly abreast of contract performance based on accurate and relevant data.

Recommendation

Performance monitoring and reporting arrangements should be implemented in accordance with the terms of the contracts.

4.4.6 Appropriate budget monitoring is in evidence using a computerised spreadsheet model updated monthly. The outturn to date shows indications of a potential overspend for the current year, although a history of substantial fluctuations in expenditure month by month make the full year expectations difficult to predict.

5 Conclusions

5.1 Levels of assurance are applied based on the following bands:

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.

5.2 On that basis, the findings of this examination support only a MODERATE degree of assurance that the management of asbestos hazards is effectively managed. That said, the findings represent a substantial improvement over the position reported at the time of the 2013 investigation.

5.3 The key factors qualifying the level of assurance are:

- an Asbestos Management Plan that is not in harmony with actual management structures including no designation of the Appointed Person;
- no evidence from which to verify that awareness training has been implemented in accordance with the Asbestos Management Plan;
- performance monitoring and reporting routines specified in the terms of the asbestos survey and removal contracts not implemented.

6 Management Action

6.1 The recommendation arising above is reproduced in the Action Plan for management attention.

CURRENT IMPLEMENTATION POSITION FOR LOW AND MEDIUM RISK RECOMMENDATIONS
ISSUED IN QUARTER 3 2015/16

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE	CURRENT STATE OF IMPLEMENTATION PER MANAGER
Administration of Housing Benefit & Council Tax Reduction: Administration & Assessment – 21 Dec 2015		
The Risk Based Verification evidence schedule should be updated to highlight the requirement that payslips and other documentary evidence of employment should include the name of the employer.	<p><i>Benefits & Fraud Manager:</i></p> <p>The schedule will be updated, although it is noted that there will be occasions when employer's details may not be shown on payslips.</p> <p>In the highlighted case, the pay amounts were verified to the bank statements provided.</p> <p>TID: End of January 2016.</p>	The schedule has been updated.
Backdated claims should have appropriate evidence to support the decisions reached.	<p><i>Benefits & Fraud Manager:</i></p> <p>This already happens.</p> <p>In the highlighted case, there was a very short backdating period and the Benefits & Fraud Manager considered the justification provided was satisfactory.</p> <p>TID not applicable.</p>	Recommendation addressed – no further response necessary.
The frequency of the review of high risk claims should be set proportionate to risk e.g. six-monthly intervals.	<p><i>Benefits & Fraud Manager:</i></p> <p>Agreed. Future relevant dates are being diarised on the system so that cases can be reviewed when necessary.</p> <p>TID: Ongoing.</p>	Completed, review dates set after considering both the circumstances of the claim and level of risk.

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE	CURRENT STATE OF IMPLEMENTATION PER MANAGER
The RBV document should be updated to include evidence requirements for claimants in receipt of weekly war pension or war widow's pension.	<i>Benefits & Fraud Manager:</i> Agreed. The schedule will be updated as suggested. TID: End of January 2016.	Completed, schedule updated.
Royal Pump Rooms (including Art Gallery) – 31 December 2015		
The petty cash imprest should be reduced to £50 and the balance returned to the FS Team in Finance and paid in.	<i>Heritage and Arts Manager:</i> A member of the AG&M staff has been in touch with the FS Team to arrange to reduce the petty cash imprest from £300 to £50. Finance will reimburse recent expenditure to restore the petty cash float to £300; £250 will then be returned to Finance to leave a petty cash imprest of £50. 29 January 2016.	£250 Petty cash returned to Finance on 2/2/16 – leaving £50 at RPR.
Art Gallery staff should liaise with Finance staff to agree what information they need in order to be able to perform worthwhile monitoring of takings and bankings.	<i>Heritage and Arts Manager:</i> A member of staff from Finance will visit the AG&M on 26 January to discuss VAT issues and agree what additional information is required for more effective monitoring of takings and bankings. 26 January 2016	Sharon Luke and Rob Cappleman met with Gary Walker on 9/2/16 in response to the recommendation from the audit.

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE	CURRENT STATE OF IMPLEMENTATION PER MANAGER
<p>The Heritage and Arts Manager should ensure that staff are aware of and apply the correct room hire charge.</p>	<p><i>Heritage and Arts Manager:</i> All AG&M staff have been instructed to ensure that the current rate (as of 1 January 2016) is applied for the hire of the Craft Studio / Education Room. To ensure that staff are aware of future changes to the hire charge it has been agreed that the Culture Business Support Team will advise AG&M staff of changes after the council's fees and charges report in the autumn. TID: 19 January 2016</p>	<p>Recommendation addressed – no further response necessary.</p>
<p>Outdoor Recreation Facilities – 4 November 2015</p>		
<p>The hours and duties of attendants should be formally agreed with the contractor and documented as such.</p>	<p><i>Green Space Development Officer:</i> I hadn't forgotten about it, I am in the process of formalising with The Landscape Group and aim to have this done over the next couple of weeks.</p>	<p>Completed. A document has been produced and agreed between parties and includes hours and duties of attendants.</p>

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE	CURRENT STATE OF IMPLEMENTATION PER MANAGER
<p>Consideration should be given to negotiating a concession arrangement for the operation of the tennis courts at Victoria Park.</p>	<p><i>Events Manager:</i> Initial discussions have taken place with the director of VP Tennis to revise the current Service Level Agreement. Officers are proposing to end the current arrangement of collecting cash on behalf the Council for casual public use. Rental charges would be increased to compensate for the loss of monies to the council. This action would eliminate any risk relating to a third party collecting monies on behalf of the council. TID: New lease date to commence on April 1st 2016.</p>	<p>A new licence has been drafted with input from Warwickshire Legal Services and the Lawn Tennis Association. At this point we are waiting for the Licensee to sign the agreement, which would see the financial arrangement change to a rental charge at the beginning of the financial year 2017. This new arrangement addresses the previous concerns about charging and counter charging and validity of recharges between the licensee and the Council.</p>
<p>The application form for a track season ticket should be printed showing the correct discount for the winter season.</p>	<p><i>Events Manager:</i> Update administration documents to accurately reflect the fees and charges. TID: Completed November 2015.</p>	<p>This has been completed – the application shows the correct price.</p>
<p>Invoices should be raised on a regular basis throughout the year preferably monthly.</p>	<p><i>Events Manager:</i> A standard timeframe for invoicing will be introduced and adhered to, thus ensuring billing takes place monthly where possible. TID: April 2016 onwards.</p>	<p>A review of the invoicing procedures has taken place and monthly invoicing is now the standard practice where possible. Further progress is scheduled for next year when further work will be undertaken with some remaining clubs align themselves with the new procedures.</p>

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE	CURRENT STATE OF IMPLEMENTATION PER MANAGER
<p>The Events Manager should consult the Insurance and Risk Officer concerning the insurance implications of track and football pitch hire.</p>	<p><i>Events Manager:</i> Every club that has applied to hire our pitches plays in a league which is affiliated with the Birmingham County FA. As a result every club has to be affiliated to the County FA as a condition of entry to the league. One of the mandatory terms of affiliation with the County is insurance requirement for the club <i>"It is important to organise appropriate insurance for players in case of accident or injury. This is a mandatory condition of membership to Birmingham FA"</i> http://www.birminghamfa.com/get-involved/club-information/newclubs#O7PKj34vFpp7rDyj.99 Therefore the clubs have to have insurance for the fixture to be sanctioned by the league, so the need for WDC to enforce the requirement to produce evidence is not required. Where appropriate, evidence of insurance certification will be requested from clubs prior to agreement of track hire bookings. TID: November 2015.</p>	<p>The initial response remains valid, the County FA hold these details on file.</p> <p>Having spoken with the Insurance & Risk Officer we can confirm that we will commence the process of requesting public liability insurance from all hirers of the track (minimum £5m) and this will start this week (7 Nov). This process will also be built into the track booking forms for the 2017/18 season.</p>

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE	CURRENT STATE OF IMPLEMENTATION PER MANAGER
The three license fees for fishing rights in the District should be reviewed.	<i>Estates Manager:</i> I aim to complete this by end of Feb 2016. TID: As stated above.	Completed.
The effect of the mistreatment of VAT for Emscote Angling Co-op should be corrected.	<i>Estates Manager:</i> I aim to resolve this by end of Feb 2016. TID: As stated above.	Completed.
The Events Manager should consult with the relevant accountant concerning the correct application of VAT to outdoor recreation income.	<i>Events Manager:</i> Investigate the reason for errors, put in required measures to ensure future compliance with VAT application. Monitor and review at regular intervals. TID: November 2015 onwards.	Constant liaison with Development Services accountant to ensure errors don't occur.
St Nicholas Park Leisure Centre – 16 December 2015		
All orders placed should be fully and accurately priced as far as possible and include carriage.	<i>Operations Manager:</i> Operations Manager to ensure that carriage charges are included where applicable on all orders. TID: With immediate effect.	Staff who are responsible for raising orders have received training where appropriate. Managers are not aware of any further errors of this nature occurring to date.

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE	CURRENT STATE OF IMPLEMENTATION PER MANAGER
Amendments should be made to staff payments to correct the issues identified.	<p><i>Area Manager:</i> All leisure centres are being transferred onto "self-serve" i.e. electronic timesheets. This will be in place at all sites. This would account for the apparent errors, as the Operations Manager would have entered correct details on the system, as opposed to the detail entered on the timesheets by the individuals. TID: End of January 2016.</p>	The roll out of Self-Serve has now been fully adopted by all leisure facilities. The system is more robust and allows for more rigorous checking.
Staff should be reminded of the need to ensure that shift sheets are signed-off appropriately by two members of staff.	<p><i>Operations Manager:</i> Memo to staff reminding them of the financial procedures for the site. Training session for all reception and supervisory staff to ensure accuracy. TID: 31/12/15.</p>	The Operations Manager circulated a memo and has raised the issue in team meetings. Regular checks take place by the Operations Manager
Staff should be reminded of the need to ensure that refunds and voids are processed by supervisors, independently of the staff member who had processed the original transaction, with the receipts being signed off to confirm that this has been performed appropriately.	<p><i>Operations Manager:</i> Memo to staff reminding them of the financial procedures for the site. Further training to be given to all reception and supervisory staff to ensure accuracy. TID: 31/12/15.</p>	The Operations Manager circulated a memo and has raised the issue in team meetings. Regular checks by the Operations Manager take place.

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE	CURRENT STATE OF IMPLEMENTATION PER MANAGER
<p>Efforts should be made to ensure that folios include an appropriate amount of detail and that all invoices are raised at the correct rates.</p>	<p><i>Operations Manager / Sports Facilities Area Manager:</i> To ensure all staff that complete folios are suitably trained. A sample document to be introduced, outlining the required information to be produced. Operations Manager to then arrange training. TID: 31/12/15.</p>	<p>Staff training has taken place for the staff responsible for invoicing. The Operations Manager is confident that more detail is now being included on the folios as appropriate</p>
<p>Gym membership cards should be issued in sequential order.</p>	<p><i>Operations Manager:</i> Memo to staff reminded them of the need to issue cards correctly. Introduce weekly stock check on cards, agree level to be kept in till, to ensure replacements are sequential. Business Support Manager to monitor sheets when submitted to RSH and flag up non-compliance with Sports Facilities Area Manager. TID: 31/12/15.</p>	<p>New process in place. Log sheets typed to help ensure greater accuracy. Area Manager conducts regular spot checks.</p>
<p>Staff should be reminded of the need to complete the membership card log sheets in a legible manner.</p>	<p><i>Operations Manager:</i> Investigate with Business Support Manager with regard to placing spreadsheet on the computer. TID: 21/12/15.</p>	<p>Still paper based, but numbers are typed in advance to reduce amount that needs to be written.</p> <p>No further work planned on this given the start of the new leisure operator in 2017. Work to introduce a computer based process is not deemed appropriate at this stage.</p>

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE	CURRENT STATE OF IMPLEMENTATION PER MANAGER
Castle Farm Recreation Centre & Abbey Fields Swimming Pool – 29 October 2015		
All orders should be raised in a timely manner.	<p><i>Operations Manager:</i> Some of the orders that were placed after the invoice had been received relate to services that are provided by Housing and Property Services. The remaining orders relate to a supplier that the Centres have a call off contract with (SRS Leisure). Order requests are submitted by the centre and all invoices are paid for centrally by the Business Support Team. The contract has annual value of £20,000. TID not applicable.</p>	Staff who are responsible for raising orders have received training where appropriate.
All orders placed should be fully and accurately priced as far as possible and include carriage.	<p><i>Operations Manager:</i> The Operations Manager is to ensure that carriage charges are included where applicable on all orders. TID: With immediate effect.</p>	Recommendation addressed – no further response necessary.
Procurement options should be reviewed with regards to the purchase of goods that is currently undertaken with J P Lennard Ltd, to ensure that value for money is being obtained.	<p><i>Sports Facilities Area Manager:</i> The Sports Facilities Area Manager has discussed this with the Procurement Manager in order to identify a supplier from a framework that can be used to replace JP Lennard Ltd. TID: 30 November 2015.</p>	Recommendation addressed – no further response necessary.

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE	CURRENT STATE OF IMPLEMENTATION PER MANAGER
<p>Management should consider whether the staff payments should be recoded or whether to take an overall view of staffing costs across the leisure centres until the coding issues can be properly resolved.</p>	<p><i>Sports Facilities Area Manager:</i> This has been a corporate issue managed by HR and Payroll colleagues. Recent progress has resulted in most issues being resolved. This issue will finally be concluded once all staff transfer to self-service. Staff will then submit their hours electronically from the site they have worked at and the manager for that site will approve all claims. A decision has been taken to not to spend any further time revising April – September data, with accurate information hoping to be obtained on the system from the October payroll. TID: 31 December 2015.</p>	<p>The roll out of Self-Serve has now been fully adopted by all leisure facilities. The system is more robust and allows for more rigorous checking.</p>
<p>Staff should be reminded of the need to ensure that refunds and voids are processed by supervisors, independently of the staff member who had processed the original transaction, with the receipts being signed off to confirm that this has been performed appropriately.</p>	<p><i>Operations Manager:</i> A memo will be sent to staff reminding them of the financial procedures for the site. TID: 31 October 2015.</p>	<p>The Operations Manager circulated a memo and has raised the issue in team meetings. Regular checks by the Operations Manager take place.</p>
<p>A member of centre staff should be present during the emptying of the weighing machine to verify the cash counted.</p>	<p><i>Sports Facilities Area Manager:</i> The weighing machine gets emptied once or twice a year and the income received is very low. Consideration is, therefore, to be given to removing them from all sites. TID: 30 November 2015.</p>	<p>All weighing machines are now in the process of being removed.</p>

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE	CURRENT STATE OF IMPLEMENTATION PER MANAGER
Staff should be reminded of the requirement to keep the safe locked at all times when not in use.	<i>Operations Manager:</i> As per 4.54 above. TID: 31 October 2015.	Staff had been made aware of the issue directly following the report. No further incidents have been witnessed by the Operations Manager since.
Efforts should be made to ensure that folios include an appropriate amount of detail and that all invoices are raised at the correct rates.	<i>Operations Manager:</i> It will be ensured that all staff that complete folios are suitably trained. A sample document is to be produced as an aide memoire of how to complete folios. TID: 31 October 2015.	Staff training has taken place for the staff responsible for invoicing. The Operations Manager is confident that more detail is now being included on the folios as appropriate
The bookings made by the Tae Kwon Do club, Baginton Swimming Club and the 30+ Swimming Club should be looked into to ascertain whether the VAT criteria are being met and VAT charged accordingly.	<i>Operations Manager:</i> Further to confirming the issues with the Auditor, a memo will go to all staff that complete folios regarding the correct application VAT. TID: 31 October 2015.	The Area Manager completed a check on the clubs identified and was able to confirm that they were eligible for VAT.
Staff should be reminded of the need to accurately complete all details on the membership card issue logs.	<i>Operations Manager:</i> A memo will be sent to staff reminding them of the need to record all financial data correctly. Completed log sheets are returned on a monthly basis to the Business Support Manager who monitors completion. TID: 31 October 2015.	The completed logs are now routinely sent to Business Support. The area Manager conducts regular spot checks.

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE	CURRENT STATE OF IMPLEMENTATION PER MANAGER
The income budget for the resale of stock items should be reviewed to ensure that it is in line with known income levels.	<p><i>Sports Facilities Area Manager:</i></p> <p>The current contract with SRS is meant to help the sites achieve their income targets. At next meeting with SRS, we will discuss how they can improve displays and product ranges.</p> <p>TID: 5 November 2015.</p>	The future plans of the Leisure facilities will result in a wind down in resale at all facilities. Orders will be minimal or non-existent up until June 2017, when the facilities will be outsourced to a private operator.
Building Control – 31 December 2015		
References to discontinued mitigation measures in the Development Services Risk Register should be identified and removed and the applicable risks re-evaluated as appropriate.	<p><i>Interim Head of Consortium:</i></p> <p>Risk Register to be reviewed.</p> <p>TID: End of Jan 2016.</p>	Implemented, Register Reviewed June 2016, and October 2016. To be reviewed Jan 2017.
Future reviews of the Development Services Risk Register should ensure that risk mitigation measures specified truly represent actual procedures being followed.	<p><i>Interim Head of Consortium:</i></p> <p>Risk register to be reviewed.</p> <p>TID: Quarterly.</p>	Implemented, Register Reviewed June 2016, and October 2016. To be reviewed Jan 2017.
Local Land Charges – 16 December 2015		
Responses to search requests should be sent out in a timely manner.	<p><i>Admin Support Manager:</i></p> <p>Responsible officer to go through CON290 with Team Leader to minimise handling and timescales.</p> <p>TID: December 2015.</p>	Recommendation addressed through actions within the team.

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE	CURRENT STATE OF IMPLEMENTATION PER MANAGER
Staff should be reminded of the need to ensure that all relevant tabs have been signed off before issuing the search responses.	<i>Admin Support Manager:</i> Meeting held to go through report and discuss issues such as this and the importance of completion. TID: Completed.	Recommendation addressed – no further response necessary.
Acolaid should be reviewed to ascertain whether reports can be produced showing search requests that have not been responded to.	<i>Admin Support Manager:</i> Officer being trained to write reports from the system to enable us to interrogate data better. TID: September 2016.	This has been reviewed and is now used to identify outstanding requests.
Staff should be reminded of the need to accurately plot the searches on the GIS system.	<i>Admin Support Manager:</i> Meeting held to go through report and discussion on importance of plotting and consequences of not doing it correctly. TID: Completed.	Recommendation addressed – no further response necessary.
Staff working on land charge searches should complete timesheets to allow for the costs of providing the service to be accurately calculated.	<i>Head of Development Services / Admin Support Manager:</i> Already being completed and costs are being reviewed to report to Executive. TID: January 2016.	Recommendation addressed – no further response necessary.
The Acolaid system and the council's website should be updated to show the correct fees, with these fees being charged to the customers.	<i>Admin Support Officer / Finance Officer:</i> Need to ensure the website and Acolaid provide the same information. TID: January 2016.	This has been completed.

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE	CURRENT STATE OF IMPLEMENTATION PER MANAGER
A review should be undertaken of the dates used in the performance monitoring reports to ensure that management are given accurate information.	<i>Admin Support Manager:</i> Meeting held to discuss processes and dates used in reports. TID: Completed.	Recommendation addressed – no further response necessary.
Cumulative figures should be included in the monitoring reports, with consideration being given to including details of any 'outliers' for further investigation.	<i>Admin Support Manager:</i> Reports to be reviewed with IT and Information & Improvement Officer. TID: March 2016.	The relevant monitoring reports now include cumulative figures.

INTERNAL AUDIT REPORT

FROM: Audit and Risk Manager **SUBJECT:** Asbestos Management

TO: Head of Housing and Property Services
Asset Manager
Repairs Manager **DATE:** 1 September 2016

C.C. Chief Executive
Deputy Chief Executive (BH)
Head of Finance

1 Introduction

- 1.1 In accordance with the Audit Plan for 2016/17, an examination of the above subject area has been completed recently and this report is intended to present the findings and conclusions for information and action where appropriate.
- 1.2 Wherever possible, results obtained have been discussed with the staff involved in the various procedures examined and their views are incorporated, where appropriate, in any recommendations made. My thanks are extended to all concerned for the help and co-operation received during the audit.

2 Background

- 2.1 Asbestos Management was introduced on to the Internal Audit Plan as a discrete assignment from April 2016. This was partially in response to issues arising from a special investigation undertaken in late 2013 into the procurement and management of asbestos consultancy services. The findings of this investigation were ultimately reported to the Council's Executive.
- 2.2 As owner of a diverse portfolio of residential, operational and commercial properties, the Council has a statutory duty to actively manage threats from asbestos (actual and potential). The need for a dedicated full-time officer post to oversee an asbestos management programme was recognised as far back as 2010, but failure to recruit via internal processes meant a succession of interim arrangements that continued up to 2015. These included specialist agency staff placements and relatively short-lived contracts for specialist asbestos services.
- 2.3 Following a competitive tendering process, in consultation with the Procurement Team, two contracts were let for an initial period of five years effective from September 2015. One was for asbestos survey and testing while the other was for asbestos removal. Both contracts remain in force at the time of this report.

3 Scope and Objectives of the Audit

- 3.1 The audit examination was undertaken for the purpose of reporting a level of assurance on the adequacy of current structures and processes in place to manage asbestos hazards economically, efficiently and effectively in accordance with statutory requirements and applicable regulatory provisions.
- 3.2 The examination took the form of an evidential overview of structures and processes focusing on the following areas:
- planning and organisation
 - record keeping
 - contract administration.
- 3.3 The review considered mitigations and actions against asbestos related risks, as provided for in the Housing and Property Services Risk Register, in the context of the above areas.
- 3.4 The procurement processes leading to the award of the two aforementioned contracts were not examined within the scope of this review.
- 3.5 The findings are based substantially on discussions with the Repairs Manager and Contract Administrator (Asbestos) combined with examination of supporting documents and records. Analysis and testing of data from the MIS Repairs System, Total FMS and the cloud-based Asbestos Register was also performed.

4 Findings

4.1 Developments Following Special Investigation

- 4.1.1 Although the investigation report of 2013 included several recommendations, the issues from which they arose have been overtaken by events making them now of historic relevance only. Since the investigation, interim management and contractual arrangements continued alongside a period of organisational restructure.
- 4.1.2 This included engaging a replacement temporary Asbestos Manager, through the Council's nominated recruitment agency, on a tenure that lasted eighteen months being finally terminated in January 2016. Records of procurement activity during that tenure involve an asbestos consultancy company of which the Asbestos Manager was (and still is) a director, indicating questionable practices with some similarities to those of her predecessor described in the investigation report.
- 4.1.3 In parallel with this was the adoption of a cloud-based property risk management system that was to host the asbestos register. In addition to the charges from the system provider of £9,090 for setting-up and one year's hosting, the Council would ultimately incur £27,280 in payments to the said asbestos consultancy for back-loading data and document attachments relating to approximately 2,000 surveys that had been performed under the interim contract.

- 4.1.4 The way in which this work was ordered raises questions as to whether the overall project was ever properly costed - the initial purchase order for £2,980 (raised in Total) would be supplemented over a period of eight months by eight further orders with an accumulated value of £31,800. At the time of the audit, the most recent of these orders was still only part-cleared with a potential further payment of £4,520 (the Repairs Manager was notified of this and responded that the order would be cancelled with immediate effect).
- 4.1.5 Further commissions from the company included an order raised in June 2015 for asbestos surveys with a total value of £8,450. In the event only £2,700 was paid (for 20 surveys prior to the current contracts coming into force), before the order was cancelled.
- 4.1.6 While the Council's association with the former Asbestos Manager and her consultancy company had been effectively severed by the time of the audit, their imprint was still visible in parts of the Asbestos Management Plan and the commissioning process for the contracted services (discussed further in Section 4.2 'Planning and Organisation').
- 4.1.7 The management framework in its current form began to crystallise with the appointment of a dedicated Contract Administrator in July 2015 and the commencement of the two asbestos contracts in September 2015. There is no known evidence to suggest any association between the former Asbestos Manager's company and the successful tenderers.
- 4.1.8 Ironically, the aforementioned cloud system which had proved so costly to the Council was ultimately abandoned in favour of an alternative solution that became available at no cost under the new survey contract.
- 4.1.9 At the time of the audit, a procurement exercise was being undertaken for ad-hoc asbestos consultancy services on an initial twelve month contract with the tender evaluation stage imminent at the time of this report.

