

Finance & Audit Scrutiny Committee Wednesday 9 December 2020

A meeting of the above Committee will be held remotely on Wednesday 9 December 2020, at 6.00pm and available for the public to watch via the Warwick District Council [YouTube channel](#).

Councillor Nicholls (Chair)

Councillor L Bartlett

Councillor G Illingworth

Councillor J Dearing

Councillor M Luckhurst

Councillor R Dickson

Councillor S Syson

Councillor J Grey

Councillor J Tracey

Councillor T Heath

Councillor T Wright

Agenda Part A – General

1. Apologies & Substitutes

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

2. Declarations of Interest

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

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

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

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

3. Minutes

To confirm the minutes of the meeting held on 11 November 2020

(Pages 1 to 5)

Part B – Audit Items

4. Internal Audit Quarter 2 2020/21 Progress Report

To consider a report from Finance

(Pages 1 to 28 & Appendices A-F, online only)

5. Statement of Accounts and update from External Audit

To consider a report from Finance

(Pages 1 to 25)

Part C – Scrutiny Items

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

To consider a report from Civic & Committee Services

(Pages 1 to 7)

7. Executive Agenda (Non-Confidential Items and Reports) – Thursday 10 December 2020

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

(Circulated Separately)

8. Public & Press

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

9. Executive Agenda (Confidential Items and Reports) – Thursday 10 December 2020

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

(Circulated separately)

Published Tuesday 1 December 2020

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prior to the meeting, by telephoning (01926)
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Finance and Audit Scrutiny Committee

Minutes of the remote meeting held on Wednesday 11 November 2020 at 6.00pm, which was broadcast live via the Council's YouTube Channel.

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

Also present: Councillors Day (Leader of the Council) and Hales (Portfolio Holder for Business & Finance).

31. **Apologies and Substitutes**

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

32. **Declarations of Interest**

There were no declarations of interest made.

33. **Minutes**

The minutes of the meeting held on 30 September 2020 were taken as read and signed by the Chair as a correct record.

34. **Public and Press**

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

35. **Executive Agenda (Confidential Items and Reports) – Tuesday 17 November 2020**

The Committee considered the following non-confidential items with their confidential appendices which would be discussed at the meeting of the Executive on 17 November 2020. These were considered in private session because it was felt the financial details contained in the appendices could not be separated from the public consideration of the report.

Item 4 & 12 - Sherbourne Resource Park – Proposal to become a Partner Council

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

Item 6 & 14 – Creative Quarter: Spencer Yard

The Finance & Audit Scrutiny Committee recommended to the Executive that authority should be delegated to the Deputy Chief Executive (BH) in consultation with the Chair of the Finance & Audit Scrutiny Committee, the Leader of the Council and the Portfolio Holder for Finance and Business, to further investigate and look in detail at the proposed Heads of Terms included in Confidential Appendix 2. Given the Council's unanimous support of the Climate Emergency Action Plan, Members asked that detailed terms on the environmental standards of the proposals should be considered, and whether it was sensible to include environmental conditions into the lease. Members felt that the efficacy of those conditions was something the Programme Advisory Board should look at and monitor.

The Executive were required to vote on this because it formed a recommendation to them.

(The meeting resumed in public session.)

36. **Executive Agenda (Non-Confidential Items and Reports) – Tuesday 17 November 2020**

The Committee considered the following non-confidential item which would be discussed at the meeting of the Executive on 17 November 2020.

Item 9 - Significant Business Risk Register

The Finance & Audit Scrutiny Committee recommended to the Executive to review Environmental Risk 16 on the Risk Register, "Failure to meet the District's ambition to be carbon neutral within specified timeframes", to more clearly indicate if this risk referred to the ambition to become carbon neutral as a Council, District or both together. Members felt that as it stood, this was unclear and would benefit from being broken down into different aspirations and their risks, or making it more clear if it was an overarching risk for the whole programme.

The Executive were required to vote on this because it formed a recommendation to them.

37. **Treasury Management Activity Report for the period 1 April 2020 to 30 September 2020**

The Committee considered a report from Finance that detailed the Council's Treasury Management performance for the period 1 April 2020 to 30 September 2020.

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

Treasury Management could **have a significant impact on the Council's** budget through its ability to maximise its investment interest income and minimize borrowing interest payable, whilst ensuring the security of the capital.

The Council was reliant on interest received to help fund the services it provided. The latest (revised / post COVID-19) estimate for investment interest in 2020/21 was being revised during the budget setting process and was not available at the time of writing the report.

Initial estimates made for the Medium Term Financial Strategy for the impact of Covid-19 was that the overall reduction in the Gross Investment Interest would be in the order of £500,000, with £300,000 being borne by the Housing Revenue Account (HRA) and the net reduction to the General Fund being £200,000.

The interest paid to the HRA was **based on the HRA's equated balances** for the year and the interest rate earned on relevant investments. The reduction from the original budget was mainly due to increased capital spending reducing the equated balances, with a smaller impact of the Base Rate not increasing, as had been expected, on interest rates.

Councillor Dearing raised the issue of the Council's investments in equity funds, which had underperformed in the first quarter. Councillor Dearing reminded Members of the commitment to modifying investments to become more environmentally, socially and governance-friendly. He therefore welcomed the details of the ongoing review of the investments, but was concerned that the review was not included **on the Committee's work** programme and asked if that was an omission.

In answer to the points raised by Councillor Dearing, the Portfolio Holder for Finance and Business, Councillor Hales, having spoken to Councillor Bartlett, the Chairman of the Finance & Business Programme Advisory Board (PAB), advised that these would be included **in the PAB's work** programme as soon as possible.

Councillor Wright asked that Members were cautious in terms of conducting the review, given the amount of change and uncertainty at this time.

The Chair thanked the Principal Accountant for his attendance and for the work he had done in terms of the Treasury Management, which the Chair felt was very secure and gave a good level of assurance.

Resolved that the report be noted.

38. **Managing Securities in Council Contracts Update Report**

The Committee considered a report from Finance that provided an update to Members on the progress being made in managing securities within contracts, following the report to Finance and Audit Scrutiny Committee in November 2018. The last update report was reported in November 2019.

Following the difficulties encountered three years ago, when one of the **Council's contractors ceased to trade, a review** was undertaken by the **Council's Internal Audit Section entitled "The Assigning of Parent Company Guarantees and Other Types of Securities to Council Contracts"**. This review was reported to the Finance & Audit Scrutiny Committee in March 2018.

Reports on the progress in implementing the recommendations within that report were presented to the Committee in November 2018 and 2019. The current report gave a further update on those recommendations. The

recommendations and progress to date were detailed in Appendix 1 to the report.

The Appendix showed that significant progress had been made since the original report in March 2018. The notable changes were:

- The financial standings of all contractors was now actively monitored using **“Credit Safe”**.
- Credit checks continued to be carried out for new contracts and renewals, now using Credit Check.
- In addition to Credit Check, the Accountants would review contractors for high value or high risk contracts.
- Contract Management Training was being rolled out; this included a section on securities.
- Alongside the update to the Code of Procurement Practice, supporting guidance was available to officers.
- WCC Legal services had advised upon and assisted with updating the guidance and new contract templates.
- Further reviews of the Procurement function were proposed, including a **review by Internal Audit of the Council’s approach to contract management**.

Resolved that the report and appendix be noted.

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

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

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

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

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

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

At its meeting in September, the Committee asked for an update at each meeting on the revised Audit Plan, so they were aware of its progress. This was attached as Appendix 2 to the report for information.

At the Joint Scrutiny Committee earlier this year, a small Group of Councillors (Davison, Grey, Milton, Nicholls and Margrave) agreed to draft a process for considering Executive items at Scrutiny. This work resulted in

the process attached at Appendix 3 to the report, which had been shared with all Councillors and tested ahead of this meeting. The proposal would be to put this in place and review at the March 2021 meeting, before formally requesting Council adds this to the scrutiny procedure rules.

The Chair and the Head of Finance advised Members that the Base Budget **report would be available for Members' consideration at the Committee** meeting in December, with the final budget report due to be presented to Members in February 2021.

In terms of the Interim Internal Audit Progress briefing note, Councillor Illingworth was delighted to see the update and wished to congratulate officers for the reassuring report. Members noted that the report had been written before the second national lockdown announcement had been made, and asked if this would now impact on the Audit Plan. If this was the case, Members were entirely understanding of the situation and asked that the Audit and Risk Manager would inform Members of any subsequent changes needed to the Audit Plan. The Head of Finance was satisfied that the Audit Plan should be able to go ahead as presented in the briefing note, as officers had now been working from home for a number of months, and from that point of view, not much would have changed.

Resolved that

- (1) the report be noted; and
- (2) the Base Budget report be added to the **Committee's work programme for December.**

40. **Executive Agenda (Non-Confidential Items and Reports) – Tuesday 17 November 2020**

The Committee considered the following non-confidential item which would be discussed at the meeting of the Executive on 17 November 2020.

Item 3 – Fees and Charges

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

(The meeting ended at 7.12pm)

CHAIR

9 December 2020

Finance and Audit Scrutiny Committee
9 December 2020

Title: Internal Audit Quarter 2 2020/21 Progress Report

Lead Officer: Richard Barr

Portfolio Holders: Councillor Hales

Public report / Confidential report: No

Wards of the District directly affected: Not applicable

Contrary to the policy framework: No

Contrary to the budgetary framework: No

Key Decision: No

Included within the Forward Plan: Yes

Equality Impact Assessment Undertaken: Not applicable

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

Checked for Accessibility: Yes

Final Decision: Yes.

Officer/Councillor Approval

Officer Approval	Date	Name
Chief Executive/Deputy Chief Executive	16 Nov 2020	Chris Elliott/Andrew Jones
Head of Service	16 Nov 2020	Mike Snow
CMT	16 Nov 2020	Chris Elliott/Andrew Jones/Bill Hunt
Section 151 Officer	16 Nov 2020	Mike Snow
Monitoring Officer	16 Nov 2020	Andrew Jones
Finance	16 Nov 2020	Mike Snow
Portfolio Holder(s)	20 Nov 2020	Councillor Hales

1 **Summary**

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

2 **Recommendations**

- 2.1 That the report, including its appendices, be noted and, where appropriate, approved. Specifically:
- 2.1.1 That Appendix 1, containing guidance on the role and responsibilities of audit committees, be noted. (Paragraph 3.2 of this report)
- 2.1.2 That Appendix 2, detailing the performance of Internal Audit in completing the Audit Plan, be considered. (Para. 8.1 of this report)
- 2.1.3 That Appendix 3, setting out the action plan accompanying the Internal Audit report issued in the quarter, be reviewed. (Para. 10.2)
- 2.1.4 That Appendix 4, recording the state of implementation of recommendations issued in previous quarters, be reviewed. (Para. 11.2)

3 **Reasons for the Recommendations**

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

4 **Policy Framework**

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

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

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

4.2 **FFF Strands**

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

People - Health, Homes, Communities

Services - Green, Clean, Safe

Money- Infrastructure, Enterprise, Employment

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

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

People - Effective Staff

Services - Maintain or Improve Services

Money - Firm Financial Footing over the Longer Term

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

4.3 **Supporting Strategies**

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

4.4 **Changes to Existing Policies**

4.4.1 This section is not applicable.

4.5 **Impact Assessments**

4.5.1 This section is not applicable.

5 **Budgetary Framework**

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

6 **Risks**

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

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

7 **Alternative Options Considered**

7.1 This section is not applicable.

8 **Progress against Plan**

8.1 At the start of each year Members approve the Audit Plan setting out the audit assignments to be undertaken. **This year's Audit Plan had to be revised** due to the impact of the Coronavirus Pandemic. A revised Audit Plan was approved by Members on 30 September. A detailed analysis of progress in completing the Audit Plan for 2020/21 is set out as Appendix 2.

9 **Assurance**

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

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

Assurance Levels

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

	existent and there is non-compliance with several controls.
Limited Assurance	The system of control is generally weak and there is non-compliance with the controls that do exist.

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

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

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

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

11 **Implementation of Recommendations Issued Previously**

11.1 Managers are required to implement recommendations within the following timescales:

- (a) Recommendations involving controls assessed as high risk to be implemented within three months.
- (b) Recommendations involving controls assessed as low or medium risk to be implemented within nine months.

11.2 The state of implementation of **low and medium risk** recommendations made in the **third quarter of 2019/20** is set out in Appendix 4 to this report. There were no **high risk** recommendations issued in the **first quarter of 2020/21** so none is included in this appendix.

11.3 As can be seen in the Appendix, in terms of determining the state of implementation of recommendations, responses from managers have been received in all cases.

12 **Review**

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

Guidance on the Role and Responsibilities of Audit Committees

Public Sector Internal Audit Standards 2013

Independence and Objectivity

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

Glossary

Definition: Audit Committee

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

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

Core Functions

Audit committees will:

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

Suggested Audit Committee Terms of Reference

Audit Activity:

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

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

Monitoring Audit Performance

Auditor/officer collaboration

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

Management response

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

Implementation

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

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

CIPFA Technical Information Service Online

Audit Reporting

Introduction

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

The...report could also be issued to senior management of the organisation but should primarily be issued to the audit committee to report upon the **soundness or otherwise of the organisation's internal control system**. This report will form the conclusion of the work undertaken by internal audit during the period of the report. A summary of the scope of this internal work should also be included in the report.

