

# Finance and Audit Scrutiny Committee

Wednesday 10 June 2015

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A meeting of the above Committee will be held at the Town Hall, Royal Leamington Spa on Wednesday 10 June 2015 at 6.00pm.

Membership:

Councillor Barrott	Councillor Heath
Councillor Butler	Councillor Illingworth
Councillor Day	Councillor Quinney
Councillor Gifford	Councillor Rhead
Councillor Miss Grainger	Councillor Thompson
Councillor Harrington	

## 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. Substitutes**

To receive the name of any Councillor who is to act as a substitute, notice of which has been given to the Chief Executive, together with the name of the Councillor for whom they are acting.

**\*2 Appointment of Chairman**

To appoint the Chairman of the Committee for the ensuing municipal year.

**\*3. Declarations of Interest**

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

Declarations should be 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.

**\*4. Minutes**

To confirm the minutes of the meeting held on 8 April 2015

**(Item 4/Page 1)**

**Part B – Audit Items**

**\*5. Internal Audit Report 2014/15**

To consider a report from Finance

**(Item 5/Page 1)**

**\*6. Review of Effectiveness of Internal Audit 2014/15**

To consider a report from Finance

**(Item 6/Page 1)**

**\*7 Annual Governance Statement 2014/15**

To consider a report from Finance

**(Item 7/Page 1)**

**\*8. Internal Audit Quarter 4 2014/15 Progress Report**

To consider a report from Finance

**(Item 8/Page 1)**

**Part C – Scrutiny Items**

**\*9. Executive Agenda (Non Confidential Items and Reports) – Tuesday 16 June 2015**

To consider Final Accounts 2014/15 report on the Executive agenda for the 16 June 2015. You are requested to bring your copy of that agenda to this meeting.

**(\*Denotes those items upon which decisions will be made under delegated powers, as previously granted by Council)**

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You can e-mail the members of the this Committee at

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**The agenda is also available in large print, on request, prior to the meeting by calling 01926 353362.**

# Finance and Audit Scrutiny Committee

Minutes of the meeting held on Wednesday, 8 April 2015 at the Town Hall, Royal Leamington Spa at 6.00pm.

**Present:** Councillor Barrott (Chair): Councillors Mrs Bunker, Gifford, Mrs Knight, Mrs Mellor and Rhead.

**Also Present:** Councillors Mobbs and Vincett (Portfolio Holders).

Apologies for absence were received from Councillors Pratt and Williams.

## 130. **Substitutes**

Councillor Gifford substituted for Councillor Mrs Syson.

## 131. **Declarations of Interest**

There were no declarations of interest.

## 132. **Public and Press**

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

## 133. **Executive Agenda (Confidential Items & Reports) – Thursday 9 April 2015**

The Committee considered the following item which would be discussed at the meeting of the Executive on Thursday 9 April 2015.

### Item 11 – Funding of Green Space Development Officer Post

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

Members requested that the Head of Service reported back any savings that the new post had been able to identify as referred to in paragraph 5.9 of the report.

134. **Housing & Void Property Repairs Contract Outturns for 2012-13 & 2013-14**

The Committee received a report from Housing & Property Services which presented an update on the Housing Repairs and Maintenance financial outturns for 2012-13 and 2013-14.

In January 2015, the Finance and Audit Scrutiny Committee received the Housing Revenue Account (HRA) Business Plan Performance Management Report, setting out the current and predicted financial status of the Council's landlord service.

Members of the Committee asked for further information about the Housing and Void Property Repairs Contract with particular regard to the comparative financial outturns in 2012-2013 and 2013-2014. In 2012-2013, the Council operated a Schedule of Rates (SoR) based contract moving to Open Book Accounting (OBA) for 2013-2014.

A table summarising the outturns for the two years was detailed at paragraph 3.3 of the report.

The report asked that the outturns be noted and that a full review of the current repairs and maintenance arrangements will be undertaken in the first two quarters of 2015-2016 to determine the most cost effective way to deliver this service in the future.

The Head of Housing and Property Services outlined the report and highlighted that the current contract allowed for either Open Book Accounting or Schedule of Rates to be used, meaning there would be no need to re-procure the Housing and Void Property Repairs contract.

Members questioned the Head of Housing and Property Services and the Portfolio Holder, Councillor Vincett, about the increase in garage voids, the turn-around time of void properties and the contractors being used.

The Head of Housing and Property Services advised that a void property would be turned around in less than 25 days where possible and minor works could be programmed in once a person had moved in.

The Committee thanked the Head of Service and Councillor Vincett for attending and answering its questions.

**Resolved** that

- (1) the Housing and Void Property Repairs Contract financial outturns for 2012-13 and 2013-14, be noted; and
- (2) a full review of the current repairs and maintenance arrangements will be undertaken in the first two quarters of 2015-2016 to determine the most cost effective way to deliver this service in the future.

### 135. **Review of Housing & Property Services Risk Register**

The Committee received a report from Housing and Property Services which set out the process for the review of the Housing and Property Services Risk Register.

In January 2012, the Executive agreed the following measures in relation to risk registers:

- (a) Portfolio Holders should review their respective Service Risk Registers quarterly with their service area managers;
- (b) Portfolio Holder Statements should include each service's top three risks;
- (c) Executive should note the process for the review by Finance & Audit Scrutiny Committee of service risk registers; and
- (d) The relevant Portfolio Holders should attend the Finance & Audit Scrutiny Committee meetings at which their respective service risk registers are reviewed.

The latest version of the Housing & Property Services Risk Register was attached as Appendix 1 to the report and an explanation of the scoring criteria was attached as Appendix 2 to the report.

Three major risks had been identified at the time of writing the report. These were failure to meet contractual obligations, failure to comply with policy, statutory and normative standards by staff or WDC representatives and the inability to meet Housing strategy Objective Number 2 – to meet the need for housing across the District.

The Portfolio Holder for Housing and Property Services, Councillor Vincett, introduced the report and explained that movements could be seen in the register, the actions had been updated and a date line had been added.

Councillor Barrott queried the movement and new location of the risk of Personal Safety. Officers advised that this was a risk that affected all Service Areas and agreed to speak to the management team.

In response to a question from Councillor Gifford, the Head of Housing and Property Services explained that the strategy for reviewing the risk register included a three month review with the management team as well as the register being fully accessible via the Council's Intranet. In addition, the management team passed on the relevant information to their teams.

Members queried the reality of achieving Housing Strategy Objective Number 2 – meeting the housing need across the District. The Head of Housing and Property Services assured the Committee that the Council were making inroads into it by exploring the opportunity of buying land to assist with affordable housing provision. Councillor Vincett stated that the department felt it was better to strive for top level achievement.

Members agreed that it was imperative that the impact of a legionella outbreak should not be underestimated and were assured by officers that the issue was carefully watched at all times.

The Head of Housing and Property Services and Councillor Vincett were thanked for their continued work on this document which showed that it was being effectively managed.

**Resolved** that the report be noted.

136. **Executive Agenda (Non Confidential Items & Reports) – Thursday 9 April 2015**

The Committee considered the following items which would be discussed at the meeting of the Executive on Thursday 9 April 2015.

Item 5 – Use of Delegated Powers – Social Housing Mobility Fund

The Finance & Audit Scrutiny Committee supported the decision and noted that the funding bid had now been successful. Members asked the Head of Housing & Property Services to circulate the bid document which detailed how the department hoped to allocate the money.

137. **Internal Audit Strategic Plan 2015/16 – 2017/18 and Internal Audit Charter**

The Committee received a report from Finance which presented the Internal Audit Strategic Plan 2015/16 – 2017/18 and the Internal Audit Charter for consideration and approval.

The Internal Audit Strategic Plan was an important element in providing the required independent and objective opinion to the organisation on its control environment, in fulfilment of statutory duties. The compilation of the Internal Audit Charter was a requirement of the Public Sector Internal Audit Standards.

The Internal Audit Strategic Plan 2015/16 to 2017/18, comprising the planned reviews over this period, was set out as Appendix 1 to the report.

The Audit Plan was organised using risk-based coverage, coverage for external audit reliance or to meet regulatory requirements and other internal audit coverage.

The audits set out in the first year of the plan, were carried out throughout the year with timings and start dates agreed with managers on individual audits, usually at the beginning of the year.

The report noted that two audits planned for previous years but needing to be carried forward again, had been brought forward to 2015/16 as priority audits for this year. These audits were for Equality and Diversity and Housing Stock Asset Management.

The Audit & Risk Manager presented the report and advised that all audits had been completed in the last year for which the team should be commended. He advised that audits could be carried forward as long as management were aware and endorsed that decision, as in the case of the two outstanding audits detailed at paragraph 9.7.

In response to questions relating to the Equality & Diversity audit, the interim Head of Human Resources advised that the County Council had been supporting the Council with our framework as a result of the staff changes the HR team had undergone. In addition, discussions had already taken place with the audit team about progressing with the work as a priority.

Members recognised that an audit of Plant Maintenance had not been completed since 2011/12 and hoped that there would be forthcoming co-operation from all departments.

**Resolved** that the Internal Audit Strategic Plan 2015/16 – 2017/18 and the Internal Audit Charter, are approved.

138. **Public and Press**

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

139. **Executive Agenda (Confidential Items & Reports) – Thursday 9 April 2015**

The Committee considered the following item which would be discussed at the meeting of the Executive on Wednesday 11 March 2015.

Item 10 – Payroll Review

The Finance & Audit Scrutiny Committee supported the recommendations in the report & noted the amended figure of £10,623 redundancy costs.

Members raised a concern that recommendation 2.2 was not clear, in the fact that the funding would only be approved if the redeployment process was unsuccessful. Members therefore recommended that additional wording be added to 2.2 as follows “.....subject to the individual not being matched into an alternative, suitable post”.



140. **Executive Agenda (Non Confidential Items & Reports) – Thursday 9 April 2015**

The Committee considered the following items which would be discussed at the meeting of the Executive on Thursday 9 April 2015.

Item 6 – Significant Business Risk Register

The Finance & Audit Scrutiny Committee supported the recommendations in the report but was concerned that the document was not as accurate as it could be. Members were assured by the Leader that an additional risk would be added to deal with Infrastructure funding, separately from the Local Plan risk.

The Leader, on behalf of himself and the Executive thanked all Members of Finance & Audit Scrutiny Committee for their sterling work in scrutinising effectively and assured them that their opinions were well respected by Members.

Item 4 – IT Provision for Councillors from May 2015

The Finance & Audit Scrutiny Committee discussed this item but were unable to question the report author. A number of issues were raised including existing trial users being unable to report back their experiences formally and the difficulties of juggling two agendas. However, there was also support for the project with a view that this was the way forward with new generations of Councillors.

141. **Comments from the Executive**

A report from Civic and Committee Services summarised the Executive's responses to comments which the Finance & Audit Scrutiny Committee gave on reports submitted to the Executive on 11 March 2015.

**Resolved** that the contents of the report be noted.

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

The Committee considered its work programme for 2014/15 and the latest published version of the Forward Plan.

**Resolved** that the work programme for 2014/2015 be noted.

143. **End of Term Report**

The Committee considered the end of term report on the work the Committee had undertaken during the 2014/15 municipal year.

Under Article 6 of the Council's Constitution, Overview and Scrutiny Committees and Policy Committees were required to provide an end of term report to the Council on work they have undertaken during the year.

Appendix 1 to the report listed all of the items considered by the Finance & Audit Scrutiny Committee during 2014/15, which Members agreed was an extensive list.

Members noted that the report would be updated to include the items considered at the 8 April 2015 meeting prior to it being presented to Council.

**Resolved** that the report be noted.

Prior to the conclusion of the meeting, the Chairman took the opportunity to thank every member of the scrutiny committee for their due diligence in the past year, including all the Members who had substituted.

Councillor Barrott recognised the good work that the committee had done although some outcomes had been disappointing at times. Finally, Councillor Barrott thanked all officers involved in facilitating the meeting especially the lead officer, the Head of Finance.

(The meeting ended at 7.50 pm)



<b>Title</b>	Internal Audit Annual Report 2014/15
<b>For further information about this report please contact</b>	Richard Barr Tel: (01926) 456815 E Mail: richard.barr@warwickdc.gov.uk
<b>Service Area</b>	Finance
<b>Wards of the District directly affected</b>	Not applicable
<b>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</b>	No
<b>Date and meeting when issue was last considered and relevant minute number</b>	Standards Committee – 9 September 2014 Finance & Audit Scrutiny Committee – 10 June 2014
<b>Background Papers</b>	Accounts and Audit (England) Regulations 2011 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) Internal Audit Reports Public Sector Internal Audit Standards Quarterly Progress Reports Post-audit client questionnaires and satisfaction surveys

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

<b>Officer/Councillor Approval</b>		
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).		
<b>Officer Approval</b>	<b>Date</b>	<b>Name</b>
Chief Executive	27 May 2015	Chris Elliott
Section 151 Officer	27 May 2015	Mike Snow
Monitoring Officer	27 May 2015	Andrew Jones
Finance	27 May 2015	As Section 151 Officer
Leader of the Council	27 May 2015	Councillor Mobbs

Portfolio Holder	27 May 2015	Councillor Whiting
<b>Consultation and Community Engagement</b>		
None other than consultation with members and officers listed above.		
<b>Final Decision?</b>		Yes
<b>Suggested next steps (if not final decision please set out below)</b>		

## **1 SUMMARY**

- 1.1 Forming part of the evidence for the Annual Governance Statement, the Internal Audit Annual Report presents a summary of the internal work undertaken during 2014/15 and provides a conclusion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

## **2 RECOMMENDATION**

- 2.1 That this Committee considers the Annual Report of Internal Audit for the year ended 31 March 2015 as part of its consideration and approval of the Annual Governance Statement 2014/15.

## **3 REASON FOR THE RECOMMENDATIONS**

- 3.1 To comply with the Public Sector Internal Audit Standards that provide the "proper practices" referred to in Regulation 4 of The Accounts and Audit (England) Regulations 2011 in respect of production of an annual governance statement. The Standards state:

*The chief audit executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.*

## **4 POLICY FRAMEWORK**

- 4.1 Although there are no direct policy implications, Internal Audit provides a view on all aspects of governance and will take into account the Policy Framework, Community Plan and the Council's policies.

## **5 BUDGETARY FRAMEWORK**

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

## **6 RISKS**

- 6.1 Risk management is an intrinsic element of corporate governance of which this report is concerned.

## **7 ALTERNATIVE OPTION(S) CONSIDERED**

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

## **8 BACKGROUND TO THE ANNUAL GOVERNANCE STATEMENT & REQUIREMENT FOR INTERNAL AUDIT ANNUAL REPORT**

- 8.1 Regulation 4 of The Accounts and Audit (England) Regulations 2011 states (overleaf):

**Responsibility for financial management**

4.—(1) The relevant body is responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body's functions and which includes arrangements for the management of risk.