4.2 **Planning and Organisation**

- 4.2.1 The centrepiece of the management system is the Asbestos Management Plan. The current Plan dates from February 2016 and is based on a draft provided by the former Asbestos Manager in the previous month.
- 4.2.2 The document comes across as mostly sound and well structured, but requires further tailoring to address certain critical shortcomings. In particular, the provisions on roles, responsibilities and training refer to generic job titles that do not reflect the actual management structure or established post titles (the range of job roles as presented suggests a larger organisation than the Council).
- 4.2.3 Additionally, the Plan does not make clear who is designated as the Appointed Person (i.e. the senior representative of the Council as 'dutyholder' under the Control of Asbestos Regulations 2012). Guidance produced by the Health and Safety Executive (HSE) highlights this as an essential designation for organisational 'dutyholders' with large and complex building portfolios.

Risks

- **Officers and managers are not clear on their respective roles and responsibilities in asbestos management.**
- **Confidence of senior management in the asbestos management system is impaired.**

Recommendations

- (1) The Asbestos Management Plan should be tailored to ensure that all officer posts specified use the actual established post titles, and should be signed off by the holders of those posts.**
- (2) An 'Appointed Person' as defined by the HSE should be designated and the post of which the appointee is holder specified in the Asbestos Management Plan.**

- 4.2.4 The Asbestos Management Plan contains a survey and removal strategy statement which combines responsive aspects (e.g. voids, minor works, reported concerns, etc.) with project-based input (demolitions/major refurbishment). Enquiries and walkthrough testing have confirmed that the programme of surveys, re-inspections and removal works operates in line with the strategy. The programme is co-ordinated by the aforementioned Contract Administrator under the line management of the Repairs Manager.
- 4.2.5 As an illustration of the imprint still showing of the former Asbestos Manager and her consultancy company on the management system, form templates for survey and removal requests continued to use that company's details for requesting technical advice. These were removed at the time of the audit and there is no evidence that the company was ever contacted by the contractors for that purpose.
- 4.2.6 Asbestos awareness training for relevant staff and contractors is an essential component of asbestos management and the Asbestos Management Plan includes a training matrix and outline specifications accordingly. However, the use of generic job titles unrelated to the actual staff structure is also evident in the matrix.
- 4.2.7 Although there is evidence in the documentation seen of training activity, no authoritative log of asbestos-related training has come to light (this is despite reference to a training log in the Housing and Property Services Risk Register and a commitment to ongoing monitoring of such training).

Risk

The Council is unable to demonstrate adequate asbestos awareness training if challenged.

Recommendation

Records of all asbestos awareness training going back a suitable period should be compiled and continually maintained with all future training logged.

- 4.2.8 Awareness initiatives for stakeholders (in particular housing tenants) are mentioned in both the Risk Register and the Asbestos Management Plan, but there is a clear divergence of approach between them and in neither case is there evidence of the initiatives being implemented as described.
- 4.2.9 The Risk Register refers to regular information articles on asbestos in tenants' newsletters as a mitigation measure in force (as at the last update). A search of back issues over the past three years failed to produce any evidence of this. The Plan refers to a tenants' leaflet of which printed copies were found to exist but with a different title. The contact details on the leaflet were found to be outdated and no electronic version of the leaflet could be located on the Council's web resources. It was advised that the leaflet was being updated and would be re-printed for issue on request.
- 4.2.10 Some information resource was found on the Council's website (Council' Housing) page and in the Tenants' Handbook, although the latter contains out-of-date contact details and contractor name. It was later discovered that the Handbook was being updated at the time of the audit and all reference to asbestos has been removed in the latest draft.
- 4.2.11 Asbestos information resources on the website are dominated by guidance posted by the Regulatory Services Team in Health and Community Protection and include a separate booklet for homeowners and occupiers. Thinking in terms of the 'One Council' principal and the 'Digital by Default' agenda, a joined up approach to asbestos information for stakeholders may be called for here.

Risk

Council stakeholders are not provided with appropriate information to help them understand how asbestos risks affect them.

Recommendation

The approach to promoting asbestos awareness among stakeholders (including tenants) should be clarified and consideration given to a joined-up approach between Housing and Property Services and Health and Community Protection.

4.3 Record Keeping

- 4.3.1 Central to an asbestos management system is the Asbestos Register that records approved surveys undertaken on the Council's properties and supports scheduling of re-inspection and decision making on remedial works based on risk scores. To replace the abandoned cloud system, the Council now has use of a web portal into the survey contractor's database (itself cloud based).
- 4.3.2 Whilst this has been pre-populated with all applicable site data (7,199 records), only surveys carried out under the current contract are recorded (around 1,200 sites to date). It was advised that a download has been taken of the survey data on the abandoned system and the feasibility of uploading this to the current database is being explored at the time of this report.

- 4.3.3 All commissioning of surveys and asbestos removal work is progressed through the raising of job orders in the MIS ActiveH Repairs system (mainly based on pre-tendered schedules of rates) and payments exported to Total supported by monthly valuation certificates and contractors' invoices. This makes for a suitably transparent process trail with appropriate checks and authorisations clearly evident.
- 4.3.4 Cross-matching of data between MIS ActiveH, Total and TEAMS covering from the inception of the contract to date confirmed that:
- there has been no duplication of payment on MIS orders;
 - all payments to date match up to valid MIS orders at the correct values;
 - the asbestos register survey database accurately reflects the survey work shown as completed in MIS.
- 4.3.5 There were significant instances of MIS orders left hanging for excessive periods and multiple survey and remedial work orders for the same sites in evidence from the testing. In the case of surveys, the majority show time intervals that signify bona-fide re-inspections, although some showed 'hanging' orders as being potential duplicates of completed orders raised around the same time. The cases of multiple remedial work orders mostly represent follow-up orders for additional work, although a small number of cases point to possible duplication in evidence.
- 4.3.6 The details of these have been referred to the Contract Administrator for investigation and feedback. Some outstanding orders have already been deleted as a result, including one that included a mis-keyed Schedule of Rates code that would have added approximately £1,700 to the £1,009 duplicate overpayment had the order been released for payment.

4.4 **Contract Administration**

- 4.4.1 It was confirmed that both contracts have been duly signed off, in each case by both parties, and regular client/contractor communication has been established as evidenced by minutes of meetings. Ordering and payment arrangements were confirmed as operating according to the terms of the contracts.
- 4.4.2 However, the meeting minutes show only operational matters discussed and key elements of contract and performance monitoring provisions specified in the terms and conditions have yet to manifest themselves.
- 4.4.3 In particular, no recorded evidence could be found of:
- period reporting by the contractors
 - measurement against pre-specified Key Performance Indicators (KPIs)
 - Council and joint client/contractor inspection visits
 - any reference to quarterly performance monitoring results in client/contractor meetings.
- 4.4.4 In post-audit discussions, it was advised that period reports from the contractors were starting to emerge.

4.4.5 The Procurement Team produced a set of KPIs with guidance for each contract prior to their inception, but these are generic ones that have not been developed further.

Risk

Management is not kept properly abreast of contract performance based on accurate and relevant data.

Recommendation

Performance monitoring and reporting arrangements should be implemented in accordance with the terms of the contracts.

4.4.6 Appropriate budget monitoring is in evidence using a computerised spreadsheet model updated monthly. The outturn to date shows indications of a potential overspend for the current year, although a history of substantial fluctuations in expenditure month by month make the full year expectations difficult to predict.

5 Conclusions

5.1 Levels of assurance are applied based on the following bands:

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.

5.2 On that basis, the findings of this examination support only a MODERATE degree of assurance that the management of asbestos hazards is effectively managed. That said, the findings represent a substantial improvement over the position reported at the time of the 2013 investigation.

5.3 The key factors qualifying the level of assurance are:

- an Asbestos Management Plan that is not in harmony with actual management structures including no designation of the Appointed Person;
- no evidence from which to verify that awareness training has been implemented in accordance with the Asbestos Management Plan;
- performance monitoring and reporting routines specified in the terms of the asbestos survey and removal contracts not implemented.

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 Asbestos Management – June 2016

Report Ref.	Recommendation	Risk(s)	Risk Rating*	Responsible Officer(s)	Management Response	Target Date
4.2.3	The Asbestos Management Plan should be tailored to ensure that all officer posts specified use the actual established post titles, and should be signed off by the holders of those posts.	<ul style="list-style-type: none"> Officers and managers are not clear on their respective roles and responsibilities in asbestos management. Confidence of senior management in the asbestos management system is impaired. 	Medium	Head of Housing and Property Services	The Asbestos Management Plan will be updated and amended to implement the recommendation, with officers and managers advised accordingly so that they are made clearly aware of their role and responsibilities.	October 2016.
4.2.3	An 'Appointed Person' as defined by the HSE should be designated and the post of which the appointee is holder specified in the Asbestos Management Plan.		Medium	Head of Housing and Property Services.	H&PS will therefore work with the Council's Health and Safety Co-ordinator to determine the most appropriate post and for that post-holder to be given the information and understanding they will need to fulfil that role.	December 2016.

Report Ref.	Recommendation	Risk(s)	Risk Rating*	Responsible Officer(s)	Management Response	Target Date
4.2.7	Records of all asbestos awareness training going back a suitable period should be compiled and continually maintained with all future training logged.	The Council is unable to demonstrate adequate asbestos awareness training if challenged.	Low	Asset Manager	This recommendation will be progressed. A training register for Housing & Property Services is now in use and has been populated with the most recent training records.	September 2016.

Report Ref.	Recommendation	Risk(s)	Risk Rating*	Responsible Officer(s)	Management Response	Target Date
4.2.11	The approach to promoting asbestos awareness among stakeholders (including tenants) should be clarified and consideration given to a joined-up approach between Housing and Property Services and Health and Community Protection.	Council stakeholders are not provided with appropriate information to help them understand how asbestos risks affect them.	Low	Asset Manager/ Repairs Manager	H&PS is introducing a different approach to engagement with its clients (including tenants) that is more personal and takes advantage of e-communications. This process has taken some time to introduce and focus has been on moving the previous printed newsletter and Tenant Panel to this wider, more varied approach. The dissemination of asbestos awareness will now be given enhanced status within engagement work (for example inclusion in Tenant Welcome Packs).	December 2016.

Report Ref.	Recommendation	Risk(s)	Risk Rating*	Responsible Officer(s)	Management Response	Target Date
4.4.4	Performance monitoring and reporting arrangements should be implemented in accordance with the terms of the contracts.	Management is not kept properly abreast of contract performance based on accurate and relevant data.	Medium	Repairs Manager	Contract management in the early stages of the contract has focused on developing our working and operational relationships with the contractors and the role of Asbestos Contract Co-ordinator, a new role. Now that the relationship and the role are better established, more focus can and will be given to contract performance management.	December 2016

* 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 **SUBJECT:** Bereavement Services
TO: Head of Neighbourhood Services **DATE:** 29 September 2016
C.C. Chief Executive
Deputy Chief Executive (BH)
Head of Finance
Bereavement Services Manager
Energy Manager

1 Introduction

- 1.1 As part of the 2016/2017 Audit Plan an audit has recently been completed on the systems and procedures in place to manage the council's Bereavement Service (BS).
- 1.2 This report outlines the approach to the audit and presents the findings and conclusions arising.

2 Background

- 2.1 The council's BS operates Oakley Wood Crematorium, sometimes referred to as Mid-Warwickshire Crematorium, a natural woodland burial area and cemeteries in Leamington, Warwick, Kenilworth and Old Milverton. In addition a number of closed churchyards are maintained.
- 2.2 On average the service undertakes around 1800 cremations and 270 burials each year. In addition a whole range of services associated with funerals is provided e.g. memorials, scattering of ashes, sale of burial rights, book of remembrance, assisting with genealogical research etc.
- 2.3 The budget for 2016/2017 indicates that the service is expected to generate an operating surplus of around £525,000, a significant contribution to the council's general fund.
- 2.4 Recently there has been capital investment at Oakley Wood which has resulted in an increase in the size of the North Chapel, improvements to the existing car park, the creation of a new car park, refurbishment of the former lodge to create modern office accommodation, the creation of a larger waiting area for mourners and landscaping works to the grounds including the creation of natural sculptures. These changes have resulted in vastly improved facilities for mourners and staff and greatly benefited the overall appearance of the site.

3 **Scope and Objectives of the Audit**

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

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

- Staffing
- Finance
- Security and risk assessment
- Records maintenance

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

- Sufficient staff are in place for the appropriate running of the services
- Budgets are appropriately monitored and controlled
- Purchases are made appropriately
- Contracts are let appropriately
- Monies due in respect of bereavement services are correctly calculated, charged and received
- Equipment is protected from damage, loss or theft
- Cremated remains are protected from loss or theft
- Management are aware of the risks associated with the provision of bereavement services
- Physical and electronic records are available as required.

4 **Findings**

4.1 **Recommendations from previous report**

4.1.1 The current position in respect of the recommendations from the audit reported in May 2013 is as follows:

Recommendation	Management Response	Current Status
1 The security of petty cash monies should be improved, with the cash tin being locked and access being restricted to specific staff.	With immediate effect the petty cash tin has been moved into the safe where the cemetery records are kept. A replacement tin will be purchased when the next stationery order is placed.	The petty cash tin was found to be locked and stored in the records safe. It is no longer required and this report recommends that it is returned and paid in.

<p>2 The Code of Procurement Practice should be followed and quotations should be received as necessary.</p>	<p>Regular spending patterns with single suppliers will be identified from Total. Discussions will take place with the new procurement officer (when appointed) to determine the most appropriate method of procurement. Where appropriate contracts will be tendered.</p>	<p>There are contracts in place for the supply of regular work to Bereavement Services and they are listed in the public version of the council's contract register posted on the website.</p>
<p>3 The fee errors identified on the web pages and the linked documents should be rectified.</p>	<p>The error on the Bereavement web page will be changed ASAP. An additional link to a simple table of Fees & Charges will be added to the web pages.</p>	<p>The errors have in part been corrected but there is still an anomaly between two approved charges and those appearing on the website.</p>
<p>4 Care should be taken to ensure that the correct fees are charged for all services provided.</p>	<p>The error was due to the mistiming of the fees & charges increase being implemented.</p> <p>Additional administrative resource to be devoted to this task in general and especially when fees & charges are reviewed.</p>	<p>Fees are normally allocated automatically by the management system but a small number of undercharges can occur at the start of the new year when the new fees are introduced depending on when the record was last edited. This is one of a number of reasons why the purchase of a new system is being investigated.</p> <p>In the meantime the fees charged for services at the beginning of the year are closely scrutinised.</p>
<p>5 An inventory should be drawn up and maintained.</p>	<p>Agreed. An inventory will be drawn up.</p>	<p>An inventory was drawn up but it needs some expansion and addition following recent changes and it needs to be priced.</p>

4.2 **Staffing**

- 4.2.1 All staff in BS have a job description but some of them were written a number of years ago when posts were in either Environmental Health or Leisure and Amenities. This is of little operational consequence as most of the staff are able to undertake more than one job. Some of the staff can undertake the full range of duties such as administration, chapel attendance and carrying out cremations (if they are qualified). This adaptability goes some way towards explaining why the service operates with a relatively small number of staff, around eight full time equivalents.
- 4.2.2 Staff are subject to all of the usual council procedures and requirements e.g. flexi time, appraisals, training, annual leave etc.
- 4.2.3 A relatively small amount of overtime is built into the budget each year - £2,600 for this year. It is required sometimes on a Friday in order to complete the day's cremations and for attendance of staff on site during events or out-of-hours meetings with funeral directors. Occasionally it may be required in order to ensure that the number of staff on site does not fall below the minimum necessary to provide the service.

4.3 **Finance**

- 4.3.1 Estimated expenditure for BS this year is £1,026,000. A large proportion of this is controlled by other service areas e.g. work to buildings and grounds, all forms of energy, support services and capital charges. Estimated income is £1,550,500 all of which is controlled by the Bereavement Services Manager (BSM).
- 4.3.2 The budget is monitored by the BSM with support provided by an Assistant Accountant in Finance. They have regular contact during the year but need to meet up only at crucial times such as estimate preparation, fees and charges and year-end.
- 4.3.3 A review of expenditure revealed that orders are placed for purchases, nearly always in advance, and that the corresponding invoices are being processed appropriately
- 4.3.4 The budgets for 2015/16 were examined and any significant variances were discussed with the BSM and explanations were provided. One variance worthy of mention is the income from cremations. The budget was cautiously reduced to allow for the unknown impact of the opening of the new Rainsbrook crematorium in Rugby and the possible disruptive effects of the capital works at Oakley Wood. In reality the revised budget was exceeded by around £285,000. This was said to be due in part to careful management of the capital works so that disruption was minimised e.g. liaising with the contractor to ensure as far as possible that any works resulting in noise or obstruction were carried out on particular days or particular times of the day so as not to coincide with chapel times.
- 4.3.5 During the examination of the cemeteries budget it was evident that there had been a significant overspend on the budget for metered water charges up from £800 to £2,079. Further examination revealed that some of the

payments related to the lodges at Warwick and Old Milverton cemeteries which are occupied by members of staff. Limited enquiries did not provide an answer for this situation.

- 4.3.6 Of the invoices paid in 2015/16 two relate to Warwick Cemetery lodge and they amount to £696. The situation at Old Milverton is less clear cut as the invoices refer to "Lodge and Cemetery Old Milverton Road" and they total £1,314. It wasn't established exactly how long this situation has existed but data in the TOTAL financial system from 2007 suggests that it was happening then.
- 4.3.7 The issue is one that needs further investigation and a resolution as it appears that the council is paying water charges for the tenants of two cemetery lodges. There may be a valid explanation as to why the tenants of these two lodges are being treated differently from the tenants of the other three lodges but that seems unlikely.

Risk

The council may be incurring expenditure unnecessarily.

Recommendation

Responsibility for the payment of water charges needs to be established and if necessary remedial action should be taken.

- 4.3.8 As part of the introduction of purchasing cards across the council and the phasing out of petty cash imprests two members of staff in BS have been issued with a card. It was evident from TOTAL that Oakley Wood was still holding a petty cash imprest of £100 which as a result of using the cards for minor purchases was no longer required. Cash and vouchers totalling £100 were seen in a locked tin in one of the register safes. As the imprest is no longer required it should be returned to Riverside House and paid back.

Risk

The petty cash imprest may be overlooked.

Recommendation

The petty cash imprest should be returned to Riverside House and paid in.

- 4.3.9 Details of all orders placed by BS since 1 April 2015 were extracted from TOTAL to establish how many were being placed with the same supplier and whether or not contracts were in place. It was found that contracts are in place for most of the regular purchases e.g. calligraphy, memorial safety, cremator maintenance and the supply of bulk liquified gas (LPG).
- 4.3.10 There was one exception and that related to the provision of recorded music to be played at cremations. It is provided by The Yaboo Company Ltd at a cost of £9,984 a year. This level of expenditure is such that, under the Code of Procurement Practice, there should be market testing both to demonstrate value for money and to provide evidence of competition.
- 4.3.11 It may be possible to continue with Yaboo and avoid the likely disruptive effects of changing supplier if it can be demonstrated that there are grounds

for staying with them or that there is no interest from the market. In such case an exemption to the Code will need to be applied for.

- 4.3.12 Initially advice on seeking an exemption or the procedures involve in inviting tenders can be obtained from the Procurement Team.

Risk

Value for money is not achieved and the Code of Procurement Practice may not be complied with.

Recommendation

The Code of Procurement Practice should be complied with and either tenders invited or an exemption sought.

- 4.3.13 The fees and charges for BS for 2016 were presented to Executive and approved on 30 September 2015. They are posted on the council's website as part of the BS pages. On examination of the approved fees and the web pages it was noticed that the fees for searching burial registers for genealogical research on the web pages differ (they are lower) from those approved and need to be amended accordingly.

Risk

Members of the public are provided with incorrect information.

Recommendation

The errors on the web page should be corrected.

- 4.3.14 Sundry debtor invoices are generated monthly and based on information extracted from the management system CAS. Although not specified anywhere it is generally accepted that invoices for the regular supply of services are raised at the beginning of each month and relate to the previous month. It was noted that invoices are raised on a monthly basis but it is often towards the middle of the month. Most of the invoices are sent to funeral directors who can take an additional two or three weeks on top of the two weeks that are "allowed" to pay.

Risk

Extending the credit period may result in debtors defaulting.

Recommendation

Efforts should be made to raise invoices at the beginning of each month.

4.4 **Security and risk assessment**

- 4.4.1 It was evident from observation that there are security measures in place at Oakley Wood ranging from simply having members of staff in attendance at various times around the site through to coded locks and access being controlled by key fobs. It was known in advance that an order had been placed for a new CCTV system which is yet to be installed. The existing system is out of action.

- 4.4.2 An updated inventory was produced following the last audit but it was found to be unpriced and missing most of the furniture and equipment in the new office accommodation.

Risk

An incomplete inventory makes it difficult to manage plant, furniture and equipment and to identify any loss or theft

Recommendation

A current priced inventory should be compiled and a copy forwarded to the council's Insurance and Risk Officer.

- 4.4.3 The storage of cremated remains awaiting collection or scattering is an important security issue and a sample check found the system to be working as intended. It was observed during the check that there were about half a dozen urns that dated back about 10 years or so. This represents no risk and so there is no recommendation but it would be reasonable to suggest that efforts are made either to have them collected or scattered.
- 4.4.4 The risks associated with the service are very different from those identified for most other service areas given the services provided and the slightly remote location of Oakley Wood. Any administrative or housekeeping errors impacting on funerals could have significant effects on the council's reputation. The effect of the weather, roadworks and interruptions in fuel supplies and communications would be felt much more by BS than by any other service.
- 4.4.5 Consequently it is important that risk management is taken seriously and that a risk register peppered with generic risks is not produced. The risk register for BS is very comprehensive and detailed covering all of the possible eventualities. It was presented to Finance and Audit Scrutiny Committee on 26 July 2016 as part of a review of the Neighbourhood Services risk register.

5 Records maintenance

- 5.1 BS is required to maintain a range of records relating to cremations and burials, they are held in a variety of formats at various sites and in some cases they date back to the 1800s.
- 5.2 The system, CAS, holds all of the detail on individual burials and cremations dating back to 1993.
- 5.3 Most of the burial registers have been scanned and hard copies are held in fireproof safes in the office building at Oakley Wood.
- 5.4 Cemetery plans have been scanned and plans are available at each cemetery. Any outstanding documents that have not yet been photographed or scanned will be dealt with as time permits.
- 5.5 Access to data in CAS is controlled by the BSM. Most staff have a basic access with herself and another member of staff having supervisor access. CAS is backed up daily on site to the server "Sookie" and at Riverside House.

5.6 CAS has served the council well in its time but it is over 20 years old. A number of shortcomings have been identified over the years and requests for amendments are generally not able to be actioned. A business case for its replacement is currently being prepared.

6 **Conclusions**

6.1 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 Bereavement Services are appropriate and are working effectively.

6.2 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.

7 **Management Action**

7.1 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 Bereavement Services – September 2016

Report Ref.	Recommendation	Risk	Risk Rating*	Responsible Officer(s)	Management Response	Target Date
4.3.7	Responsibility for the payment of water charges needs to be established and if necessary remedial action should be taken.	The council is incurring expenditure unnecessarily.	Medium	Head of Neighbourhood Services / Energy Manager	All aspects of the budgets for water rates and metered water charges at the cemeteries will be investigated by the Housing and Property Services Energy Team and if necessary, appropriate action will be taken.	December 2016.
4.3.8	The petty cash imprest should be returned to Riverside House and paid in.	The petty cash imprest will be overlooked.	Low	Bereavement Services Manager	Purchase order 93228 has been raised to cater for receipts; this, together with the cash balance, will be repaid through the Fsteam.	By end September 2016.

Report Ref.	Recommendation	Risk	Risk Rating*	Responsible Officer(s)	Management Response	Target Date
4.3.12	The Code of Procurement Practice should be complied with and either tenders invited or an exemption sought.	Value for money is not achieved and the Code of Procurement Practice is not complied with.	Medium	Bereavement Services Manager	Initial discussions with Procurement Manager will take place in Sept – exact timescales will depend upon advice given. If an exemption is appropriate it may be possible to sign this off within a few weeks, however if a full tender is required, being prudent and allowing time to write the spec and test the market it should be possible to have a contract in place by the end of the financial year.	Possibly end of financial year. To be confirmed following meetings with procurement.
4.3.13	The errors on the web page should be corrected.	Members of the public are provided with incorrect information.	Low	Bereavement Services Manager	Complete: http://www.warwickdc.gov.uk/info/20639/deaths/429/cemeteries	Complete.