Periodic Internal Audit Reports

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

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

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

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

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

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

1. Intellectual curiosity and professional scepticism
2. Courageous in making tough decisions
3. Balanced, ethical approach to whistleblowing

4. Oversight of key risks (not just financial)
5. Excellent relationship builders
6. Ability to build and develop a strong team
7. Able to challenge the external auditors
8. Good listening skills
9. Own the agenda

Intellectual curiosity and professional scepticism

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

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

Courageous in making tough decisions

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

Other tough decisions are to:

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

Balanced, ethical approach to whistleblowing

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

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

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

Oversight of key risks (not just financial)

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

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

Excellent relationship builder

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

Build and develop a strong team

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

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

Able to challenge the external auditors

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

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

Good listening skills

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

Own the agenda

These traits are specifically for the Chairman of the Audit Committee as they will need to plan ahead to ensure that the Committee has time to cover all of the issues on the annual agenda. In particular, the Audit Committee Chair will:

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

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

Internal Audit Progress 2020/21: Quarter 2
Analysis of Performance

Time Spent: Audit Plan – Planned Vs Actual

Activity	Annual Allocation (Days)	Profile Allocation (Days)	Actual to Date (Days)	Variation (Days)
<u>Planned Audit Work</u>	241.4	120.7	111.9	+8.8
<u>Other Time</u>				
Sundry audit advice	30.1	15.5	16.9	-1.4
Contingency (used primarily for Covid-related grants work)	95.4	47.7	73.3	-25.6
Principal Internal Auditor non-audit work (incl. NFI)	71.9	35.6	19.8	+14.9
Non-chargeable activities	207.3	103.6	116.2	-12.6
Leave and other absences	133.5	66.7	52.0	+14.7
Total Other Time	538.2	269.1	278.2	-9.1
Total Time	779.6	389.8	390.1	-0.3

Time spent: Assignments Completed – Planned Vs Actual

Audit Assignment	Plan (Days)	Time Taken (Days)	Under (+) / Over (-)
Corporate Governance	5.3	5.6	-0.3
Corporate Procurement	12.5	12.3	+0.2
Management of Contracts	14.9	14.9	0.0
Shared Legal Services	18.7	19.0	-0.3
Local Land Charges	7.0	7.0	0.0
Corporate Training	17.0	17.9	-0.9

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

Not applicable.

Completion of Audit Plan: Target Vs Actual

No. of Audits per Audit Plan	Profiled Target Completion		Actual No. Completed to Date		Variation	
	No.	%	No.	%	No.	%
25	7.5	30	7	28.0	-0.5	-6.7

**Summary of Recommendations and Management Responses from Internal Audit Reports
issued Quarter 2, 2020/21**

Report Reference	Recommendation	Risk Rating¹	Responsible Officer	Management Response and Target Implementation Date (TID)
Corporate Governance – 24 September				
4.2.5	A template for addendums and appendices should be introduced to ensure that all relevant documents that are made exempt have received appropriate consideration.	LOW	Democratic Services Manager	A template is being tested. If this is considered appropriate following the test, the template will be rolled out for all relevant documents. TID: 30 October 2020
Corporate Procurement – 21 August 2020				
No recommendations arising from review.				
Management of Contracts – 24 July 2020				
4.2.4	Before business commences with suppliers all contractual documents must be signed.	MEDIUM	SMT/Heads of Service	A reminder will be issued for the next Procurement Board (SPBP). TID: 5/8/20

¹ Risk Ratings are defined as follows:

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

Report Reference	Recommendation	Risk Rating¹	Responsible Officer	Management Response and Target Implementation Date (TID)
4.2.5	Performance measures should be included in the contract documentation.	LOW	Senior Procurement Business Partner	The climate change report includes a recommendation that there should be a corporate set of processes and performance monitoring documents for contract managers so that everyone is working in the same way, creating a consistent approach. TID: 31/3/20
4.2.7	The requirement to store contracts securely and correctly should be reinforced.	LOW	SMT/Heads of Service	A reminder will be issued for the next Procurement Board (SPBP). TID: 31/8/20
4.4.7	1. Before authorising expenditure there should be checks in place to ensure the Council is not at risk of breaching procurement laws and legislation.	MEDIUM	SMT/Heads of Service	This will be considered at the next Procurement Board to ensure practices are in place within each Service Area, and Procurement are sought for advice if in doubt. TID: 5/8/20
	2. Before authorising expenditure, checks should be carried out to ensure spending is within contracted spend and relevant to the contract held.	MEDIUM	SMT/Heads of Service	Procurement Board to be reminded to ensure contract managers monitor spend against their contracts. Potential contract overspend has been included within the specification requirements for the new FMS, due to be progressed by end of financial year. TID: 31/3/21

Report Reference	Recommendation	Risk Rating¹	Responsible Officer	Management Response and Target Implementation Date (TID)
	3. Staff should receive purchasing training before being given access to the purchasing system. This should include a basic checklist so that staff can review whether there is or should be a contract in place and a review of the cumulative spend.	LOW	Head of Finance	Training is provided on the use of the FMS (Total) before officers can raise and authorise purchase orders. Officers will be reminded (Procurement Board) to ensure there is or should be a contract in place and to review of the cumulative spend, and to seek support from Finance to assist to monitor spend. Training on the new Financial Management System will ensure these points are covered. TID: 5/8/20
4.5.4	There should be a 'rental' time imposed to help ensure that documents are returned in a timely manner to the Document Store.	LOW	Democratic Services Manager	Due to the current pandemic the majority of staff are working from home. Because of this obtaining documents from the deed store is restricted and, therefore, forms a control in itself. Future processes to be agreed and put in place by the Democratic Services Manager. TID: End of December 2020
Shared Legal Services – 26 July 2020				
4.2.3	The user guide should be updated to provide accurate, up-to-date information and should be rolled out to relevant staff.	LOW	Deputy Chief Executive (AJ)	The guide has been updated on a number of occasions and posted on the intranet for staff viewing. Further relevant changes will be made. TID: 1 September 2020

Report Reference	Recommendation	Risk Rating¹	Responsible Officer	Management Response and Target Implementation Date (TID)
4.2.7	The procedure for updating the authorised commissioning officers list should be reviewed and the list updated.	LOW	Deputy Chief Executive (AJ)	The list has been updated on a number of occasions and will be reviewed again to make sure it is up to date. TID: 1 September 2020
4.2.14	The level of service should be reviewed to ensure requests are dealt with promptly and efficiently.	LOW	Deputy Chief Executive (AJ)	Given the many hundreds of instructions that are made through the course of the year, I consider this to be a rarity with no service review necessary. TID: Not applicable
4.3.7	Budget managers should be reminded of the need to set accurate budgets based on available information.	LOW	Deputy Chief Executive (AJ)	As acknowledged, it is very difficult to predict precise budgets at the beginning of the year. Variances are monitored on an ongoing basis and this process will continue. TID: Not applicable
4.3.12	The monthly coding spreadsheets, supplied by Legal Services, should be made available to all relevant (commissioning) staff.	LOW	Deputy Chief Executive (AJ)	Agreed. I will speak with the relevant finance officer so we can disseminate the relevant information. TID: 1 September 2020
Local Land Charges – 23 August 2020				
4.7.1	The next Service Area Plan for Development Services should include reference to the remaining aspects of the land charges function.	LOW	Head of Service and Development Manager	Agreed TID: To fit in with the preparation of the next Service plan.

Report Reference	Recommendation	Risk Rating ¹	Responsible Officer	Management Response and Target Implementation Date (TID)
Corporate Training – 15 September 2020				
4.3.11	Corporate Training should continue to remind SMT and senior managers of the importance of recording the appraisal documents.	LOW	L & D Officer / SMT	With the new Performance Module of the HR/Payroll system being implemented July 2021 this will form part of a more empowered service for Managers to monitor within their own teams. TID: July 2021

**Current Implementation Position for Low and Medium Risk Recommendations
issued in Quarter 3 2019/20**

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE (PID)	CURRENT STATE OF IMPLEMENTATION PER MANAGER
Corporate Governance – 5 December 2019		
Completed gifts and hospitality forms should be covered by the corporate document retention policy.	<p><i>Democratic Services Manager & Deputy Monitoring Officer:</i></p> <p>Details of how this will operate to be discussed with the Information Governance Manager with the aim of putting process in place by end of the financial year.</p> <p>PID: 31 March 2020</p>	Work on this was not undertaken due to the impact of Covid 19. Agreed in October 2020 that the retention should be 7 years within the central register and retained on officers personnel file for length of service plus 7 years.
Minutes should be taken for all meetings of the Risk Management Group, with nominated 'deputies' taking minutes when the Insurance & Risk Officer is unable to attend.	<p><i>Audit & Risk Manager:</i></p> <p>Agreed.</p> <p>PID: Immediate</p>	No further response required – recommendation implemented as per initial response.

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE (PID)	CURRENT STATE OF IMPLEMENTATION PER MANAGER
<p>Consideration should be given to the remit of the group and whether there is a need for a specific group or if these discussions could be covered by SMT when they consider the Significant Business Risk Register.</p>	<p><i>Audit & Risk Manager:</i> We have considered this and feel that common themes are emerging, albeit not necessarily reflected in the minutes. There is tremendous benefit in hearing about other services' risks as there are always lessons to be learned corporately and we feel that this is the right forum to provide that opportunity. These issues do need to be captured better and, perhaps more importantly, communicated "outwards" more effectively so that, indeed, lessons can be learned across the organisation. This will be considered at the next meeting. PID: Not applicable.</p>	<p>The issue has now been considered by the Risk Management Group. It has decided that that there is much to be gained from it continuing to discuss Council-wide risks, the main one being that its representatives can disseminate learning points back to services.</p>
<p>Sundry Debtors – 28 November 2019</p>		

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE (PID)	CURRENT STATE OF IMPLEMENTATION PER MANAGER
<p>Except in exceptional cases, which should be agreed by the Head of Finance, invoices should be issued before services have been provided.</p> <p>Where invoices are not issued in advance, the circumstances should be recorded and kept under review by the relevant Head of Service and Head of Finance.</p> <p>Where there is no pre-agreed reason for the delay, the relevant Head of Service should provide authorisation explaining the reason for the delay when submitting the documentation for the raising of the invoice.</p>	<p>Head of Finance:</p> <p>A meeting is going to be held to decide how the recommendations will be actioned.</p> <p>PID: End of December 2019</p>	<p>It was agreed for an analysis of debtors raised retrospectively to be shared with SMT. Work commenced on this analysis and report for SMT but this got overtaken by the pandemic and other priorities.</p> <p>With work now concentrating on the implementation of the new Financial Management System, this issue will be picked up as part of that work and the training of users.</p>
<p>Treasury Management – 9 October 2019</p>		
<p>The Treasury Management Practice statements should be revised to reflect the proper status of Internal Audit in the control environment and risk-based determination of audit frequencies.</p>	<p>Principal Accountant (Capital and Treasury):</p> <p>The Treasury Management Practices will be reviewed for the 2020/21 Treasury Management Strategy.</p> <p>PID: February 2020</p>	<p>TMP1 and TMP7 were updated in the Treasury Management Strategy report 20/21 from 24/3/20.</p>
<p>Infrastructure Security and Resilience – 29 October 2019</p>		

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE (PID)	CURRENT STATE OF IMPLEMENTATION PER MANAGER
<p>Firewall appliances should be upgraded to CISCO's recommended Code version.</p>	<p>ICT Services Manager: Agreed. Some of the Council's firewalls are currently being replaced. Once this is complete, all remaining Firewalls will be updated and maintained to Cisco's latest recommended code version. PID: April 2020</p>	<p>Corporate Firewalls (Riverside House) – Upgrade took place and complete 8th February 2020. Outstanding is the small remote site Firewall ASA's. This part of the project was delayed due to COVID-19. Consultancy day took place 15th September. We have built all the new devices but now have to try and get site access to replace 15 firewalls. (Note - We will need annual consultancy budget to do an annual Corporate Firewall Upgrade approx. £3000). January 2021</p>
<p>The Cisco 'Password Policy' security settings should be reviewed to enforce password history (12) and password minimum length (8).</p>	<p>ICT Services Manager: Agreed. The Council operates several Firewalls and the changes need to be implemented cautiously to avoid lockouts. PID: January 2020</p>	<p>Outstanding. This has been delayed because of Covid-19. January 2021</p>

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE (PID)	CURRENT STATE OF IMPLEMENTATION PER MANAGER
<p>The Cisco IPS system should be actively configured to block all malicious network traffic.</p>	<p>ICT Services Manager: Agreed. IPS was originally configured to run in monitoring mode to obtain sufficient data to identify network false positives. Discussions were already being undertaken at the time of the audit to schedule an appropriate time for IPS to become active. PID: February 2020</p>	<p>IPS has been put in monitor mode. 8th February we discussed with BT about going live but the device needed loads of management and sensor updates. These updates are now complete after a total of 8 hours of weekend working. The first stage of updates was done 15th March 2020 and the final stage was completed 3rd October 2020. In process of arranging date to go live with IPS. January 2021</p>
<p>Information Systems Policies – 25 October 2019</p>		
<p>The 'Information Security Incident Reporting' policy should be reviewed and updated.</p>	<p>Information Governance Manager: The policy is already under review with target completion date (for adoption) of December 2019. PID: 23 December 2019</p>	<p>Completed and published - titled 'Information Security Incident Management Policy'</p>
<p>Ongoing work to update data retention, data handling and classification policies should be completed and updated policies should be made available to staff.</p>	<p>Information Governance Manager: The policies are already under review with target completion date (for adoption) of December 2019. PID: 23 December 2019</p>	<p>The policies themselves have been reviewed and updated.</p>

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE (PID)	CURRENT STATE OF IMPLEMENTATION PER MANAGER
<p>Data retention schedules should be brought up to date and a regular review process should be introduced.</p>	<p>Information Governance Manager: This is not the responsibility of the IG Manager but the relevant service areas. However, the IG Manager is in the process of working with all Teams (within departments to remind them about these and to bring them up to date). PID: Not applicable</p>	<p>These are the responsibility of each service area. However, work has started on setting corporate standards for common documents. A template has been produced for all service areas to work to update their retention schedules and they will be contacted individually about this over the next 12 to 18 months as part of ongoing development.</p>
<p>All remaining policies should be reviewed and updated.</p>	<p>Information Governance Manager: The polices are already under review with target completion date (for adoption) of December 2019. PID: 23 December 2019</p>	<p>Completed and published.</p>
<p>An exercise to review the accuracy and completeness of the Council's record of processing activities should be undertaken on a regular basis to ensure the record is up to date. Management should also consider audits of individual departments to verify the accuracy of data in the record.</p>	<p>Information Governance Manager: The IG Manager has been meeting with teams within Service Areas as in parallel to the retention schedules. However, part of this action should be for all Heads of Services (as Data Asset Owners) to ensure these records are correct. Also, both this and retention schedule should be an area that Audit test as part of their routine audits of each service area to validate the processes. Not applicable.</p>	<p>No further response required.</p>

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE (PID)	CURRENT STATE OF IMPLEMENTATION PER MANAGER
Cloud Applications – 25 October 2019		
The 'Privacy Impact Assessment Toolkit' document should be reviewed and updated.	<p>Information Governance Manager (Shafim Kauser):</p> <p>The review of the toolkit is currently under way, along with the rest of the Information Governance Framework, and this will be completed by 23 December 2019.</p> <p>PID: 23 December 2019</p>	Completed and published.
The 'Software Policy' should be updated to reference the 'Privacy Impact Assessment Toolkit' process.	<p>ICT Services Manager (Ty Walter):</p> <p>Accepted: The Software Policy has been updated to reflect the PIA Toolkit requirements (03 Oct 2019), and this version is now available via the ICT Policy pages on the Intranet.</p> <p>PID: Not applicable.</p>	No further response required – recommendation implemented as per initial response.
Management should liaise with the supplier to increase Get Scheduled password complexity requirements.	<p>'Get Scheduled' System Owner (Jessica Craddock):</p> <p>I had spoken with the system owner and system developer (Tom Douglas & Wojciech Dragan) to implement the complexity requirements. Passwords for each user now requires a minimum of 8 characters including 1 special character, 1 uppercase and 1 number. This was actioned by all users w/c 23.09.19.</p> <p>PID: Not applicable – recommendation actioned.</p>	No further response required – recommendation implemented as per initial response.