(2) The relevant body must conduct a review at least once in a year of the effectiveness of its system of internal control.

(3) The findings of the review referred to in paragraph (2) must be considered—

(a) in the case of a larger relevant body, by the members of the body meeting as a whole or by a committee, and

(b) in the case of a smaller relevant body, by the members of the body meeting as a whole, and

following the review, the body or committee must approve an annual governance statement, prepared in accordance with proper practices in relation to internal control.

(4) The relevant body must ensure that the statement referred to in paragraph (3) accompanies—

(a) any statement of accounts it is obliged to prepare in accordance with regulation 7, or

(b) any accounting statement it is obliged to prepare in accordance with regulation 12.

8.2 The Public Sector Internal Audit Standards form part of the "proper practices" referred to in Regulation 4 of the Accounts and Audit Regulations 2011, set out above.

8.3 The Standards state:

*The chief audit executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.*

*The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.*

*The annual report must incorporate:*

- *the opinion;*
- *a summary of the work that supports the opinion; and*
- *a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.*

8.4 The Annual Report is set out as Appendix 1.

**HEAD OF INTERNAL AUDIT'S ANNUAL REPORT AND PRESENTATION OF  
AUDIT OPINION 2014/15**

**Introduction**

This report is produced to satisfy proper practices under Regulation 4 of The Accounts and Audit (England) Regulations 2011 in respect of production of an annual governance statement.

In compliance with those Standards the purpose of this report is to:

- Present a summary of the internal work undertaken during 2014/15 from which the opinion on the internal control environment is derived
- Provide an opinion on the overall adequacy and effectiveness of the Council's control environment including any qualifications to that opinion
- Draw attention to any issues that need to be considered for inclusion in the Annual Governance Statement
- Compare work actually undertaken with that which was planned and summarise performance
- Comment on compliance with the Public Sector Internal Audit Standards
- Communicate the results of the quality assurance and improvement programme

**Opinion on the overall adequacy and effectiveness of the Council's control environment**

Based on internal audit assignments undertaken as part of the Audit Plan, it must be concluded that the Council has an effective internal control framework to address relevant risks with controls being consistently applied.

There were, however, some instances of non-compliance that were detailed in internal audit reports issued during the year. These were reported to Finance & Audit Scrutiny Committee during the year and, in the case of the overall level of assurance for an audit assignment being assessed at less than 'substantial', the full report was issued to Committee as part of the agenda papers. Action to address these issues has been confirmed by management in all cases, with urgent action being taken where those issues were regarded as significant.

There are no qualifications to that opinion, although clearly it is based on the audits undertaken during that year. The Council's external auditors form their own opinion based on their own work and the Annual Governance Statement provides an overall judgement on the control environment, derived from many sources, one of which is this Internal Audit Annual Report.

**Summary of the internal work undertaken during 2014/15 from which the opinion on the internal control environment is derived**

The audits which form the basis of the opinion are set out as table in Appendix 1A. The results of these audits have been communicated to the Finance and Audit Scrutiny Committee each quarter and are therefore not reproduced here. However, each audit report gives an overall opinion on the level of assurance provided by the

controls within the area audited and this is set out in the table. The bands of assurance are set out at the bottom of Appendix 1A.

Appendix 1A indicates that internal controls were in the main found to be operating satisfactorily, giving an overall confidence in the internal control system operating in relation to these systems. Although a number of reports were issued during the year where only limited assurance on the reliability of internal controls could be given, it is important to stress that the issues raised in respect of these audits have since been addressed.

It should be noted that this list comprises planned audits only – it does not include investigations that arose during the year.

### **Issues particularly relevant to the Annual Governance Statement**

Issues particularly relevant to the Annual Governance Statement (AGS) have been identified from the process involved in its production. This includes compilation of the Service Assurance Assessments by services and the review of the draft AGS by the Senior Management Team and by the Leader of the Council and the chairs of the Scrutiny and Standards Committees. Some of these issues had been highlighted by Internal Audit during the year.

### **Comparison of the work undertaken with the work that was planned and summary of the performance of the internal audit function against its performance measures and targets**

This is set out as Appendix 1B.

### **Compliance with the Public Sector Internal Audit Standards**

A self-review has confirmed that the Public Sector Internal Audit Standards are complied with. In compliance with the Standards, a comprehensive, external review will be undertaken within the next three years to verify compliance.

### **Communication of the results of the internal audit quality assurance & improvement programme**

The Internal Audit quality assurance programme comprises completion by auditees, post audit, of questionnaires for audits. Appendix 1C sets out the questionnaire that is used.

The Internal Audit quality assurance programme includes reviews of audit files by the Audit and Risk Manager before issue of final reports and external audit reviews of Internal Audit's work. It also includes an annual review of the effectiveness of Internal Audit by the Responsible Financial Officer as required by Regulation 6 of the Accounts and Audit Regulations 2011.

The results of the Internal Audit quality assurance programme are used to improve the service provided by Internal Audit.

In terms of the post audit questionnaires the modal overall score from auditees for the year was 5 (the highest score) indicating very broad satisfaction with the audits undertaken. No audits were assessed at less than 4. This is in line with previous years' results.



**SUMMARY OF INTERNAL AUDIT WORK UNDERTAKEN 2014/15<sup>1</sup>**

Assignment	Client Service Area	Assurance
Corporate Governance	CMT	Substantial
Emergency Planning	Health & Community Protection	Substantial
Business Continuity Management	Health & Community Protection	Substantial
Partnership Working	CMT	Substantial
Corporate Procurement	Finance	Moderate
Collection of Council Tax	Finance	Substantial
Collection of National Non-domestic Rates	Finance	Substantial
Administration of Housing Benefit & Council Tax Reduction	Finance	Substantial
Payroll and Staff Expenses	Chief Executive's Office	Moderate
Treasury Management	Finance	Substantial
Infrastructure Security and Resilience	ICT	Substantial
Software Licensing	ICT	Substantial
Data Protection	Chief Executive's Office	Substantial
Payment Card Industry – Data Security Standards	ICT	Substantial
ICT Risk Management	ICT	Substantial
Committee Services	Chief Executive's Office	Substantial
Shared Legal Services	CMT	Moderate
Recruitment and Selection, Terms and Conditions	Chief Executive's Office	Substantial
Communications	Chief Executive's Office	Substantial
Banking Arrangements	Finance	Substantial
Homelessness and Housing Advice	Housing & Property Services	Substantial
Lettings and Void Control	Housing & Property Services	Substantial
Corporate Properties Repair and Maintenance	Housing & Property Services	Moderate
Royal Spa Centre	Cultural Services	Substantial
Community Leisure Facilities	Cultural Services	Substantial
Newbold Comyn Leisure Centre	Cultural Services	Moderate
Economic Development	Development Services	Substantial
Development Management	Development Services	Substantial
Section 106 Agreements	Development Services	Moderate

<sup>1</sup> Planned audits only – investigations not included.

Assignment	Client Service Area	Assurance
Deeds Store	Chief Executive's Office	Substantial
Licensing Services	Health & Community Protection	Substantial
Flood Risk Management	Health & Community Protection	Substantial
Environmental Protection Functions	Health & Community Protection	Substantial
Refuse Collection and Recycling	Neighbourhood Services	Substantial

**Key to Level of Assurance:**

Level of Assurance	Definition
Substantial Assurance	There is a sound system of control in place and compliance with the key controls.
Moderate Assurance	Whilst the system of control is broadly satisfactory, there are weaknesses in the system that leaves some risks not addressed together with non-compliance with some of the controls, including key ones.
Limited Assurance	The system of control is weak and there is non-compliance with the controls that do exist.

**OVERALL SUMMARY OF PERFORMANCE 2014/15**

Performance Indicator	In-house Team	External Contractors	Overall for Service
Number of planned audits assigned	28	6	34
Number of planned audits completed	28	6	34
% assigned audits completed	100.0%	100.0%	100.0%
Number of audits completed within time allocation	13	N/A	13
% audits completed within time allocation	46.4	N/A	46.4%
Number of days overspent (-) / underspent (+) on completed audits to date	-10.4	N/A	-10.4
% of days overspent (-) / underspent (+) on completed audits to date	-3.6%	N/A	-3.6%
Number of audit days – planned	288.0	N/A	288.0
Number of audit days – actual	299.2	N/A	299.2
Productive time as % of available time – target	75.0%	N/A	75.0%
Productive time as % of available time – actual	73.6%	N/A	73.6%
Number of audit recommendations issued	85	15	100
Number of audit recommendations agreed	84	15	99
% audit recommendations agreed	98.8	100.0	99.0
Number of High Priority audit recommendations issued	1	0	1
Number of High Priority audit recommendations implemented	1	0	1
% High Priority audit recommendations implemented	100.0	N/A	100.0

## Post Audit Questionnaire

**Audit:**

**Date of report:**

**Auditor:**

**Manager:**

***In order to help us improve our service we would be grateful if you would spend a few moments answering the questions below.***

	Yes	No	Comments (if applicable)
<b>Pre-audit consultation</b>			
Were you given adequate notification of the audit?			
Were the scope and objectives of the audit discussed with you?			
Was the audit process explained to you adequately?			
<b>The audit</b>			
Was the audit work undertaken at an agreed and convenient time?			
Was the audit conducted in a proficient manner?			
Were the appropriate staff interviewed for the audit areas covered?			
Were interviews conducted in a professional manner?			
Were the findings discussed with the right staff?			
Was the audit completed within a reasonable timescale?			
<b>Audit reporting</b>			
Was the draft report produced within a reasonable timescale?			

	Yes	No	Comments (if applicable)
Were you given the opportunity to discuss the report with the auditor?			
If so, did you find the discussion useful?			
Was the discussion conducted in a professional manner?			
Were your views and comments presented adequately in the final report?			
Were the recommendations in the report practical and realistic?			
Was the report produced to a professional standard?			
Did the audit reveal any unknown weakness in the system?			
Do you feel that the audit was worthwhile and has added value to your work?			

On a scale of 1 to 5, 1 being "very dissatisfied" and 5 representing "very satisfied", please score your level of satisfaction with the audit in overall terms:

If you have any other comments that you wish to make about the audit please record them below:

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Manager: \_\_\_\_\_

Date: \_\_\_\_\_

Please return the form to Richard Barr, Audit and Risk Manager, Finance.

 <b>Finance &amp; Audit Scrutiny Committee</b> <b>10 June 2015</b>		<b>Agenda Item No.</b>  <div style="font-size: 2em; float: right;"><b>6</b></div>
<b>Title</b>		Review of Effectiveness of Internal Audit 2014/15
<b>For further information about this report please contact</b>		Richard Barr Tel: (01926) 456815 E Mail: richard.barr@warwickdc.gov.uk
<b>Service Area</b>		Finance
<b>Wards of the District directly affected</b>		Not applicable
<b>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</b>		No
<b>Date and meeting when issue was last considered and relevant minute number</b>		Finance & Audit Scrutiny Committee – 10 June 2014 Standards Committee – 9 September 2014
<b>Background Papers</b>	Accounts and Audit (England) Regulations 2011 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) Internal Audit Reports Public Sector Internal Audit Standards Post-audit client questionnaires and satisfaction surveys Code of Practice for Internal Audit in Local Government in the UK 2006 (CIPFA) Service Plan 2014/15 (Finance) Internal Audit Strategy and Plan 2014/15 to 2016/17 Internal Audit Manual Minutes of Internal Audit Team Meetings Monthly and Quarterly Progress Reports Performance appraisal documents Post-audit user questionnaires and satisfaction surveys.	

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

<b>Officer/Councillor Approval</b>		
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).		
<b>Officer Approval</b>	<b>Date</b>	<b>Name</b>
Chief Executive	27 May 2015	Chris Elliott
Section 151 Officer	27 May 2015	Mike Snow
Monitoring Officer	27 May 2015	Andrew Jones
Finance	27 May 2015	As S151 Officer
Leader of the Council	27 May 2015	Councillor Mobbs
Portfolio Holder	27 May 2015	Councillor Whiting
<b>Consultation and Community Engagement</b>		
Not applicable.		
<b>Final Decision?</b>		Yes
<b>Suggested next steps (if not final decision)</b> Not applicable.		

## **1 SUMMARY**

- 1.1 Forming part of the evidence for the Annual Governance Statement, this report presents the findings from the review of the effectiveness of the Council's internal audit for the year ended 31<sup>st</sup> March 2015.

## **2 RECOMMENDATION**

- 2.1 That Committee considers the review of the effectiveness of the Council's internal audit for the year ended 31 March 2015.

## **3 REASONS FOR THE RECOMMENDATION**

- 3.1 Regulation 6 of the Accounts and Audit (England) Regulations 2011 requires that:
- "A larger relevant body must, at least once in each year, conduct a review of the effectiveness of its internal audit."
  - "The findings of the review ....must be considered, as part of the consideration of the system of internal control...by the committee (designated to approve the Annual Governance Statement)".
- 3.2 As its terms of reference include review of the Annual Governance Statement, Finance & Audit Scrutiny Committee is required to consider also the findings of the review of the effectiveness of internal audit.

## **4 POLICY FRAMEWORK**

- 4.1 The work of Internal Audit constitutes a key element in the Council's control environment which helps ensure that the Council manages its resources to achieve its objectives economically, efficiently and effectively.

## **5 BUDGETARY FRAMEWORK**

- 5.1 Resources for maintaining and improving the effectiveness of the system of internal audit are covered under the existing approved budget and Internal Audit Plan.

## **6 RISKS**

- 6.1 Risk management is an intrinsic element of corporate governance of which this report is concerned.

## **7 ALTERNATIVE OPTIONS CONSIDERED**

- 7.1 The alternative option is not to undertake or report on the review of the effectiveness of the system of internal audit, which would result in the Council being in breach of its statutory obligations.

## **8 THE REVIEW**

- 8.1 The review was conducted as an evidence-based assessment of compliance with the part of the CIPFA Code of Practice for Internal Audit in the United Kingdom



2006 that pertains to the performance and effectiveness of the internal audit service.

- 8.2 Although the Code of Practice has been replaced by the Public Sector Internal Audit Standards, the Standards do not provide a comparable checklist that could be used for an effectiveness review. CIPFA has produced a Local Government Application Note in respect of the Standards and care has been taken to ensure that the relevant provisions are reflected in the checklist that has been used.
- 8.3 Specifically, the assessment used Section 11 of the checklist contained in the Appendix to the Code. Compliance was rated against each of the criteria as full, partial or none with reference to evidence that could be produced to support the ratings.
- 8.4 Based on the above evidence, internal audit is deemed to operate in an effective manner.
- 8.5 The checklist and the results of the review are set out as Appendix 1.