Report Ref.	Recommendation	Risk	Risk Rating*	Responsible Officer(s)	Management Response	Target Date
4.3.14	Efforts should be made to raise invoices at the beginning of each month.	Extending the credit period may result in debtors defaulting.	Medium	Bereavement Services Manager	The Crematorium Administration System is due for replacement and it is anticipated that it will interact with TOTAL which will enable an increased frequency of invoicing. For now, reminder tasks have been set in the relevant officers' diaries to start the process for raising invoices on the first working day of each month. Performance will be measured.	Complete.
4.4.2	A current priced inventory should be compiled and a copy forwarded to the council's Insurance and Risk Officer.	An incomplete inventory makes it difficult to manage plant, furniture and equipment and to identify any loss or theft.	Medium	Bereavement Services Manager	This recommendation is accepted. Due to the age of some items it may not be possible to get an exact cost, in those cases a best estimate will be indicated.	December 2016.

* 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

SUBJECT: Financial Planning and
Budgetary Control

TO: Head of Finance

DATE: 25 August 2016

C.C. Chief Executive
Deputy Chief Executive (AJ)
Strategic Finance Manager
Principal Accountants

1 **Introduction**

1.1 In accordance with the Audit Plan for 2016/17, an examination of the above subject area has been undertaken and this report presents the findings and conclusions drawn from the audit for information and action where applicable. This topic was last audited in November 2013.

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

2 **Background**

2.1 Financial planning processes should ensure that financial resources are allocated to the identified priorities of the council including both mandatory and discretionary services, while budgetary control processes should ensure that actual income and expenditure is in line with those plans, checking that spending limits are not exceeded or financial adjustments are made to keep spending within approved budgets.

3 **Scope and Objectives of the Audit**

3.1 The overall objective of the audit was to report a level of assurance with regards to the controls in place for financial planning and budgetary control, to ensure that the council's operations and key objectives continue to be sufficiently resourced.

3.2 An extensive examination has been undertaken using the CIPFA systems-based control evaluation models for budgetary control. This entailed completion of Internal Control Questionnaires (ICQs) and testing of controls in accordance with evaluation programmes. Detailed testing was performed to confirm that controls identified have operated as expected with documentary evidence being obtained where possible, although some reliance has had to be placed on verbal discussions with relevant staff.

3.3 A separate audit of the Medium Term Financial Strategy is due to take place within the current financial year, so this review concentrated on the

preparation of annual financial plans and the associated budget setting, monitoring and reporting.

3.4 The control objectives that have been considered as part of this audit include:

- Formally approved budgets are set each year, taking into account all relevant income and expenditure
- All budget adjustments (including virements) are authorised
- The financial management system accurately reflects the agreed budgets
- Budgets are allocated to named individuals
- Budgets are adequately monitored
- The budget position is regularly reported
- Appropriate financial reserves are maintained in line with assessed risks.

4 Findings

4.1 Recommendation from Previous Report

4.1.1 The current position in respect of the recommendation from the audit reported in November 2013 is as follows:

Recommendation	Management Response	Current Status
1 The Code of Financial Practice (COFP) provisions should be revised to remove any ambiguities concerning the definition of virements and the circumstances where Member approval is required.	The Financial Code of Practice will (most likely) next be revised in 2014, after next year's Budgets have been finalised. As the recommendation relates to an "ambiguity" rather than a material monetary risk to the Council, it is proposed to incorporate this amendment then.	Audit inspection and review of section 12 of the COFP shows the basis for use of budget virements has been clearly defined.

4.2 Financial Planning

4.2.1 The overall framework for financial planning is clearly evidenced within the Code of Financial Practice (COFP).

4.2.2 The individual sections of the COFP set out, to a good standard, the expected generic elements of the budgetary control cycle.

4.3 Budget Setting Process

4.3.1 Compliance tests were performed to assess if controls were operating effectively for the 2016/17 annual revenue budget cycle and that a risk assessment of material income and revenue expenditure was undertaken as part of budget setting.

4.3.2 Evidence provided by the Principal Accountants demonstrated that a systematic approach to compilation of the 2016/17 annual revenue budget was in place.

4.3.3 Committee reports and minutes also clearly demonstrated that the budget for the year was recommended by the Executive and approved by the Council.

4.4 **System Input**

4.4.1 Tests were performed with the objective of confirming that the individual service income, revenue expenditure and capital expenditure budgets for 2016/17 had been correctly input onto Total (the financial management system) with the objective of facilitating budget monitoring controls.

4.4.2 The audit trails from the Total budgetary control module were checked to the 2016/17 revenue and capital service budget book and confirmation was obtained that all the budgets have been correctly uploaded.

4.5 **Budget Virements**

4.5.1 A budget virement is an administrative transfer of funds from one part of a budget to another, allowing for managers to accurately reflect how they intend to spend the funds under their control.

4.5.2 The process was tested using a sample of four 2016/17 service revenue budget virements. Evidence provided and reviewed confirmed that the authorisation controls were operating correctly.

4.6 **Budget Holders**

4.6.1 A test was completed to verify that all 2016/17 budgets have specific named budget holders. Review of the "allocate codes to hierarchies" screen in Total provided adequate evidence that each cost centre is linked to the relevant service budget holder.

4.6.2 The Principal Accountant responsible for training staff on Total acknowledged that budget holder financial training, to help with the monitoring of the 2016/17 revenue budget, needs to be planned to take account of known, imminent, staffing changes.

Risk

Relevant staff with budget responsibility may be unaware of their budget monitoring requirements.

Recommendation

The Senior Management Team should identify staff requiring budgetary control training, taking account of future staff changes, so that the control environment for budgetary monitoring and control is maintained.

4.7 **Documentation of Procedures and Responsibility**

4.7.1 The COFP budgetary control procedures were reviewed and were evaluated to consider if any enhancements could be made to the existing control arrangements.

4.7.2 The inspection confirmed that the procedures are generally clear and defined. However, the supplementary budgets and virement procedures at section

9.11.1 for housing capital improvement and renewal is considered to need updating to give greater flexibility to the Executive to approve supplementary housing capital budgets and virements.

- 4.7.3 The existing approval levels within the relevant procedure are set at, what the auditor considered to be, an inappropriate level, i.e. up to £300,000 per annum and up to £50,000 per request. It is felt that these levels should be increased if the cash resources available allow the capital programme to be flexed across financial years.

Risk

The Executive may be inappropriately constrained in terms of the capital budget changes that they can approve.

Recommendation

Consideration should be given to amending the limits set within the Code of Financial Practice in relation to housing capital improvement and renewal. Suggested limits are £500,000 in any one year, and £150,000 for each request per scheme, subject to the appropriate funding being in place.

4.8 Budget Monitoring

- 4.8.1 The overarching arrangements for 2016/17 budget monitoring are well documented in the budget protocol for joint working between the Principal Accountants and service area budget holders.
- 4.8.2 Following the monthly budget monitoring reviews the resulting actions, such as budget virements, are appropriately documented in the control spreadsheet maintained. This highlights the financial impact within the services revenue budgets and the budget changes to action.
- 4.8.3 The joint monitoring arrangements by the Principal Accountants and service teams were tested with the objective of ensuring that the actual financial activity, compared to budgeted activity, was subject to timely review.
- 4.8.4 A sample of three out of the seven service areas was chosen to test. Working papers maintained by the Principal Accountants clearly show that the service managers took ownership for budget monitoring and, with the guidance from the Principal Accountant, clear financial decisions were taken and subsequent actions were adequately documented and completed in a timely manner.

4.9 Budget Reporting

- 4.9.1 The governance reporting process to the Executive and Senior Management Team during 2016 was tested for compliance with the expected frequency of reporting per the reporting timetable. This testing confirmed that budgetary control reports are being provided to Executive (quarterly) and SMT (monthly) in line with the reporting timetable.
- 4.9.2 The key significant variances between the approved revenue budget and actual financial transactions are well communicated in the reports to the Executive as demonstrated in the report Final Accounts 2015/16, dated 2 June 2016.

- 4.9.3 The draft quarter one (2016/17) revenue budget monitoring report was also reviewed with the objective of confirming that significant budget variances have been identified by Principal Accountants and service areas and any subsequent amendments to the revenue budget are recommended for approval by the Executive.
- 4.9.4 The review of the report confirmed that this process is working satisfactorily, as the draft report explained that, as a result of budget monitoring, the 2016/17 revenue budget will require increasing, using contingent uncommitted reserve balances and a recommendation has been made to the Executive to authorise use of this reserve. This is on schedule to be reported to the Executive meeting on 27 July 2016.

4.10 **Financial Reserves**

- 4.10.1 The specific financial reserves process and controls as at 31 March 2016 were tested with the objective of seeing evidence that the financial reserves were justified.
- 4.10.2 Inspection confirmed that the actual balances at 31 March 2016 were appropriate, being above the minimum working balances set (General Fund £1.5m and the Housing Revenue Account £1.25m).
- 4.10.3 The specific earmarked reserves process was walkthrough tested using the Business Rates Volatility Reserve as at 31 March 2016. Upon review, it was considered that there was appropriate justification for holding the reserve and there was evidence that the working balance had been appropriately reassessed. The financial reserves process is, therefore, considered to be operating correctly.

5 **Conclusions**

- 5.1 Following our review we are able to give a SUBSTANTIAL degree of assurance that the systems and controls in place for Financial Planning and Budgetary Control are appropriate and are working effectively.
- 5.2 The assurance bands are shown below:

Level of Assurance	Definition
Substantial Assurance	There is a sound system of control in place and compliance with the key controls.
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 Two recommendations were made relating to: i) identification of staff who may need training in respect of budget monitoring controls; and ii) consideration of amending the Code of Financial Practice for supplementary budgets and virements for housing capital improvement and renewal.

6 Management Action

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

Richard Barr
Audit and Risk Manager

Action Plan

Internal Audit of Financial Planning and Budgetary Control – August 2016

Report Ref.	Recommendation	Risk	Risk Rating*	Responsible Officer	Management Response	Target Date
4.6.2	The Senior Management Team should identify staff requiring budgetary control training, taking account of future staff changes, so that the control environment for budgetary monitoring and control is maintained.	Relevant staff with budget holder responsibility may be unaware of their budget monitoring requirements.	Medium	Principal Accountant (Systems)	Training of Budget Managers will be mentioned quarterly in reports to SMT. Refresher training for existing managers and training for new budget holders will be offered periodically.	March 2017
4.7.3	Consideration should be given to amending the limits set within the Code of Financial Practice in relation to housing capital improvement and renewal. Suggested limits are £500,000 in any one year, and £150,000 for each request per scheme, subject to the appropriate funding being in place.	The Executive may be inappropriately constrained in terms of the capital budget changes that they can approve.	Medium	Strategic Finance Manager	This will be considered within the next review of the Code of Financial Practice.	March 2017

* 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 **SUBJECT:** Food Safety
TO: Head of Health & Community Protection **DATE:** 3 August 2016
C.C. Chief Executive
Deputy Chief Executive (AJ)
Head of Finance
Regulatory Manager

1 Introduction

- 1.1 In accordance with the Audit Plan for 2016/17, an examination of the above subject area has been undertaken and this report presents the findings and conclusions drawn from the audit for information and action where appropriate. This topic was last audited in March 2013.
- 1.2 Wherever possible, findings have been discussed with the staff involved in the procedures examined and their views are incorporated, where appropriate, into the report. My thanks are extended to all concerned for the help and cooperation received during the audit.

2 Background

- 2.1 The council's Food Safety duties and responsibilities are delivered by the Food & Safety team which is part of Regulatory section within Health & Community Protection.
- 2.2 The team is responsible for enforcing food hygiene legislation (under the Food Safety Act 1990 and the requirements of the Food Standards Agency (FSA)) in approximately 1400 premises, with 570 of those establishments being included in the programme of inspections for 2016/17.

3 Scope and Objectives of the Audit

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

- 3.3 The audit programme identified the expected controls. The control objectives examined were:
- All properties, people and activities, for which the council is responsible for inspecting, are recorded on a database that is appropriately maintained
 - Premises, people and activities are appropriately inspected
 - Requests for service are appropriately responded to
 - Incidents relating to food safety are appropriately responded to
 - Council events and contractors providing services in council owned premises comply with food safety legislation
 - Enforcement action is driven by policy to ensure it is consistent and in line with appropriate legislation
 - Work is performed to a consistent standard
 - Staff are able to perform the work expected of them in a competent manner
 - Management are aware of how the team is performing
 - The council is compliant with any external requirements for submitting returns / data etc.
 - Budgets are effectively managed
 - The council is aware of the risks in relation to the services undertaken by the section and has taken steps to address them.
- 3.4 An audit of the CIVCA APP system has recently been undertaken by the council's IT auditors, TIAA, so some aspects of the database (e.g. system access and back-ups) were not examined as part of this audit.

4 Findings

4.1 Recommendations from Previous Report

- 4.1.1 The report relating to the previous audit of this topic, undertaken in March 2013, did not include any recommendations.

4.2 Premises Database

- 4.2.1 The Licensing & Support Team Leader (LSTL) advised that the database of all relevant establishments is maintained on Civica APP (commonly known as Flare). In terms of food business, this will cover both 'bricks and mortar' establishments as well as mobile units (e.g. ice cream vans etc.).
- 4.2.2 The LSTL highlighted that the system consisted of relational databases, with linkages between different aspects (e.g. a complaint would be linked to the relevant premises record). The details of previous inspections are recorded against each property, with relevant supporting documentation being attached to each record as appropriate.
- 4.2.3 The details within the database are maintained on an ongoing basis and can be updated following a number of different 'triggers':
- Officers undertaking inspections may identify changes and these will be updated on the system when they return to the office.

- Monthly NDR lists are received and these will be used to identify any relevant new premises or changes to existing businesses where appropriate so that the system can be updated. These reports are reviewed by the Food & Safety Team Leader (FSTL) to identify any food premises and she will highlight the relevant details on the spreadsheet. She will then check whether a food registration form has been submitted and will contact those that have not done so.
- Direct contact from businesses.
- Licensing staff may receive license applications for mobile traders and they will share the information with the Food & Safety team (this relationship also works the other way round, with both food safety and licensing details being maintained on the same system).

4.2.4 A small sample of premises was taken from the NDR spreadsheets that were held for the current calendar year and these were checked to the system to ascertain whether they had been set up and visited as appropriate. Testing confirmed that the database had been updated appropriately.

4.3 **Service Provision**

4.3.1 The frequency of visits to each establishment is determined by the risk score that has been assigned. The risk assessment criteria are recorded on the back of the premises visit report forms to allow for scoring to be undertaken during each visit.

4.3.2 Sample testing was undertaken to ensure that these had been completed appropriately for visits performed and that the system had been updated accordingly. The testing confirmed that this was being undertaken appropriately.

4.3.3 Evidence was provided which confirmed that the annual programme of inspections for the current financial year had been driven by the risk assessments recorded on the system.

4.3.4 An extract from the system was also provided which showed the last visit date for each establishment and, upon review, it was noted that a number of establishments had already been visited during the current financial year.

4.3.5 However, it also flagged others that either had never been visited or had not received a visit within the last three years and these cases were discussed with the FSTL.

4.3.6 For those with no visits, the majority related to new establishments that were either awaiting a scheduled visit, had been visited between the production of the extract and the timing of the test, or were not yet trading. Three establishments fell outside of this though: one was a duplicate system entry and visit details were shown appropriately against the correct entry; one had received an advisory visit and no further action was required; and one had proved difficult to make contact with (residential property) and this was flagged on the system.

4.3.7 For those with old visit dates, one was a temporary event stall and these 'establishments' are now dealt with in a different way, so the system needed

updating, and the other seven establishments fell into the lowest risk category (E) and had not been recently visited. The FSTL advised that the council aims to visit all A to C rated establishments in line with the suggested frequency of visits as required by the FSA, which means that these lower risk establishments will be covered when possible dependent on available staff resources.

Risk

Issues may go unnoticed if they are recorded against the wrong system entry.

Recommendation

The system should be updated to remove the duplicate entry and the temporary event stall.

- 4.3.8 The FSTL advised that requests for service cover various different issues including incidents (complaints), requests for rescues, general registration of premises, and requests for advice. In effect, anything other than a programmed visit is classed as a request for service.
- 4.3.9 Some types of requests will be allocated to specific officers (e.g. one Food Safety Inspector deals with all catering for events such as the food festivals in each town), whereas other allocations may be based on staff availability.
- 4.3.10 Sample testing was undertaken to ensure that service requests were being responded to appropriately. Upon review of the system it was confirmed that appropriate action had been taken in each case.
- 4.3.11 The provision of food services from council-owned premises (e.g. the café at the Royal Pump Rooms) is covered under the main programme, with no specific emphasis on the fact they are provided under contract on our behalf. Upon review of Civica it was confirmed that all relevant premises have been visited.
- 4.3.12 Visits had also been undertaken to the establishments run by Savi's who provide food to the council. As part of the agreement with them, they have to maintain the highest standards, and we had stopped them using one of their distribution centres for our contract because of this, although this has subsequently been resolved.

4.4 Policies & Procedures

- 4.4.1 There is an overarching Enforcement Policy in place that covers all of the enforcement activity of the council. This was approved by Council in September 2014.
- 4.4.2 Underneath this sits a service specific Health & Safety Enforcement policy. A combined policy for the Regulatory Services of the Health & Community Protection department has recently been presented to Executive who have recommended to Council that this be adopted.
- 4.4.3 Flow diagrams are in place for all relevant processes. These had been required as part of the council's ISO accreditation and, although this was no

longer maintained, the procedure notes were still being maintained in line with this guidance.

4.5 **Staff Competency**

4.5.1 The FSTL advised that the Food Law Code of Practice (April 2015) has a specific section covering the qualifications and experience that authorised officers require to carry out official controls and interventions.

4.5.2 Templates have been set up which cover all of the relevant competencies and officers have been through these to identify any gaps so that training can be arranged as necessary.

4.5.3 A training log is maintained which covers the training that has been attended by all relevant staff in order to show the CPD hours that have been achieved.

4.6 **Performance Monitoring**

4.6.1 Quarterly figures are generated from the system which show the number of open service requests and how long they have been open, with this information being broken down by manager as well as individual officers. There is also a 'wall chart' spreadsheet which includes further analysis of the service requests.

4.6.2 Peer monitoring is also undertaken, with each relevant staff member having a 'quality monitoring buddy' who will check their work to ensure that all fields on the system have been updated, the correct risk scores have been given following visits, all documents have been sent out appropriately etc. Evidence of this process was observed, with the action diaries on the system showing evidence of the reviews being requested and performed along with queries being raised in certain cases.

4.6.3 Staff will also highlight if they are struggling to undertake their inspections. This is covered during team meetings which are attended the Regulatory Manager (RM) so that she is aware of any issues arising. Any issues arising from the team meetings would also be brought to the attention of the Head of Health & Community Protection (HHCP).

4.6.4 The Service Area Plan also includes some Food Safety related measures and the HHCP advised that the Q1 figures have recently been discussed at the Departmental Management Team meeting. Portfolio Holder review statements are also written which highlight how the service has performed.

4.6.5 An annual return is required by the FSA, which shows how the council has performed against the inspection programme which had been submitted at the start of the year. A suite of programmes are run on Civica to ensure that the figures have taken into account any changes in rating during the year (e.g. if an establishment had been 'A' rated but was changed, they would no longer need a second visit in the year, so the figures would need to account for that change). These details are sent to the FSA for validation and they then publish the figures.

- 4.6.6 The FSA expects councils to complete 100% of the inspections of establishments in the A to C categories and, upon review of the figures on the FSA system, it was confirmed that the council had only fallen one inspection short of this target during 2015/16. The FSTL advised that, although the visit was outstanding at the year end, the business was actually visited within the permissible time window following the due date.
- 4.6.7 The FSA and the Health & Safety Executive also require the council to maintain a service plan (covering all regulatory services) which includes an assessment of the council's previous performance along with plans for the coming year. The draft document for the current financial year was provided along with the plan for 2015/16.
- 4.6.8 The RM had only recently joined the authority (after the draft document had been produced) and advised that she is using the document to get up to speed with the targets that have been set, as well as ensuring that the competencies are in place.

4.7 **Budget Planning & Management**

- 4.7.1 The relevant budget cost centre covers both food safety and health & safety enforcement.
- 4.7.2 The budget position for the current financial year and the outturn for 2015/16 were extracted from TOTAL and significant variances were discussed with the RM. Where relevant, she was able to provide satisfactory explanations.
- 4.7.3 As she had not been in post in 2015/16, she was unable to comment on the outturn for the year. However, the budget had been discussed with the HHCP (who was the Regulatory Manager at the time) in February 2016 as part of the Health & Safety Enforcement audit. The explanations provided at the time were still relevant, as the position at the year-end was largely in line with the expected position discussed.

4.8 **Risk Management**

- 4.8.1 The risk register for Health & Community Protection was presented to the Finance & Audit Scrutiny meeting on 12 January 2016 as part of their programmed review of the service risk registers.
- 4.8.2 Updates have subsequently been performed with the HHCP advising that the register is discussed at monthly departmental management meetings as well as quarterly portfolio holder review meetings.
- 4.8.3 The register includes a number of generic risks alongside risks relating to specific sections, with the food safety risks falling into the Regulatory Services section. The majority of risks relating to food safety fall into two categories: staff related (such as lone working or night time enforcement activities, training and general resources); and service delivery (including the provision of incorrect advice and incorrect FHRS management).
- 4.8.4 All of the risks identified include relevant risk mitigations and / or controls and further actions required as appropriate.

4.8.5 A summary document is also maintained of the risks included on the register and this shows whether the scores have changed for each risk and which category they fall into (i.e. either high, medium or low risk scores), providing evidence that the register is regularly reviewed. This is considered to be good practice.

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 Food Safety are appropriate and are working effectively.

5.2 The assurance bands are shown below:

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

5.3 One minor issue was noted relating to the inclusion of two erroneous establishment records on Civica.

6 **Management Action**

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

Richard Barr
Audit and Risk Manager

Action Plan

Internal Audit of Food Safety – August 2016

Report Ref.	Recommendation	Risk	Risk Rating*	Responsible Officer(s)	Management Response	Target Date
4.3.7	The system should be updated to remove the duplicate entry and the temporary event stall.	Issues may go unnoticed if they are recorded against the wrong system entry.	Low	Food & Safety Team Leader	The system has been updated accordingly.	Completed.

* Risk Ratings are defined as follows:

High Risk: Issue of significant importance requiring urgent attention.

Medium Risk: Issue of moderate importance requiring prompt attention.

Low Risk: Issue of minor importance requiring attention.

INTERNAL AUDIT REPORT

FROM: Audit and Risk Manager **SUBJECT:** Housing Repairs and Maintenance

TO: Head of Housing & Property Services **DATE:** 26 September 2016

C.C. Chief Executive
Assistant Chief Executive (BH)
Head of Finance
Asset Manager
Housing Repairs Manager

1 Introduction

- 1.1 In accordance with the Audit Plan for 2016/17, an examination of the above subject area has been completed and this report presents the findings and conclusions drawn from the audit for information and action where appropriate. This topic was last audited in September 2013.
- 1.2 Wherever possible, findings have been discussed with the staff involved in the procedures examined and their views are incorporated where appropriate, into the report. My thanks are extended to all concerned for the help and co-operation received during the audit.

2 Background

- 2.1 Housing responsive repairs and maintenance is a significant service provided to all housing tenants.
- 2.2 Housing properties totalled 5,456 as at April 2016.

3 Scope and Objectives of the Audit

- 3.1 An extensive examination has been undertaken using the CIPFA systems-based control evaluation models. This entailed completion of Internal Control Questionnaires (ICQs) and testing of controls in accordance with evaluation programmes. Detailed testing was performed to confirm that controls identified have operated, with documentary evidence being obtained where possible, although some reliance has had to be placed on verbal discussions with relevant staff.
- 3.2 The objectives that have been considered as part of this audit include:
- Appropriate procedural guidance is in place and is available to relevant staff
 - All relevant properties are accurately recorded on the system

- Regular reconciliations are performed between the different systems in place
- Work performed is appropriate and has been costed in line with agreed prices
- Adequate performance monitoring is undertaken
- The rehousing of tenants due to major works being performed has been appropriately undertaken.

3.3 The expected controls covered by the CIPFA matrices for repairs and maintenance are categorised into the following main headings:

- (1) Procedural documentation
- (2) Housing system property details
- (3) Right To Buy disposals
- (4) Reconciliation processes
- (5) Cost of works
- (6) Budgetary control
- (7) Performance indicators and monitoring
- (8) Emergency repair works orders
- (9) Tenant recharges
- (10) Leaseholder recharges
- (11) Inspection of works
- (12) Tenant relocation

3.4 A specific test relating to controls over staff access to the Active H housing system was not undertaken as part of this audit as it is being covered as part of a separate audit of the Active H system.

3.5 Similarly, the procurement section of the programme was not covered due to various separate reviews that have been performed on the procurement processes in place.

4 Findings

4.1 Recommendations from Previous Report

4.1.1 The report relating to the previous audit of this, undertaken in September 2013, did not include any recommendations.