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE (PID)	CURRENT STATE OF IMPLEMENTATION PER MANAGER
<p>Management should investigate options around implementing two factor authentication to the ArtifaxEvent application.</p>	<p>ArtifaxEvent System Owner (Laura Wyatt): We have tested the two-factor authentication provided by the ArtifaxEvent system. As the system heavily relies on mobile phone signage and the phone reception at the Royal Spa Centre being so poor we are unable to switch this on. It would potentially mean locking our users out of the system when they required necessary information for events. PID: Not applicable recommendation not accepted.</p>	<p>No further response required.</p>
<p>The privacy impact assessment process should be completed retrospectively for the ArtifaxEvent system.</p>	<p>ArtifaxEvent System Owner (Laura Wyatt): To be arranged and completed. PID: 31 December 2019.</p>	<p>A Privacy Impact Assessment was completed for Artifax and reviewed in October 2020.</p>
<p>Health and Safety Compliance of Council Buildings – 4 November 2019</p>		
<p>A review should be undertaken of the properties with 'active' EICR attributes on Active H to ensure that this accurately reflects the properties for which EICR tests are required.</p>	<p>Data Coordinator (DC) and M&E & Energy Officer (MEEO): Agreed. DC and MEEO to identify all stock requiring cyclical EICR's and update attributes in ActiveH accordingly. Further, a semi automated programme of works can be generated as demonstrated in other areas. PID: 31 March 2020</p>	<p>Some properties are listed as HRA instead of corporate buildings. This is currently being looked at but we are still able to monitor these through the HRA plan. Once this has been sorted we would look to run this 6 monthly working 6 months in advance of the due date. We hope to have this in place by the end of the year.</p>

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE (PID)	CURRENT STATE OF IMPLEMENTATION PER MANAGER
A schedule of PAT testing should be set for each relevant Council property.	<p>DC and MEE0: Agreed. DC and MEE0 to identify all stock requiring cyclical patesting and update attributes in activeh accordingly. Further, a semi-automated programme of works can be generated as demonstrated in other areas. PID: 31 March 2020</p>	We have an attribute set up on MIS but we need an inventory which is monitored and updated by each building manager this will certainly need updating post Covid. We can set up an annual programme once we have this info.
Inventories of electrical equipment that require PAT testing should be maintained for each relevant Council property.	<p>Asset Compliance & Delivery Group (AC&DG), MEE0 & Dodds: Agreed, the AC&DG need to agree that building managers maintain an inventory of equipment requiring PATesting. Dodds should be able to support with information of equipment currently tested. PID: 31 March 2020</p>	We have an attribute set up on MIS but an inventory is still required from Building Managers which is monitored and updated by each of them. In order to implement this, the AC&DG will be convened in November to discuss and agree how inventories are to be produced and maintained.
The variation to the original contract should be confirmed with D&K.	<p>Compliance Team Leader (CTL): A copy of the variation documentation has now been obtained. PID: Completed.</p>	No further response required – recommendation implemented as per initial response.

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE (PID)	CURRENT STATE OF IMPLEMENTATION PER MANAGER
<p>Inventories of fire-fighting equipment should be kept up to date to ensure that contractors are aware of what needs to be tested.</p>	<p>AC&DG, MEEO & Baydale: Agreed, the AC&DG need to agree that building managers maintain an inventory of equipment pertaining to firefighting equipment. Baydale should be able to supply information of currently installed equipment. PID: 31 March 2020</p>	<p>Contractor produces an inventory whilst on site and when equipment needs replacing it is replaced. The inventory is listed on the service sheets which are held in MIS.</p> <p>It would be beneficial for building managers to also produce an inventory so nothing is missed.</p> <p>In order to implement this, the AC&DG will be convened in November to discuss and agree how inventories can be produced and maintained.</p>
<p>Training on the need for Permits to Work should be provided to relevant staff, including individual building managers as appropriate.</p>	<p>CTL, Building Manager & H&S Coordinator (BM&HSC) and AC&DG: Agreed. CTL and BM&HSC to liaise on suitable training and audience. PID: 31 January 2020</p>	<p>CTL: In order to implement this, the AC&DG will be convened in November to discuss and agree who is best placed to deliver this Training.</p> <p>[BM&HSC: I have not been involved with anything to do with CTL and have not been approached by anyone to do training and at present will not be doing any training.]</p>
<p>Homelessness and Housing Advice – 5 December 2019</p>		
<p>Refresher training on the setting up of rent accounts on Active H should be given to relevant staff.</p>	<p>Senior Housing Advice Officer: The team have a number of new and inexperienced staff. We will arrange refresher training for the relevant staff on setting up rent accounts. PID: 31 December 2019</p>	<p>We did do some refresher training on Active h rent accounts but due to the housing redesign and change of staffing in roles yet again we will be doing yet more refresher training – I hope to complete this again before 15/11/2020.</p>

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE (PID)	CURRENT STATE OF IMPLEMENTATION PER MANAGER
<p>Staff should be reminded of the need to ensure documents are attached appropriately to the system.</p>	<p>Senior Housing Advice Officer: We will arrange refresher training for the relevant staff on document management. PID: 31 December 2019</p>	<p>I undertake validation checks on HomeChoice apps where I would pick up if the incorrect documentation was being recorded.</p>

FROM: Audit & Risk Manager
TO: Deputy Chief Executive (AJ)
C.C. Chief Executive
Head of Finance
Democratic Services Manager
Civic & Committee Services
Manager
Portfolio Holder (Cllr Day)

SUBJECT: Corporate Governance
DATE: 24 September 2020

1 Introduction

- 1.1 In accordance with the Audit Plan for 2020/21, an examination of the above subject area has recently been completed by Ian Davy, Principal Internal Auditor, and this report presents the findings and conclusions for information and, where appropriate, action.
- 1.2 Wherever possible, findings have been discussed with the staff involved in the procedures examined and their views are incorporated, where appropriate, into the report. My thanks are extended to all concerned for the help and cooperation received during the audit.
- 1.3 The audit was undertaken during the COVID-19 pandemic. This has meant a slightly different approach has been taken to complete the audit. Rather than observing staff members and meeting staff face to face, correspondence has been via email or Teams video calls.

2 Background

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

2.3 On this occasion, the topics focused upon were 'exempt' reports, and delegated decisions taken under the Chief Executive's 'emergency powers'.

3 **Scope and Objectives of the Audit**

3.1 The standing objective of auditing corporate governance is to evaluate the effectiveness of overarching structures, procedures and monitoring arrangements that underpin the assurance framework for demonstrating good governance with reference to relevant standards.

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

- Reports are only made exempt in appropriate cases
- Members of the public cannot access confidential information
- The Council is as transparent as possible in all decisions taken
- Authority exists that allows for urgent decisions to be taken
- **Under 'normal' circumstances, Councillors can take the decisions that they are required to make**
- The Council was able to continue operating effectively during lockdown
- **Under 'lockdown' circumstances, Councillors can take the decisions that they are required to make.**

4 **Findings**

4.1 **Recommendations from Previous Reports**

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

4.2 **Exempt Reports**

4.2.1 The Democratic Services Manager (DSM) advised that Committee Services staff will receive training on exemption legislation as part of their induction. Officers producing the reports are directed to the report guidance (and associated appendices) which are available on the intranet for all staff. The Civic & Committee Services Manager (CCSM) advised that if staff are unsure (e.g. new report writers) they will often query the process.

4.2.2 He also advised that any updates to the legislation would be identified through newsletters / updates from relevant bodies (e.g. Local Government Association (LGA), Centre for Public Scrutiny etc.) but highlighted that the last update to the legislation was in 2007 and, as such, there has not been a need to disseminate any changes for a long time.

4.2.3 The CCSM highlighted that specific training on committee report writing had been discussed with HR, but this had not progressed and the DSM advised that indirect **reference is made to the process as part of the 'political awareness' course.**

4.2.4 Sample testing was performed to ensure that appropriate processes had been followed for making the reports exempt (i.e. consultation had taken place

with appropriate officers and reference was made to the legislation under which the exemption was being applied), that the reports remained confidential (i.e. minutes highlight that members of the public had been excluded when the exempt reports were discussed and the relevant documentation was held on the secure part of the Committee Management System (CMIS)) and that consideration was being given to keeping as much information as possible in the public domain (i.e. by the inclusion of the exempt information in separate appendices). This testing proved largely satisfactory.

- 4.2.5 One item of note was that a confidential addendum did not include consultations details and a confidential appendix did not make reference to the legislation. The DSM advised that consideration was being given to implementing a standard template for addendums.

Risk

Reports and associated documents may inappropriately be made exempt.

Recommendation

A template for addendums and appendices should be introduced to ensure that all relevant documents that are made exempt have received appropriate consideration.

- 4.2.6 The DSM and the CCSM suggested that the decision as to whether to make the whole report confidential or to include the confidential information in the appendices would be considered as part of the report drafting and consultation process. As such, there was no specific evidence to suggest why whole reports were confidential as opposed to appendices in relevant sampled cases. However, they suggested that appropriate consideration would have been given to ensure that as much information as possible was in the public domain.

4.3 Delegated Decisions

- 4.3.1 Delegated item CE(4) **from the Council's Scheme of Delegation** highlights that:

The Chief Executive be authorised (to) 'Deal with urgent items that occur between meetings, in consultation with the relevant Deputy Chief Executive, Head(s) of Service (if available) and Group Leaders (or in their absence Deputy Group Leaders) subject to the matter being reported to the Executive at its next meeting'.

- 4.3.2 The DSM advised that the need for urgent delegated decisions to be taken was becoming rare **under 'normal' operating conditions**, with Executive meetings being held every six weeks. He highlighted that an email had recently been issued to managers to remind them of the process now that Executive meetings were being held again (albeit virtually).

- 4.3.3 The DSM also highlighted that **those relating to 'severance packages'** would no longer need to be reported to Executive, as long as sufficient monies were held in the relevant budgets, so this would further reduce the need for these reports.
- 4.3.4 A review was performed of the decisions that had been taken under these delegated powers from April 2019 to the date of the audit testing and it was confirmed that there had been a relevant need for the urgent decision to be taken in each case and that the decisions had subsequently been reported to Executive as appropriate.
- 4.3.5 The DSM advised that specific guidance was issued for how decisions would be made during lockdown, highlighting that only those decisions essential to the delivery of the service should be taken, with all others being held back to allow for scrutiny to be undertaken as normal.
- 4.3.6 Where decisions were being taken during the lockdown period, meetings of the Leaders Coordinating Group were being held and Councillors were given the opportunity to ask questions about the report or other matters that they required answers to.
- 4.3.7 Testing was undertaken to ensure that relevant decisions continued to be made during lockdown with comments from Councillors relating to these decisions being addressed appropriately and that the decisions were subsequently reported to Executive once the virtual meetings resumed. This test proved satisfactory.

5 **Conclusions**

- 5.1 Following our review, in overall terms we are able to give a SUBSTANTIAL degree of assurance that the systems and controls in place in respect of the topics covered in this audit are appropriate and are working effectively.
- 5.2 The assurance bands are shown below:

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

- 5.3 One minor issue was, however, identified:
- Some documents that supported exempt reports did not include all relevant information (i.e. consultation details or details of the legislation under which the exemption was being made).

6 **Management Action**

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

Richard Barr
Audit & Risk Manager

Action Plan

Internal Audit of Corporate Governance – September 2020

Report Ref.	Recommendation	Risk	Risk Rating*	Responsible Officer(s)	Management Response	Target Date
4.2.5	A template for addendums and appendices should be introduced to ensure that all relevant documents that are made exempt have received appropriate consideration.	Reports and associated documents may inappropriately be made exempt.	Low	Democratic Services Manager	A template is being tested. If this is considered appropriate following the test, the template will be rolled out for all relevant documents.	30 October 2020

* Risk Ratings are defined as follows:

High Risk: Issue of significant importance requiring urgent attention.

Medium Risk: Issue of moderate importance requiring prompt attention.

Low Risk: Issue of minor importance requiring attention.

FROM: Audit and Risk Manager
TO: Head of Finance
C.C. Chief Executive
Deputy Chief Executive (AJ)
Senior Procurement Business
Partner
Portfolio Holder (Cllr Hales)

SUBJECT: Corporate Procurement
DATE: 21 August 2020

1 Introduction

- 1.1 In accordance with the Audit Plan for 2020/21, an examination of the above subject area has recently been completed by Jemma Butler, Internal Auditor, and this report presents the findings and conclusions for information and action where appropriate.
- 1.2 Wherever possible, findings have been discussed with the staff involved in the procedures examined and their views are incorporated, where appropriate, into the report. My thanks are extended to all concerned for the help and cooperation received during the audit.
- 1.3 The audit was undertaken during the COVID-19 pandemic. This has meant a slightly different approach has been taken to complete the audit. Rather than observing staff members and meeting staff face to face, correspondence has been via email or telephone calls.