**Review of Effectiveness of Internal Audit 2014/15**

**Assessment Checklist**


<b>11</b>	<b>Performance, Quality and Effectiveness</b>	<b>Y</b>	<b>P</b>	<b>N</b>	<b>Evidence</b>
<b>11.1</b>	<b>Principles of Performance, Quality and Effectiveness</b>				
11.1.1	Is there an audit manual?	✓			Audit Manual
11.1.1	Does the audit manual provide guidance on: (a) carrying out day-to-day audit work? (b) complying with the Code?	✓ ✓			Audit Manual
11.1.1	Is the audit manual reviewed regularly and updated to reflect changes in working practices and standards?	✓			Minutes of Monthly Team Meetings
11.1.2	Does the Head of Internal Audit have arrangements in place to assess the performance and effectiveness of:  (a) each individual audit?   (b) the internal audit service as a whole?	✓   ✓			Audit Brief Assignment Control Sheet Post-Audit Questionnaire Monthly Time Reports  Internal Audit Strategy 2015-18 Post-Audit Questionnaires Quarterly Management Reports
<b>11.2</b>	<b>Quality Assurance of Audit Work</b>				
11.2.1	Does the Head of Internal Audit have a process in place to ensure that work is allocated to auditors who have appropriate skills, experience and competence?	✓			Annual Assignment Allocation

<b>11</b>	<b>Performance, Quality and Effectiveness</b>	<b>Y</b>	<b>P</b>	<b>N</b>	<b>Evidence</b>
11.2.2	Does the Head of Internal Audit have a process in place to ensure that all staff are supervised appropriately throughout all audits?	✓			} } Assignment Briefs } Assignment Control Sheets } Monthly Time Reports
11.2.3	Does the supervisory process cover: (a) monitoring progress? (b) assessing quality of audit work? (c) coaching staff? <sup>1</sup>	✓ ✓ ✓			} } Minutes of Team Meetings } Post-Audit Questionnaires
<b>11.3</b>	<b>Performance and Effectiveness of Internal Audit Service</b>				
11.3.1	Does the Head of Internal Audit have a performance management and quality assurance programme in place?	✓			Internal Audit Strategy Service Plan 2015/16 Performance Appraisal Forms Post-Audit Questionnaires Customer Survey

<sup>1</sup> Staff structure and grading based on expectation of high level of professional skills and experience with minimal requirement for direct coaching and supervision.

11	Performance, Quality and Effectiveness	Y	P	N	Evidence
11.3.2	<p>Does the performance management and quality assurance programme include as a minimum:</p> <p>(a) a comprehensive set of targets to measure performance:</p> <p>(i) which are developed in consultation with appropriate parties?</p> <p>(ii) which are included in service level agreements, where appropriate?</p> <p>(iii) against which the Head of Internal Audit measures, monitors and reports appropriately on progress?</p> <p>(b) user feedback obtained for each individual audit and periodically for the whole service?</p> <p>(c) a periodic review of the service against the strategy and the achievement of its aims and objectives, the results of which are used to inform future strategy?</p> <p>(d) internal quality reviews to be undertaken periodically to ensure compliance with this Code and the Audit Manual?</p> <p>(e) an action plan to implement improvements?</p>	<p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>			<p>Internal Audit Strategy 2015-18 Service Plan 2015/16</p> <p>Service Plan 2015/16</p> <p>Internal Audit Strategy 2015-18 Monthly Time Reports</p> <p>Post-Audit Questionnaires Customer Survey</p> <p>Quarterly Management Reports</p> <p>Minutes of Team Meetings</p> <p>Minutes of Team Meetings</p>
11.3.3	Does the Head of Internal Audit compare the performance and the effectiveness of the service over time, in terms of both the achievement of targets and the quality of the service provided to the user?	✓			<p>Monthly Time Reports Quarterly Management Reports Post Audit Questionnaires Customer Survey</p>

<b>11</b>	<b>Performance, Quality and Effectiveness</b>	<b>Y</b>	<b>P</b>	<b>N</b>	<b>Evidence</b>
11.3.4	<p>Do the results of the performance management and quality assurance programme evidence that the internal audit service is:</p> <p>(a) meeting its aims and objectives?</p> <p>(b) compliant with the Code?</p> <p>(c) meeting internal quality standards?</p> <p>(d) effective, efficient and continually improving?</p> <p>(e) adding value and assisting the organisation in achieving its objectives?</p>	<p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>			<p>Quarterly Management Reports</p> <p>Assignment Control Sheets</p> <p>Post Audit Questionnaires</p> <p>CIPFA Benchmarking Data</p> <p>Post Audit Questionnaires</p> <p>Post Audit Questionnaires</p>
11.3.5	Does the Head of Internal Audit report on the results of the performance management and quality assurance programme in the annual audit report?	✓			Annual Report to Finance and Audit Scrutiny Committee
11.3.6	Does the Head of Internal Audit provide evidence from his or her review of the performance and quality of the internal audit service to the organisation for consideration as part of the annual review of the effectiveness of the system of internal audit?	✓			Annual Report to Finance and Audit Scrutiny Committee

 <b>Finance &amp; Audit Scrutiny Committee</b> <b>10 June 2015</b>		<b>Agenda Item No.</b> <div style="float: right; font-size: 2em; font-weight: bold;">7</div>
<b>Title</b>		Annual Governance Statement 2014/15
<b>For further information about this report please contact</b>		Richard Barr Tel: (01926) 456815 E Mail: richard.barr@warwickdc.gov.uk
<b>Service Area</b>		Finance
<b>Wards of the District directly affected</b>		Not applicable
<b>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</b>		No
<b>Date and meeting when issue was last considered and relevant minute number</b>		Finance & Audit Scrutiny Committee – 10 June 2014 Standards Committee – 9 September 2014
<b>Background Papers</b>	Accounts and Audit (England) Regulations 2011 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)	

<b>Contrary to the policy framework:</b>	No	
<b>Contrary to the budgetary framework:</b>	No	
<b>Key Decision?</b>	No	
<b>Included within the Forward Plan? (If yes include reference number)</b>	No	
<b>Equality &amp; Sustainability Impact Assessment Undertaken</b>	N/A: no direct service implications	
<b>Officer/Councillor Approval</b>		
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).		
<b>Officer Approval</b>	<b>Date</b>	<b>Name</b>
Chief Executive	27 May 2015	Chris Elliott
Section 151 Officer	27 May 2015	Mike Snow
Monitoring Officer	27 May 2015	Andrew Jones
Human Resources		
Finance	27 May 2015	As Section 151 Officer
Leader of the Council	27 May 2015	Councillor Mobbs
Portfolio Holder	27 May 2015	Councillor Whiting
<b>Consultation and Community Engagement</b>		
With members and officers listed above.		
<b>Final Decision?</b>	Yes	

## **1 SUMMARY**

- 1.1 This report sets out an Annual Governance Statement for 2014/15 describing the governance arrangements that were in place during the financial year. The Statement will in due course be signed by the Chief Executive and the Leader of the Council and will accompany the Council's Statement of Accounts to be approved by Full Council.
- 1.2 An action plan to improve governance forms part of the Statement. The actions will be addressed by management in line with an agreed timetable. Progress in achieving these actions will be reported to Members quarterly.

## **2 RECOMMENDATIONS**

- 2.1 That Committee approves the Annual Governance Statement for 2014/15 for Warwick District Council as set out at Appendix A.

## **3 REASON FOR THE RECOMMENDATIONS**

- 3.1 Regulation 4 of the Accounts and Audit (England) Regulations 2011 requires that "...the body or committee must approve an annual governance statement, prepared in accordance with proper practices in relation to internal control."

## **4 ALTERNATIVE OPTION CONSIDERED**

- 4.1 The alternative option is not to provide an Annual Governance Statement for 2014/15 which would result in the Council being in breach of its statutory obligations.

## **5 BUDGETARY FRAMEWORK**

- 5.1 There are no direct budgetary implications from the production of the Annual Governance Statement.

## **6 POLICY FRAMEWORK**

- 6.1 The proposals 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.

## **7 RISKS**

- 7.1 Risk management is an intrinsic element of corporate governance. There are numerous risks associated with undertaking, or not undertaking, the Significant Governance Issues set out in section 5 of the Annual Governance Statement.

## **8 BACKGROUND TO THE ANNUAL GOVERNANCE STATEMENT**

- 8.1 The production of an Annual Governance Statement is a statutory requirement for local authorities.
- 8.2 Regulation 4 of The Accounts and Audit (England) Regulations 2011 states (overleaf):

#### **Responsibility for financial management**

4.—(1) The relevant body is responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body's functions and which includes arrangements for the management of risk.

(2) The relevant body must conduct a review at least once in a year of the effectiveness of its system of internal control.

(3) The findings of the review referred to in paragraph (2) must be considered—

(a) in the case of a larger relevant body, by the members of the body meeting as a whole or by a committee, and

(b) in the case of a smaller relevant body, by the members of the body meeting as a whole, and

following the review, the body or committee must approve an annual governance statement, prepared in accordance with proper practices in relation to internal control.

(4) The relevant body must ensure that the statement referred to in paragraph (3) accompanies—

(a) any statement of accounts it is obliged to prepare in accordance with regulation 7, or

(b) any accounting statement it is obliged to prepare in accordance with regulation 12.

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

*"How the local government bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. It comprises the systems and processes, and cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with and, where appropriate, lead their communities."* CIPFA/SOLACE (Chartered Institute of Public Finance & Accountancy/Society of Local Authority Chief Executives)

## **9 PROCESS FOR COMPLETION OF THE ANNUAL GOVERNANCE STATEMENT**

- 9.1 CIPFA/SOLACE has issued a framework and guidance on delivering good governance in local government. The framework is built on the 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.

- 9.2 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.
- 9.4 'The Annual Governance Statement – Rough Guide for Practitioners' by CIPFA sets out the following stages in producing the Annual Governance Statement:

**Objective 1, ESTABLISHING PRINCIPAL STATUTORY OBLIGATIONS AND ORGANISATIONAL OBJECTIVES**

Step 1: Mechanisms established to identify principal statutory obligations

Step 2: Mechanisms in place to establish organisational objectives

Step 3: Effective Corporate Governance arrangements are embedded within the authority

Step 4: Performance management arrangements are in place

***THEN apply the Six CIPFA/SOLACE Core Principles***

*(i) Focusing on purpose/outcomes and creating a vision for the local area*

*(ii) Members & officers working together to achieve common purpose with clearly defined functions & roles*

*(iii) Promoting values for the authority and demonstrating values of good governance through upholding high standards of conduct and behaviour*

- (iv) Taking informed and transparent decisions which are subject to effective scrutiny and managing risk*
- (v) Developing the capacity and capability of members and officers to be effective*
- (vi) Engaging with local people and other stakeholders to ensure robust public accountability*

**Objective 2, IDENTIFY PRINCIPAL RISKS TO ACHIEVEMENT OF OBJECTIVES**

Step 1: The authority has robust systems and processes in place for the identification and management of strategic and operational risk

**Objective 3, IDENTIFY AND EVALUATE KEY CONTROLS TO MANAGE PRINCIPAL RISKS**

Step 1 - The authority has robust systems of internal control which includes systems and procedures to mitigate principal risks

**Objective 4, OBTAIN ASSURANCES ON THE EFFECTIVENESS OF KEY CONTROLS**

Step 1: Appropriate assurance statements are received from designated internal and external assurance providers

**Objective 5, EVALUATE ASSURANCES AND IDENTIFY GAPS IN CONTROL/ASSURANCES**

Step 1: Make adequate arrangements to identify, review and evaluate reports from the defined internal and external assurance providers to identify areas of weakness in controls

**Objective 6, ACTION PLAN TO ADDRESS WEAKNESSES AND ENSURE CONTINUOUS IMPROVEMENT OF THE SYSTEM OF CORPORATE GOVERNANCE**

Step 1: Robust mechanism to ensure that an appropriate action plan is agreed to address the identified control weaknesses and is implemented and monitored

**Objective 7, ANNUAL GOVERNANCE STATEMENT**

Step 1: Governance statement is drafted in accordance with regulations and timescales

**Objective 8, REPORT TO CABINET / EXECUTIVE COMMITTEE**

Step 1: Report in accordance with pro-forma

- 9.5 The Council's Annual Governance Statement has been produced in accordance with these stages, including following the pro-forma for the layout of the Statement as proposed in Objective 8.
- 9.6 Evidence sources collated for drafting the AGS were as follows:
  - (a) Consultation with senior and key officers.
  - (b) Assurances provided by Service Area Managers through the completion of Service Assurance Statements.
  - (c) Consultation with a cross-party member review group comprising the Leader of the Council and the Committee Chairs.
  - (d) Work undertaken during the year by Internal Audit and other inspection bodies.

- (e) Review of progress against the previous year's action plan, which was reported on a quarterly basis to the council's Senior Management Team, with outstanding actions being carried forward.

9.7 The process for drafting the AGS itself, and the systems of challenge and review were as follows (overleaf):

- (a) The information described above was collated and an early draft Statement was circulated to key officers for comment.
- (b) A cross party member review group considered the assurances supporting the AGS and provided comment on the early draft, including issues to be reflected in the Action Plan.
- (c) Key officers, e.g. Chief Executive, S151 Officer, Monitoring Officer, Deputy Monitoring Officer, Head of HR & OD, considered and suggested issues to be reflected in the AGS and the Action Plan.
- (d) The comments were amalgamated into a further draft that was then provided to members of the Senior Management Team for further challenge. The draft AGS and Action Plan were amended accordingly.
- (e) The cross-party member review considered and provided comment on the final draft AGS and Action Plan.
- (f) The member review group comments were incorporated into the document.
- (g) The draft AGS issued to the Council's External Auditors for their views.
- (h) Presentation to the Finance & Audit Scrutiny Committee for approval.

**WARWICK DISTRICT COUNCIL**

**ANNUAL GOVERNANCE STATEMENT 2014/15**

**1 SCOPE OF RESPONSIBILITY**

- 1.1 Warwick District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for. Warwick District Council also has a duty under the Local Government Act 1999 to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions and arrangements for the management of risk.
- 1.3 Warwick District Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework, *Delivering Good Governance in Local Government*. A copy of the Code is on our website at [www.warwickdc.gov.uk](http://www.warwickdc.gov.uk) or can be obtained in hard copy form on request from the Audit and Risk Manager.
- 1.4 This statement explains how Warwick District Council has complied with the Code and meets the requirements of regulation 4(3) of the Accounts and Audit (England) Regulations 2011.