4.2 Procedural Documentation

4.2.1 The existing repair procedure notes were reviewed to ensure that they covered the complete repairs transaction cycle. It was confirmed that the council's responsibility for housing repairs for the eight generic housing components such as roofs and guttering are clearly documented in the procedure notes.

4.2.2 Guidance to housing tenants with regards to how to report property repair issues was found to be included on the council's website and in the tenant's handbook. It had also been included in the Summer 2016 issue of the Tenants Together magazine. The guidance is considered by Internal Audit to cover the salient points to inform housing tenants the process for reporting repairs.

- 4.2.3 The procedure notes clearly document that tenants are responsible for any repairs where damage or breakage is due to tenant neglect or deliberate damage.
- 4.2.4 The procedure notes are currently kept on the previous version of the Intranet. In order to ensure that the procedure notes can be accessed by relevant staff, the relevant documentation should be moved to the current Intranet.

Risk

ICT may close staff access to the previous version of the intranet, where the housing repair procedure notes are located.

Recommendation

The housing repair procedure notes should be transferred from the previous intranet system to the current intranet Housing page.

4.3 Housing System Property Details

- 4.3.1 Testing was undertaken to compare the housing property details as per the Logotech fixed asset register with the Active H housing property system. A sample of ten properties was checked and the two sets of records were found to be consistent.
- 4.3.2 The same sample of ten properties was checked in the Active H system for details of:
 - a) age
 - b) condition
 - c) repairs log
 - d) planned maintenance

It was confirmed that all properties were appropriately recorded on the system.

- 4.3.3 Enquiries with relevant staff and a review of documentation confirmed that in 2016/17 a complete inspection and stock condition survey of all the council's houses is taking place which is due to be completed by 10 October 2016. Of the ten properties sampled, one of the properties had already had the stock condition survey completed by the independent housing consultants.

4.4 Right To Buy Disposals

- 4.4.1 A test was completed to confirm that the Active H property record had been updated to take account of recent tenant right to buy (RTB) house disposals.
- 4.4.2 In quarter one (2016/17) there have been thirteen RTB disposals. A sample of four property records was tested and it was confirmed that all four records had been correctly and promptly updated on the system and there was no evidence of any planned maintenance for these properties.

4.5 **Reconciliation Processes**

4.5.1 As part of the annual reconciliation process a reconciliation between the Logotech housing fixed asset register, Total General Ledger and Active H housing system for the number of properties owned was successfully completed by the Principal Accountant (Capital). All existing housing properties were revalued by an independent valuer, Carter Jonas, as at 31 March 2016.

4.6 **Cost of Works**

4.6.1 Schedules of rates are in place for the costs relating to both responsive repairs and repairs to void properties.

4.6.2 Sample testing was undertaken to ensure that the prices charged for works performed were compliant with the approved schedules of rates. This test proved satisfactory.

4.7 **Budgetary Control**

4.7.1 The housing building responsive repairs contract is currently awarded to one contractor. Inspection of the monthly budgetary control review documentation confirmed that the reviews are being undertaken appropriately and there was evidence of proactive monitoring. As at quarter one for 2016/17 the actual responsive repairs costs are confirmed at £131k below the revenue budget.

4.7.2 It was noted that, as a result of the contract monitoring review, the July 2016 valuation report clearly documented timely referrals to the responsive repairs contractor for them to provide responses to unusually high costs for repairs. In addition, a meeting is to be scheduled for resolving any outstanding queries.

4.7.3 It was noted that incremental process improvements are to be introduced from 1 September 2016 for repairs to void properties. This is to maintain the properties to an acceptable standard of accommodation and to strengthen the control environment to ensure that actual works completed are consistent with the inspection specification raised by the Property Maintenance Officers.

4.8 **Performance Indicators & Monitoring**

4.8.1 Performance indicators (PI) have been set for:

- a) emergency repairs being completed within four hours of being reported; and
- b) routine repairs being completed within thirty days of being reported.

Evidence reviewed for the contract monitoring process as at quarter one confirms that the actual contractor performance is meeting these two PI's.

4.8.2 The Housing Repairs Manager confirmed that performance is a standard agenda item at the contractor meetings and performance data is available to service management on the shared ICT network drives.

4.9 **Emergency Repair Works Orders**

4.9.1 Testing was performed to confirm that emergency repairs are prioritised and completed within the agreed four hour timeframe. A sample of ten emergency repair works orders was tested and, upon review of evidence on the Active H system, it was confirmed that all sampled work orders met the emergency criteria and were completed by the contractor in a timely manner.

4.10 **Tenant Recharges**

4.10.1 The tenant handbook clearly evidences the repairs and other categories of expenditure which tenants are responsible for. The property inspection process and other sources of contact with the tenant will identify any evidence of damage and neglect to the housing accommodation.

4.10.2 A sample of five rechargeable works orders was tested to ensure that the tenant had been correctly recharged. Upon review of supporting documentation it was confirmed that four of the jobs had been recharged to tenants. However, in the other case, the tenant had not been charged for the works.

4.10.3 Whilst the financial value of this work was not significant, the results demonstrate that the existing controls need to be reconsidered with the objective of ensuring that all rechargeable works orders are promptly charged to tenants.

Risk

Failure to charge tenants for rechargeable works may result in lost income.

Recommendation

Refresh the business process to ensure that all rechargeable works are invoiced to the tenant on a timely basis.

4.11 **Leaseholder Recharges**

4.11.1 Where a block of housing contains a combination of council and leaseholder owners, leaseholders will be recharged for certain works to the communal aspects of the building.

4.11.2 These works are recharged as part of the annual service charges to the leaseholder. A sample of five leaseholder recharges was checked to ensure that the charges had been included as appropriate on the system and that service charges were being paid.

4.11.3 The testing confirmed that charges had been appropriately included in the service charges. Four of the service charges were being paid but the other arrangement was still to be confirmed at the date of audit. However, this was not considered to be an issue.

4.12 **Inspection of Works**

4.12.1 Upon review of the responsive repairs inspection policy it was identified that it differentiates between routine repairs valued at over £600, which should

always be inspected following completion, and the routine repairs valued below this threshold along with emergency repairs for which a 10% sample should be inspected. This is considered by Internal Audit to be appropriate.

4.12.2 A walkthrough test for the process and controls for routine repair post inspections was completed for one property. Internal Audit’s physical inspection of the repair completed by the contractor confirmed that the repair was of a good quality standard. The physical inspection was also correctly updated on the Active H system.

4.13 Tenant Relocation

4.13.1 The flats at Featherstone Court, Leamington Spa, have recently been demolished. As a result, the tenants needed to be relocated to alternative accommodation.

4.13.2 Sample testing was undertaken to verify that the relocation fees payable under Section 29 of the Land Compensation Act 1973 and the Planning and Compensation Act 1991 had been correctly awarded to tenants.

4.13.3 In each of the two sampled cases, supporting documentation reviewed confirmed that the appropriate compensation payments had been made. In addition, one of the claimants tested was in receipt of weekly Housing Benefit and the evidence provided verified that the necessary change of address had been notified to the Housing Benefits team.

5 Conclusions

5.1 Following our review, we are able to give a SUBSTANTIAL degree of assurance that the systems and controls in place for Housing Repairs and Maintenance 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.

5.2 Minor issues were noted in that the procedure notes are currently being held on the old intranet site and a tenant had not been appropriately charged for rechargeable works.

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 Repairs & Maintenance – September 2016

Report Ref.	Recommendation	Risk	Risk Rating*	Responsible Officer(s)	Management Response	Target Date
4.2.4	The housing repair procedure notes should be transferred from the previous intranet system to the current intranet Housing page.	ICT may close staff access to the previous version of the intranet, where the housing repair procedure notes are located.	Low	Housing Repairs Manager	Agreed. This has been completed.	22/9/16
4.10.3	Refresh the business process to ensure that all rechargeable works are invoiced to the tenant on a timely basis.	Failure to charge tenants for rechargeable works may result in lost income.	Low	Housing Repairs Manager	Agreed. A new process has been implemented.	22/9/16

* Risk Ratings are defined as follows:

High Risk: Issue of significant importance requiring urgent attention.

Medium Risk: Issue of moderate importance requiring prompt attention.

Low Risk: Issue of minor importance requiring attention.

INTERNAL AUDIT REPORT

FROM: Audit and Risk Manager **SUBJECT:** ICT Business Applications -
MIS ActiveH Housing and
Property Management

TO: Head of Housing and Property Services **DATE:** 10 August 2016
Housing Strategy &
Development Manager

C.C. Chief Executive
Deputy Chief Executive
Head of Finance
Business Support Manager
Service Improvement
Manager

1 Introduction

- 1.1 In accordance with the Audit Plan for 2016/17, an examination of the above subject area has been completed recently and this report is intended to present the findings and conclusions for information and action where appropriate.
- 1.2 Wherever possible, results obtained have been discussed with the staff involved in the various procedures examined and their views are incorporated where appropriate. My thanks are extended to all concerned for the help and co-operation received during the audit.

2 Background

- 2.1 The Active H integrated housing management system is supplied by MIS. The majority of system users are within Housing & Property Services, although there are a number of ancillary users spread across other services throughout the council. Contractors managed by Housing and Property Services also have limited access to the system.
- 2.2 The application software is mainly accessed via desktop work stations, although a facility to connect via mobile devices has been implemented for Building Surveyors in the Asset Management Division. The application is hosted on the Council's virtual server estate and run on a back-end SQL Server relational database management system.

3 Scope and Objectives of the Audit

- 3.1 The audit examination was undertaken for the purpose of reporting a level of assurance on the adequacy of IT application controls in respect of the MIS ActiveH business system to secure the confidentiality, integrity and

availability of data stored and processed in support of the housing and property management functions of the Council.

- 3.2 The examination focused upon the key IT application controls in place to ensure that:
- an appropriate level of control is maintained over input, processing and output to ensure completeness and accuracy of data ;
 - a complete audit trail is maintained which allows an item to be traced from input through to its final resting place, and the final result broken down into its constituent parts; and
 - controls are in place to ensure observance of relevant corporate policies avoid and to avoid breaches of any law, statutory, regulatory or contractual obligations.
- 3.3 The controls were ascertained, evaluated and tested by reference to the CIPFA Systems-Based Audit Matrices (specifically the Application Controls module and those aspects of the Change Control module pertaining to deployment of application updates). The key areas focused upon were:
- compliance
 - logical security controls
 - user security controls
 - input and processing
 - audit trail
 - change control (application release).
- 3.4 As part of the examination, an analytical review of user, role and functional security levels was attempted. In the event, however, the scope of testing achievable was restricted by data audit software failure linked to the recent updating of the virtual desktop environment.
- 3.4 The findings are based on discussions with relevant staff in Housing and Property Services and ICT Services, supported as appropriate by documentary evidence, system displays and data analytics. The principal staff contacts were:

Anna Monkton, Business Administration Manager
Daniel Leach, System and Performance Improvement Officer
Richard Southey, Application Support Analyst.

4 Findings

4.1 Recommendations from previous report

- 4.1.1 The current position in respect of the recommendations from the audit reported in December 2012 is as follows (overleaf):

Recommendation	Management Response	Current Status
1 The need for classifying the data held within Active H should be reviewed, with steps taken accordingly depending on the outcome of this review.	Agreed. The need for classifying data held within Active H will be reviewed.	The importance of this recommendation has diminished as a result of subsequent revision of the Data Handling Policy. Discussed further under 4.2.2. (Compliance) below.
2 Password control should be strengthened by amending parameters within the system. Minimum length requirement should be set to eight characters and frequency of password changes should be reduced to every 90 days in line with other systems in use.	Testing will be performed to ensure that these suggested changes will not invalidate users' current passwords, and lock them out of the system.	Implemented – now set to 90 days.
3 The 'account lockout threshold' within the security parameters should be amended to lock users out after a specific number of unsuccessful attempts.	This will be covered as part of the testing detailed above.	Implemented – now set to five attempts.
4 The use of the audit logging function should be reviewed to ensure that the tables being logged are of use to management and the system administrators.	Agreed. The use of the audit logging function will be reviewed accordingly.	Implemented – a review was undertaken with advice from ICT Services. The decision was taken to maintain the scope of audit logging in force.

4.1.2 There were three further recommendations of a highly elaborate and technical nature emanating of a specialist review of database management controls. While it is not seen as appropriate to reproduce them in detail here, it is confirmed from subsequent documented feedback that these recommendations were duly implemented.

4.2 Compliance

4.2.1 Appropriate regulatory controls were found to be in place to ensure that the application meets applicable statutory requirements and its use complies with relevant legislation and internal policies. The following key controls have been verified from testing:

- Applicable purposes of processing data have been notified as required under the Data Protection Act 1998;
- Appropriate system documentation is in evidence;

- The system ownership provisions of the corporate Information Security and Conduct Policy have been observed for the application;
- There are appropriate contractual provisions to ensure that the application is updated with all relevant legislation.

4.2.2 The previous recommendation on classification of data processed was made in the context of a Data Handling Policy that has subsequently been revised. The present Policy places is emphasis more on applying data classification to 'document marking' rather than internal data processing. The key expectation is that the data is processed in a secure environment befitting the highest sensitivity classification that would apply (in this case 'RESTRICTED' given presence of personal and commercially sensitive data).

4.2.3 In this context, the system environment is regarded as appropriately secure.

4.2.4 While the commonly accepted maximum number of system administrators in any business application is three, the nature of the ActiveH with its wide range of functional modules combined with devolved responsibilities for system management clearly justifies a greater number.

4.2.5 Users can be assigned one of three base security levels: User, Super User and Administrator. Datasets extracted from the back-end database showed nineteen users set up at Administrator level, broken down as follows:

	<u>Number of 'Administrator' users</u>
Generic	3
Housing and Property Services:	
Business Administration Team	4
Service Improvement Team	3
Building Surveying and Construction	1
Income Recovery	1
ICT Services – Application Support Team	7

4.2.6 Two of the generic IDs users were original set-up and maintenance users from when the system was first installed and have to be preserved, while the third is required to maintain the website interface. Access to the passwords for these is appropriately secured.

4.2.7 The structural profile of the Housing and Property Services users reflects respective team roles in key areas such as user management, parameter maintenance and functional development (including connection of mobile devices). The only exception is the user in Income Recovery which has been queried (the member of staff concerned is known to have had user management responsibility prior to a recent reorganisation in Housing and Property Services).

4.2.8 While requirement to have continuous technical support capacity available for the system is acknowledged, whether this justifies so many Administrators in ICT Application Support is seen as questionable at least (the same observation was made in a recent review of the Acolaid Planning, Building Control and Land Charges).

4.2.9 While the perceived risk involved is not seen as so significant as to warrant a formal recommendation, the matter was raised with the Business Administration Manager during the audit and subsequently reviewed in consultation with ICT Services. As a result, two users were had their access level changed to operational user and a further two temporarily disabled.

4.3 **Logical Security Controls**

4.3.1 Within the confines of the inherent design of the application, the logical controls meet the expected standards of security by:

- assignment of unique user identifiers and passwords with access to create, change or disable users restricted to system administrators;
- enforced disciplines for secure passwords;
- limits to failed login attempts before user lock-out;
- user role structure enabling access permissions to be tailored to users' responsibilities;
- only system administrators can access system audit tools.

4.4 **User Security Controls**

4.4.1 Appropriate controls are in place to ensure that:

- operational users are made aware of their responsibilities when using the application (via sign-up to the information Security and Conduct Policy and on-line ICT induction);
- access rights are promptly removed for employees who leave the Authority or change duties.

4.4.2 The Business Administration Team is responsible for user management for the ActiveH system, which represents a separate of duties from normal day-to-day operations. Awareness of changes affecting user access needs relies on a combination of notification by the respective users' line managers and periodic leavers' reports. At the time the previous audit, an annual e-mail canvass of users had been performed, although this process has lapsed following the subsequent organisational changes in Housing and Property Services.

4.4.3 The outcomes from the limited analysis and inter-matching on extracts from user and group permission tables confirmed, with only isolated exceptions, that all current ActiveH users are valid with no indication of permissions at significant variance to their respective roles (subject to the observations from the 'Administrators' test – 4.2. above). The exceptions related five former temporary employees and one former contractor which have now been disabled.

4.4.4 The exercise has demonstrated that current arrangements for notification and acting on staff changes are substantially effective in their own right, subject to the potential for isolated cases of users to 'slip through the net'.

4.4.5 Given this, the reintroduction of annual canvassing of users is suggested as an informal advisory for consideration.

4.5 **Input and Processing**

- 4.5.1 Input processes are substantially regulated by a combination of automatically generated values, mandatory entries, in-built format validations and a considerable array of parameter tables. The parameters are made up primarily of code tables which tend to remain fixed after they have been introduced.
- 4.5.2 The key parameter tables identified that are comparatively fluid are those for property rents and contract schedules of rates. These can only be changed in ActiveH by system administrators, in practice designated officers in the Service Improvement Team which makes the process independent of users involved in day-to-day operational input. It was confirmed from enquiries that appropriate checks are in place when these parameters are updated.
- 4.5.3 All relevant documents supporting inputs are scanned into an electronic document management repository and are accessible by link from the respective ActiveH records.
- 4.5.4 In the ActiveH system environment, the processing controls are essentially tied to input validation. Routine processes operate automatically without the need for any operator intervention and do not require any form of scheduling to synchronise with input activities.
- 4.5.5 Financial data transfer to and from the application is verified through established core financial control procedures operated by Housing Services and Finance.

4.6 **Audit Trail**

- 4.6.1 It was re-verified that audit logging is active in the ActiveH system that the audit trail displays all requisite information to enable error tracking, suspect inputs, etc. It should be noted, however, that the operational inputs leave transparent trails that can be generally accessed by record view and management reports.
- 4.6.2 The audit logging settings were confirmed as representing the scope of auditing determined at the management review that had been undertaken in response to the previous audit recommendation.

4.7 **Change Control (Application Release)**

- 4.7.1 At the time of the audit, a system upgrade was underway and it had been envisaged that a review of the release control process would be based on this project while it progressed. This could not be accomplished since the testing phase was still in progress at the conclusion of the audit, therefore the examination followed the usual process based on historic documentation from the most recent completed system release implementation.
- 4.7.2 Reference was made to available documentation regarding an upgrade implemented in 2014. This re-confirmed for the most part that the application release process conforms with the corporate ICT Change Management Policy and standard Business Application Release procedures.

- 4.7.3 The only element that could not be specifically tested here specifically was the sign-off for live implementation since the relevant Software Acceptance Certificate could not be located (it was advised that the document had been held in the former Help Desk system which had since been replaced without the document being migrated).
- 4.7.4 In view of this, some additional work has been approved to review the upgrade project in progress at the time of this report on a consultancy basis. Any findings that may impact on the level of assurance will be reported separately.

5 Conclusions

5.1 Following our review we are able to give a SUBSTANTIAL degree of assurance that the controls are adequate to secure the said confidentiality, integrity and availability of the systems and related information assets.

5.2 Levels of assurance are applied based on the following bands:

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

5.3 There are no recommendations arising from the examination.

Richard Barr
 Audit and Risk Manager

FROM: Audit and Risk Manager **SUBJECT:** Main Accounting System
TO: Head of Finance **DATE:** 19 September 2016
C.C. Chief Executive
Deputy Chief Executive (AJ)
Strategic Finance Manager
Principal Accountants

1 **Introduction**

- 1.1 In accordance with the Audit Plan for 2016/17, an examination of the above subject area has been undertaken and this report presents the findings and conclusions drawn from the audit for information and action where applicable. This topic was last audited in September 2013.
- 1.2 Wherever possible, findings have been discussed with the staff involved in the procedures examined and their views are incorporated, where appropriate, into the report. My thanks are extended to all concerned for the help and cooperation received during the audit.

2 **Background**

- 2.1 The main financial accounting system is the mechanism by which the Council manages its financial affairs. It encompasses the entire system of the monitoring and control of the Council's financial statements.
- 2.2 The Code of Financial Practice at section 2.3 h iv) states "that the responsibilities of the Head of Finance includes agreeing the format of accounting records and core financial procedures and systems".
- 2.3 The main accounting system uses the Total General Ledger (Total) to manage the accounts. Total has financial transaction flows from subsidiary financial systems and the general ledger journal process which provides financial information to document the service income and revenue expenditure account and the balance sheet.

3 **Scope and Objectives of the Audit**

- 3.1 The overall objective of the audit was to report a level of assurance with regards to the controls in place for the main financial accounting system, to ensure that the council's operations and key objectives continue to be sufficiently resourced.
- 3.2 An extensive examination has been undertaken using the CIPFA systems-based control evaluation models for the main financial accounting system. This entailed completion of Internal Control Questionnaires (ICQs) and testing of controls in accordance with evaluation programmes. Detailed testing was

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

3.3 The control objectives that have been considered as part of this audit include:

- Policies and procedures
- Financial information system
- Coding structure
- Feeder systems
- Journals
- Suspense and holding accounts
- Bank reconciliations
- Capital accounting
- Final accounts.

4 Findings

4.1 Recommendation from Previous Report

4.1.1 The current position in respect of the recommendations from the audit reported in September 2013 is as follows:

Recommendation	Management Response	Current Status
1 The Master Hierarchical Cost Centre schedule should be periodically reviewed and discontinued codes deleted.	Need to be done is recognised, but have to consider retention of sufficient history for reference.	The preferred implementation process is for discontinued codes to be inactive, as demonstrated during testing.
2 Staff should be encouraged to enter clear header narratives in journal include overwriting default entries from journal templates where applicable.	Meeting to be arranged with the Principal Accountants to consider the form this will take.	Sample testing confirmed that journal header narrative correctly described the journal category.

4.2 Policies and Procedures

4.2.1 The Code of Financial Practice (COFP) was inspected to evaluate the framework for the main financial accounting system. Testing confirmed that the format for financial procedures and systems were adequately documented in section 2.3 of the COFP.

4.2.2 The accounting policies included in the draft unaudited 2015/16 accounts were compared to the CIPFA disclosure checklist for accounting policies. Audit testing confirmed compliance with the disclosure checklist.

4.2.3 The monthly procedure for payroll, debtors and creditor control account reconciliations were evidenced and confirmed that they had been completed as at June 2016.

4.2.4 Enquiries were made with a newly appointed member of staff with the objective of establishing if they had received appropriate induction training for the Total procedures. Verbal confirmation was received that the training did match the new employee's needs.

4.3 **Financial Information System**

4.3.1 Testing was undertaken to ensure that the interfaces between Total and other, subsidiary, financial system were operating effectively.

4.3.2 A sample of six Total transaction batch control totals was successfully verified to the relevant subsidiary financial systems.

4.3.3 The 2016/17 service revenue budget book format is by service cost centre and subjective activity heading. A sample of five budget book cost centres, was checked to confirm that the relevant cost centres had been set up on Total. This test proved satisfactory.

4.3.4 The control for ensuring that the opening balance sheet values (as at 1 April 2015) contained within Total had been appropriately brought forward was tested. It was confirmed that the figures were accurate, based on the journal processed in October 2015 that had required processing following the sign-off by external audit.

4.4 **Coding Structure**

4.4.1 A test to confirm that requests to add new account codes to the Total hierarchy were authorised by service budget holders was completed. Supporting documentation provided by finance staff confirmed that the budget holder had initiated the account code change as a result of completing the revenue budget monitoring process and codes were correctly set up.

4.4.2 The staff access rights to Total was tested with the objective of confirming that access controls were in place. Evidence provided from the Total parameters was inspected which verified that access was correctly limited to finance and financial services staff team members.

4.5 **Feeder Systems**

4.5.1 The process for feeder system closedown to the Total General Ledger as at 31 March 2016 was reviewed to verify that a systematic approach was undertaken. Evidence inspected confirmed that a clear process and sequence of controls had been correctly instigated by finance staff.

4.5.2 Debtors, creditors and payroll are feeder systems to Total. Evidence that the control accounts in the ledger are reconciled by finance staff and the reconciliation is up to date was tested. The reconciliations were reviewed to supporting documentation, and all three control accounts have been correctly reconciled as at June 2016.

4.5.3 In the Total hierarchy an account code 9999 has been set up as a feeder system default code with the objective of the account being monitored and subsequently cleared if incomplete transactions are processed. Visual account

enquiry of account 9999 confirmed that a nil balance was present demonstrating that transactions are promptly cleared for this account.

4.6 **Journals**

- 4.6.1 One of the menu options in Total is "coding correction journals". This is used where the original coding of a financial transaction is incorrect.
- 4.6.2 A sample of six 2016/17 general ledger journals was tested to ensure that there was supporting documentation and appropriate authorisation. It was found that all six journals had a supporting audit trail and were authorised appropriately.
- 4.6.2 As a result of testing of code correction journals it was noted that the payroll feeder system journals had examples of staff incorrectly coded to service revenue cost centres. Ideally, key feeder systems for financial transaction data such as payroll should be checked prior to processing in the Total General Ledger.