2 Background

- 2.1 Warwick District Council spent almost £39 million in 2018/19 on procured goods and services. It is important that the Authority manages its procurement service effectively to ensure both value for money and that the desired outcomes, in line with the Fit for the Future Strategy, are achieved.
- 2.2 Previously the Procurement Team has been unstable, with staff changing frequently and difficulty recruiting to the roles. It has become more stable in recent years, with the Senior Procurement Business Partner joining the team in 2017 and the newest team member starting in 2018.
- 2.3 Since 2018, the Procurement Team have completed a number of initiatives to improve the service. This includes revising the Code of Procurement Practice to make it shorter and more user friendly and revising the corporate procurement strategy, aligning it to national strategy and corporate sustainability objectives.

2.4 Since joining the procurement team one of the officers has gained a procurement qualification whilst the other is working towards one. This should help to further improved the service they provide.

3 **Scope and Objectives of the Audit**

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

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

- Roles and responsibilities
- Policies and procedures
- Procurement monitoring and reporting
- Risk management

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

- Roles and responsibilities for the overall management, supervision and monitoring of procurement are clearly defined.
- Members are aware of their role in procurement.
- Appropriate training is delivered to staff and members.
- Staff are aware of the procurement processes and know where to find guidance and support.
- Procurement advice is available, from an external provider, when needed.
- There is a strategy, policy and Code of Practice in place and they are kept under review.
- Corporate procedures have been established and communicated and are in use council wide.
- Staff can be confident that they are following current procurement practices.
- Compliance with legislative and internal requirements is monitored.
- Contract managers know how to review and monitor contracts in place.
- The guidance being followed by staff is current.
- Budget and contract managers are aware of the budgets for existing contracts and monitor spending off contracts.
- There is regular reporting to Members on progress with procurement.
- Spend reporting is up to date and transparent.
- The risks associated with procurement are identified, recorded and managed.

4 **Findings**

4.1 **Recommendations from Previous Report**

4.1.1 The current position in respect of the recommendations from the previous audit, undertaken in October 2016, were also reviewed. The current position is as follows (see overleaf):

Recommendation	Management Response	Current Status
1 A review of the staffing of the Procurement Team should be undertaken with a view to examining the options to improve stability.	A review of the Procurement function is planned to be commissioned which will consider the aspects raised.	A new structure was implemented in March 2018. The current procurement officers have been in place for a few years which has improved stability within the team.
2 The next review of the SBRR should include a risk of not being able to recruit suitable procurement staff and detail the mitigations and actions required.	Will be discussed with SMT when the SBRR is next reviewed.	The Finance Risk Register acknowledges staff loss and recruitment as a risk across all teams within the service areas.

4.2 Roles and Responsibilities

- 4.2.1 The responsibilities for staff in the Procurement Team are clearly set out in their job descriptions. The Council's **responsibility** in relation to procurement is set out within the Code of Financial Practice (COFP) and the Code of Procurement Practice (COPP).
- 4.2.2 To help ensure the Council is following the correct procurement process, there is a Procurement Board in place, consisting of all heads of service and a sponsor from the corporate management team (CMT), both Procurement Business Partners and a representative from **Warwickshire County Council's** (WCC) procurement team.
- 4.2.3 There are also procurement champions - a team of seven Councillors - who oversee major procurements and projects and are a point of contact for any issues that need escalating.
- 4.2.4 Staff training is available to all contract managers (and other relevant staff), with 70 staff attending in 2019/20. It is run by a WCC procurement representative, with support from a WDC procurement officer, and covers procurement and contract management. Members are also invited to attend the training sessions but take up is low.
- 4.2.5 Council staff have a large amount of advice and guidance to follow when carrying out procurement. Procurement staff assist during the sourcing stage of the procurement and ensure that there is understandable and up-to-date guidance for the commissioning and contract management stages.
- 4.2.6 There is a service level agreement (SLA) in place with WCC. This allows WCC to give procurement support (on up to ten large projects per year), advice and to provide staff training sessions. The SLA began in in 2018 and is reviewed annually.

4.3 **Policies and Procedures**

- 4.3.1 The procurement strategy in place runs from 2019 – 2023. It defines the meaning of procurement and sets out the expectations of managers, requiring them to observe rules, regulations and guidance.
- 4.3.2 The procurement strategy also set monitoring expectations in relation to the monitoring of procurement KPIs and progress against action plans. It links to the COFP and the COPP and is aligned with the objectives of the Council.
- 4.3.3 Guidance on procurement procedures is documented and available for staff use on the intranet. This includes a flowchart for staff who are unsure of the which procurement route they should take.
- 4.3.4 The Procurement Business Partners ensure the most current information and guidance is available on the intranet for staff to access. Most of the forms and documents are only available as an online version ensuring that the most up-to-date version can be accessed.
- 4.3.5 There is a step-by-step guide to using and editing information on the contract register, this includes screen shots to make the steps really clear and user friendly.

4.4 **Procurement Monitoring and Reporting**

- 4.4.1 Spend analysis is completed annually and reported to the Procurement Board and SMT. The analysis for 2018/19 showed that the total spend was £38,833,705 with 92% being compliant. Of the remaining 8%, 5% did not require procurement due to the value or exemptions with 3% being non-compliant. The non-compliant spend is traced back to the service area, who are advised of the route that they should have followed. This is also reported to SMT to encourage management to cascade the information through their teams.
- 4.4.2 There is guidance available for staff to help them with monitoring contracts and carrying out performance reviews with the suppliers. The inclusion of KPIs in contracts is actively encouraged in the training provided by WCC and verbally when new procurement is discussed with Procurement staff.
- 4.4.3 Training is available for staff to help them with managing their budgets which encourages regular monitoring with the designated accountant. The **training 'managing your cost centre'**, run by staff from Finance, was attended by six staff members in 2019/20. The end-of-year sessions were attended by 61 staff. This level of take up is as expected, as the **'initial'** training is to be completed by staff within the first 24 months of starting in their role. The higher uptake for the end of year sessions is due to staff attending it as a refresher.
- 4.4.4 Procurement reports are submitted to the Finance and Audit Scrutiny Committee every six months. This includes information on all procurement activity undertaken. A list of current and future procurement projects is also circulated to the Procurement Board.

4.4.5 Any individual item of expenditure over £250 is reported publicly on a monthly basis via the Council’s webpage as required by legislation. This information is collated by the Financial Services Team. A sample of the declared expenditure was reviewed and found to be accurate.

4.5 **Risk Management**

4.5.1 The Finance risk register was reviewed and found to have appropriate risks identified including risks specifically related to procurement. This included non-compliant procurement and inadequate procurement guidance. There are also a number of other, generic, risks such as loss of ICT and budget monitoring that are relevant to the procurement processes. However, there are no risks identified under the ‘fraud’ section that specifically relate to procurement although it could be felt that the risks have been mitigated due to the controls in place and to include them could, therefore, be perceived as trivialising the other risks.

Advisory

The Finance risk register should be reviewed to ensure the risks identified for procurement are still appropriate, relevant and incorporate appropriate fraud risks where necessary.

5 **Summary & Conclusion**

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

5.2 The assurance bands are shown below:

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

5.3 There was, however, one advisory identified during the course of the audit relating to the risk register.

Richard Barr
Audit and Risk Manager

INTERNAL AUDIT REPORT

FROM: Audit and Risk Manager
TO: HR Manager
C.C. Chief Executive
Deputy Chief Executive (AJ)
Head of Finance
Learning and Development Officer
Portfolio Holder (Cllr Day)

SUBJECT: Corporate Training
DATE: 15 September 2020

1 Introduction

- 1.1 In accordance with the Audit Plan for 2020/2021, an examination of the above subject area has been undertaken and this report presents the findings and conclusions drawn from the audit for information and action where appropriate. The review was undertaken by Nathan Leng, Internal Auditor. This topic was last audited in July 2017.
- 1.2 Wherever possible, findings have been discussed with the staff involved in the procedures examined and their views are incorporated, where appropriate, into the report. My thanks are extended to all concerned for the help and cooperation received during the audit.

2 Background

- 2.1 Warwick District Council (the Council) is committed to the training and development of all its employees to ensure the consistent delivery of quality services to its customers and clients. The ongoing learning and development **of employees contributes to the Council's Fit For The Future (FFF)** objectives.
- 2.2 Corporate Training (CT) provides opportunities for employees to develop the knowledge and skills to work effectively and efficiently. Training covers a range of subjects including procurement, health and safety and safeguarding awareness. Courses are also organised in response to emerging issues such as mental health awareness and managing change.
- 2.3 There is a central budget of £37,500 for Corporate Training for the year 2020/2021 which is managed by Human Resources (HR). The budget for service related training is delegated to individual cost centres.

3 Scope and Objectives of the Audit

- 3.1 The audit was undertaken to evaluate the management and financial controls in place.
- 3.2 In terms of scope, the audit covered the following areas:

- Strategies and policies
- Planning and programming
- Budgets and procurement
- Monitoring, feedback and reporting.

3.3 The control objectives examined were:

- The learning and development of officers is structured to help meet corporate objectives.
- The training and development needs of staff are identified.
- Staff are aware of the training that is available to them.
- Training is provided to the correct staff.
- Corporate training is provided in line with available budgets.
- Value for money is achieved in the procurement of training courses.
- Training provided meets the needs of staff.
- Members and senior managers are aware of the training provided and the impact of this towards achieving the **Council's** objectives.

4 Findings

4.1 Recommendations from Previous Report

4.1.1 The current position in respect of the recommendations from the audit reported in July 2017 is as follows:

Recommendation	Management Response	Current Status
1 HR should request SMT to remind Heads of Service and senior managers of the role of the PDP in the appraisal process and the importance of providing them with completed copies.	Each year emails are sent to SMT plus regularly between May to July to update them on the numbers PDP's received and asking them to remind their managers to forward these to HR Training. We also remind managers to send in blank PDP's where no development needs are identified. Managers have until end July to send in the PDP's which is a month after Appraisals should be completed.	PDPs are now logged on the Skills Matrix. Corporate Training send email requests to SMT reminding Heads of Service and senior managers of the importance of updating the Skills Matrix with development activities identified in the PDP.

Recommendation	Management Response	Current Status
2 The Procurement Manager should be consulted to advise on the application of the Code of Practice.	The council, along with 31 other local authorities, belongs to the West Midlands Employers Organisation, a not for profit organisation, who, amongst other things, offer services to support individual and organisational performance improvement. They source training using their own procurement rules and then offer it to members at a discounted rate. This satisfies the obtaining value for money requirement of the Code of Procurement Practice.	WMEO source training using their own procurement process and then offer it to members at a discounted rate. This satisfies the criteria laid out in the Procurement Code of Practice, and there is no need to consult Procurement.

4.2 Strategies and Policies

- 4.2.1 The People Strategy and People Strategy Action Plan sets out a four-year strategy aimed at identifying and improving aspects of the Council. The People Strategy directly refers to the **Council's** FFF objectives and identifies learning and development as a key theme. The associated action plan includes actions for improving the delivery of learning and development services in line with FFF objectives.
- 4.2.2 The People Strategy is reviewed and updated every four years. The Employment Committee approved the latest version in June 2016.
- 4.2.3 Due to the COVID-19 pandemic, the People Strategy is not expected to be reviewed by the Senior Management Team (SMT) before December 2020.
- 4.2.4 In addition to the People Strategy, there is the Corporate Training, Learning & Development Policy. This document also refers to FFF, highlighting the ongoing development of all employees as vital to achieving the **Council's** vision for Fit For The Future.
- 4.2.5 During this audit, it was noted that an out of date version of the Learning and Development Policy was available via the Intranet. The Learning and Development Officer (LDO) immediately updated the document to the current 2017 version; therefore, no recommendation is required. The document will be reviewed and updated this year.

4.3 **Planning and Programming**

- 4.3.1 The current appraisal documentation comes in two parts: the performance appraisal document and the Personal Development Plan (PDP).
- 4.3.2 The performance appraisal document is used to measure the performance of employees. It is used to evaluate the contributions and achievements of employees and set new objectives for the upcoming year.
- 4.3.3 The PDP is used to record training and learning opportunities identified during the appraisal process that will help staff achieve their development objectives.
- 4.3.4 Managers are expected to log the results of the PDP on their Service Area Skills Matrix. The LDO uses this information to plan upcoming training, identify specific or changing training needs and determine demand.
- 4.3.5 As part of the overall management of the appraisal process, HR maintain records of the number of completed performance appraisals. The most recent data supplied reveals that the number of appraisals carried out for the period 2018/19 is 403 out of 502 (80.28%), a shortfall of 99. This is significantly less than the previous three years, where the return rate did not fall below 90%.
- 4.3.6 Rates of return were particularly low in Cultural Services (63.79%) and Health and Community Protection (66%). CT was unable to provide a reason for the low rate of returns; it was noted, however, that the figures do not account for completed appraisals that have not been recorded.
- 4.3.7 The PDP form reminds managers to log development activities on their Service Area Skills Matrix. PDPs are only logged in the Skills Matrix, where employees have identified training needs during the appraisal process.
- 4.3.9 Corporate Training does not monitor the number of completed PDPs as they are logged through the Skills Matrix. Because there is not a method to determine the level of compliance, there is a minor risk that this will impact adversely on the development of the Corporate Training Plan.
- 4.3.10 Email correspondence shows Corporate Training request that SMT remind heads of service and senior managers of the importance of completing and logging appraisal documents. Ultimately, it is the responsibility of individual service managers to upload the PDP actions into the Skills Matrix.
- 4.3.11 Corporate Training noted that there are plans to introduce a new Learning and Development system that can automate the above processes. This may help improve the process for reviewing the completed appraisal documents, although it does not guarantee an improvement in the rate of responses.