**2 THE PURPOSE OF THE GOVERNANCE FRAMEWORK**

- 2.1 The governance framework comprises the systems, processes, culture and values by which the Authority is directed and controlled and the activities through which it accounts to, engages with and leads the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Warwick District Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
- 2.3 The governance framework has been in place at Warwick District Council for the year ended 31<sup>st</sup> March 2015 and up to the date of approval of the statement of accounts.

### **3 THE GOVERNANCE FRAMEWORK**

The key elements of the systems, processes and activities that comprise the Authority's governance arrangements are as follows:

#### **3.1 Identifying and communicating the Authority's vision of its purpose and intended outcomes for citizens and service users**

3.1.1 In October 2010 the Council adopted Fit for the Future (FFF), its strategic response to dealing with the challenges of reduced income, rising customer expectations and demand. FFF provides a framework to help the Council make progress towards its organisational purpose "To make Warwick District a great place to live, work and visit". It sets out a range of activities, interventions and projects falling into two broad areas:

- a) Activities that are designed to improve community outcomes. These are developed by the Council's Service Areas or jointly with partners and relate to one or more of the priority or cross cutting themes of the Sustainable Community Strategy (SCS). A review of the SCS was undertaken during 2013 that led to a refreshed Strategy focusing on five priority themes with the first among equals being Prosperity.
- b) Activities that are designed to improve our organisation and the services provided by the Council. These activities aim to bring about the following improvements:
  - i) Money - delivering a balanced budget; whilst
  - ii) Service - maintaining or if possible improving the services we provide to customers; and
  - iii) People - helping develop our organisation and culture so that we are better able to improve continuously.

3.1.2 FFF was formulated following an extensive period of consideration and consultation that took account of:

- Warwick District Council's values
- The political ambitions of the Council's ruling Administration
- The Warwick Partnership Sustainable Community Strategy (for Warwick District)
- A Systems Thinking approach to service design
- An organisational design focusing on People and Place
- The state of public finances
- Information on the quality of life in Warwick District
- Information from the most recent Citizens' Panel Survey
- Strategy rationalisation
- Views of Members, staff, unions and various stakeholders and partners

3.1.3 A performance management system is in place to manage the progress of FFF. A wide range of measures are used to track the Council's progress and results are reported quarterly to Senior Management Team.

3.1.4 FFF has three strands covering the financial challenge, service quality and cultural change (money, services and people). A 2013 review of the Council's

governance arrangements reported that, whilst robust plans are in place to address the first two, the organisation needed to make progress in addressing the third. Cultural change was regarded as essential in achieving the first two strands and in achieving the Council's objectives overall.

- 3.1.5 Consequently, a plan of action to drive cultural change has been developed with the Senior Management Team (SMT) and was rolled out as part of the Chief Executive's annual presentation to employees in March 2013. Following on from this a consultant was engaged to kick start work on staff engagement in October 2013. This has resulted in a staff engagement action plan being created and implementation is underway. Activities within 2014/15 have included:

Communication of FFF reviewed and refreshed to ensure it is meaningful to all staff.

A Staff Council has been created, Staff Voice with 25 staff representatives from all service areas covering all sites.

Core Brief has been revamped with a focus on ensuring articles are engaging and relevant to the audience, including highlights from management team meetings.

Senior Officer Meetings are planned in more detail, with a focus on what the presenter wants Senior Officers to know and take back to their teams. They are interesting, lively and interactive.

Jabber has been rolled out to all staff. It is a tool enabling staff to check others' availability instantly, to send quick messages without using e-mail, enables group conversations and desk top sharing to encourage collaborative working.

Rumour Mill was launched in February 2014. It is an anonymous communication tool, giving all staff the opportunity to ask questions, or make comments directly to the leadership without anyone knowing who asked the question.

'How we do it here' – An audit tool to allow the organisation to verify that staff have read and agreed to comply with corporate policies.

Where relevant this is linked with E-Learning to ensure learning has also been achieved.

CX Talk has a more informal approach to encourage interaction and engagement.

A review of the Engagement plan took place in Dec 14 with clear support from both Senior Management and Members regarding the approach we are taking to ensure we are in line with the People strand of FFF

The People Strategy Action Plan is now being reviewed for 2015-18 to include actions from the Investors in People Review and Peer review of 14/15.

- 3.1.6 The Council's Portfolio Holders each publish an annual Service Area Plan identifying and communicating the Council's priorities for the year. The statements are approved by Executive and published on the Council's website.
- 3.1.7 Progress in achieving the Council's objectives is communicated to the local community via a variety of media including the Council's website and local newspapers.

### **3.2 Reviewing the Authority's vision and its implications for the Authority's governance arrangements**

3.2.1 The SCS has a vision of improving the quality of life for all the residents of Warwick district by making the district a great place to live, work and visit. The review of the SCS in 2014/15 fed into the development of the Service Area Plans for 2014/15. It is possible that the Strategy will need revisiting once again following the elections in May 2015.

3.2.2 The 2013 review did not touch on the Council's constitutional governance arrangements. These can be summarised as follows:

- Council is the ultimate decision making body for those matters that have not been delegated to Executive, specific officers or are required to be taken at Council level by law.
- Executive will make decisions in respect of the majority of Council matters or make recommendations to the Council.
- Overview and Scrutiny Committee will have oversight responsibility for policy development and performance monitoring whilst Finance and Audit Scrutiny Committee will oversee the adequacy of the Council's risk management and control frameworks, especially that of financial control.

3.2.3 A great deal of progress has been made in engaging the Scrutiny Committees in a new approach to scrutiny, particularly in the area of Partnerships, Service Area Plans and, most especially, Risk Registers (service and corporate) and Contract Registers.

3.2.4 The Group Leaders, with assistance from the Overview & Scrutiny Committee, review annually the terms of reference and work of Members appointed to outside bodies. This helps ensure the Council is focused on its key role within the community and helps to reduce potential conflicts of interests for Councillors. This has seen a reduction in the numbers appointed and will likely lead to further reductions in 2015.

### **3.3 Measuring the quality of service for users, for ensuring they are delivered in accordance with the Authority's objectives and for ensuring that they represent the best use of resources**

3.3.1 Performance monitoring and reporting mechanisms ensure performance management is embedded into the core management structures of the organisation. The Council has moved away from performance targets as it is considered that these act as a barrier to the ethos of continuous improvement. In their place the Council is using key performance measures to track service delivery progress. Key customer performance measures are identified in the Service Plans.

3.3.2 The Council is committed to actively consulting and involving the public in improving services. It measures regularly the experience of users of its services and gathers citizens' opinions on a variety of subjects. To this end, it employs various devices including an annual Housing Services survey, Customer Service surveys, Community Forums, online polls and online consultations.

- 3.3.3 The Council has adopted an approach that does not use targets as a basis for monitoring. We measure things to learn about how well we are delivering our purpose and what matters to customers and to enable us to understand what we need to do to improve continuously. To this end, service areas gather data against measures identified during the Service Area Planning process.
- 3.3.4 Where service falls below customer expectations it often manifests itself in complaints. The Complaints Policy has been reviewed and is due to be formally approved and introduced in the next 12 months. There will also be consideration of the resources given to supporting this as part of the current support services review. The trends for complaints are monitored through the corporate measures process.
- 3.3.5 Benchmarking is seen as a key tool for managing performance through comparing process and cost with others. Finance services such as accountancy, internal audit, treasury management, payroll and debtors are periodically benchmarked against other local authorities in terms of price and performance.
- 3.4 **Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and other functions, with clear delegation arrangements and protocols for effective communication**
- 3.4.1 The Constitution sets out the respective responsibilities of Members and Officers through Codes and Protocols. It sets out the terms of reference for the Council and all of the Council's Committees. The Executive reviews the Constitution on an ongoing basis and ensures the levels of delegation are appropriate. The review of the Council's Constitution is well underway. The Code of Conduct for Members, the Code of Conduct for Employees, the Member/Officer protocol, the Council Procedure Rules, the Responsibilities of Housing Appeal Review Panels and the Code of Procurement Practice have all been reviewed and adopted by Council. The Code of Financial Practice, Officer Scheme of Delegation, Public Speaking at Council and the Call-in procedure are due to be completed by the end of the Municipal year. This will leave just a few Constitution-related documents to be updated, the majority of which will be to ensure they reflect the other decisions taken on the Constitution. These will be completed by early winter 2015. (Action 1)
- 3.4.2 A management matrix shows the relationship between Portfolio Area and Service Area. This has been communicated to all service managers and is used as part of the induction programme for new staff.
- 3.5 **Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff**
- 3.5.1 The constitution contains a Member/Officer Protocol and Codes of Conduct for Members and Officers. All new Members and Officers receive a copy of their respective Codes and reference is often made to them in reports that are submitted to Committees.
- 3.5.2 There is a regular review of Member interests (detailed on the Council's website) by the Standards Committee and a six-monthly review by SMT of officer interests and declarations of gifts and hospitality. Staff are reminded



annually through their payslip of the need to make declarations for conflicts of interest.

- 3.5.3 There is an Anti-Fraud and Corruption Policy that is reviewed annually by Finance & Audit Scrutiny Committee. All new staff receive training on the Policy as part of the induction process and it is brought to the attention of all staff annually through the Council's Intranet.
- 3.5.4 The Council's Information Security & Conduct Policy (ISCP) defines the Council's standards of behaviour when using ICT equipment or managing information. In addition, the ISCP also includes 'acceptable use' policies. The ISCP is communicated to staff during the induction process and when a major revision has occurred. Individual aspects of the policy are also highlighted to staff via the 'Core Brief' or the Council's Intranet.
- 3.5.5 The Authority agreed Organisational Values in 2007. These are now reflected in the revised Appraisal and Competency Framework where the emphasis on 'How's work' forms part of a more flexible and tailored approach to the importance of the appraisal conversation. The Organisational Values have been a key element in the development of FFF.
- 3.5.6 There is significant concern that during the year yet more confidential information has been disclosed to third parties. It has been very difficult to identify the source of the "leak" but the damage is done as soon as the disclosure occurs. Both the Chief Executive and the Council's Leader have brought the matter to Council's attention on a number of occasions and the Monitoring Officer has written to Councillors advising of the legal implications of disclosure.
- 3.6 **Reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes/manuals, which define clearly how decisions are taken and the processes and controls required managing risks**
  - 3.6.1 The Code of Financial Practice and the Code of Procurement Practice form part of the Council's Constitution.
  - 3.6.2 Following thorough reviews, the updated Code of Procurement Practice was agreed by Council in January 2015, and the updated Code of Financial Practice was reviewed by Executive in March 2015 for agreement by Council in April. "e-Training" has been provided on the code of Financial Practice to all officers during 2014/15. Training on the Code of Procurement Practice has started to be rolled out to staff since January as part of broader Procurement workshop training. This training will continue to be provided during 2015 and will be supplemented by a further workshop that considers specifications and contract management. (Action 2)
  - 3.6.3 Training on the Code of Procurement Practice was offered two years ago to Members but take-up was not as comprehensive as required. Discussion with Members on this issue highlighted a need for Member training to be organised in a proactive, planned fashion. A Procurement training session is planned for members as part of the Member Training Programme being developed for after the 2015 elections. (Action 3)

- 3.6.4 A Procurement Strategy has been agreed by the Council and an annual Procurement Action Plan is monitored by Finance & Audit Scrutiny Committee. The Plan is overseen by the Procurement Manager who champions procurement issues across the Council.
- 3.6.5 Finance & Audit Scrutiny Committee has taken a keen interest in procurement, forming a Procurement Working Party of three members that has helped raise the profile of the function throughout the organisation. Finance & Audit Scrutiny Committee is reviewing all the Services' contract registers as part of a rolling programme.
- 3.6.6 A uniform report template sets out the standard information required for a Committee decision to be taken, and a protocol is in place for officer attendance at Committees. There are guidance notes for officers on writing reports. The template and associated guidance were updated during 2014.
- 3.6.7 A system has been set-up to monitor the implementation of Executive decisions. The Deputy Chief Executive now reviews the decisions on a three-month rolling basis.
- 3.6.8 The Council's Risk Management Policy Statement and Strategy is updated annually and reported to Finance & Audit Scrutiny Committee. This explains the methodology that provides a comprehensive framework for the management of risk throughout the Council. A cross-departmental Risk Management Group meets quarterly to help embed risk management across the Authority.
- 3.6.9 High level corporate risks are set out in the Significant Business Risk Register (SBRR) which is reviewed quarterly by SMT and then by Executive via Finance & Audit Scrutiny Committee. Risks relating to the FFF programme are incorporated within the SBRR.
- 3.6.10 Concerns had developed that some aspects of maintaining the SBRR may not be robust. Consequently, a review of the process for producing and monitoring the SBRR has been undertaken leading to much fuller engagement by SMT and ongoing oversight by the Council's Leader.
- 3.6.11 Operational risks are recorded on service risk registers. Services are required to review their risk registers on a regular (at least quarterly) basis with their portfolio holders. It is recognised that not all services adhere to this. (Action 4)
- 3.6.12 A programme of review of service risk registers by Finance & Audit Scrutiny Committee is in place that has helped greatly to raise awareness of good risk management.
- 3.6.13 Business continuity plans are in place across the council to help services react to emergency events. It is recognised, however, that several plans are in need of updating. (Action 5)
- 3.7 **Undertaking the core functions of an audit committee, as identified in CIPFA's *Audit Committees – Practice for Local Authorities***

- 3.7.1 The core functions of an audit committee are delivered by the Authority's Finance & Audit Scrutiny Committee. These are set out in its terms of reference approved by the Executive.
- 3.7.2 The main purposes of the Finance & Audit Scrutiny Committee are to provide independent assurance of the adequacy of the risk management framework and the associated control environment; 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; and to oversee the financial reporting process.
- 3.7.3 In addition to the main purposes of the Finance & Audit Scrutiny Committee it also:
- Approves (but not directs) Internal Audit's strategy and annual plan and reviews its performance
  - Reviews summary Internal Audit reports and the main issues arising and seeks assurance that action has been taken where necessary
  - Considers the reports of external audit and inspection agencies
  - Considers the effectiveness of the Authority's risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements
  - Seeks assurances that action is being taken on risk-related issues identified by auditors and inspectors
  - Satisfies itself that the Authority's assurance statements, including the Annual Governance Statement, properly reflect the risk environment and any actions required to improve it
  - Ensures that there are effective relationships between external and internal audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted
  - Reviews the financial statements, external auditor's opinion and reports to members and monitors management action in response to the issues raised by external audit.
  - Review the robustness of business cases
  - Promote value for money and good procurement practice
  - Make recommendation on good financial management practices
  - Keep the treasury management performance under review
  - Make recommendation to the Council regarding the approval of the Statement of Accounts in accordance with regulation 10 of the Accounts and Audit Regulations 2003.
  - Review specific Executive items and past decisions.