Risk

Incorrect data may be held within the accounting systems giving rise to error and misstatement.

Recommendations

Consideration should be given to obtaining a pre-list of draft monthly payroll by employee revenue cost centre for checking potential general ledger cost centre coding errors.

Consideration should be given to providing cost centre amendments to the Coventry City Council payroll team each month before the final payroll is run in order to reduce the need for payroll miscode journals.

4.7 **Suspense and Holding Accounts**

- 4.7.1 There are eight suspense account codes in the Total General Ledger. The balance on each was reviewed to confirm that monthly reconciliations are performed and a process is in place to reclassify financial transactions to the correct account code.
- 4.7.2 Total audit trails and working papers provided by Accountancy confirmed that seven of these suspense accounts had been reconciled. However, income suspense account code B357 had not been reconciled and had a credit balance of £3,399.51 at the time of the audit.

Risk

If suspense accounts are not regularly reconciled there is a risk of error and misstatement within the accounts.

Recommendation

The income suspense account code B357 should be reconciled immediately and, thereafter, quarterly.

4.8 **Bank Reconciliations**

- 4.8.1 The bank reconciliation compares the month end statement balances to the Total General Ledger. In 2016/17 the process for reconciling the receipt bank statement to ledger at month end changed. Service income on line returns (OLR) of bank receipts via the PARIS receipt system are now reconciled to transaction postings in the Total General Ledger. The Northgate OLR receipt report function which worked well in the test environment is currently not working properly resulting in the monthly bank reconciliations for the receipts bank account for April and May 2016 not being reconciled fully. The differences at May month end, however, are not considered to be material. No recommendation is made here as the Principal Accountant is fully aware of the OLR report problem and is dealing with it.
- 4.8.2 The bank reconciliation for the payment bank account at June 2016 was reviewed to verify that the reconciliation has been completed and balanced satisfactorily. Audit testing of the payment bank account reconciliation for June confirmed that the reconciliation had correctly taken place and balanced to supporting documentation.
- 4.8.3 The bank reconciliation for the receipt and payment bank statement balances was compared to the Total bank account B370 balance as at 31 March 2016. Testing confirmed that the reconciliation was well-evidenced, balanced correctly and signed off by the Principal Accountant (Capital).

4.9 **Capital Accounting**

- 4.9.1 The 2015/16 capital accounting policies per note 1 of the draft accounts were tested for compliance with the CIPFA code of practice for Local Authority Accounting. Audit testing confirmed that the capital accounting policies were compliant with CIPFA's code of practice.
- 4.9.2 The council's fixed assets are recorded on the Logotech system which is controlled by the Principal Accountant (Capital). The 2015/16 annual depreciation charge for fixed assets was tested to ensure that it had been correctly applied to the general fund and housing assets.
- 4.9.3 Logotech system reports for annual depreciation were successfully traced to the general ledger journals; it was also confirmed that depreciation charges by service revenue cost centres had been correctly posted in the ledger.
- 4.9.4 An additional depreciation test to ensure that the 2015/16 annual depreciation charge was correctly based on the net book value as at 1st April 2015 and the residual life of assets was undertaken. The results of the test confirmed that the Logotech asset record annual depreciation charge had been correctly calculated.
- 4.9.5 An audit test to verify that individual fixed assets have unique Logotech identifier control records was undertaken. A sample of two fixed assets in existence at 1st April 2015 was chosen. Both assets chosen were confirmed as having individual Logotech asset numbers.

- 4.9.6 The 2015/16 capital enhancement expenditure for existing house dwellings are reassessed by the appointed property valuer Carter Jonas at 31st March 2016. The aggregate value of the council dwellings per the valuation report was verified as being consistent with the value of house dwellings in the Total General Ledger at 31st March 2016.
- 4.9.7 A sample of two 2015/16 capital project financial control totals within the Total General Ledger were verified to the Logotech fixed asset register individual asset record as at 31st March 2016.
- 4.9.8 One asset had recently been demolished and, upon review, it was confirmed that the credit shown on Total agreed to the demolition figure included on Logotech.
- 4.9.9 A sample of two 2015/16 council house disposals under the tenant right to buy scheme were tested to confirm that they had been correctly accounted for in the general ledger, Logotech asset register and Active H rent system.
- 4.9.10 For both disposals the correct accounting entries were applied to the three systems. Examination of the Logotech fixed asset register also confirmed that disposal gains on sale and sale proceeds had been correctly calculated and asset records had been updated. Details of the 2015/16 tenant right to buy disposals held by the Principal Accountant (Housing) were also consistent with the three automated system records above.
- 4.9.11 Audit enquiries with the Principal Accountant (Capital) confirmed that all land and building assets were subject to a revaluation process as at 31st March 2016 following the appointment of the valuer Carter Jonas. The council housing dwellings are based on the Beacon Valuation principle dependent upon the age and configuration of the dwelling. A sample of three revalued housing dwellings updated valuations were successfully verified from the valuer's report to the unique Logotech property record.
- 4.9.12 A sample of two 2015/16 general fund buildings subject to impairment and revaluation with a recorded value as at 31st March 2016 were successfully verified from the valuer's report to the Logotech asset record.
- 4.9.13 The Principal Accountant (Capital) confirmed that plans were in place for the revaluation of assets (land and buildings), as required, to ensure that they were correctly valued at the year-end.
- 4.9.14 The 31 March 2016 reconciliation of the Logotech asset register with recorded values for fixed assets was checked to Total and land and building valuer reports (where applicable) with the objective of confirming that the financial values agreed. The test confirmed that the figures balanced.
- 4.10 **Final Accounts**
- 4.10.1 The process and controls for the 2015/16 accounts closedown timetable were reviewed and found to be satisfactory. Draft accounts were produced for reporting to the Executive on the 2 June 2016 in line with the timetable that had been set.

4.10.2 The report from Finance to the Finance and Audit Scrutiny Committee meeting of 26 July 2016 noted that External Audit's review of the financial statements for the year just ended would be reported to that Committee's meeting on 20 September 2016.

5 **Conclusions**

5.1 Following our review we are able to give a SUBSTANTIAL degree of assurance that the systems and controls in place for the Main Financial Accounting System 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 Two recommendations were made relating to: i) pre-list of monthly payroll by employee revenue cost centre; and ii) quarterly reconciliation of income suspense code B357 and subsequent clearance.

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 the Main Financial Accounting System – September 2016

Report Ref.	Recommendation	Risk	Risk Rating*	Responsible Officer	Management Response	Target Date
4.6.2	Consideration should be given to obtaining a pre-list of draft monthly payroll by employee revenue cost centre for checking potential general ledger cost centre coding errors.	Incorrect data may be held within the accounting systems giving rise to error and misstatement.	Medium	Principal Accountant (Systems)	We have started doing this as a trial, with the electronic payroll file. In the past, incorrect codes normally defaulted to payroll suspense. These numbers are now very small.	Ongoing – formalise by end of Dec 2016.
4.6.2	Consideration should be given to providing cost centre amendments to the Coventry City Council payroll team each month before the final payroll is run in order to reduce the need for payroll miscode journals.	Incorrect data may be held within the accounting systems giving rise to error and misstatement.	Medium	Principal Accountant (Systems)	Now we have started to review, in detail, the electronic payroll file, this has reduced errors significantly. Finance now regularly alerts HR about any coding errors to ensure that they are not repeated in the future.	Ongoing – formalise by end of Dec 2016.

Report Ref.	Recommendation	Risk	Risk Rating*	Responsible Officer	Management Response	Target Date
4.7.2	The income suspense account code B357 should be reconciled immediately and, thereafter, quarterly.	If suspense accounts are not regularly reconciled there is a risk of error and misstatement within the accounts.	Low	Principal Accountant (Capital)	This account is primarily a "dump" code for FST to return debtors payments to the ledger that they do not consider theirs. Treasury are usually informed by FST to transfer the payment to another account e.g. rents or Council Tax and this account is therefore outside of Treasury's control and is not capable of being reconciled to any control figure. Any balance on this account at year end will be written off to revenue.	March 2017.

* Risk Ratings are defined as follows:

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



INTERNAL AUDIT REPORT

FROM: Audit and Risk Manager **SUBJECT:** Medium Term Financial Strategy
TO: Head of Finance **DATE:** 29 September 2016
C.C.: Chief Executive
Deputy Chief Executive (AJ)
Strategic Finance Manager
Principal Accountants

1 Introduction

- 1.1 In accordance with the Audit Plan for 2016/17, an examination of the above subject area has been undertaken and this report presents the findings and conclusions drawn from the audit for information and action where applicable. This topic was last audited in November 2013.
- 1.2 Wherever possible, findings have been discussed with the staff involved in the procedures examined and their views are incorporated, where appropriate, into the report. My thanks are extended to all concerned for the help and cooperation received during the audit.

2 Background

- 2.1 The 2016/17 to 2020/21 Medium Term Financial Strategy (MTFS) was approved by the Council at their meeting on 24th February 2016.
- 2.2 The MTFS details the general fund revenue statement forecast for the period 2016/17 to 2020/21. The MTFS identifies if additional revenue savings or income are required with the objective of achieving a financially-balanced general fund.

3 Scope and Objectives of the Audit

- 3.1 The overall objective of the audit was to report a level of assurance with regard to the controls in place for the Medium Term Financial Strategy to ensure that the council's operations and key objectives continue to be sufficiently resourced.
- 3.2 Detailed testing was performed to confirm that controls identified have operated as expected with documentary evidence being obtained where possible, although some reliance has had to be placed on verbal discussions with relevant staff.

- 3.3 The control objectives that have been considered as part of this audit include:
- Policies and procedures
 - Roles and responsibilities
 - Monitoring, review and updating.

4 **Findings**

4.1 **Previous Report**

4.1.1 The previous report had no recommendations.

4.2 **Policies and procedures**

4.2.1 The process for compiling the Medium Term Financial Strategy 2016/17 to 2020/2021 is an integral part of the budget setting process for the general fund.

4.2.2 The Finance reports (including the MTFS) presented to the Executive meeting on 10th February 2016 clearly set out the MTFS with a commentary and the five-year MTFS statement and supporting schedules.

4.3 **Roles and responsibilities**

4.3.1 Section 2 of the Code of Financial Practice (COFP) was reviewed with the objective of verifying roles and responsibilities for the MTFS. Inspection of the COFP confirms that budget holders' responsibilities are clearly documented in respect of (a) the Executive (b) Head of Finance, and (c) Services.

4.3.2 The auditor confirmed with the Principal Accountants the process to identify changes in the environment that could have a financial impact on the MTFS. The Principal Accountants have monthly budget monitoring meetings with the service area budget holders where there is a forum to discuss any service changes that will impact on the revenue income or expenditure for the MTFS. Changes are documented on a spreadsheet held on the Finance shared drive. Although there are arrangements in place to identify relevant changes, there is a concern that the process is not sufficiently robust, in particular that the range of factors assessed is not broad enough.

Risk

Relevant changes in business environment factors may not be assessed.

Recommendation

The political, economic, social and technological environment should be surveyed routinely for their impact on the MTFS.

The results should be categorised as Certain, Probable or Possible with the first two categories assessed for their financial impact on the MTFS.

The frequency of updating to the MTFS should be monthly to align with the revenue budget monitoring arrangements.

4.4 **Monitoring, review and updating**

- 4.4.1 Audit review of monitoring and updating of the MTFS considered (a) the spreadsheet model for the period 2016/17 to 2020/21 monitored by finance (b) MTFS reports presented to the Executive (c) supporting documentation to support the MTFS model, and (d) the Fit for the Future change programme report to the Executive dated 2 June 2016.
- 4.4.2 The 2016/17 Budget and Financial Information book was inspected to review the format of the MTFS. It was noted that the yearly recurring developments, limited growth and savings and items funded from reserves are listed but are not specifically linked to service areas. Doing so would provide clear transparency of strategic service financial changes within the MTFS.

Risk

At service level, incremental revenue changes to the MTFS may not be identified.

Recommendation

The MTFS should be prepared such that it groups recurring developments, limited growth, savings and items funded from reserves by service area by year.

- 4.4.3 The authority's council tax precept is recovered from the liable residential properties as held in the Civica council tax system. Audit enquiries of the council tax liable property base indicate that the current aggregate base is similar to the property base in the MTFS for 2016/17. For the period 2017/18 to 2020/21 the MTFS assumes a year-on-year property increase of five hundred properties per annum. Following the results of the European Referendum and current economic business forecasts, new housing development is predicted to slow down. This is likely to have an unfavourable financial impact on the council tax to be raised from the liable property base when projections are reviewed.
- 4.4.4 The Fit for Future (FFF) change programme sets out the yearly phasing of revenue savings and additional income for the period 2017/18 to 2020/21 in table 1 of the report to Executive of 2 June 2016. The FFF change programme should be linked directly to the MTFS because service savings/additional income stream categories will be the same. However, reconciliation between table 1 and the MTFS revenue savings and additional income for the same period could not be performed by the auditor.

Risk

There may not be alignment between the MTFS and the Fit for Future change programme.

Recommendation

A reconciliation of the 2017/18 to 2020/21 revenue savings/additional income per the FFF change programme report should be made with the MTFS for the same period and the MTFS updated accordingly.

5 **Conclusions**

5.1 Following our review we are able to give a SUBSTANTIAL level of assurance that the systems and controls in place for the Medium Term Financial Strategy 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 Several areas for improvement were noted which, when addressed, will improve internal control even more.

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 the Medium Term Financial Strategy – September 2016

Report Ref.	Recommendation	Risk	Risk Rating*	Responsible Officer(s)	Management Response	Target Date
4.3.2	The political, economic, social and technological environment should be surveyed routinely for their impact on the MTFS.	Relevant changes in business environment factors may not be assessed.	Low	Strategic Finance Manager	The MTFS is a living document, fed from many sources, including the Significant Business Risk Register, where the consideration of such aspects are considered. Following such consideration, if there are any issues that need to be included within the MTFS with reasonable certainty, these are duly factored in. To create a new process/routine is not necessary. MTFS updated regularly on an on-going basis. MTFS is reported periodically as part of Budget Monitoring arrangements, notably when significant changes have been newly included.	N/A
	The results should be categorised as Certain, Probable or Possible with the first two categories assessed for their financial impact on the MTFS.					
	The frequency of updating to the MTFS should be monthly to align with the revenue budget monitoring arrangements.					

Report Ref.	Recommendation	Risk	Risk Rating*	Responsible Officer(s)	Management Response	Target Date
4.4.2	The MTFS should be prepared such that it groups recurring developments, limited growth, savings and items funded from reserves by service area by year.	At service level, incremental revenue changes to the MTFS may not be identified.	Low	Strategic Finance Manager	This will only be practicable for the MTFS presented as part of the February Budget report and Budget Book due to the MTFS being a living document with all changes forming part of the full audit trail.	February 2017.
4.4.4	A reconciliation of the 2017/18 to 2020/21 revenue savings/additional income per the FFF change programme report should be made with the MTFS for the same period and the MTFS updated accordingly.	There may not be alignment between the MTFS and the Fit for Future change programme.	Medium	Strategic Finance Manager	MTSF is a living document. It has been updated to include the Summer 2016 Executive update, and is also informed from other supplementary sources of information.	Done.

* 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 **SUBJECT:** Right to Buy
TO: Head of Housing & Property Services **DATE:** 30 August 2016
C.C. Chief Executive
Deputy Chief Executive (BH)
Head of Finance
Housing Strategy &
Development Manager
Business Administration
Manager

1 **Introduction**

- 1.1 In accordance with the Audit Plan for 2016/17, an examination of the above subject area has been undertaken and this report presents the findings and conclusions drawn from the audit for information and action where appropriate. This topic was last audited in April 2006.
- 1.2 Wherever possible, findings have been discussed with the staff involved in the procedures examined and their views are incorporated, where appropriate, into the report. My thanks are extended to all concerned for the help and cooperation received during the audit.

2 **Background**

- 2.1 At the time of the previous audit, the number of property sales under the Right to Buy (RTB) scheme were dwindling. This, together with a generally low risk profile, led to the audit being removed from the Audit Plan.
- 2.2 Due to a recent upsurge in sales, as a result of increases in the amount of discount available, it was felt that the audit should be reinstated. 42 properties were sold under the scheme in 2015/16 and 21 sales had been completed during the current financial year at the commencement of this audit.

3 **Scope and Objectives of the Audit**

- 3.1 The audit was undertaken to test the management and financial controls in place.
- 3.2 In terms of scope, the audit covered the following areas:
- Policies and procedures
 - Application and sales
 - Valuations
 - Procurement of related services

- Subsequent property sales
- System record maintenance.

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

- The council maintains appropriate levels of specific housing stock in identified areas
- Work is performed to a consistent standard
- Applications are processed in a timely manner
- Properties are only sold to eligible tenants
- The correct amount is paid for properties sold
- Money is not laundered through the council through use of the scheme
- Tenants have access to appropriate appeal and complaint channels if they feel that decisions and valuations are incorrect
- Property valuations are realistic in relation to the prevailing market conditions
- Value for money is achieved via the appropriate procurement of services relevant to the sale of council houses
- Tenants are aware of the terms of the scheme in relation to any subsequent sale of the property
- The council receives all monies due
- All debts relating to the property are clear before sales are completed
- Repairs and maintenance are not undertaken to properties that the council is not responsible for.

4 Findings

4.1 Recommendations from Previous Report

4.1.1 The report relating to the previous audit of this topic, undertaken in April 2006, did not include any recommendations.

4.2 Policies & Procedures

4.2.1 The council does not have its own policy document with regards to the properties that are eligible or ineligible for purchase under the scheme. Instead, this is driven by the legislation, with the ineligible properties being those that are sheltered housing properties or those that are suitable for the elderly or disabled.

4.2.2 Similarly, there is no policy covering which properties the council may buy back should the purchaser subsequently sell on the property. The Business Administration Manager (BAM) advised that these would be considered on a case-by-case basis, although it is rare that the council would buy them back, as they would have to be purchased at market rate and there are limited funds available.

4.2.3 Procedure notes are in place for processing application received on the Active H Case Processing module, although these are slightly out of date in terms of the officers referred to.

- 4.2.4 It was suggested that an overall set of procedure notes for the process had been in place at one stage, although the Business Administration Assistant (BAA), who deals with the applications at present, suggested that she had also made her own notes.

Risk

Applications received may be dealt with incorrectly.

Recommendation

Procedure notes should be updated to reflect current practices and staffing.

4.3 **Application & Sales**

- 4.3.1 A sample of applications received under the RTB scheme was chosen from spreadsheets maintained by staff within the Business Administration team in Housing & Property Services. This sample included live cases and closed cases where the properties had been sold.
- 4.3.2 Testing confirmed that all applications had been processed in a timely manner, with relevant documentation being issued and valuations being performed appropriately.
- 4.3.3 An issue was, however, noted with two of the 'live' cases as they had actually been closed, with the applications being cancelled. One had been notified to the council but the spreadsheet had not been updated accordingly and in the other case Legal Services at Warwickshire County Council had not notified the council that the application had been closed.

Risk

Appropriate maintenance works may not be undertaken at the properties if it is thought that they are still the subject of a RTB application.

Recommendation

Regular communication (e.g. quarterly) should take place with Legal Services regarding the status of open cases.

- 4.3.4 As part of the processing of the applications a number of checks are performed including the eligibility of the tenants to purchase the property. There was evidence that checks had been performed in eleven of the fifteen sampled cases, with the forms being annotated.
- 4.3.5 Two of the other application forms had a number of significant omissions and, whilst the information could be obtained from the Active H system, the forms should have been returned for completion.

Risk

Applications may be incorrect.

Recommendation

Staff should be reminded to check that all relevant detail is included on the application forms received.

- 4.3.6 The discounts to be awarded to applicants are calculated upon entry of details to a spreadsheet. The calculation of the figures is formula driven and, upon review of the latest spreadsheet, the formulae appear to be correct.
- 4.3.7 The sample testing undertaken confirmed that the discount spreadsheet included the correct details and the correct discount had been awarded in eleven cases. In three further cases, there was a discrepancy between the actual length of the tenancies and the figure included on the spreadsheet, but this did not affect the discount awarded (i.e. they already qualified for the maximum amount available to them).
- 4.3.8 However, in the other case, there was an unresolved query relating to an inherited tenancy which had not been taken into account when the discount was calculated, with the discount potentially being £6,700 less than should have been awarded.

Risk

Applicants may not receive the correct discount.

Recommendation

Clarification should be sought on the process for taking inherited tenancies into account when calculating discounts.

- 4.3.9 The BAM advised that a 'further questions' document is now being issued during the application process which includes Money Laundering Regulations to try to ensure that applicants can prove where the money for the purchase is coming from. This process has only recently been introduced and was not, therefore, relevant to the samples chosen.

4.4 Valuations

- 4.4.1 Godfrey Payton (GP) are contracted to carry out the property valuations on behalf of the council. The BAM advised that their qualifications to undertake this role would have been checked as part of the procurement process (see below).
- 4.4.2 There is no formal process in place for the council to check the valuations provided. However, the tenant has a right to appeal the valuation received, and these are considered by the District Valuer (DV). The sample testing performed identified one completed sale where the DV had provided a valuation and this was £8,000 below the valuation provided by GP.
- 4.4.3 The tenants will obviously only appeal the valuation if they feel that it is too high. A cursory search of the Housing RTB drives (sold and live) identified seven revaluations, with the four most recent (June 2015 to April 2016) highlighting two cases where the DV had provided a lower value than GP and two where the DV's valuation was higher.
- 4.4.4 The BAM advised that, if we had any concerns, the council could call GP in to explain their valuations. The council also has the right to appeal valuations performed by the District Valuer.

4.5 **Procurement of Related Services**

- 4.5.1 As highlighted above, the council uses GP for valuing properties. A contract is also in place with Hancock, Wheeldon & Ascough to undertake structural surveys where required.
- 4.5.2 The contract register highlighted that these were legacy arrangements and the comments included suggested that work had started in October 2014 to procure single services covering all properties, including those being sold under RTB, but this has still not materialised.
- 4.5.3 The Housing Strategy & Development Manager advised that the department is now looking to procure services just for RTB properties again with this currently being in hand with Procurement.

4.6 **Subsequent Property Sales**

- 4.6.1 The terms of the RTB scheme require purchasers to repay some of the discount if they sell on the property within specified timescales. They should also offer the property back to the council or another social landlord for purchase at market rate.
- 4.6.2 When the transfer documents are drawn up by Legal Services, standard clauses are inserted into the documents that cover these requirements. These are then recorded by the Land Registry so they should be picked up by solicitors as part of any subsequent sales.

4.7 **System Record Maintenance**

- 4.7.1 When a property is being sold, the council requires the rent account to be clear before the sale can be completed. Upon review of Active H, it was confirmed that this had been the case for each of the sampled sales.
- 4.7.2 The status of the property on the system should also be changed upon the sale of the property to ensure that repairs and maintenance are not undertaken on them. Again, upon review, it was confirmed that the system had been appropriately updated in each of the sampled cases.

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 Right to Buy applications and sales are appropriate and are working effectively.
- 5.2 The assurance bands are shown overleaf:

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

5.3 Minor issues were, however, noted relating to:

- The need for procedure notes to be updated
- Two closed cases still being shown as live on the RTB spreadsheets
- Incomplete application forms being accepted
- Staff being unsure on how to deal with inherited tenancies which may have led to a discount awarded being incorrect.

6 **Management Action**

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

Richard Barr
Audit and Risk Manager

Action Plan

Internal Audit of Right to Buy – August 2016


Report Ref.	Recommendation	Risk	Risk Rating*	Responsible Officer(s)	Management Response	Target Date
4.2.4	Procedure notes should be updated to reflect current practices and staffing.	Applications received may be dealt with incorrectly.	Low	Business Administration Manager	Agreed. There is an intention to reduce the dependency on spreadsheets, so this will be undertaken once the new processes are established.	End of October 2016.
4.3.3	Regular communication (e.g. quarterly) should take place with Legal Services regarding the status of open cases.	Appropriate maintenance works may not be undertaken at the properties if it is thought that they are still the subject of a RTB application.	Low	Business Administration Manager	Agreed. This will be set up.	With immediate effect.
4.3.5	Staff should be reminded to check that all relevant detail is included on the application forms received.	Applications may be incorrect.	Low	Business Administration Manager	Agreed. Staff will be reminded.	With immediate effect.
4.3.8	Clarification should be sought on the process for taking inherited tenancies into account when calculating discounts.	Applicants may not receive the correct discount.	Low	Business Administration Manager	Agreed. Clarification will be sought.	With immediate effect.

* Risk Ratings are defined as follows:

High Risk: Issue of significant importance requiring urgent attention.