Risk

Training and development needs identified during the appraisal process may not be addressed.

Recommendation

Corporate Training should continue to remind SMT and senior managers of the importance of recording the appraisal documents.

- 4.3.12 Management use the Skills Matrix to highlight training needs. The LDO also receives informal training requests by email which are reviewed on a case-by-case basis. SMT can directly request training to meet specific corporate requirements.
- 4.3.13 The LDO uses the development actions recorded in the Skills Matrix to identify training needs and anticipate course attendance. The process is dependent on managers recording PDP actions in the Skills Matrix.
- 4.3.14 The availability of CT courses is publicised in the Learning and Development Guide, which is updated annually. The Guide for 2020/2021 can be accessed via a link to the Staff Development page on the Intranet Home page.
- 4.3.15 Managers are emailed directly with details of forthcoming courses and asked to pass on the information to their staff.
- 4.3.16 Staff are required to seek their line **manager's** approval before booking a place on a course. Staff should then email the LDO directly and request a place on the course. All requests must be made before the deadline to allow the LDO to anticipate attendance.
- 4.3.17 As part of the course booking and evaluation process, attendees are invited to complete pre and post-training questionnaires. The questionnaires seek to uncover what is hoped to be gained from attendance and whether or not the course was successful in that respect.

4.4 Budgets and Procurement

- 4.4.1 The Corporate Training budget for 2020/2021 is £37,500. The CT annual budget is a recurring base budget which is included in the base estimates. The budget is typically managed by HR with periodic assistance from the Assistant Accountant (AA).
- 4.4.2 As most training is cyclical, year-to-year costs are generally easy to anticipate. Expenditure is fairly routine and covers the cost of courses provided externally, hiring trainers for in-house courses as well as the cost of room hire and refreshments. Expenditure on CT is recharged to service areas based on staff numbers and not on actual attendances at courses.
- 4.4.3 An examination of TOTAL showed that over the last three financial years, the original budget has remained relatively constant.
- 4.4.4 There is some variance between the original budget and actual expenditure. For the year 2019/2020, the budget was set at £36,800 and amended to a total of £42,900. However, the actual expenditure exceeded both budgets to a total of £43,790.85.

- 4.4.5 There is evidence that the budgets are consistently amended, with only minor variations between the latest budgets and actual expenditure.
- 4.4.6 A significant proportion of the training is procured through West Midlands Employers Organisation (WMEO), a not-for-profit organisation offering employment services for the Public Sector. WMEO source training using their own procurement process and then offer it to members at a discounted rate.
- 4.4.7 Contrary to concerns raised in the previous audit report, this satisfies the criteria laid out in the Procurement Code of Practice, and there is no need to consult Procurement.
- 4.4.8 Other courses are delivered by generally the same provider each year which provides a level of continuity. The trainers are familiar with the Council and offer a tailored course which CT believe provides value for money.
- 4.4.9 An examination of TOTAL showed that, for the period 2019/20, most of these courses cost less than £600 and therefore do not require any procurement consideration.
- 4.4.10 The costs from these providers are periodically checked to ensure costs remain competitive, although there is no evidence these checks have taken place.

4.5 **Monitoring, Feedback and Reporting**

- 4.5.1 A link to the pre and post-course questionnaire is included in the course invite. Employees complete the questionnaire with their line manager to evaluate the effectiveness of the training in developing their skills. Corporate Training do not monitor these forms as it is for the manager and employee.
- 4.5.2 An evaluation form is emailed to attendees after completing a training course. The returned evaluation forms are reviewed by the HR Manager and the LDO who consider the comments and take action as required. It was noted that the returned evaluation forms do not always contain actionable requests.
- 4.5.3 The evaluation form contains monitoring questions, including asking attendees to indicate whether they have completed or plan to complete the pre and post-course questionnaire.
- 4.5.4 A training log containing details of every training course provided, the training provider and information on delegate attendance is shared amongst SMT each year.
- 4.5.5 The People Strategy Update presented to the Employment Committee includes a section covering aspects of Learning and Development. This provides details of courses undertaken, levels of attendance, a summary of course satisfaction and details on new and ongoing processes.
- 4.5.6 The annual Corporate Training report summarises the key findings from an analysis of corporate training activity during 2018/2019. This includes information on the number of training sessions provided, number of delegates attending, along with actions from the previous year and priorities for the

upcoming year. The latest Corporate Training Report for the period 2019/2020 is still in development.

5 **Conclusions**

5.1 Following our review, in overall terms we are able to give a SUBSTANTIAL degree of assurance that the systems and controls in place in respect of the Shared Legal Services are appropriate and are working effectively.

5.2 The assurance bands are shown below:

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

5.3 Several minor issues were, however, identified:

- The number of returned performance appraisals is significantly less than the last three years.
- Since the appraisal process consists of the two documents, there is a minor concern that a lower number of completed performance appraisals might coincide with a lower number of PDP activities logged on the Skills Matrix.
- There is not a method to monitor compliance of the number of PDPs logged on the Skills Matrix. Low compliance may impact adversely on the development of the Corporate Training Plan.

6 **Management Action**

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

Richard Barr
Audit and Risk Manager

Action Plan

Internal Audit of Corporate Training – September 2020

Report Ref.	Recommendation	Risk	Risk Rating*	Responsible Officer(s)	Management Response	Target Date
4.3.11	Corporate Training should continue to remind SMT and senior managers of the importance of recording the appraisal documents.	Training and development needs identified during the appraisal process may not be addressed.	LOW	L & D Officer/SMT	With the new Performance Module of the HR/Payroll system being implemented July 2021 this will form part of a more empowered service for Managers to monitor within their own teams.	July 2021

* Risk Ratings are defined as follows:

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

FROM: Audit and Risk Manager **SUBJECT:** Local Land Charges
TO: Head of Development Services **DATE:** 3 August 2020
C.C. Chief Executive
Deputy Chief Executive (BH)
Head of Finance
Manager – Development Services
Systems and Business
Improvement Officer
Portfolio Holder (Cllr Cooke)

1 **Introduction**

- 1.1 In accordance with the Audit Plan for 2020/21, an examination of the above subject area has recently been completed by Jemma Butler, Internal Auditor, and this report presents the findings and conclusions for information and action where appropriate.
- 1.2 Wherever possible, findings have been discussed with the staff involved in the procedures examined and their views are incorporated, where appropriate, into the report. My thanks are extended to all concerned for the help and cooperation received during the audit.
- 1.3 The audit was undertaken during the COVID-19 pandemic. This has meant a slightly different approach has been taken to complete the audit. Rather than observing staff members and meeting staff face to face, correspondence has been via email or telephone calls.

2 **Background**

- 2.1 A local land charge search is undertaken as part of the conveyancing process when a property or piece of land is changing hands or is being valued (e.g. for re-mortgaging). The objective of the search is to uncover any restrictions or legal obligations against the site, such as conditional planning consents, listed buildings or tree preservation orders etc.
- 2.2 Since 2018, searches for land charges have been the responsibility of the Land Registry. This does not, however, cover all of the different searches that are performed by local authorities.

3 **Scope and Objectives of the Audit**

- 3.1 The audit was undertaken to test the management and financial controls in place.
- 3.2 In terms of scope, the audit covered the following areas:

- Process and procedures
- Timeliness of searches
- Accuracy of searches
- Finance
- Risk management
- Performance monitoring

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

- Land charges functions are discharged in accordance with established systems and procedures
- Requests for searches are dealt with in a timely manner
- Searches are processed in a timely manner
- Appropriate and accurate searches are performed
- Fees are set accordingly to ensure that the costs break even over the three year rolling period
- The Council receives the appropriate amount of income for the searches performed
- Fees are accounted for correctly
- Payments are accurately made
- Management are aware of the risks associated with the provision of services
- Management and Members are aware of how the service is performing

3.4 There was a minor limitation to the scope of this audit where testing using the GIS system (4.4.2) was not possible because of the -19 restrictions.

4 Findings

4.1 Recommendations from Previous Report

4.1.1 The current position in respect of the recommendations from the previous audit, undertaken in March 2018, was also reviewed. The current position is as follows:

Recommendation	Management Response	Current Status
1 Search requests should be processed in a timely manner.	Performance in this respect has been impacted as set out in the body of the report. However revised performance monitoring measures are now in place and recruitment into vacant administration posts is now taking place to build in further resilience.	Search request timings were reviewed and found to be satisfactory.

Recommendation	Management Response	Current Status
2 Cases shown on the outstanding search tabs should be reviewed to ensure that they are appropriately closed off where no further action is required.	Any revisions to procedures required in this respect are being reviewed now.	Cases are closed off when no further action is required.
3 The next Service Area Plan for Development Services should include reference to the remaining aspects of the land charges function.	This will be included as part of the current Service Area Plan review.	There is no reference to Land charges in the service area plan. (See 4.7.1 below)
4 Cumulative figures should be included in the monitoring reports, with consideration being given to including details of any 'outliers' for further investigation.	This recommendation is being progressed now.	Figures of outstanding search requests are rolled over in the weekly monitoring reports.

4.2 **Processes and Procedures**

4.2.1 There are a number of procedure guides in place for staff to follow when processing land charges searches. This includes guides for completing searches and plotting them. All have the current procedure detailed with most of them being updated within the last twelve months.

4.2.2 The Council is a member of the Local Land Charges Institute and receives notifications from the Institute when there are changes or updates to the legislation. When these updates are received they are circulated to the relevant staff members.

4.3 **Timeliness of Searches**

4.3.1 Requests for searches can either be received through the post; via email; or through two different on-line portals (NLIS and TM Group). Requests are only occasionally received through the post and, due to the current circumstances, search companies and solicitors have been notified that search requests should be sent via email if they do not have access to the search portals.

4.3.2 There is an aim to complete searches within ten days wherever possible. A review of the outstanding search requests in the land registry email account

and portals was carried out. At the time of audit testing, there were fourteen outstanding requests, with the oldest being eight days old. The time frame covered included a bank holiday weekend and may have been affected by the changes in working arrangements due to the Coronavirus pandemic.

- 4.3.2 Sample testing across a variety of searches showed that search requests are usually responded to within 10 days with only one of the sampled searches having taken an excessive amount of time (over 20 days). There was no evidence to suggest that searches had been fast-tracked on behalf of friends or family, as some of the questions are reliant on other parties (WCC and Land Registry) so it would be difficult to fast-track searches without removing some of the questions.

4.4 **Accuracy of Searches**

- 4.4.1 Search requests can cover different questions dependant on the type of request. The sample of searches was reviewed and had the correct questions answered. Where further searches had been made or questions required following up, documentation had been retained.

- 4.4.2 The accuracy of plotting the searches on to the GIS system could not be checked during this audit due to the auditor not having the ability to use the GIS system. Previous auditors have sat with a staff member to go through the searches and check them on GIS but this was not possible for this audit due to the COVID-19 restrictions.

- 4.4.3 The relevant information for the searches is generally held electronically with historic, hard-copy, search records (Blue Cards) scanned and saved against the relevant address. These can then be checked when a search request is received for that address. All search history documentation was present in the sample tested.

4.5 **Finance**

- 4.5.1 Legislation states that the fees in relation to land charges should be set so that they cover the costs incurred by the Council. The Assistant Accountant confirmed that the account balances for land charges have ended in a credit balance for the last two financial years. There does not appear to be any reason why the Council cannot use it as an income stream.

- 4.5.2 Fees are set on an annual basis as part of the fees and charges process. The Assistant Accountant confirmed that the current fees have not changed for a number of years. As the Council is recovering costs incurred there is no need to change them at present. The Manager - Development Services confirmed that the income and costs incurred are reviewed to ensure the function does not end up making a loss.

- 4.5.3 When the search is entered onto the Acolaid system the fees are automatically calculated depending on the questions selected. The fees are entered into the system parameters by the relevant staff members.

4.5.4 Sample testing confirmed the correct fees had been charged in each case. In some cases, a copy of the receipt had been saved with the documentation and this confirmed the correct amount had been paid.

4.5.5 Invoices are received on a quarterly basis from Warwickshire County Council (WCC) for the fees incurred when undertaking highways searches. The number of searches is checked against the invoice prior to the payment being made to ensure it is correct.

4.6 **Risk Management**

4.6.1 The Development Services risk register does not include risks specifically for land charge services. However, there are a number of generic risks that could impact land charges, including IT failure. The actions to reduce the risks identified are appropriate.

4.7 **Performance Monitoring**

4.7.1 A copy of the 2019-20 Service Area Plan for Development Services was reviewed. There is no mention of Land Charges within the service overview or specific measures. Land Charges is only mentioned within the upcoming audits section. This issue was also raised during the last audit, undertaken in March 2018.

Risk

The performance of the Land Charges function may not be appropriately measured.

Recommendation

The next Service Area Plan for Development Services should include reference to the remaining aspects of the Land Charges function.

4.7.2 Performance monitoring reports are produced on a weekly basis by the Systems Business and Improvement Officer. The figures are reported to management and the relevant staff members. The weekly monitoring undertaken looks at the total number of searches received for the week, the number of outstanding searches and the percentage dealt with within the ten-day target. The weekly reports focus on the previous weeks figures and include a rollover of incomplete searches.

5 **Summary & Conclusion**

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

5.2 The assurance bands are shown overleaf:

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

6 **Management Action**

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

Richard Barr
 Audit and Risk Manager

Action Plan

Internal Audit of Local Land Charges – August 2020

Report Ref.	Recommendation	Risk	Risk Rating*	Responsible Officer(s)	Management Response	Target Date
4.7.1	The next Service Area Plan for Development Services should include reference to the remaining aspects of the land charges function.	The performance of the Land Charges function may not be appropriately measured.	Low	Head of Service and Development Manager	Agreed	To fit in with the preparation of the next Service plan.