### 3.8 **Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful**

- 3.8.1 Compliance with law and regulation is assisted by recruiting suitably qualified staff and having job descriptions and personal specifications for all posts. All senior managers receive a local government briefing to alert them to changes in the external regulatory framework and major changes are identified for reports to the Executive or Council as appropriate. As part of the service planning process the impact of new laws is addressed.

- 3.8.2 SMT will monitor compliance with internal policies from time to time. Examples include: the annual review of appraisals undertaken; compliance with health and safety policy; monitoring of our Equality and Diversity annual report. Internal Audit will identify any key policies that might need to be tested as part of any audit.
- 3.8.3 To ensure expenditure is lawful the Council agrees detailed budgets. Managers responsible for the budgets are required to sign acceptance of them. The Code of Financial Practice and Code of Procurement Practice set out procedures to ensure lawful expenditure. Both Finance staff and the Chief Financial Officer are required to sign off Committee reports to ensure relevant financial issues have been addressed. Where appropriate, reports are considered by the Council's shared Legal Service. All Executive reports are considered by the Council's Monitoring Officer.
- 3.8.4 Budget monitoring takes place across the Council throughout the year, with regular reports being considered by SMT (monthly) and Executive (quarterly), with intelligence from across the authority informing the process. The budget monitoring process has continued to be reviewed, with specific consideration during 2014/15 of the capital budget and slippage of revenue and capital schemes, resulting in much greater scrutiny of these aspects. Services recognise, however, that there is still some scope for improvement in budget monitoring, including how the Property Management system ('ActiveH') and main financial system ('Total') are used together for budget monitoring. (Action 6)
- 3.8.5 There have been a limited number of projects in the last couple of years where the original project budget has proved to be insufficient. This has resulted in reports to members to seek additional funding. The reasons for the need for additional funding vary for each project. In view of this the Executive agreed that for all new building projects and professional services contracts from 1 April 2015, the Council adopts the RIBA staged process and for all other projects the Prince2 approach. By adopting this approach, it is intended that members should be able to have greater confidence in any estimates being presented for new schemes.
- 3.8.6 Establishing a shared Legal Service with the County Council has meant that arrangements have been put in place whereby there is a responsibility for the relevant Head of Service to satisfy themselves as to the legality of any recommendation and if there is any doubt seek advice.
- 3.8.7 The Council publishes a Forward Plan on a monthly basis that contains details of all decisions to be made by the Executive.
- 3.8.8 Following the report to members in March 2014 highlighting failing in procurement processes in parts of the organisation, the authority's approach to procurement has been reviewed. A more centralised approach is now adopted, requiring the Council's procurement team to be central to all procurement opportunities and providing instructions to officers. Alongside this, a comprehensive set of actions was identified, with these actions being monitored and reported to members during 2014/15.
- 3.9 **Whistle-blowing and arrangements for receiving and investigating complaints from the public**

- 3.9.1 An Anti-Fraud and Corruption Strategy and a Whistle-blowing Policy and Procedure are in place. Both documents are reviewed annually by Finance & Audit Committee and publicised widely, including on the Council's website.
- 3.9.2 The Anti-Fraud and Corruption Strategy comprises a series of measures and procedures that are designed to frustrate any attempted fraudulent or corrupt acts. This includes:
- Establishing the appropriate culture
  - Appointing statutory officers
  - Maintaining a Council committee structure which reviews decisions, examines specific issues and promotes high standards, as well as investigating alleged breaches of the code of conduct
  - Recruiting and retaining high calibre staff
  - Establishing relevant procedures and codes that form the Council's overall control framework
  - Exchanging information with other bodies
  - Undertaking a comprehensive approach to the preparation of the Annual Governance Statement.
- 3.9.3 The Strategy also describes the arrangements for investigating allegations of wrongdoing.
- 3.9.4 The Whistle-blowing Policy provides a channel for those that have serious concerns about any aspect of the Council's work to come forward and express those concerns anonymously and safely.
- 3.9.5 The Policy aims to:
- Encourage employees to feel confident in raising serious concerns and to question and act upon concerns about practice
  - Provide avenues for employees to raise those concerns and receive feedback on any action taken
  - Ensure that employees receive a response to their concerns and that they are aware of how to pursue them if they are not satisfied
  - Reassure employees that they will be protected from possible reprisals or victimisation if they have reported their concerns in good faith.
- 3.9.6 The policy gives examples of the possible concerns that may exist, how these should be raised and how the Council will respond. In the event of dissatisfaction, other avenues for raising concerns are also set out within the policy.
- 3.9.7 This includes the Council's confidential telephone helpline 'In Touch'.
- 3.9.8 The Council has a Complaints Policy that describes how members of the public can make a complaint. All investigating officers have attended the LGO training course on effective complaint handling. If a complainant is dissatisfied with the outcome of the initial investigation they can request that the complaint be investigated again. This will be by an officer outside of the service to which the complaint relates. If the complainant is still dissatisfied

they have the right to have the complaint referred to the Local Government Ombudsman for investigation and resolution.

**3.10 Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training**

3.10.1 There is a Members' Development Programme agreed by the Members' Development Group and Employment Committee.

3.10.2 Training for senior officers is identified through the induction programme and on an ongoing basis through the competency and personal development framework process that requires a review of development needs.

3.10.3 CMT attends appropriate training courses organised by the Society of Local Authority Chief Executives (SOLACE), West Midlands Employers (WME) and the Local Government Association (LGA) whilst all senior managers are encouraged to attend relevant professional seminars and conferences.

3.10.4 As identified earlier, training for senior officers and members is required in the areas of contract and financial management.

3.10.5 The review of governance arrangements two years ago confirmed a need to provide training for Portfolio Holders and Shadow Portfolio Holders to help them fulfil their role effectively. A short remit for these roles has been agreed and training on this is included within the member induction programme for 2015. (Action 7)

**3.11 Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation**

3.11.1 Locality Working, which has extended the remit of the local neighbourhood policing forums to cover the totality of local government working (District, County and Parish/Town) along with the Primary Care Trust and Voluntary and Community Sector, is now active in all parts of the District through the operation of 7 Community Forums. Forum attendees identify community priorities and allocate resources provided by the District and County Councils to specific projects.

3.11.2 The Community Engagement Strategy was developed on behalf of the Warwick Partnership Group as a means of enabling a dialogue between communities and public sector organisations. The Warwick Partnership led on the Community Engagement Strategy for Warwick District. As a result of the changes in the partnership landscape, however, the Community Engagement Strategy is no longer required. The focus is now on the adoption of a set of principles and values that will govern the community engagement work. In addition, the link with the Engaging Communities Co-ordination Project overseen by Warwickshire Community and Voluntary Action (WCAVA) provides a means for the Council to engage with communities of interest.

3.11.3 A Channel Strategy based on understanding customer behaviour and their needs was adopted in April 2012. The channels our customers use vary from more traditional ones like face-to-face and telephone to newer channels like social media and mobile web access. The strategy ensures we are focusing our

resources on the channels and services that are important to our customers. The associated action plan is now largely complete.

- 3.11.4 A Channel Strategy based on understanding customer behaviour and their needs was adopted in April 2012. The channels our customers use vary from more traditional ones like face-to-face and telephone to newer channels like social media and mobile web access. The strategy ensures we are focusing our resources on the channels and services that are important to our customers. The associated action plan is now complete.
- 3.11.5 A programme of work to improve service requests through the Council's website will commence during 2015. The programme, Digital by Default, will enable high-volume requests to be delivered fully electronically to ensure the customer receives an improved and efficient service.
- 3.11.6 An overarching Communications Strategy, containing an action plan with proposed improvements, was adopted in June 2013. This identifies the different ways the Council will deliver messages to its audiences in an organised and targeted way. Progress in implementing the action plan is reported quarterly to the Senior Management Team
- 3.12 **Incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the Authority's overall governance arrangements.**
- 3.12.1 The Council has updated its policy for managing its partnership arrangements. The governance arrangements for all partnerships have been reviewed with all lead officers being required to complete a Partnership Checklist to identify any governance weaknesses. All new partnerships must be approved by Executive with a partnership checklist accompanying the report presented to the Executive.
- 3.12.2 The Scrutiny Committees also have a role for reviewing the effectiveness of partnerships. This work has enabled Scrutiny Committees to play a valuable role in ensuring that the Council's partnerships remain effective and are value for money.
- 3.12.3 Last year's review of governance arrangements found that formal agreements such as a memorandum of understanding or service level agreement are not applied consistently to all shared service arrangements. No new shared service arrangements have been created in recent years although current agreements are kept under review.

## **4 REVIEW OF EFFECTIVENESS**

- 4.1 Warwick District Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by:
- the work of senior managers within the Authority who have responsibility for the development and maintenance of the governance environment;
  - the Audit & Risk Manager's annual report; and

- comments made by the external auditors and other review agencies and inspectorates.

4.2 The process that has been applied in maintaining and reviewing the effectiveness of the governance framework is as follows:

#### 4.3 **The Council**

4.3.1 The Council is responsible for agreeing the changes to the Constitution that have been developed during the year. This Annual Governance Statement is also reported to the Council when it approves the financial statements.

#### 4.4 **The Executive**

4.4.1 The Code of Corporate Governance brings together in one document all the governance and accountability arrangements which the Council currently has in place and highlights areas where more work is required. The Executive last agreed the Code of Corporate Governance in March 2008. Although it is endorsed by Standards Committee each year it is never-the-less due for a thorough review. (Action 8)

#### 4.5 **The Finance & Audit Scrutiny Committee and the Overview and Scrutiny Committee**

4.5.1 The Council has delegated to Finance & Audit Scrutiny Committee responsibility for discharging the functions of an audit committee. Its main purposes are to provide independent assurance of the adequacy of the risk management framework and the associated control environment; independent scrutiny of the authority's financial and non-financial performance; and oversee the financial reporting process.

4.5.2 Each quarter the committee reviews the findings from Internal Audit assignments completed during those periods, whilst annually it receives a report on the effectiveness of Internal Audit. It also considers reports from external audit and other review agencies as and when they are issued.

4.5.3 The rigour applied by these Committees in carrying out their scrutiny role has contributed to an effective governance framework and to the Council achieving its objectives. For example, the ongoing review by Finance & Audit Scrutiny Committee of service risk registers has improved risk management throughout the organisation and member championing of effective procurement has resulted in major improvements in procurement practice and the attainment of significant savings from the commissioning of goods and services.

#### 4.6 **The Standards Committee**

4.6.1 Following a review of the remit of the Standards Committee, responsibility for approving the Annual Governance Statement has moved to the Finance & Audit Scrutiny Committee operating, in effect, as the Council's Audit Committee.

#### 4.7 **Internal Audit**



- 4.7.1 Internal Audit is responsible for monitoring the quality and effectiveness of systems of internal control. A risk model is used to formulate a three-year plan which is approved by Finance & Audit Scrutiny Committee and from which the audit assignments are identified.
- 4.7.2 A report of each audit is submitted to the relevant Service Area Manager. The report includes an action plan comprising recommendations for improvements in control and management responses.
- 4.7.3 During the year Internal Audit gave moderate levels of assurance in respect of three key areas: Corporate Procurement, Shared Legal Services and Section 106 Agreements. It is important that recommendations relating to these reviews are acted upon in accordance with the required timescales. (Action 9)
- 4.7.4 Quarterly reports are issued to Members on progress in achieving the annual plan. The reports also contain copies of all action plans issued to managers in the quarter, details of any outstanding responses and, where the level of assurance given is less than substantial, copies of the audit reports.
- 4.7.5 The Internal Audit Section complies with the Public Sector Internal Audit Standards that came into force on 1 April 2013 and is subject to regular inspection by the Council's external auditors who place reliance on the work that the Section carries out.

#### 4.8 **Chief Financial Officer**

- 4.8.1 To comply with the CIPFA Code of Practice on Local Authority Accounting, a specific statement is required to be reported in the Annual Governance Statement on whether the authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer (CFO) in Local Government (2010) to ensure an effective system of internal control is maintained and operated in connection with the resources concerned.
- 4.8.2 The governance requirements in the Statement are that the CFO should be professionally qualified, report directly to the Chief Executive and be a member of the Leadership Team, with a status at least equivalent to other members. The Statement requires that if different organisational arrangements are adopted the reasons should be explained publicly in the authority's Annual Governance Report, together with how these deliver the same impact.
- 4.8.3 The Head of Finance has confirmed that the Council's financial management arrangements conform to the CIPFA Statement other than in 3 specific matters:
  - Head of Finance reporting directly to Chief Executive.
  - Head of Finance being a member of Leadership Team
  - Head of Finance having responsibility for Asset Management.
- 4.8.4 The Council's view is that the way it operates – the Head of Finance's regular attendance at CMT/Exec meetings, budget planning meetings, and numerous ad-hoc meetings – enables the officer to have unhindered access to the most senior officer as well as senior members. The Head of Finance reports to the Deputy

Chief Executive/Monitoring Officer. This way of operating has subsisted for several years without any apparent problems; consequently, the Council considers that the risk of there being a detriment to the authority is low.

4.8.5 With regard to asset management, responsibility for this comes under the Head of Housing & Property Services and the Council considers this is the appropriate place for it to be as that is where the expertise lies.

4.8.6 Naturally the Council will need to keep all reporting and responsibility arrangements under review and would be prepared readily to discuss any perceived shortcomings with the Council's external auditors if and when they arise.

#### **4.8 Other review/assurance mechanisms**

4.8.1 The Scrutiny Committees, the Standards Committee and External Audit contribute to the review of the Authority's compliance with policies, procedures, laws and regulations. Occasional use has been made of other review agencies such as peer assessors from the West Midlands Local Government Association, this latterly being in 2012, with a review update planned for summer 2014.

4.8.2 The Council is audited annually to ensure it meets a set of mandatory information assurance requirements set by central government called the Code of Connection (CoCo). CoCo requires local authorities to provide a compliance statement that documents how their information technology meets baseline requirements that are adopted from ISO 27001. The effective use of ICT Resources is critical in the efficient delivery of Council services to its citizens. ICT Governance is undertaken by the Council's ICT Steering Group and this group is responsible for ensuring that ICT resource allocation is directly aligned to Council priorities and appropriate reporting and monitoring arrangements have been put in place.

4.8.3 The Council has been Investors in People accredited since 1998 and received Bronze accreditation in 2011. A further review is planned for March 2015 in conjunction with a staff survey co-ordinated by the Staff Voice. A number of services are externally accredited against specific standards. Food Safety's ISO9000 quality management system was re-accredited during the year. In addition, Housing & Property Services achieved the Telecare Services Association's Platinum Standard and Cultural Services' leisure centres continue to be Approved Training Centres for the Institute of Qualified Lifeguards. The Plain English Campaign awarded the Council website its Internet Crystal Mark standard. The Council also received during the year the 'Positive about Disability' Award for its employee recruitment and selection processes. The Council's website was also awarded Digital Accessibility Centre Accreditation.