Medium Risk: Issue of moderate importance requiring prompt attention.

Low Risk: Issue of minor importance requiring attention.

 FINANCE & AUDIT SCRUTINY COMMITTEE 29 November 2016		Agenda Item No. 5
Title	Annual Governance Statement Action Plan 2016/17: Review of Progress	
For further information about this report please contact	Richard Barr Tel: (01926) 456815 E Mail: richard.barr@warwickdc.gov.uk	
Wards of the District directly affected	All	
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?	No	
Date and meeting when issue was last considered and relevant minute number	31 August 2016	
Background Papers	Accounts and Audit (England) Regulations 2015 Delivering Good Governance in Local Government: Framework (CIPFA/SOLACE 2007) Delivering Good Governance in Local Government: Framework (Addendum) (CIPFA/SOLACE 2012) Delivering Good Governance in Local Government: Framework and Guidance Note for English Authorities (CIPFA/SOLACE 2012) The Annual Governance Statement – Rough Guide for Practitioners (CIPFA Financial Advisory Network) Minutes of Senior Management Team	

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

Officer/Councillor Approval		
With regard to officer approval all reports <i>must</i> be approved by the report authors relevant director, Finance, Legal Services and the relevant Portfolio Holder(s).		
Officer Approval	Date	Name
Chief Executive/Deputy Chief Executive	26 Oct 2016	Chris Elliott / Andrew Jones
SMT	26 Oct 2016	Senior Management Team
Monitoring Officer	26 Oct 2016	Andrew Jones
Section 151 Officer	26 Oct 2016	Mike Snow
Human Resources		
Finance	26 Oct 2016	As S151 Officer
Portfolio Holder(s)	11 Aug 2016	Councillors Mobbs and Whiting

Consultation & Community Engagement	
Senior Management Team review of Annual Governance Statement Action Plan	
Final Decision?	Yes
Suggested next steps (if not final decision please set out below)	

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 2015/16. 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 relating to the Annual Governance Statement 2015/16.

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 governance issues identified as part of the compilation of the Annual Governance Statement are being addressed.

4 **Policy Framework**

- 4.1 The Annual Governance Statement describes governance arrangements relating to the Council's corporate priorities and key strategic projects that are reflected in Fit for the Future. The Fit for the Future programme is also based on an agreed set of values amongst which are the ones of openness and honesty. This is integral to the consideration of governance in an organisation; governance issues needs to be discussed and debated and mitigations put in place in order to prevent or rectify weaknesses.
- 4.2 The arrangements will assist the Council in furtherance of its priority of providing clear community leadership and effective management of resources whilst delivering responsive public services in an open and transparent manner.

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 these 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:

- Deputy Chief Executives and Service Area Managers
- the Responsible Financial Officer
- the Monitoring Officer
- Members
- the Audit and Risk Manager
- performance and risk management systems
- third parties, e.g. partnerships
- external audit and other review agencies.

10 **The Significant Governance Issues**

10.1 The governance issues facing the Council have been identified from production of the statutory Annual Governance Statement.

10.2 The Significant Governance Issues are summarised in the Action Plan element of the Annual Governance Statement for 2015/16.

10.3 The Annual Governance Statement (and therefore the Action Plan setting out the Significant Governance Issues) has been approved by Full Council.

10.4 The appendix accompanying this report sets out the progress in addressing the Significant Governance Issues.

10.5 The progress in addressing these governance issues is reported by the officers who are leading on them.

Annual Governance Statement 2015/16: Action Plan for Significant Governance Issues
Review of Progress to end of September 2016

AGS Ref.	Significant Governance Issue (SGI)	Responsible Officer	Progress Implementing SGI	
			Position as at previous quarter	Position as at end Sept 2016
5.1-1	The call-in process to be examined in respect of Executive and Council decisions.	Civic & Committee Services Manager (DMO) (Overseen by Deputy Chief Executive (AJ))	Work has paused on this in recent months to enable delivery of the PCC election and EU referendum. However, investigations into best practice are now underway with a view to reporting back to the Executive in September 2016.	The Revised Call in procedure has been drafted and is being reviewed by the Monitoring Officer and Deputy Monitoring Officer to ensure it is robust. The Proposal is due to come to O&S Committee on 1 November 2016 and Executive on 28 November for recommendation to Council.
5.1-2	Service Area Crisis Plans to be updated and kept under regular review.	Service Area Managers / Interim Environmental Sustainability Team Leader (Overseen by CMT)	Neighbourhood Services – updated June 2016 Finance – updated July 2016 Health and Community Protection – updated August 2016 Housing, Development & Culture – plans to be reviewed and updated before the end of 2016 CEX Office (HR) – completed March 2016 CEX Office (Democratic Services) – completed April 2016 CEX Office (ICT Services) – completed August 2016	As per previous quarter, all services have now developed and signed off their plans. No current issues regarding lack of engagement from services. Interim Environmental Sustainability Team Leader intends to contact all plan owners shortly to ensure plans have been reviewed and are current.



Title	Review of Cultural Services Contracts Register
For further information about this report please contact	Rose Winship Rose.winship@warwickdc.gov.uk 01926 456223
Wards of the District directly affected	N/A
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?	No
Date and meeting when issue was last considered and relevant minute number	N/A
Background Papers	None

Contrary to the policy framework:	No
Contrary to the budgetary framework:	No
Key Decision?	No
Included within the Forward Plan? (If yes include reference number)	No
Equality Impact Assessment Undertaken	No

Officer/Councillor Approval		
Officer Approval	Date	Name
Chief Executive/Deputy Chief Executive	17/10/2016	Andy Jones
Head of Service	17/10/2016	Rose Winship
CMT		
Section 151 Officer	17/10/2016	Mike Snow
Monitoring Officer	17/10/2016	Andy Jones
Finance	17/10/2016	Mike Snow
Portfolio Holder(s)		Cllr Michael Coker
Consultation & Community Engagement		
N/A		
Final Decision?		Yes
N/A		

1. **Summary**

- 1.1 This report sets out the Cultural Services Contract Register for review by Finance & Audit Scrutiny Committee, and highlights any issues which need to be addressed in the next 12 months.

2. **Recommendation**

- 2.1 That Finance & Audit Scrutiny Committee should review the Cultural Services Contract Register attached at Appendix 1 and make observations on it as appropriate.

3. **Reasons for the Recommendation**

- 3.1 The review of Cultural Services Contract Register allows members of the Finance and Audit Scrutiny Committee the opportunity to consider the robustness of the register, make appropriate suggestions on how the register could be improved, and consider the document within the context of promoting sound procurement practice across the Council.

4. **Policy Framework**

- 4.1 **Policy Framework** – Under the Council’s Code of Procurement Practice, details of all contracts for the supply of goods, services and supplies should be held on the Council’s central Contract Register. The Code also states the tender process to be used by officers when procuring goods and services.

- 4.2 **Fit for the Future** – By following the Council’s Code of Procurement Practice in procuring goods, services and supplies, officers will be contributing to the Council’s vision, and key policy priorities included within the Sustainable Community Strategy. The following specific benefits should arise:-

- The Council will be sure it is obtaining value for money from its expenditure, in the provision of all its services for local council tax payers.
- Opportunities will be given to local employers to tender for Council contracts, thus contributing to the Prosperity Agenda.
- It will be demonstrable that the Council, and officers, are operating fairly, in an open and transparent manner.

5. **Budgetary Framework**

- 5.1 There are no direct budgetary implications arising from this report. All of the Council’s expenditure should be made in accordance with the requirements of the Council’s Code of Procurement Practice. This should help the Council to ensure that it achieves value for money from its expenditure through the correct tendering of contracts, and the subsequent management of those contracts.

6. **Risks**

- 6.1 It is important that all procurement across the Council complies with the relevant procurement regulations and directives and also the Council’s Code of Procurement Practice. By following this approach the Council will reduce the risk of challenge.
- 6.2 Contract Management is an important element of procurement. Contracts need to be properly managed to ensure compliance with the contract, whilst

considering all relevant aspects that may affect the performance of the contract. Also, it is important that contract managers pro-actively plan ahead to ensure the procurement of future contracts is properly managed.

7. Alternative Option(s) considered

7.1 This report does not recommend a particular option therefore there are no alternative options.

8. Background

8.1 The Terms of Reference for the Finance and Audit Scrutiny include "Promote value for money and good procurement practice". This is a role that the Committee has actively pursued. In carrying out this role the Committee appointed three of its members to act as Procurement Champions to assist and advise the Procurement Manager. Partly as a result of these actions, the status and knowledge of procurement has increased substantially across the organisation in recent years.

8.2 In March 2014 the Finance and Audit Scrutiny Committee requested that it review each departmental Contract Register in turn. These reviews were intended to follow the approach used to review the Risk Register, whereby the relevant Portfolio Holder and Head of Service are available to answer the Committee's questions.

9. Cultural Services Contract Register

9.1 The latest version of the Cultural Services elements of the Corporate Contract Register is set out as Appendix 1.

9.2 Key procurement activity 2016/17

9.2.1 Much of the procurement activity within Cultural Services in the current financial year has been related to the Leisure Development Programme. Major contracts of strategic importance have been let for the provision of professional services to support officers through the complex and lengthy procurement process to appoint contractors to manage the Council's leisure centres, and contractors to undertake the construction of the new and improved leisure provision at Newbold Comyn and St Nicholas Park leisure centres, subject to approval by Council on 16th November 2016.

9.2.2 The process for both has been supported by WDC Procurement officers and legal officers from Warwickshire County Council who have provided significant experience and advice at all stages of the process. WCC legal team have been key in ensuring that WDC officers comply with procurement regulations and PQQ and ITT stages in such a way to minimise the risk of challenge at any stage in the process. The process has been managed through the In-Tend portal with Cultural Services officers becoming proficient in operating the portal system and handling the interaction with the bidders directly.


9.2.3 The above procurement activity has required Cultural Services officers to work closely with colleagues across the Council to ensure that decisions relating to these contracts which have an impact on other service areas, have been discussed and a corporate position established prior to any decisions being made. An example of this has been in respect of utilities. The management contract has required decisions on future responsibilities for purchase of gas

and electricity, which will have an impact on the corporate energy contracts. There has also been close working between Culture and Property Services on utility diversions relating to the building works, ensuring that the impact of any work is thoroughly considered and agreed with colleagues before orders are place.

- 9.2.4 In planning ahead for the letting of the management contract, consideration has been given to existing services contracts at the leisure centres (vending, resale goods, maintenance etc) ensuring that current suppliers have been given appropriate notice of termination of contracts to coincide with the start of the new management contract.
 - 9.2.5 Elsewhere in Cultural Services, significant contracts have been let in the last year for the provision of pantomime production at the Royal Spa Centre (from Nov 2016 to 2021) and the installation of new dimmers and motors at the Royal Spa Centre in August 2016 (as reported to the Executive in June 2016). Work has also been progressed to establish contracts for the supply of bar and catering goods to the Spa Centre.
 - 9.2.6 Contract management is a key element of a number of officers roles in Cultural Services. At present the catering contract is monitored by the Business Support Manager, supported by the Head of Cultural Services, while the golf contract is managed by the Sports and Leisure Manager. Both have established contract management arrangements and regular monitoring meetings in place. Responsibilities for management of these contracts will be amended in the new year subject to the Sports and Leisure and Arts reviews that will be reported to the Employment Committee in December 2016. Responsibilities for management and monitoring of the new leisure contract will also be a central role within the new Sports and Leisure team reported to the above meeting. Management of the proposed construction contract for the leisure centres will be undertaken by key roles within the project team, including the Project Manager from Mace and the Programme Manager in Cultural Services.
- 9.3 Future procurement activity
- 9.3.1 Looking ahead there are a number of future procurement exercises that are being factored into the procurement plan for 2017/18
 - 9.3.2 Catering contract (Kudos) – expires Jan 2018. Early discussions taking place amongst officers on appropriate options
 - 9.3.3 Phase II Leisure Development Programme (Kenilworth) – to follow Phase I. Reports to Councillors in due course
 - 9.3.4 Resurfacing of Abbey Fields Tennis courts
 - 9.3.5 Maintenance/refurbishment of Edmondscote Athletics Track – subject to decision on whether the track remains or is relocated

Contract Reference Number	Procurement Procedure	Status	Contract Title	Description	Contract Type	Supplier	SME/ Enterprise/ Voluntary/Community	Company Registration Number	Lead Department	Contact	Stakeholders	Start date	End date	Review Dates	Annual value	Contract value	Irrecoverable VAT
CS41NK0711	Direct Award	Live	Licence to use Victoria Park Tennis Courts	Licence to use Victoria Park Tennis Courts	Services	VP Tennis	Small: Community	N/A	Cultural Services	Stuart Winslow		15/07/2011	14/07/2021	01/01/2017	1,000	10,000	Nil
CS09OJ0410	Open: Published Invitation to Tender	Live	Golf Course-The Provision of a Golf Course at Newbold Comyn	Management and operation of the golf course at Newbold Comyn	Services	Mack Trading	N/A	3193951	Cultural Services	Stuart Winslow	Neighbourhood Services	01/04/2010	01/03/2060		Various over term of contract and revenue	Various over term of contract and revenue	Nil
CS15OJ0112	Open: Published Invitation to Tender	Live	Catering at the Royal Pump Rooms, The Restaurant in the Park	Catering at the specified sites	Services	The Crown Group	N/A	4066827	Cultural Services	Rose Winship	Culture services	01/01/2012	28/02/2018	28/02/2017	Concession contract based on sales	Concession contract based on sales	Nil
CS29LV0713	Open: Published Invitation to Tender	Live	Diary and Resource Management System	Diary and Resource Management System: located	Services	Artifax Software Limited	N/A	2007321	Cultural Services	David Guilding	Culture services	01/08/2013	31/07/2019	01/06/2018	Up to £4,000	Up to £20,000	Nil
CS32LV0214	Open: Published Invitation to Tender	Live	Framework for various catering services	Catering Services: Lot 1 Buffet Food for various corporate catering services	Services	Savi Foods Limited	N/A	7614026	Cultural Services	David Guilding	* Human Resources * Enterprise *Member Services	06/01/2014	05/12/2017	01/01/2017	Framework contract - no value attributed	Framework contract no value attributed	Nil
CS30LV0913	Framework: Mini Competition	Live	Provision of Light and Sound Equipment at the Royal Spa centre	The replacement of key theatre production equipment and the servicing of various existing stage equipment items within the Royal Spa Centre & Town Hall.	Goods	Stage Electrics	N/A	3209293	Cultural Services	David Guilding/John Greet	Culture services	13/02/2014	12/02/2019	01/02/2018	Framework contract - no value attributed	Framework contract no value attributed	Nil
CS31LV0214	Open: Published Invitation to Tender	Live	Digital Screening Equipment	Conversion of Cinema to Digital Screening Equipment	Goods	Future Projections	N/A	3797445	Cultural Services	Laura Wyatt	Culture services	13/02/2014	12/02/2016		627.60 for servicing	40331.17	Nil
CS33LV0214	Open: Published Invitation to Tender	Live	Leisure Centre Resale Items	For the provision of Leisure Site Resale products	Goods	SRS Leisure	N/A	5046051	Cultural Services	Kevin Carty	Culture services	26/02/2014	25/02/2017		Call-off contract - no value attributed	Call-off contract - no value attributed	Nil
CS34LV0314	Open: Published Invitation to Tender	Live	Sports & Leisure Phase II	Specialist support for service specification development and tender process	Services	Strategic Leisure		7612989	Cultural Services	Rose Winship	Programme Board	01/02/2015	31/03/2017		£30,000	£30,000	
CS42DA0101	Framework: Direct Award	Live	Pool Chemicals	Pool dosing chemicals	Goods	J.A.K Water Systems Ltd	N/A	4729095	Cultural Services	Kevin Carty/Mark Perkins	Housing & Property Services	On-going	On-going		20,000	20,000	Nil
CS39MC0714	Framework: Mini Competition	Live	Vending Machines for Corporate buildings	Vending machines for a number of corporate venues throughout the Warwick District (using ESPO Framework 900)	Goods	LTT Vending Ltd	N/A	719407	Cultural Services	Stephen Falp	Culture services	01/07/2014	30/06/2018	30/06/2017	10,000	50,000	Nil
CE08TQ0614	Invitation to Quote (2+ Suppliers)	Live	Town Hall AV System: Maintenance	Maintenance of the Town Hall AV System	Services	Mustard Presentations	N/A	3942824	Cultural Services	David Guilding	Members Services	04/09/2014	03/09/2017	01/06/2017	2,400	7,200	Nil
CS45DA0515	Framework: Direct Award	Live	Technical and Professional Services - leisure centre investment proposals	Technical and Professional Services - leisure centre investment proposals	Services	Mace	N/A	2410626	Cultural Services	Padraig Herlihy	Programme Board	01/05/2015	30/04/2018	N/A	663,675	663,675	Nil
		Live	Disabled access lifts in leisure centres	Disabled access lifts in leisure centres	Services	ArjoLeighHunt	N/A	2693603	Cultural Services	Kevin Carty	Corporate Properties	01/06/2016	31/12/2016	N/A	N/A	2,400	Nil
CS46TQ0515	Invitation to Quote (2+ Suppliers)	Future	Luxury Ice Cream	Resale luxury ice cream for the Royal Spa Centre	Goods	First Service Frozen Foods LTD	N/A	5404913	Cultural Services	Debbie Hanks	Culture services	01/07/2015	30/06/2020	30/06/2017	7,500	37,500	Nil
CS47TQ0615	Invitation to Quote (Single Supplier)	Live	Dishwasher Repair and Maintenance at the Royal Spa Centre	Dishwasher Repair and Maintenance at the Royal Spa Centre	Services	Hoffs Catering & Coffee Equipment	N/A	08903531	Cultural Services	Debbie Hanks	Cultural Services:	01/07/2015	31/06/2017	Annually	1,200	2,400	Nil
CS49TQ0815	Invitation to Quote (2+ Suppliers)	Live	Hot Drinks	Hot Drinks supply for resale at the Royal Spa Centre	Services	The Cafe Azzurro Coffee Company Limited	N/A	03753475	Cultural Services	Debbie Hanks	Culture services	10/08/2015	17/08/2017	09/05/2017	4,200	8,400	Nil
CS50DA0815	Direct Award	Live	Beer, Wines and Spirits including servicing of associated equipment	Beer, Wines and Spirits including servicing of associated equipment	Goods	Carlsberg UK Ltd	Enterprise		Cultural Services	Debbie Hanks	Culture services	26/08/2015	26/08/2017	25/07/2017	48,500	97,000	Nil

Contract Reference Number	Procurement Procedure	Status	Contract Title	Description	Contract Type	Supplier	SME/ Enterprise/ Voluntary/Community	Company Registration Number	Lead Department	Contact	Stakeholders	Start date	End date	Review Dates	Annual value	Contract value	Irrecoverable VAT
CS52TQ1015	Invitation to Quote (2+ Suppliers)	Live	12 month hire and delivery of Avonlite Art 2000 Dimmer Rack. Executive report 6/4/2016 requesting funding for replacement of dimmers and motors	12 month hire and delivery of Avonlite Art 2000 Dimmer Rack including patch cabling and socapex cabling	Services	Agility Events	Medium	9735413	Cultural Services	David Guilding	Culture services	23/10/2015	26/10/2016	N/A	5,987	5,987	Nil
CS540J0616	Open: Published Invitation to Tender	Live	Provision of Pantomime Production at Royal Spa Centre	The Provision of Pantomime Production Services for 2016 to 2021	Services	Imagine Theatre Limited	Medium	5451769	Cultural Services	David Guilding		01/11/2016	03/01/2021	03/01/2020	N/A	490,050	Nil
CS55TQ0716	Invitation to Quote (2+ Suppliers)	Live	Contract for Supplu of Sports Equipment	Pole vault and high jump equipment	Goods	Athletics Direct	Small	5998994	Cultural Services	Manoj Sonecha	Culture services	One off Purchase		N/A	NA	10,870	Nil

	Finance and Audit Scrutiny Committee. 29th November 2016.	Agenda Item No. 7
Title	Treasury Management Activity Report for the period 1st April 2016 to 30th September 2016.	
For further information about this report please contact	Karen Allison, Assistant Accountant 01926 456334 Karen.allison@warwickdc.gov.uk	
Wards of the District directly affected		
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?	No	
Date and meeting when issue was last considered and relevant minute number	N/a	
Background Papers	Treasury Management File L2/9 Treasury Management Information via External Advisers, Brokers, External Investment Agents etc.	

Contrary to the policy framework:	No
Contrary to the budgetary framework:	No
Key Decision?	No
Included within the Forward Plan? (If yes include reference number)	No
Equality Impact Assessment Undertaken	No-not relevant.

Officer/Councillor Approval		
Officer Approval	Date	Name
Chief Executive/Deputy Chief Executive	17/11/2016	Andrew Jones
Head of Service	N/A	
CMT	N/A	
Section 151 Officer	09/11/2016	Mike Snow
Monitoring Officer	N/A	
Finance	15/11/2016	Roger Wyton
Portfolio Holder(s)	14/11/2016	Peter Whiting
Consultation & Community Engagement		
None.		
Final Decision?		Yes
Suggested next steps (if not final decision please set out below)		

1. Summary

1.1 This report details the Council's Treasury Management performance for the period 1st April 2016 to 30th September 2016.

2. Recommendation

2.1 That Finance and Audit Scrutiny Committee notes the contents of this report.

3. Reasons for the Recommendation

3.1 The Council's 2016/17 Treasury Management Strategy and Treasury Management Practices (TMP's) require the performance of the Treasury Management Function to be reported to Members on a half yearly basis.

3.2 This report informs Members of past performance, hence Members are just asked to note the information contained within it.

4. Policy Framework

4.1 **Policy Framework** -The Treasury Management function enables the Council to achieve its objectives within the strategy and policies.

4.2 **Fit for the Future** – The Treasury Management function enables the Council to meet its vision of a great place to live work and visit as set out in the Sustainable Community.

4.3 **Impact Assessments** – No impacts of new or significant policy changes proposed in respect of Equalities.

5. Budgetary Framework

5.1 Treasury Management has a potentially significant impact on the Council's budget through its ability to maximise its investment interest income and minimize borrowing interest payable whilst ensuring the security of the capital. The Council is reliant upon interest received to help fund the services it provides. The current estimate for investment interest in 2016/17 is shown in the following table:

	Latest 2016/17 Budget (Oct 16) £	Original 2016/17 Budget (Jan 16) £
Gross Investment Interest	479,100	537,500
Less HRA allocation	184,500	195,500
Net interest to General Fund	294,600	342,000

6. Risks

6.1 Investing the Council's funds inevitably creates risk and the Treasury Management function effectively manages this risk through the application of the SLY principle. Security(S) ranks uppermost followed by Liquidity (L) and finally Yield(Y). It's accepted that longer duration investments increase the security risk within the portfolio, however this is inevitable in order to achieve the best possible return and still comply with the SLY principle which is a cornerstone of treasury management within local authorities.

- 6.2 In addition to credit ratings themselves, the Council will also have regard to any ratings watch notices issued by the 3 agencies as well as articles in the Financial press, market data and intelligence from Capita benchmarking groups. It will also use Credit Default Swap (CDS) data as supplied by Capita Asset Services – Treasury Solutions to determine the suitability of investing with counterparties.
- 6.3 Corporate Bonds and Floating Rate Notes (FRN’s) introduce Counterparty credit risk into the portfolio by virtue of the fact that it is possible that the institution invested in could become bankrupt leading to the loss of all or part of the Council’s investment. This is mitigated by only investing in Corporate Bonds or FRN’s with a strong Fitch credit rating, in this case A and issued as Senior Unsecured debt which ranks above all other debt in the case of a bankruptcy.
- 6.4 Covered Bonds also reduces risk as the bond is “backed” by high quality assets such as prime residential mortgages thus ensuring that if the bond issuer defaults there are sufficient assets that can be realised in order to repay the bond in full.

7. Alternative Option(s) considered

- 7.1 None.

8. Background

- 8.1 A detailed commentary by our Treasury Consultants, Capita Asset Services, of the economic background surrounding this report appears as Appendix C.

9. Interest Rate Environment

- 9.1 The major influence on the Council’s investments is the Bank Rate. The Bank Rate reduced by 0.25% from August 2016 following the result of the referendum vote to leave the EU. The Council’s Treasury Management Advisors, Capita Asset Services, provided the following forecast for future Bank Rates:-

Qtr End-ing	Now-Sept 2016	Dec 2016	Mar 2017	June 2017	Sept 2017	Dec 2017	Mar 2018	Jun 2018	Sept 2018	Dec 2018	Mar 2019
Current Forecast, as at August 2016:											
Bank Rate %	0.25	0.10	0.10	0.10	0.10	0.10	0.10	0.25	0.25	0.25	0.25
Forecast, as at January 2016, (when Original Budgets were set):											
Bank Rate %	0.50	0.75	0.75	1.00	1.00	1.25	1.25	1.50	1.50	1.75	1.75

The forecast as at January 2016 is shown for comparison purposes as this forecast was used in calculating the original budgets.