* Risk Ratings are defined as follows:

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

FROM: Audit and Risk Manager **SUBJECT:** Management of Contracts
TO: Head of Finance **DATE:** 24 July 2020
C.C. Chief Executive
Deputy Chief Executive (AJ)
Senior Procurement Business
Partner
Portfolio Holder (Cllr Hales)

1 Introduction

- 1.1 In accordance with the Audit Plan for 2020/21, an examination of the above subject area has recently been completed by Jemma Butler, Internal Auditor, and this report presents the findings and conclusions for information and action where appropriate.
- 1.2 Wherever possible, findings have been discussed with the staff involved in the procedures examined and their views are incorporated, where appropriate, into the report. My thanks are extended to all concerned for the help and cooperation received during the audit.
- 1.3 The audit was undertaken during the COVID-19 pandemic. This has meant a slightly different approach has been taken to complete the audit. Rather than observing staff members and meeting staff face to face, correspondence has been via email or telephone calls.

2 Background

- 2.1 Warwick District Council spent almost £39 million in 2018/19 on procured goods and services. It is important that the Authority manages its contracts effectively to ensure both value for money and that the desired outcomes, in line with the Fit for the Future strategy, are achieved.
- 2.2 **For the purpose of this audit the term “contract management” covers** three main areas: commissioning, sourcing and contract management. The Procurement Team support contract managers through the sourcing stage and provide guidance for the commissioning and management stages.
- 2.3 Contract managers are expected to abide by various procurement legislation without being procurement experts. They are able to do this by following the guidance and procedures produced by the Procurement Team.

2.4 Contract management of individual contracts is usually covered when the service that manages the contract is audited. The aim of this audit is to review the processes and guidance in place across the Council rather than focus on specific areas. This more strategic approach will review the procurement process as a whole, ensuring processes and guides are in place encouraging contract managers to get value for money on each and every contract, whilst ensuring procurement rules are not breached.

2.5 **A contract is** 'an agreement between two (or more) parties intended to be enforceable by law'. The legally binding aspect is the main difference between it being a 'contract' as opposed to just being an informal social 'agreement'. However, a social 'agreement' between two commercial organisations, will always be a 'contract'. This is because legally it is an implied term in this relationship is that both parties have entered into legal relations, unless it is made an expressed term of the contract that it won't be legally binding.

3 **Scope and Objectives of the Audit**

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

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

- Contract award
- Contract provision and monitoring
- Staff training and guidance
- Document management

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

- The contract is awarded to the most appropriate company following an appropriate tendering exercise.
- Staff are aware of what the Council aims to achieve in relation to the services that are being provided.
- Contractors are aware of the services to be provided.
- Works are undertaken to agreed standards.
- Spending with existing contractors is managed.
- New spending follows procurement practices in place.
- Spending and contracts awarded are legal and are in line with procurement practices.
- KPIs are considered at award stage and included within the contracts to allow monitoring.
- Staff effectively manage and monitor contracts
- Contracts and associated documentation can be located with.
- Loss of ICT does not result in loss of electronic copies of contract documentation.

4 Findings

4.1 Recommendations from Previous Report

4.1.1 This is the first specific audit of this topic and, as such, there are no previous recommendations to follow up.

4.2 Contract Award

4.2.1 For each contract awarded, the formal tendering processes followed should be documented with files being saved within the appropriate procurement folder on the network. The documents retained depend on the route of procurement taken but can include: the specifications, tender process, evaluation documents and formal awards.

4.2.2 A review of recently-awarded contracts recorded on the contract register was carried out. Where applicable, signed agreements had been saved in the correct procurement folder (i.e. in the appropriate year and under the correct procurement type) along with the relevant associated documents.

4.2.3 The review also confirmed that the tendering processes had been carried out by appropriate staff members, i.e. the contract manager or their line manager, for each sampled contract.

4.2.4 A review of 33 new tenders undertaken between 1 September 2019 and 1 April 2020 was carried out using the information on the contract register. Fifteen of the 33 tenders had electronic copies of the agreement linked to the register. Eleven of the electronic copies had been signed and ten included performance measures to allow ongoing monitoring of the agreements.

Risk

There may be a risk of contracts or agreements being invalid or unenforceable due to them not being signed.

Recommendation

Before business commences with suppliers, all contractual documents must be signed.

4.2.5 Of the remaining tenders, only five 'hard-copy' contracts could be found in the Document Store. All five included appropriate performance measures and four of these had been signed by both parties.

Risk

It may be difficult to monitor suppliers' performance and/or manage any issues or concerns with suppliers if performance measures have not been included in the contract or agreement.

Recommendation

Performance measures should be included in the contract documentation.

- 4.2.6 Where contracts could not be found it was identified that many had started in February 2020, so it is likely that these contracts have not made it to the Document Store due to the COVID-19 lockdown. Five of the other contracts where documentation could not be located had ended within the last few months.
- 4.2.7 It is the responsibility of the nominated contract manager to ensure the document is stored securely and, where possible, an electronic copy should also be saved on the system so that other staff can access the contract documentation in the contract manager's absence.

Risk

There may be a risk of contracts going missing or being inaccessible if they have not been stored securely and correctly.

Recommendation

The requirement to store contracts securely and correctly should be reinforced.

4.3 **Contract Provision and Monitoring**

- 4.3.1 The current Procurement Strategy in place runs from 2019 until 2023. The Strategy defines the meaning of procurement and sets out expectations of managers: managers are required to observe procurement rules, regulations and guidance within the framework.
- 4.3.2 The Strategy also sets expectations for the monitoring of procurement key performance indicators (KPIs) and progress against action plans with bi-annual reporting.
- 4.3.3 Customer satisfaction surveys are encouraged across the Council. These are obtained through feedback surveys, consultations and questionnaires. Feedback received is used to shape and develop existing and future services.
- 4.3.4 A "contact us" option available on the Council's webpage gives customers the opportunity to complain or compliment services or work. Social media sites are also monitored to identify issues as they arise. This allows contract managers the opportunity to pick up on issues raised by customers and address these with the relevant contractors.
- 4.3.5 Training provided by the Procurement Team advises contract managers to meet regularly with the contractors to ensure contracts are running to plan. The method statements and measures or KPIs included in the

tender documentation and signed agreement should provide the contract managers a baseline to work from.

- 4.3.6 Guidance available on the intranet and provided in the training encourages staff to take minutes of meetings with contractors so they can be used to support performance reporting. Meeting minutes have not been checked as part of this audit as they are included as part of service area audits. Staff are encouraged to raise and document any substandard work with contractors at early stages.

4.4 **Staff Training and Guidance**

- 4.4.1 There is a large amount of information and guidance available to staff on the intranet. The main bulk of information and guidance is broken down into three sections: Guides, Forms, and Templates and Lists. Within the three sections there is further division to help the user narrow down their search quickly, they are: Procurement, Procurement Processes, Tender and Contract.
- 4.4.2 There is a procurement flowchart which helps staff to determine the procurement route to take if the staff member is unsure. The first question on the flow chart asks if the service is already being provided by a supplier. This could be a good place to signpost the user to the contract register as newer staff members may not know where to find it or how to find out if there is already a supplier in place. However, with the contract register being on the main intranet page and on the procurement page as big buttons, it should be easily locatable.
- 4.4.3 Contract managers are tasked with ensuring the details of the contract are added to the contract register and they are also responsible for keeping the record up to date. A review of the details stored on the contract register was carried out which confirmed that the contract managers listed are all current members of staff. It was also noted that there were some spelling errors or abbreviations within contractors' details which could make it difficult to find contracts when using the search function. There are also a number of entries with incomplete data, including twelve with no start, end or review dates entered.

Advisory

The contract managers should ensure that they input the correct information on the contract register so that it matches the details on the contract or agreement.

- 4.4.4 Legislation requires the Council to publish a list of all expenditure over £250 on a monthly basis. This is made available publically on the **Council's website. A review was undertaken on a sample of payments** selected from the February and March 2020 applications to see if there was a contract in place and what the contractual spend amount was.
- 4.4.5 Contracts were found to be in place for all of the sampled payments although one 'zero-value' contract related to services where the

contractor makes payments to the Council as opposed to the 'chargeable' services which the Council had used them for without going through a procurement process.

- 4.4.6 The total expenditure with each relevant supplier (for the 2019/20 financial year) was reviewed. This identified that expenditure with the supplier with the 'zero-value' contract was in excess of the procurement limit of £10,000 and expenditure with three other suppliers was found to be over the value of the contract (one by more than £12,000 and the other two in excess of £100,000).
- 4.4.7 The expenditure with these companies covers orders placed by multiple service areas. As there is no system in place to monitor total expenditure, there is little chance of these irregularities being picked up. Individual contract owners may be monitoring their own spend against the contract but could be unaware of the orders placed by other services. This also shows that staff may need further training or guidance to help them to understand that procurement legislation applies across the Council rather than just within their service area team.

Risks

- 1. There may be a breach of procurement laws due to high levels of expenditure with suppliers where no contract is in place.**
- 2. There may be a risk of frequent overspending on contracts if the total spend across the Council is not being reviewed when purchasing goods or services.**
- 3. There may be a risk of staff not understanding their role when purchasing and not appreciating their responsibility to check cumulative spend or the existence of current contracts.**

Recommendation

- 1. Before authorising expenditure there should be checks in place to ensure the Council is not at risk of breaching procurement laws and legislation.**
 - 2. Before authorising expenditure, checks should be carried out to ensure spending is within contracted spend and relevant to the contract held.**
 - 3. Staff should receive purchasing training before being given access to the purchasing system. This should include a basic checklist so that staff can review whether there is or should be a contract in place and a review of the cumulative spend.**
- 4.4.8 Staff are encouraged to include KPIs within contract agreements as aids to monitor the contract. There are guides within the procurement pages to help staff identify relevant KPIs to include in the contract and how to implement them within the agreement. The guidance highlights the importance of KPIs within contracts. Procurement training provided also reinforces the use of KPIs.

4.4.9 Mandatory training is provided to all staff. Initially provided as separate sessions, 'procurement awareness training', which is mandatory, and 'contract management training' have now been merged together as one. 70 staff members have attended training within the last year. Members are also invited to procurement training sessions but it was established that take-up is low.

4.5 **Document Management**

4.5.1 There are three stages of a contract lifecycle: commissioning, sourcing and contract management. The Procurement Team are involved actively in the sourcing stage and provide guidance for the other stages.

4.5.2 The documentation lifecycle follows the same stages. The Procurement Team ensure documentation is completed and saved within the appropriate folder at the sourcing stage, for which they provide support and advice.

4.5.3 For the commissioning and contract management stages, the contract manager has responsibility for ensuring the relevant documentation is stored appropriately, from the date it is signed and active. This includes scanning and saving an electronic copy of the contract and ensuring it is taken to the Corporate Support Team (CST) to be stored within the Document Store.

4.5.4 Access to the Document Store is only possible with supervision and assistance from CST. CST manage and edit a spreadsheet of all of the contracts and documentation held within the Document Store. Any documentation removed from the Document Store must be logged on to a log sheet, with the log sheets being stored where the contract has been removed from. There is no digital copy of the log sheet maintained and no follow-up is undertaken to ensure that the documents are returned.

Risk

There may be a risk of contracts going missing or staff forgetting that they have the document in their possession.

Recommendation

There should be a 'rental' time imposed to help ensure that documents are returned in a timely manner to the Document Store.

4.5.5 To prevent the loss of documents through ICT failure, backups are carried out frequently. For the documentation held on WDC servers there are daily, weekly and monthly backups performed. These range from incremental to full backups. Backups are saved to disk and held at two separate physical locations, one of which is off site, to protect them from damage or loss at Riverside House.

5 **Summary & Conclusion**

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

5.2 The assurance bands are shown below:

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

5.3 There were, however, issues identified during the course of the audit relating to:

- Unsigned/unenforceable contracts
- Lack of **KPI's to enable** performance monitoring of contracts and agreements
- Incorrectly stored contracts
- Breach of procurement laws
- Overspend on contracts
- Lack of staff understanding when purchasing
- Deed store logs

5.4 An advisory was identified relating to incorrect entries on the contract register.

6 **Management Action**

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

Richard Barr
Audit and Risk Manager

Action Plan

Internal Audit of Management of Contracts – July 2020

Report Ref.	Recommendation	Risk	Risk Rating*	Responsible Officer(s)	Management Response	Target Date
4.2.4	Before business commences with suppliers all contractual documents must be signed.	There may be a risk of contracts or agreements being invalid or unenforceable due to them not being signed.	Medium	SMT/Heads of Service	A reminder will be issued for the next Procurement Board (SPBP).	5/8/2020
4.2.5	Performance measures should be included in the contract documentation.	It may be difficult to monitor suppliers' performance and/or manage any issues or concerns with suppliers if performance measures have not been included in the contract or agreement.	Low	Senior Procurement Business Partner	The climate change report includes a recommendation that there should be a corporate set of processes and performance monitoring documents for contract managers so that everyone is working in the same way, creating a consistent approach.	31/3/2021
4.2.7	The requirement to store contracts securely and correctly should be reinforced.	There may be a risk of contracts going missing or being inaccessible if they have not been stored securely and correctly.	Low	SMT/Heads of Service	A reminder will be issued for the next Procurement Board (SPBP).	5/8/2020

Report Ref.	Recommendation	Risk	Risk Rating*	Responsible Officer(s)	Management Response	Target Date
4.4.7	1. Before authorising expenditure there should be checks in place to ensure the Council is not at risk of breaching procurement laws and legislation.	1. There may be a breach of procurement laws due to high levels of expenditure with suppliers where no contract is in place.	Medium	SMT/Heads of Service	This will be considered at the next Procurement Board to ensure practices are in place within each Service Area, and Procurement are sought for advice if in doubt.	5/8/2020
	2. Before authorising expenditure, checks should be carried out to ensure spending is within contracted spend and relevant to the contract held.	2. There may be a risk of frequent overspending on contracts if the total spend across the Council is not being reviewed when purchasing goods or services.	Medium	SMT/Heads of Service	Procurement Board to be reminded to ensure contract managers monitor spend against their contracts. Potential contract overspend has been included within the specification requirements for the new FMS, due to be progressed by end of financial year.	31/3/2021

Report Ref.	Recommendation	Risk	Risk Rating*	Responsible Officer(s)	Management Response	Target Date
	3. Staff should receive purchasing training before being given access to the purchasing system. This should include a basic checklist so that staff can review whether there is or should be a contract in place and a review of the cumulative spend.	3. There may be a risk of staff not understanding their role when purchasing and not appreciating their responsibility to check cumulative spend or the existence of current contracts.	Low	Head of Finance	Training is provided on the use of the FMS (Total) before officers can raise and authorise purchase orders. Officers will be reminded (Procurement Board) to ensure there is or should be a contract in place and to review of the cumulative spend, and to seek support from Finance to assist to monitor spend. Training on the new Financial Management System will ensure these points are covered.	5/8/2020
4.5.4	There should be a 'rental' time imposed to help ensure that documents are returned in a timely manner to the Document Store.	There may be a risk of contracts going missing or staff forgetting that they have the document in their possession.	Low	Democratic Services Manager	Due to the current pandemic the majority of staff are working from home. Because of this obtaining documents from the deed store is restricted and, therefore, forms a control in itself. Future processes to be agreed and put in place by the Democratic Services Manager.	End of December 2020

* Risk Ratings are defined as follows:

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

FROM: Audit and Risk Manager
TO: Deputy Chief Executive (AJ)
C.C. Chief Executive (CE)
Head of Finance (MS)
Portfolio Holder (Cllr AD)

SUBJECT: Shared Legal Services
DATE: 26 July 2020

1 Introduction

- 1.1 In accordance with the Audit Plan for 2020/21, an examination of the above subject area has been undertaken and this report presents the findings and conclusions drawn from the audit for information and action where appropriate. The review was undertaken by Nathan Leng, Internal Auditor. This topic was last audited in July 2017.
- 1.2 Wherever possible, findings have been discussed with the staff involved in the procedures examined and their views are incorporated, where appropriate, into the report. My thanks are extended to all concerned for the help and cooperation received during the audit.