## **5 SIGNIFICANT GOVERNANCE ISSUES**

5.1 Governance issues that are identified for improvement are set out below. The actions have been identified from the processes involved in producing the statement (e.g. meeting with committee chairs) and from the sources of evidence supporting it (e.g. service assurance statements).

1. All constitution-related documents that have not been reviewed in the previous twelve months to be reviewed. (para. 3.4.1 above)
2. Service-specific contract management training to be delivered to relevant managers. (para. 3.6.2)
3. Procurement training to be provided to new Members. (para. 3.6.3)
4. Service risk registers to be reviewed by service management teams and portfolio holders on at least a quarterly basis. (para. 3.6.11)
5. Business Continuity Plans for services to be updated. (para. 3.6.13)
6. Budget monitoring systems to continue to be improved. (para. 3.8.4)
7. Training to be provided to Portfolio Holders and Shadow Portfolio Holders to help them fulfil their role effectively. (para. 3.10.5)
8. The Code of Corporate Governance to be reviewed and updated. (Brought forward from last year.) (para. 4.4.1)
9. To ensure that the necessary management actions emanating from the internal audit reviews of Corporate Procurement, Shared Legal Services and Section 106 Agreements (which all received moderate assurance opinions) are acted upon in accordance with the required timescales. (para 4.7.3)

5.2 We propose over the coming year to take steps to address the above matters to enhance further our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

**Signed:**

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Andrew Mobbs  
Leader of the Council


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Chris Elliott  
Chief Executive

**Dated:**

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 <b>Finance &amp; Audit Scrutiny Committee</b> <b>10 June 2015</b>		<b>Agenda Item No.</b>  <div style="text-align: right;"><b>8</b></div>
<b>Title</b>	Internal Audit Quarter 4 2014/15 Progress Report	
<b>For further information about this report please contact</b>	Richard Barr Tel: (01926) 456815 E Mail: richard.barr@warwickdc.gov.uk	
<b>Service Area</b>	Finance	
<b>Wards of the District directly affected</b>	Not applicable	
<b>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</b>	No	
<b>Date and meeting when issue was last considered and relevant minute number</b>	Finance and Audit Scrutiny Committee – 10 March 2015	
<b>Background Papers</b>	Internal Audit Reports	

<b>Contrary to the policy framework:</b>	No
<b>Contrary to the budgetary framework:</b>	No
<b>Key Decision?</b>	No
<b>Included within the Forward Plan? (If yes include reference number)</b>	No
<b>Equality &amp; Sustainability Impact Assessment Undertaken</b>	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	27 May 2015	Chris Elliott
Section 151 Officer	27 May 2015	Mike Snow
Monitoring Officer	27 May 2015	Andrew Jones
Human Resources		
Finance	27 May 2015	As Section 151 Officer
Portfolio Holder	27 May 2015	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 2014/15, summarises the audit work completed in the fourth quarter and provides assurance that action has been taken by managers in respect of the issues raised by Internal Audit.

## **2 RECOMMENDATIONS**

- 2.1 That the report 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 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 2014/15 is set out as Appendix 2.

9.2 As can be seen, the Audit Plan has been completed for the year.

## 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**

<b>Level of Assurance</b>	<b>Definition</b>
Substantial Assurance	There is a sound system of control in place and compliance with the key controls.
Moderate Assurance	Whilst the system of control is broadly satisfactory, there are weaknesses in the system that leaves some risks not addressed together with non-compliance with some of the controls, including key ones.
Limited Assurance	The system of control is 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 Fourteen audits were completed in the fourth quarter of 2014/15. 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 last quarter.
- 11.4 One of the audits completed during the quarter was awarded a lower than substantial assurance opinion. The audit was Newbold Comyn Leisure Centre. The report relating to this audit is set out as Appendix 4.

## 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 **first quarter of 2014/15** and **high risk** recommendations issued in the **third quarter of 2014/15** is set out as Appendix 5 to this report.
- 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 these earlier quarters.

## 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 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 2014/15: QUARTER 4****ANALYSIS OF PERFORMANCE****Time Spent: Audit Plan – Planned Vs Actual**

ACTIVITY	ANNUAL ALLOCATION (DAYS)	PROFILE ALLOCATION (DAYS)	ACTUAL TO DATE (DAYS)	VARIATION (DAYS)
<u>Planned Audit Work</u>	288.0	288.0	299.2	-11.2
<u>Other Time</u>				
Sundry audit advice	22.0	22.0	27.0	-5.0
Special investigations (e.g. Fraud/Irregularities)	18.0	18.0	3.7	+14.3
Corporate and departmental Initiatives	39.0	39.0	33.5	+5.5
Non-chargeable activities	114.0	114.0	124.4	-10.4
Leave and other absences	118.0	118.0	111.2	+6.8
<i>Total Other Time</i>	311.0	311.0	299.8	+11.2
<i>Total Time</i>	599.0	599.0	599.0	+0.0

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

AUDIT ASSIGNMENT	PLAN (DAYS)	TIME TAKEN (DAYS)	UNDER (+) / OVER (-)
Emergency Planning	8.0	5.9	+2.1
Business Continuity Management	7.0	5.9	+1.1
Partnership Working	12.0	9.9	+2.1
Collection of Council Tax	10.0	10.0	
Collection of National Non-Domestic Rates	Contracted-out audit		
Infrastructure Security and Resilience	Contracted-out audit		
Software Licensing	Contracted-out audit		
Data Protection	6.0	4.6	+1.4
Payment Card Industry Data Security Standards	8.0	7.2	+0.8
Communications	10.0	7.6	+2.4
Homelessness and Housing Advice	10.0	11.8	-1.8
Newbold Comyn Leisure Centre	14.0	11.5	+2.5
Economic Development	13.0	12.0	+1.0
Environmental Protection Functions	12.0	12.5	-0.5
Refuse Collection and Recycling	11.0	9.4	+1.6

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

Emergency Planning: Underspend due to efficiencies from combining the audit assignment with Business Continuity Management.

Communications: Underspend due to narrower scope than envisaged.

**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.	%
34	34	100.0	34	100.0	0	0.0

## APPENDIX 3

### **SUMMARY OF RECOMMENDATIONS AND MANAGEMENT RESPONSES FROM INTERNAL AUDIT REPORTS** **ISSUED QUARTER 4, 2014/15**

Report Reference	Recommendation	Risk Rating <sup>1</sup>	Responsible Officer	Management Response and Target Implementation Date
<b>Emergency Planning and Business Continuity Management – 30 March 2015</b>				
4.3.16	A decision should be taken as to whether the Elected Members Major Incident Plan is formally issued.	Low	Civil Contingencies Officer	Agreed. The issue will be discussed with the Portfolio Holder following the May elections. 30 June 2015.
4.4.14	Consideration should be given to undertaking some general awareness training for staff that are not included in the Gold and Silver groups.	Low	Civil Contingencies Officer	Agreed. Appropriate training will be provided. 31 March 2016.
<b>Partnership Working – 31 March 2015</b>				
4.3.3	The council's partnership policy should be reviewed and reported to Executive for approval.	Medium	Deputy Chief Executive	Policy will be reviewed by end of calendar year. 31 December 2015.

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

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

<b>Report Reference</b>	<b>Recommendation</b>	<b>Risk Rating<sup>1</sup></b>	<b>Responsible Officer</b>	<b>Management Response and Target Implementation Date</b>
4.4.9	How scrutiny of the council's partnerships should be undertaken should be included in the next review of the partnership policy.	Medium	Deputy Chief Executive	Agreed. See above. 31 December 2015.
4.5.6	A report should be presented to Executive seeking an exception to the council's Code of Procurement Practice for the work in managing local nature reserves.	Medium	Head of Neighbourhood Services	Procurement Manager has advised that WWT is a sole provider and that there is therefore no need to go out to tender or to get an exemption from Executive. Instead, the Procurement Manager is satisfied that the arrangements be added to the Contract Register in order to note future requirements and the expenditure.
4.6.2	The removal of partnership working should be recorded and managed in service area risk registers where appropriate.	Medium	Deputy Chief Executive	Agreed. To be actioned as part of the Policy review. 31 December 2015.
<b>Collection of Council Tax – 27 January 2015</b>				
4.3.10	Documentation should be produced and retained to support all debts written off.	Low	Exchequer Manager	Staff will be reminded that appropriate documentation is to be processed for all accounts to support write-off. Immediate.
4.3.12	The delegation of authorisation for writing off council tax debts over £1,000 to the Exchequer Manager should be formally documented.	Low	Head of Finance	Head of Finance to formally document the required delegated authorisation. 31 March 2015.

Report Reference	Recommendation	Risk Rating <sup>1</sup>	Responsible Officer	Management Response and Target Implementation Date
<b>Collection of National Non-Domestic Rates – 27 January 2015</b>				
4.1.2	To strengthen control the annual NNDR Civica billing audit evidence file should document clearly those items set out in paragraph 4.1.2 of the Internal Audit report.	Medium	Exchequer Manager	Agreed. Year-end Feb 15.
<b>Infrastructure Security and Resilience – 5 March 2015</b>				
3.2.2	The infrastructure team should review options around enabling firewall logging on the external firewalls.	Low	Head of ICT	The logging on the external firewall has been amended to match that of the internal firewall.
3.2.3	The 'warwick-support' account should be disabled on each of the firewalls and replaced with named individual administrator accounts for those requiring access.	Medium	Head of ICT	Individual accounts have been created for named individuals to remove the need to use the generic 'warwick-support' account.
3.4.3	The Admin, Administrator and Guest accounts should all be renamed as a matter of good practice.	Low	Head of ICT	The accounts listed have all been renamed.
3.5.6	Management should create a Disaster Recovery report template to be used during the next annual test. This should include the time taken to recover systems and services, whether recovery objectives have been met and include detail on any issues and/or actions arising from the testing.	Medium	Head of ICT	Accepted – A DR report template will be created in time for the 2015 DR test. November 2015.

Report Reference	Recommendation	Risk Rating <sup>1</sup>	Responsible Officer	Management Response and Target Implementation Date
<b>Software Licensing – 21 March 2015</b>				
3.3.3	ICT Management should document the process to be followed when entering / amending data regarding applications in Snow. This should include detail on which fields must be completed and the extent of evidence that should be attached.	Low	Head of ICT	Agreed. Ad documented process will be developed. June 2015.
3.4.3	ICT Management should perform an exercise to gather licensing information and evidence relating to 'line-of-business' applications. An ongoing requirement that business System Owners provide ICT with relevant license evidence at the point of acquisition should be introduced.	Medium	Head of ICT	Maintaining and verifying licence information can be an onerous task and therefore needs to be proportionate to the risk. It is believed that a number of our business applications have site licences or in-built connection counters which prevent licences being exceeded. ICT will conduct an audit of business app licensing models and seek further guidance from the ICT Steering Group. May 2015.
3.6.3	ICT Management should obtain assurance from Snow that the application accurately reflects the licenses purchased and detailed in the MLS and that any errors have been rectified.	Low	Head of ICT	The import of the MLS has been completed satisfactorily.



Report Reference	Recommendation	Risk Rating <sup>1</sup>	Responsible Officer	Management Response and Target Implementation Date
<b>Data Protection – 25 February 2015</b>				
<p>The purpose of the assignment was to ascertain progress in implementing recommendations from an earlier review and to assist with the implementation process on a consultancy basis.</p> <p>The audit noted that the original timescales envisaged for implementation (completion by July 2014) had subsequently proved unrealistic due to other priority demands on available resources and that the process is likely to slip into 2015/16. (Further Internal Audit input is planned to assist.)</p> <p>The audit concluded that the process of improving data protection governance arrangements in line with current law and good practice is clearly underway, although there are still some important areas to be progressed once the updated policy and guidance material is adopted.</p> <p>Compliance with the statutory provisions on subject access rights has shown significant improvement in the months since the 2014 audit, but the records still suggest failings within the Service Areas in ensuring that the response timescales are met.</p> <p>No new recommendations arose from this update.</p>				
<b>Payment Card Industry Data Security Standards – 30 March 2015</b>				
<p>The audit was undertaken to look at the approach that has been taken with regards to achieving PCI DSS compliance and the steps that still need to be taken. This included the methods used in securing the card payments and details taken by the Customer Services Centre at Warwickshire County Council on our behalf and payments taken at the various Cultural Services facilities.</p> <p>The Payment Card Industry Data Security Standard (PCI DSS) is mandated by the main card issuing companies (e.g. Visa, MasterCard, American Express etc.) and is an amalgamation of the standards that each company previously had in place.</p> <p>The aim of the standard is to help organisations proactively protect customer card data including PIN numbers and personal data held on the cards. The scope of the standard includes the ICT inventory that deals with the data, including any networks that the data may cross, and the physical security of the locations taking the payments.</p> <p>Non-compliance with the standard can lead to fines being levied and possibly the suspension of card payment acceptance.</p> <p>The audit concluded that there is a substantial degree of assurance that the measures being taken to ensure compliance with the Payment Card Industry Data Security Standard are appropriate.</p> <p>The review did highlight, however, that the Council has not yet completed the relevant self-assessments to show compliance and that, as a consequence, fines were being imposed on an ongoing basis amounting to approximately £10,000 for the current financial year. The report emphasised, therefore, the importance of completing the project as soon as possible.</p> <p>No formal recommendations are included in the report as staff are aware of the steps that are still required for compliance to be achieved (notably the introduction of a compliant solution for the Royal Spa Centre box office and the completion of the relevant self-assessments) and lessons to be learnt from the project have been identified by them.</p>				

Report Reference	Recommendation	Risk Rating <sup>1</sup>	Responsible Officer	Management Response and Target Implementation Date
<b>Communications – 27 January 2015</b>				
3.2.3	The links that the Communications strategy has with the People Strategy and Channel Strategy should be clearly established.	Low	Customer Contact Manager	Noted. The Channel Strategy is complete. The links with the People Strategy in relation to Staff Engagement are now in place with a regular update being provided to the People Strategy Steering Group. December 2014.
3.2.3	The ongoing Staff Engagement work should be incorporated within the Communications Strategy.	Low	Customer Contact Manager	The Staff Engagement work is incorporated within the Communication Strategy. January 2015.
3.2.3	The Communication Strategy Action Plan should be monitored and reported to the Senior Management Team at appropriate intervals.	Medium	Customer Contact Manager	An agenda item will be on the SMT agenda at regular intervals in addition to the Staff Engagement Action Plan updates. June 2015.
<b>Homelessness and Housing Advice – 3 March 2015</b>				
4.2.6	Care should be taken to ensure that documentation is retained with the correct case files (either electronic or paper based).	Low	Housing Advice & Allocations Manager	All staff will be reminded of the importance of document management. A monthly file audit will be introduced to monitor document management. 31 August 2015.