- 9.2 The Council aims to achieve the optimum return on investments commensurate with the proper levels of security and liquidity. The Annual Investment Strategy

2016/17 was approved by Council on 24th Feb 2016. This approved the current lending criteria which reflect the level of risk appetite of the Council. However, the Council continues to review its Standard Lending List as a result of frequent changes to Banking Institutions credit ratings, to ensure that it does not lend to those institutions identified as being at risk either from the residual impact of the past crisis in the banking sector or the potential issues arising from the current economic situation. A copy of the current lending list is shown as Appendix D.

10 INVESTMENT PERFORMANCE

Money Market Investments

- 10.1. During 2016/17, the in house function has invested core cash funds in fixed term deposits in the Money Markets. Table 1 in Appendix A illustrates the performance of the in house function during this first half year for each category normally invested in.
- 10.2 All the LIBID rates in the table and referred to below include a margin of 0.0625%.
- 10.3 During April to September, six core investments matured and a Toronto Dominion Bank CD was sold early and replaced with a new one to achieve a pick-up on yield. In the period '3 to 6 months' the Council's out-performance was achieved by purchasing a CD and a fixed bond.
- 10.4 The slight out-performance in the 'over 6 months to 365 days' period was mainly due to the pre-Brexit investments achieving a good rate of return, in particular a Lloyds Bank fixed deposit and some ING fixed bonds. Lastly in the "1 year and over" category, the Council purchased a Close Brothers CD @1% for 1 year pre-Brexit and a Prudential Bond post-Brexit @ 0.87% for 513 days which highlights the need to have longer term investments in order to achieve a reasonable yield after Brexit.
- 10.5 Given that the current Bank Rate is only 0.25% and counterparty security is of the utmost importance over return of yield, the level of performance achieved in this first half year continues to be satisfactory.

Money Market Funds & Call Accounts

- 10.6 The in house function utilises Money Market Funds and Call Accounts to assist in managing its short term liquidity needs. Their performance in this period is shown in table 2 of Appendix A.
- 10.7 During the half year, the Council's cash flow investments were into the Money Market Funds and the HSBC Business Deposit Account.
- 10.8 As with the Money Market investments in paragraph 10.1, the LIBID benchmark which in this case is the 7 day rate, has been increased by a margin of 0.0625% and it can be seen from table 2 in Appendix A that the total interest out performance of the benchmark remains satisfactory.
- 10.9 The Council continued to concentrate its investments in the highest performing funds Federated (variable and constant net asset value funds), Standard Life, Goldman Sachs, Invesco and Royal London along with the call accounts, HSBC Business Deposit and Svenska Handelsbanken accounts until the effects of

Brexit filtered through the banking system. During the last few weeks of this first half year the Money Market Fund rates have gradually reduced apart from the HSBC Business Deposit Account. Therefore this account has taken preference for cash flow investments.

10.10 During the first half of 2016/17 the Council earned £85,774 interest on its Money Market Fund investments at an average rate of 0.54% and the average balance in the funds during the period was £15,788,815.

Call Accounts

10.11 As with the Money Market investments in paragraph 10.1, the LIBID benchmark, which in this case is the 7 day rate for HSBC and 1 month for Svenska Handelsbanken, has been increased by a margin of 0.0625%.

10.12 The Council earned £16,890 interest on its call accounts in the first half year at an average rate of 0.50% and the average balance in the funds during the period was £3,382,636.

10.13 In August Svenska Handelsbanken reduced the rate on our account to 0.35%. This was originally cash flow derived money which had subsequently become core cash. It was decided that a better return with longer term investments could be achieved, so it was switched into a 513 day bond @ 0.87% and a 364 day CD @ 0.67%.

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

Vehicle	Return (Annualised) £	Benchmark (Annualised) £	Under (-)/Over(+) Performance £
Money Markets	211,840	202,844	8,996
Money Market Funds & Call A/c's	102,664	73,626	29,038
Total	314,504	276,470	38,034

The original estimate of annual external investment interest for 2016/17 was £537,500 gross and this was revised in October to £479,100. The reduction of £58k being due to:-

- Increase in In House balances of £101k
- Decrease in In House Interest Rate of £109k (as shown in paragraph 9.1)
- Removal of additional target of investment interest £50k required by members. This is now considered to be unachievable due to recent economic changes.

It should be noted that the total investment return of £314,504 shown in the table above will not all be received in 2016/17 as it is an annualised figure and will include interest relating to 2015/16 and 2017/18.

10.15 An analysis of the overall in house investments held by the Council at the end of September 2016 is shown in the following table:
(The balance at 31st March 2016 is shown for comparison)

Type of Investment	Closing Balance @ 30th September 2016	Closing Balance @ 31st March 2016
	£	£
Money Markets incl. CD's & Bonds	40,440,000	33,200,000
Money Market Funds	28,161,000	21,679,000
Business Reserve Accounts incl. Call Accounts	3,299,000	5,046,000
Total	71,900,000	59,925,000

11. CORPORATE EQUITY FUNDS

11.1 In line with the 2016 Treasury Management Strategy the Council has appointed Capita Asset Services to assist in the appointment of corporate equity managers. Their brief is:-

- To support the Authority in deciding the key objectives for the appointment of a manager.
- Advise the Authority on establishing a long list of appropriate funds.
- To produce a detailed questionnaire to send to prospective fund managers.
- Assist the Authority in interviewing
- To undertake legal documentation
- Provide high level monitoring.

11.2 Preliminary discussions have taken place with Capita and currently Finance, in conjunction with the Finance Portfolio holder, to progress securing equity funds, with a plan currently being formulated for the formal appointment process over the next 2 months.

11.3 Finance are also reviewing the criteria that will measure the amount of risk in the portfolio in order to achieve a balance between low, medium and high risk. This again will help Capita determine suitable funds.

11. COUNTERPARTY CREDIT RATINGS

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

11.2 It can be seen that all investments made within the first half year were in accordance with the Council's credit rating criteria.

11.3 Also attached for the Committee's information as Appendix B is the Council's current 2016/17 Counterparty lending list.

12. BENCHMARKING

12.1 With regard to the Capita Asset Services Treasury Management Benchmarking Club, the Council is part of a local group comprising both District and County Councils and the results are published quarterly. Analysis of the results for the

first quarter show that the Councils weighted average rate of return (WARoR) on its investments at 0.75% was above Capita's model portfolio of 0.66% based on the risk in the portfolio.

12.2 The result for the September quarter was 0.71% WARoR which again was above Capita's model portfolio band range.

12.3 A comparison between Warwick District Council and the benchmarking group reveals that during both quarters the Council's WARoR was one of the highest in the group and its weighted average risk was in the lower band compared to those other authorities with a balanced investment portfolio.

13. BORROWING

13.1 During the half year, there was no long term borrowing activity other than to pay the first half year interest instalment on the £136.157m PWLB borrowing for the HRA Self Financing settlement which amounted to £2.383m.

13.2 During the half year it was not necessary to undertake any Money Market borrowing to fund cash flow deficits, with any deficits being managed within the Council's £50,000 overdraft facility with HSBC. The interest rate on this facility is 2% above Bank Rate and is charged on the cleared balance at the end of each day when that balance is in debit i.e. overdrawn. In the half year there was no overdraft interest.

14 PRUDENTIAL INDICATORS

14.1 The 2016/17 Treasury Management Strategy included a number of Prudential Indicators within which the Council must operate. The two major ones are the Authorised Limit and Operational Boundary for borrowing purposes. It is confirmed that during the half year neither indicator has been exceeded.

15. 2017/18 Treasury Management Strategy.

15.1 Work is currently underway in preparing the 2017/18 Treasury Management and Investment Strategies. Whilst security of the funds will be paramount, it is intended that the Council will continue to achieve the best returns possible. Details will be included within the forthcoming Treasury Management report in February.

Investment Performance Analysis**Table 1**

Period	Investment Return (Annualised)	LIBID Benchmark (Annualised)	Out/(Under) Performance
Up to 3 months			
April to September 2016	No investments were made		
Over 3 months & Up to 6 months			
April to September 2016	0.73%	0.58%	0.15%
Interest earned 1st half year £	9,876	7,866	2,010
Over 6 months to 365 days			
April to September 2016	0.84%	0.82%	0.02%
Interest earned 1st half year £	145,281	141,488	3,793
1 year and over			
April to September 2016	0.91%	0.86%	0.05%
Interest earned 1st half year £	56,683	53,490	3,193
TOTAL INTEREST FIRST HALF YEAR £	211,840	202,844	8,996

Table 2

Fund	Investment Return (Annualised)	LIBID Benchmark (Annualised)	Out/(Under) Performance
Deutsche			
April to September 2016	0.46%	0.35%	0.11%
Interest earned 1st half year £	2,019	1,518	501
Goldman Sachs			
April to September 2016	0.43%	0.35%	0.08%
Interest earned 1st half year £	1,856	1,507	349
Invesco			
April to September 2016	0.47%	0.35%	0.12%
Interest earned 1st half year £	18,486	13,615	4,871
Standard Life			
April to September 2016	0.48%	0.35%	0.13%
Interest earned 1st half year £	21,339	15,301	6,038
Federated Constant Net Asset Value (CNAV)			
April to September 2016	0.53%	0.35%	0.18%
Interest earned 1st half year £	13,400	8,698	4,702
Federated Variable Net Asset Value (VNAV)			
April to September 2016	0.53%	0.35%	0.18%
Interest earned 1st half year £	19,547	13,912	5,635
Royal London Cash Plus Account (VNAV)			
April to September 2016	0.40%	0.35%	0.05%
Interest earned 1st half year £	9,127	6,910	2,217
TOTAL INTEREST FIRST HALF YEAR £	85,774	61,461	24,313

Table 3

Fund	Investment Return (Annualised)	LIBID Benchmark (Annualised)	Out/(Under) Performance
HSBC Business Deposit Account			
April to September 2016	0.38%	0.35%	0.03%
Interest earned 1st half year £	3,543	3,233	310
Svenska Handelsbanken Account			
April to September 2016	0.55%	0.37%	0.18%
Interest earned 1st half year £	13,347	8,932	4,415
TOTAL INTEREST FIRST HALF YEAR £	16,890	12,165	4,725

Warwick District Council Counterparty Lending List

Counterparty	Investment Amount £	Credit Rating		Duration of Investment (days)
		Long Term	Short Term	
Banks				
WDC Minimum	(Fitch)	A+	F1	
ING Bank NV - Bond	£1,859,000	A+	F1	169
ING Bank NV - Bond	£540,000	A+	F1	219
ING Bank NV - Bond	£1,000,000	A+	F1	238
ING Bank NV - Bond	£1,304,000	A+	F1	247
National Bank of Abu Dhabi - CD	£2,000,000	AA-	F1+	364
UBS Ltd - CD	£2,000,000	A+	F1	364
WDC Minimum	(Fitch)	A	F1	
Sumitomo Mitsui Banking Corp. Europe Ltd- CD	£1,000,000	A	F1	183
Santander UK	£2,200,000	A	F1	364
Close Brothers	£2,000,000	A	F1	365
Corporations				
WDC Minimum	(Fitch)	A	n/a	
National Grid Gas plc - Bond	£1,537,000	A		307
Prudential plc - Bond	£3,000,000	A		513
UK Government Part Owned Banks				
WDC Minimum	(Fitch)	A	F1	
Lloyds TSB Bank	£3,000,000	A+	F1	361
MoneyMarket Funds (Investment amount is average principal in fund during the half year)				
WDC Minimum	Fitch AAA & Volatility rating VR1+ or S & P AAAM or Moodys AAA & Volatility Rating MR1+			
Deutsche	£876,225	Fund retained its rating throughout half year		liquid
Invesco	£7,859,959	Fund retained its rating throughout half year		liquid
Federated	£9,000,000	Fund retained its rating throughout half year		liquid
Ignis	£8,881,048	Fund retained its rating throughout half year		liquid
Goldman Sachs	£870,125	Fund retained its rating throughout half year		liquid
Royal London Asset Management	£2,000,000	Fund retained its rating throughout half year		liquid
Call Accounts				
WDC Minimum	(Fitch)			
HSBC Business Deposit Account	£1,852,829	Counterparty retained its rating throughout period of AA- long term, F1+ short term,		liquid
Svenska Handelsbanken	£4,880,255	Counterparty retained its rating throughout period of AA- long term, F1+ short term,		liquid

CAPITA ASSET SERVICES COMMENTARY ON THE CURRENT ECONOMIC BACKGROUND

- 1.1 UK GDP growth rates in 2013 of 2.2% and 2.9% in 2014 were strong but 2015 was disappointing at 1.8%, though it still remained one of the leading rates among the G7 countries. Growth improved in quarter 4 of 2015 from +0.4% to 0.7% but fell back to +0.4% (2.0% y/y) in quarter 1 of 2016 before bouncing back again to +0.7% (2.1% y/y) in quarter 2. During most of 2015, the economy had faced headwinds for exporters from the appreciation during the year of sterling against the Euro, and weak growth in the EU, China and emerging markets, plus the dampening effect of the Government's continuing austerity programme. The referendum vote for Brexit in June this year delivered an immediate shock fall in confidence indicators and business surveys, pointing to an impending sharp slowdown in the economy. However, subsequent surveys have shown a sharp recovery in confidence and business surveys, though it is generally expected that although the economy will now avoid flat lining, growth will be weak through the second half of 2016 and in 2017.
- 2.1 In the American economy Quarter 1 of 2016 disappointed at +0.8% on an annualised basis while quarter 2 improved, but only to a lacklustre +1.4%. However, forward indicators are pointing towards a pickup in growth in the rest of 2016. The Fed embarked on its long anticipated first increase in rates at its December 2015 meeting. At that point, confidence was high that there would then be four more increases to come in 2016. Since then, more downbeat news on the international scene and then the Brexit vote, have caused a delay in the timing of the second increase which is now strongly expected in December this year.
- 3.1 In the Eurozone, the ECB commenced in March 2015 its massive €1.1 trillion programme of quantitative easing to buy high credit quality government and other debt of selected EZ countries at a rate of €60bn per month; this was intended to run initially to September 2016 but was extended to March 2017 at its December 2015 meeting. At its December and March meetings it progressively cut its deposit facility rate to reach -0.4% and its main refinancing rate from 0.05% to zero. At its March meeting, it also increased its monthly asset purchases to €80bn. These measures have struggled to make a significant impact in boosting economic growth and in helping inflation to rise from around zero towards the target of 2%. GDP growth rose by 0.6% in quarter 1 2016 (1.7% y/y) but slowed to +0.3% (+1.6% y/y) in quarter 2. This has added to comments from many forecasters that central banks around the world are running out of ammunition to stimulate economic growth and to boost inflation. They stress that national governments will need to do more by way of structural reforms, fiscal measures and direct investment expenditure to support demand in their economies and economic growth.
- 4.1 Japan is still bogged down in anaemic growth and making little progress on fundamental reform of the economy while Chinese economic growth has been weakening and medium term risks have been increasing.

**WARWICK DISTRICT COUNCIL STANDARD LENDING LIST AS AT OCTOBER
2016**

BANKS**INVESTMENTS UP TO 364 DAYS** (3 months for explicitly guaranteed subsidiaries)

Investment / Counterparty type:	S/term	L/term	Security / Min credit rating	Max limit per counterparty	Max. Maturity period	Use
Bank deposits	F1	A	UK Sovereign	£5m if L/term rating minimum A+ but £3m if L/Term rating A.	364 days	In House +Advice & EFM*
Bank - part nationalised UK	F1	A	UK Sovereign	£9m	364 days	In House +Advice & EFM*
Bank subsidiaries of UK Banks	Unrated	Unrated	Explicit Parent Guarantee	£5m	3 months	In House +Advice & EFM*

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

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

INVESTMENTS OVER 364 DAYS

Investment / Counterparty type:	S/term	L/term	Security / Min credit rating	Max limit per counterparty	Max. Maturity period	Use
Bank deposits	F1	A	UK Sovereign	£5m if L/term rating minimum A+ but £3m if L/Term rating A.	2 years	In House +Advice & EFM*
Bank - part nationalised UK	F1	A	UK Sovereign	£9m	2 years	In House +Advice & EFM*

NB. Includes Business Call Reserve Accounts and special tranches and any other form of investment with that institution e.g. Certificate of Deposits, Corporate Bonds and Repo's. Counterparty limit is also the Group Limit where investments are with different but related institutions.

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

NB - £20m over 364 day limit only applies to those investments where at 1st April the remaining term is greater than 364 days. Any over 364 day investment with 364 days or less to maturity at 1st April is deemed to be short term.

BANK NAME	OTHER BANKS IN GROUP (* = Not on list but included for information re potential problems etc.)	GROUP LIMIT APPLIES
AUSTRALIA (AAA) Monitoring @ 01.04.2016		
Australia & New Zealand Banking Group Ltd –		
Commonwealth Bank of Australia		
Macquarie Bank Ltd		
National Australia Bank Ltd	Bank of New Zealand* Yorkshire Bank *(Trading name of Clydesdale Clydesdale Bank*	Yes
Westpac Banking Corporation		
BELGIUM (AA)MONITORING		
BNP Paribas Fortis		
CANADA (AAA)		
Bank of Montreal	Bank of Montreal Ireland plc*	
Bank of Nova Scotia	Scotia Bank* Scotia Bank (Ireland) Ltd* Scotia Bank Capital Trust (United States)* Scotia Bank Europe plc*	
Canadian Imperial Bank of Commerce	Canadian Imperial Holdings Inc New York* CIBC World Markets Holdings Inc*	
National Bank of Canada	National Bank of Canada New York Branch*	
Royal Bank of Canada-negative outlook	Royal Trust Company* Royal Bank of Canada Europe* Royal Bank of Canada Suisse* RBC Centura Banks Inc*	
Toronto Dominion Bank	TD Banknorth Inc*	
DENMARK (AAA)-monitoring		
Danske Bank		
FINLAND (AA+)- monitoring		
Nordea Bank Finland DO NOT DEAL DIRECT AS NOW DOMICILED IN SWEDEN UNDER NORDEA BANK AB BUT CD'S ETC OK WITH K&S.	Nordea Bank Denmark* Nordea Bank AB Nordea Bank Norge* Nordea Bank North America*	Yes
FRANCE (AA)-monitoring		
BNP Paribas		
Credit Agricole Corporate & Investment Bank		
Credit Industriel et Commercial		
Credit Agricole SA		
Societe Generale		
GERMANY (AAA)		
DZ Bank AG (Deutsche Zentral- genossenschaftsbank)		
Landesbanken Hessen-Thuringen Girozentrale (Helaba)		
Landwirtschaftliche Rentenbank		
NRW Bank		
HONG KONG (AA+) – not on Capita's list as not active		

The Hong Kong & Shanghai Banking Corporation Ltd		
LUXEMBOURG (AAA)		
Clearstream Banking		
BANK NAME	OTHER BANKS IN GROUP (* = Not on list but included for information re potential problems etc.)	GROUP LIMIT APPLIES
NETHERLANDS (AAA) monitoring		
ABN AMRO Bank N.V		
Bank Nederlandse Gemeenten		
Cooperatieve Centrale Raiffeisen Boerenleenbank BA (Rabobank Nederland)		
ING Bank NV		
QATAR (AA) OUT OF RANGE		
Qatar National Bank		
SINGAPORE (AAA)		
DBS Bank Ltd	DBS Bank (Hong Kong)*	
Oversea Chinese Banking Corporation Ltd		
United Overseas Bank Ltd		
SWEDEN (AAA) monitoring		
Nordea Bank AB	Nordea Bank Denmark* Nordea Bank Finland Nordea Bank Norge* Nordea Bank North America*	Yes
Skandinaviska Enskilde Banken AB	SEB Bolan*	
Svenska Handelsbanken AB	Stadshypotek* Svenska Handelsbanken Inc USA*	
Swedbank AB		
SWITZERLAND (AAA)		
Credit Suisse AG-monitoring		
UBS AG		
UNITED ARAB EMIRATES (AA)- out of range		
National Bank of Abu Dhabi		
UNITED KINGDOM (AA) monitoring		
Abbey National Treasury Services plc		
Barclays Bank plc		
Close Brothers		
Goldman Sachs		
HSBC Bank plc	HSBC AM* HFC Bank Ltd* Hong Kong & Shanghai Banking Corporation* HSBC Finance Corp* HSBC Finance* HSBC USA Hang Seng Bank*	Yes
Lloyds Banking Group Including (now classed as private bank by CAPITA) :- Lloyds TSB Bank of Scotland	Halifax plc* Bank of Western Australia Ltd*. Cheltenham & Gloucester* Scottish Widows Investment Partnership* Scottish Widows plc*	Yes

Santander UK plc		
Standard Chartered Bank-monitoring		
Sumitomo Mitsui Banking Corporation Europe Ltd- negative outlook		
UBS Ltd		
BANK NAME	OTHER BANKS IN GROUP (* = Not on list but included for information re potential problems etc.)	GROUP LIMIT APPLIES
UNITED STATES OF AMERICA (AAA) MONITORING		
HSBC Bank USA NA	HSBC AM* HFC Bank Ltd* Hong Kong & Shanghai Banking Corporation* HSBC Finance Corp* HSBC Finance* HSBC UK Hang Seng Bank*	Yes
Bank Of America		
Bank of New York Mellon	Bank of New York (Delaware USA)* Bank of New York (New York USA)* Bank of New York Trust Company*	
Citibank		
JP Morgan Chase Bank NA	Bank One Corp* Bank One Financial LLC* Bank One NA * First USA Inc* NDB Bank NA* Chemical Bank * Chemical Banking Corp* JP Morgan & Co Inc* Chase Bank USA* Robert Fleming Ltd*	
Wells Fargo Bank NA- negative outlook	Wachovia Bank* Wachovia Bank NA North Carolina USA*	

BUILDING SOCIETIES

INVESTMENTS 364 DAYS OR LESS

Investment / Counterparty type:	S/term	L/term	Security / Min credit rating	Max limit per counterparty	Max. Maturity period
Building Societies - category A	F1	A	UK Sovereign	£4m	364 days
Building Societies - category B <ul style="list-style-type: none"> • Coventry • Nationwide • Leeds 	F1		UK Sovereign	£2m	364 days
Building societies - assets > £500m (Category C) <ul style="list-style-type: none"> • Yorkshire • Skipton • Leeds 				£1m	3 months

<ul style="list-style-type: none"> • Principality • West Bromwich • Newcastle(Fitch removed ratings 7.9.16) • Nottingham • Progressive • Cumberland • National Counties • Saffron • Cambridge • Monmouthshire • Furness • Leek United • Newbury • Manchester • Ipswich 					
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INVESTMENTS OVER 364 DAYS

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

NB. Group limit of £8m.

OTHER COUNTERPARTIES

Investment / Counterparty type	S/term	L/term	Security / Min credit rating	Max limit per counterparty	Max. Maturity period
DMADF	n/a	n/a	UK Sovereign	£12m	364 days
UK Govt. (includes Gilt Edged Securities & Treasury Bills), Local Authorities / Public Corporations /Nationalised Industries.	n/a	n/a	High viability/support	£9m	364 days
Money Market Fund(CNAV)	AAA m / Aaa-mf/AAAmmf			£9m	liquid
Money Market Fund (VNAV)	AAAf S1 / Aaa-bf/AAA/V1			£6m	liquid
Corporate bonds - category 1		A	UK Sovereign	£5m	2 years
Corporate bonds - category 2		A		£9m	2 years
Covered bonds - category 1		A	UK Sovereign	£5m	2 years
Covered bonds - category 2		A		£9m	2 years
Covered bonds - category 3		A		£3m	2 years
Floating Rate Notes - category 1		A		£5m	364 days
Floating Rate Notes - category 2		A		£9m	364 days

Floating Rate Notes - category 3		A		£3m	364 days
Eligible Bank Bills	n/a		Determined by EFM	£5m	364 days
Sterling Securities guaranteed by HM Government	n/a		UK Sovereign	£9m	Not defined
Local Authorities	n/a	Viability/support= High £15m overall limit for Corporate Bond/Property Funds & £20m limit for all counterparties.		£9m	5 years
Corporate Equity Funds - low risk (1-3)	n/a	Maximum investment limit subject to 10% capital growth i.e. maximum is 110% of original investment.		£3m	10 years
Investment / Counterparty type	S/term	L/term	Security / Min credit rating	Max limit per counterparty	Max. Maturity period
Corporate Bond Funds		BBB	£15m overall limit for Corporate Bond/Property Funds & £20m limit for all counterparties.	£5m	10 years
Pooled property fund eg: REITS	£15m overall limit for Corporate Bond/Property Funds & £20m limit for all counterparties.			£5m	10 years
CCLA property funds	n/a	Security of Trustee of fund (LAMIT) controlled by LGA, COSLA who appoint the members and officers of LAMIT. £15m overall limit for Corporate Bond/Property Funds & £20m limit for all counterparties.		£5m	10 years

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

Category 1: Issued by private sector Financial Institutions

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

Category 3: Issued by Corporates



Title	Comments from the Executive
For further information about this report please contact	Graham Leach Democratic Services Manager & Deputy Monitoring Officer 01926 456114 committee@warwickdc.gov.uk
Service Area	Civic & Committee Services
Wards of the District directly affected	n/a
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006	No
Date and meeting when issue was last considered and relevant minute number	n/a
Background Papers	

Contrary to the policy framework:	No
Contrary to the budgetary framework:	No
Key Decision?	No
Included within the Forward Plan? (If yes include reference number)	No

Officer/Councillor Approval		
With regard to officer approval all reports <i>must</i> be approved by the report authors relevant director, Finance, Legal Services and the relevant Portfolio Holder(s).		
Officer Approval	Date	Name
Deputy Chief Executive		
Chief Executive		
CMT		
Section 151 Officer		
Legal		
Finance		
Portfolio Holders		

Consultation Undertaken	
n/a	
Final Decision?	Yes
Suggested next steps (if not final decision please set out below)	

1. Summary

- 1.1 This report summarises the Executive's response to comments given by the Finance & Audit Scrutiny Committee on reports submitted to the Executive on 2 September 2016.