2 Background

- 2.1 The arrangements for the provision of a Shared Legal Service between Warwick District Council (the Council) and Warwickshire County Council (WCC) first came into effect in March 2010 for a period of three years ending in March 2013. It was renewed for a further four years ending in March 2017.
- 2.2 With approval of the Executive, a new 5-year agreement was entered into with effect from April 2017.
- 2.3 The Service consists of a single in-house team, based at WCC, with the aims of improving resilience, maintaining sufficient capacity through fluctuations in demand and reducing reliance on external resources to the benefit of both parties.
- 2.4 The management of the agreement at the Council is undertaken by one of the Deputy Chief Executives (DCE), whose full job title is Deputy Chief Executive, Monitoring Officer and Legal Client Manager.

3 Scope and Objectives of the Audit

- 3.1 The purpose of the audit was to ensure that the Council has appropriate controls in place to secure economic, efficient and effective delivery of legal services under the shared services agreement with WCC.
- 3.2 In terms of scope, the audit covered the following areas (overleaf):

- Commissioning
- Resourcing
- Contract monitoring

3.3 Contract Agreement was not investigated as this was covered in the previous audit and the contract is still in place.

3.4 The control objectives examined were:

- Staff understand the procedure for commissioning work through the service.
- Management are able to measure the level of work commissioned from the service.
- Work is appropriately commissioned from the service.
- Both councils can plan for anticipated levels of work to be placed through the agreement.
- Budget variances are limited as the budgets are set appropriately in line with known areas of income and expenditure.
- The Council is aware of any potential budget variances.
- Payments are valid and accurate and processed in accordance with the appropriate conditions of the contract/agreement.
- Work is undertaken to agreed standards.
- Management are aware of issues encountered with the work performed under the agreement.

4 Findings

4.1 Recommendations from Previous Report

4.1.1 The current position in respect of the recommendations from the audit reported in August 2017 is as follows:

Recommendation	Management Response	Current Status
1 The user guide should be updated to provide accurate, up to date information and be rolled out to relevant staff.	Agreed. This will be updated and staff made aware of its refresh.	The current user guide contains several inaccuracies, some of which were identified in the previous audit. There is also an out of date user guide on the CMT page on the Intranet.

Recommendation	Management Response	Current Status
2 SMT should be asked to review the list of authorised commissioning officers to ascertain whether it is still relevant for their departments, and the list should be subsequently updated as necessary.	Agreed. The DCE will liaise with SMT colleagues to ensure commissioning officers are current.	The authorised commissioning officer list contains errors highlighted in the previous audit. Since the last audit, further staffing changes have occurred and are not reflected in the current list. The Intranet user guide has not been updated, and the staffing list remains unchanged. An out-of-date copy of the list was also provided to WCC for the latest version of user guide.
3 Budget managers should be reminded of the need to set accurate budgets based on available information.	Agreed. This will be raised at budget review meetings.	Confirmed that managers are reminded of the need to set accurate budgets. However, setting budgets is still considered difficult due to the reactive nature of the majority of legal work.
4 The monthly coding spreadsheets supplied by Legal Services, should be made available to all relevant (commissioning) staff.	Agreed. The DCE will liaise with SMT colleagues to ensure they know how such information can be assessed.	There is evidence that some cost centre managers do not know how to locate monthly coding spreadsheets.

4.2 Commissioning

- 4.2.1 There is a user guide in place that is available to all staff via the Intranet homepage. This contains details of how the service should be used. Upon review, it was evident that the document contains some inaccuracies.
- 4.2.2 The user guide is also available on the Corporate Management Team (CMT) page. Upon review, it was evident that this document is an older version of that available on the Intranet home page. Both versions of the user guide feature an outdated list of authorised officers and details of staff who no longer work for Legal Services.
- 4.2.3 During this audit, a new draft of the user guide was in development. In January 2020, the list of authorised officers was confirmed by the Council and sent to WCC. Upon review of the new draft user guide, it was evident that the authorised officers list still contains inaccuracies.

Risk

Staff may not use the service correctly.

Recommendation

The user guide should be updated to provide accurate, up-to-date information and should be rolled out to relevant staff.

- 4.2.4 The Corporate Legal Services Manager (CLS) confirmed that the authorised commissioning officer list is updated on average once per year. However, this is an ad-hoc task and may be completed more or less frequently as needed.
- 4.2.5 Details of changes are exchanged between the CLS and the client manager for the Council and subsequently distributed to the relevant personnel.
- 4.2.6 The previous audit recommended SMT review the list of authorised commissioning officers and update as necessary. The DCE agreed to liaise with SMT to ensure commissioning officers are current.
- 4.2.7 Since the last audit, further staffing changes have occurred and are not reflected in the current list. There are also examples of inaccuracies flagged in the previous audit which have not been updated.

Risk

Relevant officers may not be able to use the service.

Recommendation

The procedure for updating the authorised commissioning officer list should be reviewed and the list updated.

- 4.2.8 A review of the expenditure against the relevant TOTAL subjective code was undertaken to identify which cost centres had spent the most on Legal Services during 2019/20.
- 4.2.9 Discussions were held with the managers of cost centres with legal service expenditure exceeding £20,000 to identify how the works had been commissioned.
- 4.2.10 It was identified that there is no standard arrangement for commissioning work. Service areas have their own preferred methods of commissioning work, including emails, phone calls and discussions during the weekly surgeries.
- 4.2.11 The commissioning officers are generally aware of who they need to contact to commission work through the Service. However, the majority of officers are not personally involved in the appointment of the case handler.
- 4.2.12 The majority of cost centre managers are satisfied with their ability to commission work through the Service. However, several highlighted minor responsiveness issues.

- 4.2.13 The Tenancy Manager reported significant responsiveness issues due to the locum solicitor for housing working part-time.
- 4.2.14 The Developmental Services Manager noted that they have had to repeatedly chase work. Upon review, the CLS clarified that this was likely an isolated incident caused by technical difficulties and does not require further attention.

Risk

Time-sensitive requests may not be received or acted upon within the required time-frame.

Recommendation

The level of service should be reviewed to ensure requests are dealt with promptly and efficiently.

4.3 Resourcing

- 4.3.1 An annual order of £650,000 was set to cover all of the work for the year 2019/20.
- 4.3.2 The current financial spend and monthly financial reports are discussed during Shared Legal Agreement (SLA) meetings. Discussions include the costs for individual services, the costs of specific projects and the annual charge sheet for legal work. These discussions inform the planning for anticipated levels of work placed through the agreement.
- 4.3.3 The main Legal Services cost centre on TOTAL (4871) does not include a budgeted figure, as the costs are recharged to the individual services, thus leaving a zero balance.
- 4.3.4 Budgets are included within individual cost centres and these were reviewed to ascertain whether they reflected previous expenditure levels or anticipated costs.
- 4.3.5 Budget managers make written requests for additional budgets in situations where the current budget is insufficient. Requests are sent to the relevant Assistant Accountant (AA) who informs SMT of the proposed changes.
- 4.3.6 26 (19%) of the 135 cost centres that used the Service had a variance of more than £5K between the budget and the outturn for 2019/20 (excluding disbursement codes). Of these, 21 (80%) saw their budgets amended to reflect the increasing costs.
- 4.3.7 It is acknowledged that it can be difficult to predict usage due to the reactive nature of the Service. The figures above demonstrate that, although there are some significant variances, the Council are responsive and amend the budgets in the majority of cases.

Risk

Inaccurate budgets may provide misleading information to other users of the figures.

Recommendation

Budget managers should be reminded of the need to set accurate budgets based on available information.

- 4.3.8 The DCE confirmed that the procedure for reviewing expenditure includes analysing the monthly Legal Service charge list. These are gone through in detail and any issues raised with the SMT.
- 4.3.9 The AA conducts a monthly review of Legal Service expenditure and emails a copy to the SMT. The review sets out the overall position for both the time charges and disbursements, broken down by both service and cost centre along with predictions for expected outturn based on a straight pro-rata of spend.
- 4.3.10 The individual cost centre budgets have not been assessed as they are generally covered in the audits for each service.
- 4.3.11 It was recommended in the previous audit that the monthly coding spreadsheets received from Legal Services show a job code for each charge and it was suggested that it would be helpful if these could be shared.
- 4.3.12 Discussions with the cost centre managers revealed that many do not have access to the monthly charge spreadsheets.

Risk

Managers may be unable to properly control their expenditure.

Recommendation

The monthly coding spreadsheets, supplied by Legal Services, should be made available to all relevant (commissioning) staff.

- 4.3.13 Legal Services provide monthly spreadsheets of charges for legal work for that period. These spreadsheets detail the charge fee, the name of the fee earner, the amount of time spent on the task and a description of the work undertaken.
- 4.3.14 The AA ensures that the amount stated on the monthly spreadsheets matches the amount requested in the invoice before making any payments. Warwick District Council accountants are asked to check the cost centre coding on the monthly recharge spreadsheets and update the charge codes as appropriate. Amended codes are highlighted yellow. The AA notifies WCC of new charge codes so they can update their database.

4.3.15 When the accountants are unsure of the correct code, the AA requests the client contact details from WCC and clarifies the code with the budget manager.

4.4 **Contract Monitoring**

4.4.1 Meetings are generally held on a quarterly basis between the DCE and the CLS. Notes from the meetings were provided and it was confirmed that performance issues had been covered at most meetings to some extent.

4.4.2 The DCE and CLS also communicate on an ad-hoc basis to discuss issues and changes as they emerge.

4.4.3 There are four methods employed in the monitoring of performance for the service:

- 1) Complaints raised during or after the provision of service are discussed during the next SLA meeting.
- 2) Client satisfaction surveys are sent out after each job. Any issues identified in these are discussed during the SLA meetings. Responses are not monitored.
- 3) The Legal Client Manager conducts ad-hoc satisfaction queries from cost centres with issues discussed at SLA meetings.
- 4) WCC circulate a questionnaire in the lead up to the SLA renewal/retendering to gauge overall satisfaction in the provision of the legal service.

5 **Conclusions**

5.1 Following our review, in overall terms we are able to give a SUBSTANTIAL degree of assurance that the systems and controls in place in respect of the Shared Legal Services are appropriate and are working effectively.

5.2 The assurance bands are shown below:

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

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

- The user guide and associated documents need to be updated and rolled out to relevant staff.
- The procedure for updating the authorised commissioning officer list needs to be reviewed and the list updated.
- There are some issues with responsiveness that should be addressed.

- The monthly coding spreadsheets detailing the costs of the service broken down by job code are not shared with the commissioning cost centre managers.

6 **Management Action**

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

Richard Barr
Audit and Risk Manager

Action Plan

Internal Audit of Shared Legal Services – July 2020

Report Ref.	Recommendation	Risk	Risk Rating*	Responsible Officer(s)	Management Response	Target Date
4.2.3	The user guide should be updated to provide accurate, up-to-date information and should be rolled out to relevant staff.	Staff may not use the service correctly.	LOW	Deputy Chief Executive (AJ)	The guide has been updated on a number of occasions and posted on the intranet for staff viewing. Further relevant changes will be made.	1 Sept 2020
4.2.7	The procedure for updating the authorised commissioning officers list should be reviewed and the list updated.	Relevant officers may not be able to use the service.	LOW	Deputy Chief Executive (AJ)	The list has been updated on a number of occasions and will be reviewed again to make sure it is up to date.	1 Sept 2020
4.2.14	The level of service should be reviewed to ensure requests are dealt with promptly and efficiently.	Time-sensitive requests may not be received or acted upon within the required time-frame.	LOW	Deputy Chief Executive (AJ)	Given the many hundreds of instructions that are made through the course of the year, I consider this to be a rarity with no service review necessary.	N/A
4.3.7	Budget managers should be reminded of the need to set accurate budgets based on available information.	Inaccurate budgets may provide misleading information to other users of the figures.	LOW	Deputy Chief Executive (AJ)	As acknowledged, it is very difficult to predict precise budgets at the beginning of the year. Variances are monitored on an ongoing basis and this process will continue.	N/A

Report Ref.	Recommendation	Risk	Risk Rating*	Responsible Officer(s)	Management Response	Target Date
4.3.12	The monthly coding spreadsheets, supplied by Legal Services, should be made available to all relevant (commissioning) staff.	Managers may be unable to properly control their expenditure.	LOW	Deputy Chief Executive (AJ)	Agreed. I will speak with the relevant finance officer so we can disseminate the relevant information.	1 Sept 2020

* Risk Ratings are defined as follows:

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

Finance and Audit Scrutiny Committee
9 December 2020

Title: Statement of Accounts and update from External Audit

Lead Officer: Mike Snow

Portfolio Holder: Richard Hales

Public report

Wards of the District directly affected: N/A

Contrary to the policy framework: No

Contrary to the budgetary framework: No

Key Decision: No

Included within the Forward Plan: N/A

Equality Impact Assessment Undertaken: N/A

Consultation & Community Engagement: N/A

Final Decision: Yes

Accessibility checked: Yes

Officer/Councillor Approval

Officer Approval	Date	Name
Chief Executive/Deputy Chief Executive	30/11/2020	Chris Elliott
Head of Service	30/11/2020	Mike Snow
CMT	30/11/2020	
Section 151 Officer	30/11/2020	Mike Snow
Monitoring Officer	30/11/2020	Andrew Jones
Finance	30/11/2020	Andre Rollins
Portfolio Holder(s)	30/11/2020	Richard Hales

1. Summary

- 1.1 The 2019/20 Audited Statement of Accounts were signed off by the external auditors on 21 November 2020.
- 1.2 The external auditors have issued the attached paper for the information of members of Finance and Audit Scrutiny Committee.