<b>Report Reference</b>	<b>Recommendation</b>	<b>Risk Rating<sup>1</sup></b>	<b>Responsible Officer</b>	<b>Management Response and Target Implementation Date</b>
4.3.5	Staff are reminded of the need to accurately complete all relevant fields in Active-H.	Low	Housing Advice & Allocations Manager	All staff will be reminded of the importance of completing fields on Active-H accurately. A monthly file audit will be introduced to monitor the accuracy of data entry. 31 August 2015.
<b>Newbold Comyn Leisure Centre – 10 March 2015</b>				
4.5.3	The £100 petty cash imprest should be repaid from one of NCLC's budgets.	Low	Sports Facilities Area Manager	Petty cash imprest account has been reimbursed from NCLC budget. Petty cash no longer in use in leisure centres and has been replaced by purchase cards with authorised users. 19 March 2015.
4.6.2	The stock control option in Flex should be used as intended to enable standard stock control to operate.	Medium	Operations Manager	Nominated Receptionist will be responsible for carrying out stock checks and report any concerns to Operations Manager. Operations Managers will review stock records on a monthly basis and address any discrepancies. 13 March 2015.
4.8.6	Supervisors and receptionists should be instructed to ensure that the end of shift cashing-up routine involves two people and that the cashing-up sheet is signed by both of them.	Medium	Operations Manager	A memo sent out to Receptionists and Supervisors instructing them to comply with regulation. Operations Manager will maintain an overview of compliance and raise irregularities with relevant staff. 13 March 2015.

<b>Report Reference</b>	<b>Recommendation</b>	<b>Risk Rating<sup>1</sup></b>	<b>Responsible Officer</b>	<b>Management Response and Target Implementation Date</b>
4.8.7	All staff responsible for issuing membership cards should be reminded of the importance of entering issue details on the log sheets.	Medium	Operations Manager	All staff reminded of the importance of completing membership card issue log. This will be monitored by the supervisors on an ongoing basis. Completed sheets are signed off by Operations Managers before being sent to Riverside House. 13 March 2015.
4.8.8	Managers at all sites should ensure that copies of all completed membership card log sheets are forwarded to the Business Support Manager.	Medium	Sports Facilities Area Manager	Operations Managers send their completed logs to the Business Support Manager who will check for accuracy. 31 March 2015.
4.8.12	The centre manager should ensure the correct application of VAT to invoices raised manually.	Medium	Operations Manager	All managers are aware that VAT needs to be added to fees and charges figures unless otherwise stated. Fees and charges document to be altered to make sure that non vat figures are clearly identifiable. 13 March 2015.
4.9.4	The centre manager should instruct all staff to complete and sign the signing in and out book and ensure that any visitors do the same.	Medium	Operations Manager	Memo gone out to all staff to say they have read and understood the requirement for staff and visitors to sign in and out. This will be monitored daily by the supervisor on each shift. 19 March 2015.

Report Reference	Recommendation	Risk Rating <sup>1</sup>	Responsible Officer	Management Response and Target Implementation Date
<b>Economic Development – 31 March 2015</b>				
3.5.7	Formal arrangements for scrutiny of DMO reports and accounts by senior management and Members should be established.	Medium	Head of Development Services / Head of Finance	Board reports to be circulated by ED&R manager to DS HoS and Head of Finance. Immediate. Annual Scrutiny Report or Presentation (depending on preference of scrutiny). Annually, by each November.
<b>Environmental Protection Functions – 30 January 2015</b>				
3.6.5 (1)	Enhanced exception reporting from APP Civica should be explored to comprehensively capture unclosed service request cases.	Low	Head of Health and Community Protection	Agreed. Now that we have filled a vacant post with some responsibility for collating performance data, this will be monitored through DMT meetings. April 2015.
3.6.5 (2)	Unclosed APP Civica service requests should be monitored at appropriate intervals to ensure prompt closure action where required.	Low	Head of Health and Community Protection	As above. April 2015.
3.9.6	The Contaminated Land Inspection Strategy should be revised to reflect the current approach to discharging the Council's obligations on contaminated land.	Low	Head of Health and Community Protection	The Strategy will be revised. June 2015.

Report Reference	Recommendation	Risk Rating <sup>1</sup>	Responsible Officer	Management Response and Target Implementation Date
<b>Refuse Collection and Recycling – 19 March 2015</b>				
4.2.15	Staff should again be reminded of the need to ensure that an appropriate level of detail is recorded on Flare so that anyone else reviewing the case can ascertain exactly what has been done to resolve the issue.	Medium	Senior Contract Officer	This work is ongoing and has been brought up in regular 1 to 1's with the Contract Officers. This will continue on a regular basis to ensure compliance. October 2015.
4.2.15	A review should be performed of the complaints that have not been closed on the system to ensure that action is, or has already been, taken as appropriate to investigate the issues raised.	Medium	Senior Contract Officer	Due to a recent Service Area restructure, a review of categorising will be carried out shortly. October 2015.
4.3.7	The issues identified in relation to the variation orders are investigated and are resolved as appropriate.	Low	Senior Contract Officer	The issues have been investigated and amended variation orders have been issued to the contractor. Completed.
4.5.2	A copy of the performance bond in relation to the contract should be obtained.	Low	Head of Neighbourhood Services	The issue is being followed up by the Head of Neighbourhood Services with Legal Services (WCC) who are currently looking into the issue. In progress.

**AUDIT REPORTS WITH MODERATE OR LOW LEVEL OF ASSURANCE  
ISSUED QUARTER 4 2014/15**

**Newbold Comyn Leisure Centre – 10 March 2015**

**1 Introduction**

- 1.1 As part of the 2014/15 Audit Plan an audit has recently been completed on the systems and procedures in place to manage Newbold Comyn Leisure Centre (NCLC).
- 1.2 This report outlines the approach to the audit and presents the findings and conclusions arising.

**2 Scope and objectives of the audit**

- 2.1 The audit was undertaken to review the operational, management and financial controls in place at NCLC.
- 2.2 The audit was based on a standard establishment audit programme which identifies the controls expected to be in place and then tests for the existence of those controls.
- 2.3 The areas examined were as follows:
- a) Ordering and payments.
  - b) Petty cash.
  - c) Stocks and stores.
  - d) Salaries and wages.
  - e) Income and cash security.
  - f) Facilities and risk management.
  - g) Budget planning and management.

**3 Background**

- 3.1 NCLC was opened in July 1990 and it is the largest of the council's leisure centres.
- 3.2 Several improvements and refurbishments have taken place since that time with the latest being the opening of a new fitness suite last month.

- 3.3 Estimated direct expenditure for 2014/15 is £946,500 with direct income being £888,900. The addition of support services and capital charges gives an overall net expenditure of £474,000.
- 3.4 The centre is currently being managed on an interim basis following the departure of the previous manager and pending the newly appointed manager taking up her duties in April.

#### **4 Findings**

- 4.1 In overall terms the audit drew the conclusion that NCLC is reasonably well managed and there are adequate controls in place.
- 4.2 Almost inevitably it was evident that some controls are not always being complied with and that there is on occasion a casual or careless regard for basic, standard procedures.

- 4.3 In respect of the areas listed at 2.3 the findings are as follows:

##### **4.4 Ordering and payments**

- 4.4.1 Although the latest budget for direct expenditure at NCLC is £946,500 the vast majority of it relates to employee and building costs. Most purchasing activity is relatively minor.
- 4.4.2 For those purchases above the minor level e.g. chemicals, cleaning materials and items for resale they have been combined across all of the Culture sites under contracts and are ordered accordingly.
- 4.4.3 A sample of purchases made by NCLC was selected for examination and in all cases the proper procedures had been followed.

##### **4.5 Petty cash**

- 4.5.1 During the opening meeting to go through the scope of the audit the question of petty cash was raised. The response was the production of a completely empty tin from a desk drawer; there was no money or vouchers and no explanation of the whereabouts of the expected £100 imprest.
- 4.5.2 The use of petty cash is being phased out across the council with appropriate staff being issued with purchase cards and any petty cash floats being repaid. There was no evidence to suggest that the NCLC float had been returned so the balance of £100 is still shown in TOTAL as being live.
- 4.5.3 In order to rectify the position and to avoid an erroneous £100 appearing in the council's balance sheet under "Cash in hand" the money needs to be found from one of the NCLC budgets and repaid.



### ***Risk***

***There will be a misreporting, albeit very minor, of the council's financial position in the balance sheet.***

### ***Recommendations***

***The £100 petty cash imprest should be repaid from one of NCLC's budgets.***

## **4.6 Stocks and stores**

- 4.6.1 A number of swimming-related items e.g. goggles, towels and armbands are sold at reception with the sales being recorded in Flex. The option exists to record purchases in Flex and to produce details of stock levels to check against the physical stock.
- 4.6.2 Surprisingly, given that Flex has been in use for many years, the stock control option was not being used and the reason given was that staff were not familiar with it. Accordingly there are no reliable stock control measures in place.

### ***Risks***

***There are no reliable stock control measures in place.***

***Resale items could be misappropriated.***

### ***Recommendation***

***The stock control option in Flex should be used as intended to enable standard stock control to operate.***

## **4.7 Salaries and wages**

- 4.7.1 The payment of salaries and wages at leisure centres is, and always has been, a complex process. Staff work to a rota system, staff sometimes take on the responsibilities of a supervisor, overtime is worked, tuition is provided thereby attracting an increased rate of pay, etc.
- 4.7.2 The weekly rotas are seen as the key document for evidencing payments but as they are produced in advance there are inevitably numerous changes to them as a result of leave, sickness or other necessary staffing changes. They can be difficult to interpret sometimes as a result of all the alterations and the habit of using only a member of staff's first name or nickname. This has always been the case.
- 4.7.3 If permanent staff complete their standard hours then no forms need to be completed but if they undertake tuition, overtime or additional responsibility then details are recorded on a monthly sheet and signed.

The figures are transferred to a summary sheet which is checked and signed by the manager and authorised centrally before being passed to Payroll.

4.7.4 Casual staff complete a weekly timesheet which is signed by them, checked and signed by a supervisor and then authorised.

4.7.5 Testing was carried out on a sample of additional payments to permanent staff and weekly timesheets and this proved satisfactory.

#### 4.8 **Income and cash security**

4.8.1 All of the casual income at NCLC is collected through Flex, using standard procedures that have remained virtually unchanged for many years. A significant proportion of the centre's income is from the various types of membership and this is collected mainly by Direct Debit and dealt with centrally. Sundry debtor accounts are used to collect the income from swimming clubs and schools.

4.8.2 The income collected through Flex is recorded on daily and weekly returns. Processing the weekly return and monitoring the corresponding bankings takes place in Culture. The task of monitoring income at all council establishments was until fairly recently undertaken in Finance but as a result of staffing resources it was transferred to Culture where it has proved to be slightly problematical, particularly in the case of the Royal Spa Centre.

4.8.3 Processing of the weekly returns is always a few weeks in arrear and the situation is being monitored given the fast approaching year end. The Finance view is that although the situation is not ideal it is not too serious at this stage.

4.8.4 As already mentioned income collection is bound in long-standing, well-established procedures that are often ignored and consequently highlighted in audit reports.

4.8.5 The key document in the end of shift cashing-up routine is a standard cashing-up sheet which records the takings in the till (this is done first) and then records the takings in Flex and any discrepancies. Minor discrepancies are tolerated and anything significant is investigated.

4.8.6 The routine is carried out by the receptionist and a supervisor who then sign the cashing-up sheet as a true record. Having two people involved ensures the reliability and accuracy of the process. An examination of the sheets for January revealed that on 23 occasions there was only one signature on the sheet and on one occasion no signatures. (There were 60 cash-ups in January).

#### ***Risks***

***Standard procedures may be ignored.***

***Cashing-up by one person provides scope for abuse and leaves that person vulnerable in the event of queries.***

***Recommendation***

***Supervisors and receptionists should be instructed to ensure that the end of shift cashing-up routine involves two people and that the cashing up-sheet is signed by both of them.***

- 4.8.7 Customers who pay for a membership package receive a swipe style plastic membership card. Following an investigation in 2011 into the misuse of membership cards additional controls were introduced to help prevent a recurrence. One of the controls was that every time a card is issued or renewed the details i.e. name, number, date and Flex receipt number should be entered on a log sheet. A brief examination of the log sheets for January revealed gaps in the card numbers recorded.

***Risk***

***Cards may not be accounted for.***

***Cards may be issued and used fraudulently.***

***Recommendation***

***All staff responsible for issuing membership cards should be reminded of the importance of entering issue details on the log sheets.***

- 4.8.8 Another control that was introduced was that copies of the log sheets should be forwarded to the Business Support Manager so that he could monitor compliance and carry out any checks he considered appropriate. Copies of the log sheets for all sites have not been forwarded to him for some considerable time.

***Risk***

***No regular monitoring of membership card issue can be performed.***

***Cards may be issued and used fraudulently.***

***Recommendation***

***Managers of all sites should ensure that copies of all completed membership card log sheets are forwarded to the Business Support Manager.***

- 4.8.9 VAT on leisure centre income is dealt with automatically by Flex and the banking process and en bloc for Direct Debit income. Over the years there have been problems with the treatment of VAT when sundry debtor invoices are raised manually and particularly when swimming

clubs have block bookings of the pool.

- 4.8.10 If swimming clubs meet certain HMRC criteria they do not pay VAT on the hire of any facilities i.e. the pool. The same concession applies to all other clubs and their hiring of sports facilities e.g. badminton and football.
- 4.8.11 An examination of the swimming club income at NCLC revealed an inconsistent approach to the treatment of VAT. In some cases VAT was dealt with correctly in that clubs were charged the hourly rate for the hire of the pool with no adjustment whereas in others VAT was deducted incorrectly from the charge.
- 4.8.12 The net result is that just over £2,000 has been allocated to VAT as opposed to the Swim Club income budget. Conversely just over £300 should have been allocated to VAT. Details have been forwarded to Finance with a request to make the necessary adjustments.