2. Recommendation

- 2.1 That the responses made by the Executive be noted, as set out in Appendix 1 to the report.

3. Reasons for the Recommendation

- 3.1 This report is produced to create a dialogue between the Executive and the Finance & Audit Scrutiny Committee, ensuring that the Scrutiny Committee is formally made aware of the Executive's responses.

4. Alternative Options Considered

- 4.1 The Committee receives and notes the minutes of the Executive instead.

5. Budgetary Framework

- 5.1 There is no impact on the budgetary framework. This is for the Committee's information only.

6. Policy Framework

- 6.1 The work carried out by the Committee helps the Council to improve in line with its priority to manage services openly, efficiently and effectively.

7. Background

- 7.1 As part of the scrutiny process, the Committee no longer considers the whole of the Executive agenda.
- 7.2 Councillors are emailed at the time of the publication of the Executive and Scrutiny Committee agendas, asking them to contact Committee Services by 9.00 am on the day of the Scrutiny Committee, to advise which Executive items they wish the Scrutiny Committee to pass comment on and the reasons why.
- 7.3 As a result, at its meeting on 1 November 2016, the Finance & Audit Scrutiny Committee considered the items detailed in the appendices. The responses which the Executive gave are also shown.

Responses from the meeting of the Executive held on 2 November 2016 to the Finance and Audit Scrutiny Committee's comments

Item no	3	Title	Budget review to 30 September 2016
Scrutiny Comment		<p>With regard to recommendation 2.1 in the report, the Scrutiny Committee made the following comments:</p> <p>Car parking income – Whilst the Committee noted that the income expectation was prudent because of the variable nature of this service, which was dependent on a number of factors, they felt that this provided an example of where further work was required to provide more accurate forecasts of income.</p> <p>The Committee had significant concern over the £25,000 additional expense for Racing Club Warwick because they did not believe that Members had been made aware of this additional expenditure, and therefore this sensitive subject matter, on which a final cost had previously been agreed, had avoided due consideration and scrutiny.</p> <p>The Committee noted the investigatory work by Finance into the additional insurance cost of electrical vehicles and how this aspect had been missed from either the business case or budgetary allocation of the agreed project costs.</p> <p>The Committee noted the revised Appendix B1. However, this needed to be revised further to show the correct percentage level of expenditure.</p> <p>The Committee asked if work was under way on income modelling as a result of population growth with regard to: (1) potential increases in income; and (2) additional demands for services (and associated costs of these)</p> <p>The Committee also questioned the statement to Overview & Scrutiny Committee by Councillor Coker that "Income was 2% up on budget" for leisure centres, which was not verified by the figures in the budget report.</p> <p>With regard to recommendation 2.2, the Committee asked for the detailed mitigation and/or reasons for the slippages with regards to the 2nd Warwick Sea Scouts and Castle Farm projects.</p> <p>The Committee supported all the other recommendations in the report.</p>	
Executive Response		<p>The Executive received detailed responses from officers to the questions raised by the Finance & Audit Scrutiny Committee.</p> <p>In response to the questions regarding Racing Club Warwick it was explained that:</p> <ol style="list-style-type: none"> 1. Being unable to carry out the works as originally planned, owing to the need to get legal agreements in place which had 	

taken far longer than anticipated, resulting in a delay of nine months from the original date of authorisation. The works had then been then affected by the impact of other works on an overlapping scheme being undertaken at the same time. This included having to:

- Undertake additional tarmac and preparation works due to changing rooms being moved further away from the main club house.
- Clear additional land from within the Racecourse.
- Excavate and provide foundations for new changing rooms.
- Undertake additional drainage works due to the new location and size of changing rooms.

2. The extra cost associated with each and every building being filled with rubbish and waste unaccounted or unable to be viewed prior to the works starting, including underneath units and behind units within overgrowth.

3. Having to undertake additional works to re-build and adapt the electrical intake room as the original was found to be unsuitable upon demolition of the adjoining timber building.

4. Scheme variation - Additional fencing was required to enclose the large piece of grassland earmarked for the 'MUGGA' together with a new 3.6m wide double gate allowing direct access to the 'MUGGA' area from within the car park."

With regard to the electric car insurance provision, investigations had showed that there was budgetary provision for this, was being corrected.


With regard to population growth and the challenge that this would bring, a cautious approach had to be taken within the MTFs, with changes factored in where appropriate.

With regard to the statement from Councillor Coker to Overview & Scrutiny Committee, it was noted that the 2% overachievement on income was for 2015/16, not for the current year, whereas presumably the £200k in the Budget report was the figure for the current year.

With regard to the Sea Scouts and Castle Farm, the Sea Scouts were struggling to raise funding despite intensive efforts, the timescale had been extended; and the drainage works at Castle Farm had slipped in light of the ongoing dialogue with Kenilworth Wardens. Therefore, it made sense to wait to do any improvements until the Council had confirmed the way forward with Wardens.

In addition, to this revised Appendices B1 and B2 to the report were circulated at the meeting which set out the correct level of spend, as a percentage, on earmarked reserves.

Item no	4	Title	Review of Support to Parish & Town Councils
Scrutiny Comment		<p>The Scrutiny Committee thanked the Head of Finance for the clarification that this item would now be a part 1 agenda item and would be considered by Council on 16 November 2016.</p> <p>In addition, they appreciated the addition to recommendation 2.1 to include, at the end, "thereby ending the concurrent services scheme".</p> <p>The Finance & Audit Scrutiny Committee recommended to the Executive that:</p> <p>With regards to recommendations 2.1 and 2.2, the proposal from WALC should be followed; Concurrent Services should be phased out over three years and Council Tax support should be phased out over four years. This would provide the Parish/Town Councils time to build these changes into their budgets at a more sustainable rate.</p>	
Executive Response		<p>The Head of Finance provided verbal clarification regarding the information circulated by Whitnash Town Council. The Executive thanked the Head of Finance for this and asked that it be circulated to all Councillors ahead of the Council meeting.</p> <p>Resolved that the proposal from the Finance & Audit Scrutiny Committee could not be accepted because:</p> <ol style="list-style-type: none"> (1) of the additional financial requirements that this would place on Warwick District Council; (2) the actual precept increases for tax payers would be small in actual value compared to the percentage increase; (3) the parish/town Councils could, in line with the District Council, look to reduce their costs to support these changes; and (4) some councils had already planned for these changes and therefore why should this Council continue to fund those councils who had not taken these steps? 	

 Finance & Audit Scrutiny Committee - 1 November 2016		Agenda Item No. 9
Title	Review of the Work Programme & Forward Plan	
For further information about this report please contact	Graham Leach Democratic Services Manager & Deputy Monitoring Officer 01926 456114 committee@warwickdc.gov.uk	
Wards of the District directly affected	n/a	
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?	No	
Date and meeting when issue was last considered and relevant minute number	n/a	
Background Papers	n/a	

Contrary to the policy framework:	No
Contrary to the budgetary framework:	No
Key Decision?	No
Included within the Forward Plan? (If yes include reference number)	n/a
Equality & Sustainability Impact Assessment Undertaken	n/a

Officer/Councillor Approval		
Officer Approval	Date	Name
Deputy Chief Executive		
Head of Service		
CMT		
Section 151 Officer		
Monitoring Officer		
Finance		
Portfolio Holder(s)		
Consultation & Community Engagement		
n/a		
Final Decision?		Yes
Suggested next steps (if not final decision please set out below)		

1. Summary

- 1.1 This report informs the Committee of its work programme for 2016/17 (Appendix 1) and the current Forward Plan (Appendix 2).

2. Recommendation

- 2.1 Members consider the work programme and agree any changes as appropriate.
- 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; and to nominate a Member to investigate that future decision and report back to the Committee.

3. Reasons for the Recommendation

- 3.1 The work programme should be updated at each meeting to accurately reflect the workload of the Committee.
- 3.2 If the Committee has an interest in a future decision to be made by the Executive it is within the Committee's remit to feed into the process.
- 3.3 The Forward Plan is the Executive's future work programme. If any non-Executive Member or Members highlight items which are to be taken by the Executive which they would like to be involved in, those Members can then provide useful background to the Committee when the report is submitted to the Executive and when the Committee passes comment on it.

4. Policy Framework

- 4.1 The work carried out by the Committee helps the Council to improve in line with its priority to manage services openly, efficiently and effectively.

5. Budgetary Framework

- 5.1 All work for the Committee has to be carried out within existing resources. Therefore, there is a limit to the time available that officers will have to assist Members, so the Committee may wish to prioritise areas of investigation.

6. Risks

- 6.1 This Committee contributes to the effective minimisation of risk by fulfilling its duties in a timely manner and scrutinising the work undertaken by the Executive.

7. Alternative Option(s) Considered

- 7.1 The only alternative option is not to undertake this aspect of the overview and scrutiny function.

8. Background

- 8.1 The five main roles of overview and scrutiny in local government are: holding to account; performance management; policy review; policy development; and external scrutiny.

- 8.2 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.
- 8.3 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.
- 8.4 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.
- 8.5 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.
- 8.6 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. The Committee may wish to give greater consideration to the reports in Section 2 of Appendix 1, to maximise the time available for Members to input into the process.

**Warwick District Council Forward Plan
30 November 2016 to February 2017**

**Councillor Andrew Mobbs
Leader of the Executive**



The Forward Plan is a list of all the Key Decisions which will be taken by the Executive or its Committees in the next four months. The Warwick District Council definition of 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.

Whilst the majority of the Executive's business at the meetings listed in this Forward Plan will be open to the public and media organisations to attend, there will inevitably be some business to be considered that contains, for example, confidential, commercially sensitive or personal information.

This is formal notice under the Local Authorities (Executive Arrangements)(Meetings and Access to Information)(England) Regulations 2012 that part of the Executive meeting listed in this Forward Plan will be held in private. This is because the agenda and reports for the meeting will contain exempt information under Part 1 of Schedule 12A to the Local Government Act 1972 (as amended) and that the public interest in withholding the information outweighs the public interest in disclosing it. Those items which are proposed to be considered in private are marked as such along with the reason for the exclusion in the list below.

If you would like to make representations or comments on any of the topics listed below, including the confidentiality of any document, you can write to the contact officer, as shown below, at Riverside House, Milverton Hill, Royal Leamington Spa, Warwickshire, CV32 5HZ. Alternatively you can phone the contact officer on (01926) 456114. If your comments are to be referred to in the report to the Executive or Committee they will need to be with the officer 7 working days before the publication of the agenda. You can, however, make comments or representations up to the date of the meeting, which will be reported orally at the meeting. The Forward Plan will be updated monthly and you should check to see the progress of the report you are interested in.

(831)

Section 1 – The Forward Plan 30 November 2016 to February 2017

Topic and Reference	Purpose of report	If requested by Executive – date, decision & minute no.	Date of Executive, Committee or Council meeting	Publication Date of Agendas	Contact Officer & Portfolio Holder	External Consultees/ Consultation Method/ Background Papers
30 November 2016						
HRA Budgets 2016/17 (Ref 780)	To consider the following year revenue budgets for the HRA.		Executive 30/11/2016	22/11/2016	Mike Snow Peter Phillips	
New Rent Arrears Policy (Ref 748)	To seek approval of new rent arrears policy for WDC Council Tenants.		Executive 6/4/2016 02/06/16 Reason 1 29/6/2016 Reason 4,5 30/11/2016	22/11/2016	John Gallagher Cllr Phillips	
St Mary's Lands (Ref 821)	To report back on the public consultation undertaken this summer and to agree the next steps.		Executive 28/9/2016 Reason 5 30/11/2016	22/11/2016	Chris Elliott Cllr Butler	Range of events with local community and groups
Code of Procurement Practice (Ref 805)	To consider and recommend to Council an updated Code of Procurement Practice.		Executive 28/9/2016 Reason 5 30/11/2016	22/11/2016	John Roberts Cllr Whiting	
Strategic Opportunity Proposal (Ref 712)	To update Members on the current position. It is anticipated that this report will be, in part, Confidential by virtue of the information relating to the financial or business affairs of any particular person (including the authority holding that		Executive/ Council 03/09/15 30/09/15 02/12/2015 6/4/2016 2/6/2016 30/11/2016	22/11/2016	Chris Elliott Cllrs Mobbs, Coker, Phillips, Whiting & Cross	

information).

There is no planned meeting of the Executive in December 2016.

5 January 2017.						
Local Council Tax Reduction Scheme (Ref 806)	Final approval of scheme after consultation.		Executive 5/1/2017	22/12/2016	Andrea Wyatt Cllr Whiting	
Recommendations from One Stop Shop Review (Ref 812)	The report will formally ask for the recommendations from the review to be agreed.		Executive 5/1/2017	22/12/2016	Graham Folkes-Skinner Cllr Shilton	Warwickshire County Council
The Rental Exchange Project (Ref 825)	Final approval to join The Rental Exchange Project following completion of Stage 1.		Executive 5/1/2017	22/12/2016	John Gallagher Cllr Phillips	
WDC Enterprise – New Trading Arm (Ref 817)	To seek approval to establish a Local Authority Trading Company, to expand support provision whilst capitalising on existing skills to maximise income.		Executive 2/11/2016 Reason 5 5/1/2017	22/12/2016	Gayle Spencer Cllr Butler	
Leamington Cemetery North Lodge (Ref 828)	To review the future use of Leamington Cemetery North Lodge.		Executive 5/1/2017	22/12/2016	Rob Hoof Cllr Shilton	
Visitor Information Review (Ref 816)	Review of the provision of visitor information services within the District.		Executive 2/11/2016 Reason 5 30/11/2016 Reason 5 5/1/2017	22/12/2016	David Butler Cllr Butler	Item 7 Executive 2 June 2016
Corporate Asset Management Strategy (Ref 641)	To propose an Asset Management Strategy for all the Council's buildings and land holdings.		Executive 29/6/2016 Reason 6 1/9/16 Reasons 3 &	22/12/2016	Bill Hunt Cllrs Mobbs, Cross, Shilton,	

			5 5/1/2017		Coker & Whiting	
Review of Community Partnership Working	To consider proposals for the future work of the Community Partnership working by Warwick District Council		Executive 5/1/2017	22/12/2016	Liz Young Cllr Grainger	

8 February 2017

General Fund 2017/18 Budgets & Council Tax (Ref 807)	To update Members on the overall financial position of the Council and consider the General Fund Revenue and Capital Budgets for the following financial year.		Executive 8/2/2017	31/1/2017	Mike Snow Cllr Whiting	
HRA Rent Setting 2017/18 (Ref 808)	To report on the proposed level of housing rents for the following year and the proposed budget.		Executive 8/2/2017	31/1/2017	Mike Snow Cllr Phillips	
Heating, Lighting and Water Charges 2017/18 – Council Tenants (Ref 809)	To propose the level of recharges to council housing tenants to recover the costs of communal heating, lighting and water supply.		Executive 8/2/2017	31/1/2017	Mike Snow Cllr Phillips	
Treasury Management Strategy (Ref 810)	To seek Member approval of the Treasury Management Strategy and Investment Strategy for the forthcoming year.		Executive 8/2/2017	31/1/2017	Mike Snow Cllr Whiting	
Housing Related Support Services (Ref 777)	To propose new Housing Related Support Services for tenants of the Council.		Executive 8/2/2017	31/1/2017	Simon Brooke Cllr Phillips	

Section 2 Key decisions which are anticipated to be considered by the Council between March 2017 and June 2017

Topic and Reference	Purpose of report	If requested by Executive – date, decision & minute no.	Date of Executive, Committee or Council meeting	Publication Date of Agendas	Contact Officer & Portfolio Holder	External Consultees/ Consultation Method/ Background Papers
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8 March 2017 – No scheduled reports at this time.

Housing Futures – Revised Housing Revenue Account Business Plan (Ref 775)	To propose a revised Housing Revenue Account Business Plan.		Executive 8/3/2017	28/02/2017	Andy Thompson Cllr Phillips	
Housing Futures – Housing and Homelessness Strategy 2017 (Ref 822)	To propose a new Housing and Homelessness Strategy for Warwick District.		Executive 8/3/2017	28/02/2017	Andy Thompson Cllr Phillips	
New Domestic Abuse Policy (Ref 826)	To consider a Domestic Abuse Policy.		Executive 8/3/2017	28/02/2017	Sue Sweeney Cllr Phillips	
Amended Anti-Social Behaviour Policy (Ref 827)	To consider a revised Anti-Social Behaviour Policy.		Executive 8/3/2017	28/02/2017	Simon Brooke Cllr Phillips	

5 April 2017 – No scheduled reports at this time & **June 2017** Executive date TBC mid November 2016

Section 3 Key decisions which are anticipated to be considered by the Council but the date for which is to be confirmed						
Topic and Reference	Purpose of report	History of Committee Dates & Reason code for deferment	Contact Officer & Portfolio Holder	Expansion on Reasons for Deferment	External Consultees/ Consultation Method/ Background Papers	Request for attendance by Committee
Private Sector Housing Grants Policy (Ref 658)	To propose a revised policy for the allocation of grant funding for private residents.		Ken Bruno Cllr Phillips	This will come forward in due course once the Future of Housing Adaptations Service has been determined		TBC
HQ Relocation Project – outcome of phase 1 work (Ref 801)	To consider the outcomes of the phase 1 work and, if appropriate, seek approval for commencement of the phase 2 delivery works.	Scheduled for July once date of Executive is confirmed.	Bill Hunt Cllrs. Mobbs, Whiting, Cross, Shilton			
Council Development Company (Ref 727)	To consider a report on establishing a Council Development Company.	Executive 9/3/2016 2/6/2016 Reason 2 Reason 1 29/6/2016	Andy Thompson Cllr Phillips			
Car Parking strategy (Ref 790)	To consider the future off-street car parking needs of Leamington, Warwick and Kenilworth and how these should be addressed.	Executive 2/6/16 27/7/2016 Reason 3	Rob Hoof Cllr. Shilton			

HS2 (Ref 818)	To request revisions to the Constitution/Delegation Agreement.	Anticipated this will be a report to Council in January 2017	Debbie Prince Cllr Cross	This will come forward once appropriate details have been received from HS2 in conjunction with legal advice received		
Revisions to the Constitution/ Delegation Agreement (Ref 819)	To request revisions to the Constitution/ Delegation Agreement with regard to the determination of Planning Applications.		Tracy Darke/Gary Fisher Cllr Cross	This is the subject of on-going discussion with key members		
Leisure Development – Phase II (Kenilworth) (Ref 803)	To agree the scope of Phase II.	Executive 28/9/2016 Reason: 5	Rose Winship Cllr Coker			
HRA Asset Management and Development Policy (Ref 829)		Executive	Andy Thompson Cllr Phillips			

Section 4 – Items which are anticipated to be considered by the Executive but are NOT key decisions

Topic and Reference	Purpose of report	If requested by Executive – date, decision & minute no.	Date of Executive, Committee or Council meeting	Publication Date of Agendas	Contact Officer & Portfolio Holder	External Consultees/ Consultation Method/ Background Papers
Recording and Broadcasting of Public Meetings	To inform members of the research into the potential to record and broadcast all Council meetings as per the Notice of Motion to Council.	Council 29/6/2016	Executive 5/1/2017		Graham Leach Cllr Mobbs	
Councillors IT	To report back on the work of the Councillor IT Working Party.		Executive 5/1/2017		Graham Leach Cllr Mobbs	
Revised Call-in Procedure for Warwick District Council (Ref 823)	To recommend to Council a revised call-in procedure of Executive decisions for Warwick District Council.		Executive 5/1/2017		Graham Leach Cllr Mobbs	Councillors Barrott, Boad, Mrs Falp and Mobbs (Group Leaders), Overview & Scrutiny Committee (27/9/16)
Rural Urban Community Initiative Scheme Applications	To consider applications for Rural and Urban Initiative Grants.		Executive 30/11/2016		Jon Dawson Cllr Whiting	
Review of Significant Business Risk Register	To inform Members of the Significant Risks to the Council.		Executive 5/1/2017		Richard Barr Cllr Mobbs	
Rural Urban Community Initiative Scheme Applications	To consider applications for Rural and Urban Initiative Grants.		Executive 5/1/2017		Jon Dawson Cllr Whiting	

Rural Urban Community Initiative Scheme Applications	To consider applications for Rural and Urban Initiative Grants.		Executive 8/2/2017		Jon Dawson Cllr Whiting	
Nomination of Chair	To nominate to Council the Chair and Vice-Chairman of the Council for 2017/18.		Executive 8/2/2017		Graham Leach Cllr Mobbs	
Rural Urban Community Initiative Scheme Applications	To consider applications for Rural and Urban Initiative Grants.		Executive 5/4/2017		Jon Dawson Cllr Whiting	
Response to Peer Review Recommendations			Executive 5/1/2017		Chris Elliott Cllr Mobbs	

Delayed reports:

If a report is late, officers will establish the reason(s) for the delay from the list below and these will be included within the plan above:

1. Portfolio Holder has deferred the consideration of the report
2. Waiting for further information from a Government Agency
3. Waiting for further information from another body
4. New information received requires revision to report
5. Seeking further clarification on implications of report

Details of all the Council's committees, Councillors and agenda papers are available via our website www.warwickdc.gov.uk/committees

The forward plan is also available, on request, in large print on request, by telephoning (01926) 456114

Finance and Audit Scrutiny Committee WORK PROGRAMME 2016

29 November 2016

1	Internal Audit Quarter 2 Report	Audit Item	Richard Barr
2	Annual Governance Statement Action Plan Review Quarter 2 Report	Audit Item	Richard Barr
3	Contracts Registers Reviews 2016/17 – Cultural Services	Scrutiny Item	Rose Winship
4	Treasury Management Activity Report for the period 1 April 2016 to 31 October 2016	Audit Item	Karen Allison

TBC December 2016

1	Learning from the outcome of the further Audit work on the Electrical Repair and Maintenance contract as discussed on 2 June 2016	Audit Item	Chris Elliott
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4 January 2017

1	Risk Registers Reviews 2016/17 – Housing & Property Services	Audit Item	Richard Barr
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7 February 2017

1	Update on the Infrastructure Delivery plan	Scrutiny Item	Tony Ward
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7 March 2017

1	Internal Audit Quarter 3 Report	Audit Item	Richard Barr
2	Annual Governance Statement Action Plan Review Quarter 3 Report	Audit Item	Richard Barr
3	Contracts Registers Reviews 2016/17 – Development Services	Scrutiny Item	Tracy Darke

4 April 2017

1	Internal Audit Strategy & Plan 2016/17 – 2018/19	Audit Item	Richard Barr
2	Significant Business Risk Register	Audit Item	Richard Barr
4	2015/16 Audit Opinion Plan	Audit Item	Mike Snow / EA
5	End of Term Report	Scrutiny item	Amy Carnall / Chair
6	Risk Registers Reviews 2016/17 – Cultural Services	Audit Item	Richard Barr

External Auditors reports – Dates to be confirmed

Future Work Programme Items

Date	Contracts Registers Reviews	Risk Registers Reviews
May 2017		
June 2017	Neighbourhood Services	
July 2017		Development Services
August 2017		
September 2017	Finance	
October 2017		Health & Community Protection