### **Risks**

**Mistreatment of VAT can result in a loss of income to leisure centres.**

**A lack of understanding can result in invoices being raised incorrectly.**

### **Recommendation**

**The centre manager should ensure the correct application of VAT to invoices raised manually.**

## **4.9 Facilities and risk management**

- 4.9.1 Security features at NCLC include a CCTV system, an alarm system for when the building is closed and keeping relevant doors locked. Keys and alarm codes are restricted to appropriate staff.
- 4.9.2 At the time of the audit the mechanism of the coded lock on the door to reception was broken which oddly enough improved security. Previous audits and spot checks at NCLC have often found the door to be unlocked. Now it is permanently locked and access is controlled by the release button under the counter in reception.
- 4.9.3 An inventory of all equipment and furniture at NCLC has been supplied to the Insurance and Risk Officer and it is dated 4 June 2014.
- 4.9.4 A signing in and out book for staff and visitors is held in reception. It is largely ignored which might suggest that it is in the wrong location or that staff haven't been told to complete it.

### ***Risks***

***Staff and visitor whereabouts could be unknown in the event of an emergency or an evacuation.***

***Staff do not work their allotted hours if there is no record of arrival and departure.***

### ***Recommendation***

***The centre manager should instruct all staff to complete and sign the signing in and out book and ensure that any visitors do the same.***

- 4.9.5 The risk register for Culture contains several generic risks that apply equally to all services e.g. staffing, power, IT, data, plant, fraud etc. In addition there are a number of specific sports and leisure risks identified.

#### **4.10 Budget planning and management**

- 4.10.1 The scale and impact of the budgets for leisure centres is such that they are subject to fairly close scrutiny under the corporate budget monitoring process. Most aspects of budgetary control are carried out centrally in Culture and not on site.
- 4.10.2 An examination of the budgets for the last two complete years revealed a number of variations, as expected, but the overall situation was very much in line with estimates.

### **5 Conclusion**

- 5.1 The audit identified some areas where control could be improved but overall concluded that systems and procedures in place to manage NCLC are sound.
- 5.2 The audit can therefore give a **MODERATE** level of assurance that the systems and procedures in place are appropriate and working effectively.

### **6 Management Action**

- 6.1 Recommendations to address the issues raised are reproduced in the Action Plan for management response.

**CURRENT IMPLEMENTATION POSITION FOR LOW AND MEDIUM RISK RECOMMENDATIONS**  
**ISSUED IN QUARTER 1 2014/15**

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE	CURRENT STATE OF IMPLEMENTATION PER MANAGER
<b>Corporate Procurement – 6 June 2014</b>		
A fundamental review of the Procurement Strategy should be undertaken with a view to instilling a 'road map' approach and SMART principles, and the resultant revised document submitted to Executive for adoption.	<i>Deputy Chief Executive (AJ) / Head of Finance:</i> The Strategy is being reviewed and updated along with all the other key procurement policies. December 2014 Executive.	Procurement Strategy updated and presented to members in March 2015.
Respective roles of Members and senior managers in the strategic leadership of procurement should be clarified and correctly represented in the revised Procurement Strategy and the Significant Business Risk Register as applicable.	<i>Deputy Chief Executive (AJ) / Head of Finance:</i> Roles will be reviewed and clarified as part of the review of procurement policies/documentation. December 2014 Executive. The SBRR responsibility will be reviewed when SMT next consider it. July 2014	Roles clarified within updated Code of Procurement Practice and Procurement Strategy. Responsibilities within SBRR for procurement reviewed by SMT and Executive with amendments to clarify.

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE	CURRENT STATE OF IMPLEMENTATION PER MANAGER
The role of the Procurement Board should be reviewed and codified into agreed terms of reference, ensuring that they appropriately complement and do not conflict with the respective roles of Members and senior managers.	<i>Deputy Chief Executive (AJ):</i> As the Procurement Board is still in its infancy, the terms of reference still are to be formally agreed. This will be reviewed at the next meeting of the Board. September 2014 TBA.	New Procurement Strategy and Code in place. Due to workload and other priorities, it has not been possible to progress the Board and so, for the time being, the Procurement Board has been disbanded. Further consideration still required as to whether the proposed Board will add value, and its potential role. Should it become apparent that there is a need for such a Board, the situation will be reviewed.
The Council's Intranet resource should be reviewed and enhanced to secure a complete and accessible purchasing framework that encompasses all corporate sourcing arrangements (including buying consortia and framework agreements) along with details of applicable contact officers	<i>Procurement Manager:</i> Intranet page to be reviewed and updated following agreement of updated procurement policies. January 2015. Feasibility and plan for details of "sourcing arrangements" to be considered. March 2015.	Procurement Awareness training currently underway, with completion by end of June 2015. Further advanced training planned, along with Contract Management which is currently being arranged by HR. Induction training to be considered with HR to agree if appropriate to be part of formal induction programme.
Incorporation of procurement into the corporate Learning and Development Programme and mandatory employee induction training should be explored in consultation with Human Resources.	<i>Procurement Manager:</i> Consideration of procurement training programme and the best way to manage as part induction process being discussed with HR. June 2014.	Procurement Strategy and Action plan now updated with more specific actions included.

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE	CURRENT STATE OF IMPLEMENTATION PER MANAGER
Monitoring mechanisms should be established in accordance with agreed roles and clear management objectives which in turn should be clearly defined in the Procurement Strategy.	<i>Head of Finance / Procurement Manager:</i> Being addressed as part of review of procurement policies/documentation. December 2014.	Procurement Strategy Reviewed and updated. Working with ICT to put arrangements in place to assist in managing Procurement workflows.
The formulation of the Procurement Strategy and Action Plan should have regard to the Strategy's role of informing projects relating to procurement represented in the Service Delivery Plans (especially Finance).	<i>Head of Finance / Procurement Manager:</i> To be reviewed as part of update of Strategy, and clarify where such projects should be detailed having regard to the Contract Register and the Team Operational Plan. December 2014.	2015/15 Team Operational Plan being produced based on Contract Register updates and new ICT arrangements (see above).
Re-introduction of annual team operational plans for the Procurement Team should be considered.	<i>Procurement Manager:</i> Being produced based on updated Contracts Register and meetings held with budget/contract managers. July 2014.	Procurement Awareness training currently underway, with completion by end of June 2015. Further advanced training planned, along with Contract Management which is currently being arranged by HR. Induction training to be considered with HR to agree if appropriate to be part of formal induction programme.



RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE	CURRENT STATE OF IMPLEMENTATION PER MANAGER
<b>Banking Arrangements – 24 June 2014</b>		
The Code of Financial Practice should be updated on the council's website, as per the amendment approved by Executive.	<i>Assistant Accountant (Capital &amp; Treasury Management):</i> The website version of the Code of Financial Practice will be updated to include the amendment. July 2014.	The last revision of the Code of Financial Practice omitted this amendment which will now be included in the next revision.
Interest received on the Business Deposit Account should be checked to the council's own calculations on a quarterly basis to ensure that any discrepancies noted can be queried in a timely manner.	<i>Assistant Accountant / Principal Accountant (Capital &amp; Treasury Management):</i> The actual interest credited to the BDA will be checked against our spreadsheet and any significant discrepancy reported to the Bank. Immediate.	Business Deposit Account now reconciled on a regular basis. Interest is now paid to WDC gross.

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE	CURRENT STATE OF IMPLEMENTATION PER MANAGER
<p>The old cheque stock should either be used (if they are still valid cheques) or be securely destroyed.</p>	<p><i>Finance Admin Manager:</i></p> <p>The old cheque stock does not contain valid cheques and can no longer be used; each box has been clearly marked with an "X" to ensure that they are not issued and they are stored on the top shelf of the cabinet separate to the current valid stock.</p> <p>However, arrangements will be made to ensure that the old stock is securely disposed of / destroyed to remove all risk.</p> <p>July 2014.</p>	<p>Update 29<sup>th</sup> April 2015;</p> <p>The following invalid / old cheque stock was securely destroyed on 2<sup>nd</sup> July 2014:</p> <p>00858001-00859000  00857001-00858000  00854001-00855000  00855001-00856000  00856001-00857000  765001-766000  766001-767000  767001-768000  768001-769000</p> <p>Multiple cancelled cheques between the date range of 1998-2012 were also securely destroyed on 2<sup>nd</sup> July 2014.</p> <p>This has been noted and signed-off on the FSTeam Cheque Reconciliation 2014/2015 form. I can confirm that monthly reconciliations cheques are undertaken and the only stock now held is the current / valid supply.</p>

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE	CURRENT STATE OF IMPLEMENTATION PER MANAGER
<b>Lettings and Void Control – 24 June 2014</b>		
Expansion of the Housing Advice Manual to incorporate Lettings functions should be considered as part of the updating process.	<i>Housing Advice Manager:</i> This has already been considered. A meeting has already taken place with the provider to discuss how this will be taken forward. March 2015.	An Additional meeting has taken place due to some out of date information on the housing advice manual. This is continuing to be updated. April 2015
Staff should be reminded that all retained copies of documents proving identity, residency and household of applicants must be endorsed 'certified true copy' with date and signature.	<i>Housing Advice Manager:</i> The Housing Advice service is currently moving to electronic working. Therefore documents received will be scanned in not photocopied. Measures are being considered as to the risk of not certifying as a true copy and the risks to the Local Authority. December 2014.	Scanning all documents received is in full operation. Documentation is regularly monitored and risks are being assessed on certifying true documents. April 2015
The Council's position should be reviewed with regard to the two Leamington Spa guest houses used for homeless placements in the light of possible VAT irregularities.	<i>Housing Advice Manager:</i> A review of the temporary accommodation is planned for when the re-structure is in place (September 2014). Steps have already been taken to address the issues with VAT and B&B placement. December 2014.	We are currently in the early stages of undertaking a review of the Temporary Accommodation and the usage of B&B.

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE	CURRENT STATE OF IMPLEMENTATION PER MANAGER
System alerts or reporting should be pursued to support the scheduling of settling-in visits by ensuring that all applicable tenancy commencements are identified.	<i>Sustaining Tenancies Manager:</i> System to be set up on HPM, in the meantime a spreadsheet will be used to schedule settling in visits. Spread sheet system in place from 1/7/2014.	HPS currently have other priority IT projects, – no implementation date at present for setting up Settling-in visits on HPM.  Spread sheet system has been in place from 1/7/2014.  Please note that the responsible officer is Tenancy Manager – Sue Sweeney.
Specific standards and filing conventions for documentation on mutual exchanges should be considered along with logging of significant events in ActiveH.	<i>Sustaining Tenancies Manager:</i> HPM needs to be set up on ActiveH, the priority will be set by the IT group. December 2014.	Logging of significant events such as dob - to be implemented by Business Support Manager from June 2016  HPS currently have other priority IT projects – no implementation date at present for up mutual exchanges on HPM.  Please note that the responsible officer is Tenancy Manager – Sue Sweeney.
<b>Community Leisure Facilities – 27 May 2014</b>		
Folios need to include sufficient levels of detail (i.e. include usage details regarding peak / off-peak and junior / adult bookings) and are consistent in the names used for hirers to ensure that duplicate debtors are not set up.	<i>Operations Managers:</i> Staff at site who compile the folios have been instructed to increase the detail on the folios.  Change of address / hirer details will be flagged up to the business support team when the invoice is sent for processing.  June 2014.	This has been fully implemented. The business support team have contacted all hirers and have up to date details for all. They will continue to manage the customer database for hirers.

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE	CURRENT STATE OF IMPLEMENTATION PER MANAGER
Correct prices should be charged for all bookings.	<p><i>Operations Managers:</i></p> <p>Errors on folios have now been addressed.</p> <p>The Sports Facilities Area Manager has been emailed and has confirmed that off peak charges will apply at weekends as current usage may suffer if this error is rectified. Usage at weekends is not high and an increase in price would probably prove detrimental.</p> <p>June 2014.</p>	Ongoing monitoring by the Area Manager.
Confirmation of booking and insurance details needs to be obtained regarding the hiring of Meadow Community Sports Centre by the specific user.	<p><i>Operations Manager (AF / CF):</i></p> <p>Supervisors have been tasked to obtain up to date insurance for bookings.</p> <p>July 2014.</p>	<p>Operations Managers – to ensure all booking form accompanied by relevant documents.</p> <p>Ongoing specific monitoring by the Area Manager to ensure form are on file.</p>
Cash collection receipts should be cross referenced to the relevant cash sheets and / or paying in slips at Meadow Community Sports Centre.	<p><i>Operations Manager (AF / CF):</i></p> <p>Cash collection receipts will now be affixed to the daily sheets on the day of the collection which is the procedure at the leisure centres.</p> <p>June 2014.</p>	Ongoing monitoring by the Area Manager to audit cash collection receipts.

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE	CURRENT STATE OF IMPLEMENTATION PER MANAGER
The inventory for Meadow Community Sports Centre should be updated and purged of consumable items.	<i>Operations Manager (AF / CF):</i> Supervisor at Meadows is currently updating the inventory. June 2014.	Inventories are fully up to date and Operations Manager will ensure they are completed annually.
<b>Documents Store – 10 June 2014</b>		
Consideration should be given to the formulation of a policy on secure document storage such that staff are clear as to which types of documents must be held in the Document Store. A policy should include details of retention periods for the various documents.	<i>Deputy Chief Executive (AJ) / DMC Team Leader:</i> A policy will be drafted for consultation with the aim of having an agreed policy by the end of the year. 31 December 2014.	Revised date agreed with line manager, Fiona Clark: 31 December 2015
Details should be publicised on the Intranet, and included on the DMC pages, of the management arrangements for the Document Store together with instructions for adding new documents and access arrangements covering removing and returning documents.	<i>DMC Team Leader:</i> Initial dialogue has commenced and a plan is being progressed. 30 September 2014.	Revised date agreed with line manager, Fiona Clark: 31 December 2015. This is because of delays in implementing new intranet.
Regular inspections of the Document Store should take place to ensure that the log and contents agree and that all documents are in place.	<i>DMC Team Leader:</i> Regular weekly inspections have now been implemented. 30 June 2014.	No further response required – Recommendation already implemented.

**CURRENT IMPLEMENTATION POSITION FOR HIGH RISK RECOMMENDATIONS**  
**ISSUED IN QUARTER 3 2014/15**

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE	CURRENT STATE OF IMPLEMENTATION PER MANAGER
<b>Section 106 Agreements – 14 January 2015</b>		
The planned monitoring processes set out should be put in place as a key priority.	<p><i>Development Manager &amp; Enforcement Manager:</i></p> <p>Agreed. The course of action is included in the Development Services draft Improvement Plan.</p> <p>In view of the complexity of the project, the Development Manager will advise Internal Audit should any issues come to light which may affect the completion date.</p> <p>End Feb 2015.</p>	<p>Comprehensive monitoring processes now in the course of being implemented in practice:-</p> <ul style="list-style-type: none"> <li>• S106 monitoring spreadsheet (at the core of monitoring process) completed; details now being double checked as part of which it has been shared with all other WDC service areas.</li> <li>• Ongoing liaison with external partners has commenced with joint working protocol being progressed.</li> <li>• The working up of financial protocols also being progressed internally.</li> </ul>