2. Recommendation

- 2.1. It is recommended that the Committee: -
 - a) Notes the completion of the audit of the 2019/20 Statement of Accounts.
 - b) Notes the Audit Progress Report and Sector Update from Grant Thornton.

3. Reasons for the Recommendation

- 3.1 Progress on the audit of the 2019/20 Statement of Accounts was reported to the Committee on 30 September 2020, when work was nearing completion. The audit had subsequently been completed on 21 November, with the accounts receiving an unqualified opinion. As previously reported, the deadline for the accounts to be signed off this year is 30 November, this having been slipped by 4 months in view of the pandemic.
- 3.2 Grant Thornton, the external auditors, have issued the attached Audit Progress Report and Sector Update. This deals with various matters that are likely to be of interest to the Committee. This includes an update to the Audit Findings Report that was issued to the September Committee meeting.

4. Policy Framework

4.1. Fit for the Future (FFF)

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

4.2. FFF Strands

4.2.1 External impacts of proposal(s)

People - Health, Homes, Communities

Services - Green, Clean, Safe

Money- Infrastructure, Enterprise, Employment

The audited accounts support all strands of FFF by way of confirming how the Council is using its resources.

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

People - Effective Staff

Services - Maintain or Improve Services

Money - Firm Financial Footing over the Longer Term

The audited accounts support all strands of FFF by way of confirming how the Council is using its resources.

4.3 Supporting Strategies

Each strand of the FFF Strategy has several supporting strategies. The 2019/20 Accounts are consistent with the relevant supporting strategies.

4.4 Changes to Existing Policies

No proposed changes to existing policies are proposed.

4.5 Impact Assessments

The Council's Final Accounts cover the community throughout the District. It is a statement of fact and officers will have considered any impact when amending their budgets.

5. Budgetary Framework

5.1 The original cost of the 2019/20 audit was agreed at £41,290, as part of the appointment made following tenders managed by Public Sector Audit Appointment (PSAA). The update from the external auditors, suggests they will be seeking a fee variation in respect of the additional time it has taken to audit the accounts.

5.2 Any additional fee, whether it is one-off, or recurring, will present an **additional cost to the Council's Budget and Medium Term Financial Strategy.**

6. Risks

6.1 The closure of the Accounts continues to be a key project across the Council. This has had detailed action plans, and a Risk Register that has also been reported.

6.2 The Risk Register will be reviewed and updated ahead of the 2020/21 closure.

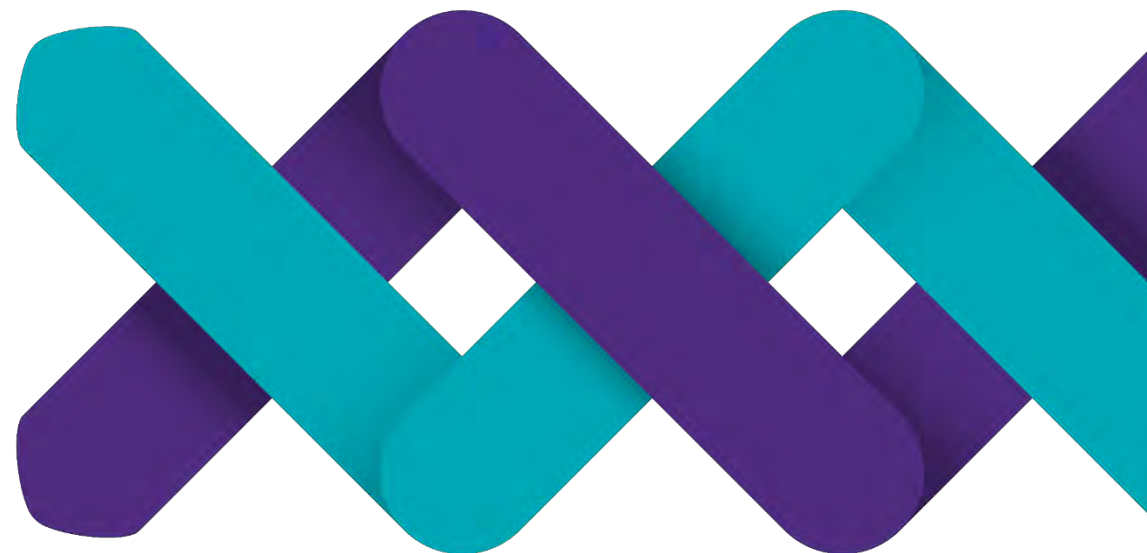
7. Alternative Option(s) considered

7.1 No alternative options are presented for consideration.

Audit Progress Report and Sector Update

Warwick District Council
Year ending 31 March 2020

November 2020



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Introduction



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

The paper also includes:

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

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

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

Progress at November 2020

2019/20 Financial Statements Audit

Following on from the meeting of the Finance and Audit Scrutiny Committee on 30 September 2020, we have now completed our audit of the 2019/20 financial statements.

The auditor's report was unqualified but included emphasis of matter paragraphs in relation to material valuation uncertainties arising due to Covid-19. Our auditor's report was signed on 21 November 2020.

As discussed at the previous meeting of the Finance and Audit Scrutiny Committee, through our audit findings reports, work in key areas was ongoing and therefore we draw members attention to our final audit findings reports included as the Appendix on page 6. There have been no fundamental changes in our conclusions drawn or the overall reported performance or position of the Authority. The changes made to our reports have been highlighted in the covering papers.

2020/21 Financial Statements Audit

Following completion of the current year audit, we will shortly commence our planning and interim work for the 2020/21 financial statements audit, with a resource plan currently being finalised which we will communicate to management in due course.

Our interim fieldwork is expected to include:

- Review and update of the Council's control environment and walkthrough testing
- Analytical procedures and review of the minutes of relevant committee meetings to identify audit risks
- Discussions with management and others such as Internal Audit and the Monitoring Officer; and
- Early substantive testing of key areas including all revenue, operating expenditure, payroll costs and capital

We expect to issue our audit plan summarising our approach to the significant audit risks during the first quarter of 2021. Due to the unprecedented circumstances presented by the COVID-19 pandemic, we will be reviewing our establishment of significant risks to ensure these are appropriate.

Value for Money

As communicated in our previous sector update, On 1 April 2020, the National Audit Office introduced a new [Code of Audit Practice](#) (see page 16) which comes into effect from audit year 2020/21. The most significant change in the Code is the introduction of a new 'Auditor's Annual Report', which brings together the results of all the auditor's work across the year. The Code also introduced a revised approach to the audit of Value for Money. These changes are set out in more detailed in the NAO's [Auditor Guidance Note 03](#) which was published on 15 October 2020.

There are three main changes arising from the NAO's new approach.

- A new set of key criteria, covering governance, financial sustainability and improvements in economy, efficiency and effectiveness
- More extensive reporting, with a requirement on the auditor to produce a commentary on arrangements across all of the key criteria, rather than the current 'reporting by exception' approach
- The replacement of the binary (qualified / unqualified) approach to VfM conclusions, with far more sophisticated judgements on performance, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Progress at November 2020 (Continued)

Other areas

Certification of claims and returns

We certify the Council's annual Housing Benefit return in accordance with agreed procedures. The certification work for the 2019/20 claim is underway and is due to be completed in advance of the 31 January 2021 deadline.

Meetings

We met with Finance Officers in November as part of our quarterly liaison meetings and discussed the closedown of the 2019/20 audit.

We will continue to be in discussions with finance staff regarding emerging developments such as changes in accounting policies and to ensure the audit process is smooth and effective.

Events

Our annual financial reporting workshop for officers will be expected to take place early in the new year and the practice are currently reviewing the format of this due to remote working arrangements. This will cover topical issues and technical areas pertinent to the 2020/21 statutory accounts. Invitations to the workshop will be sent to key members of your finance team in due course.

Further details of the publications that may be of interest to the Council are set out in our Sector Update section of this report.

Audit Fees

Over the past few months we have either been in correspondence or discussion over the increased regulatory focus on audit, the corresponding impact of 'raising the bar' and, more recently, the pandemic. With regard to the latter, we have written out to all of our local government clients to provide some early thoughts on the impact of Covid-19 on our audit inputs and audit fees.

Clearly it has, and continues to be, a challenging situation for clients and our teams. Our focus as a firm is not to put anyone at risk within both our client's and our own teams, while continuing to progress our audits.

Some of the key areas where the pandemic has impacted upon our audit of your financial statements include:

- Remote working and work taking longer to complete
- The need to undertake and demonstrate greater challenge of management's assumptions and estimates due to increased uncertainty
- The need to revisit financial resilience assessments and our work on going concern and value for money (financial sustainability)

We have been in discussions with PSAA over the last few months and note that similar issues are being experienced in the commercial sector with commercial audit deadlines being extended by 4 months. The FRC has also issued guidance to companies and auditors setting out its expectation that audit standards remain high and of additional work needed across all audits. The link attached <https://www.frc.org.uk/covid-19-guidance-and-advice> sets out the expectations of the FRC.

Remote working has also highlighted the complexity of the Council's underlying financial systems. It has taken additional time to explain the audit trail of transactions through remote working rather than discussing processes and procedures in person. Certain reports have also taken longer to obtain in an appropriate format than would be expected, for example Journal, debtor and creditor reports. We estimate that combined with the impact of remote working this has extended the audit process by 2 weeks compared to planned time for the audit. This additional time is at all levels within the audit team as additional review procedures by the Audit Manager and Engagement lead have been required. We appreciate the competing demands which were on the finance team throughout the audit and although this has contributed to the overall sign off being delayed the audit has been completed well within agreed timescales.

In our experience the time taken on audits has increased by an average of 25%. We understand from discussions with the ICAEW that this is similar to other firms. We are mitigating this as far as possible through reduced travel time and travel costs, however, it is probable that this will not be sufficient to cover the full additional cost. We acknowledge that the Council's finances are constrained and we will seek to minimise these costs as best we can. We will need to discuss the matter further and any proposals for fee variations would be subject to approval by PSAA Ltd but our current estimate is that this would lead to indicative fee variations of around 15-20%.

Appendix: Update to the Draft Audit Findings Report

Financial Statements Audit

We presented our draft Audit Findings Report to the 30 September Finance and Audit Scrutiny Committee. The report included a number of areas where work remained on-going. This update reports the progress made in those areas.

Progress on outstanding items

Page 4 of our draft Audit Findings Report highlighted the following outstanding matters:

- i. Final review procedures to be completed by Audit Manager and Engagement Lead
- ii. Receipt of responses to outstanding requests with the Finance team in order to complete audit testing (requests are on Info and include working papers to support provisions, MIRS consistency check, response to our initial review of the Financial Statements)
- iii. Receipt of outstanding queries in relation to our sample testing and questions raised with the Council's actuary
- iv. Receipt of assurances from the Warwickshire County Pension Fund auditor in respect of information provided to the actuary
- v. Receipt of management representation letter
- vi. Receipt and review of the final set of financial statements
- vii. Completion of our work on the Whole of Government Accounts
- viii. Completion of our work on Subsequent events

The paragraphs below set out the progress made in these areas.

Audit Completion procedures (items i, v, vi and viii)

By the nature of these tasks, these tasks were completed prior to signing the opinion on 21 November 2020.

Outstanding audit testing (item ii)

We completed our testing following receipt of supporting working papers in relation to Provisions and the MIRS consistency tool. We have no additional points to report.

Assurances from the pension fund auditor (items iii and iv)

The audit of the Warwickshire Pension Fund was completed on 27 October and we received the necessary assurances from the auditor of the pension fund in order for us to complete our work in this area.

The impact of Covid-19 on valuations at year end has resulted in the Fund reporting on material uncertainty disclosures made by its independent valuers in relation to pooled funds. As a result the audit opinion on the pension fund includes an emphasis of matter in relation to this material uncertainty.

As well as having an impact on disclosures within pension funds, this issue has also had an impact on disclosures required by the Authority. This is because the Authority has a material share of these pooled property assets through its investments in the Fund. As such, additional disclosure has been included in the Authority's financial statements to highlight the material uncertainty in relation to the pension fund valuation. This has then in turn led to an Emphasis of Matter paragraph within our audit opinion, to draw attention to the material uncertainty in relation to the pension fund valuation.

This is in line with many other authorities in the sector, and reflects the unusual circumstances of the current year audit. This does not affect our opinion that the statements give a true and fair view of the Authority's financial position and its income and expenditure for the year. Such a paragraph is added to indicate a matter which is disclosed appropriately in the Authority's financial statements but which we consider is fundamental to a readers' understanding of the financial statements.

Completion of our work on Whole of Government accounts (item vii)

We have confirmed that the Authority falls into the category of a 'component below the audit threshold' and in accordance with NAO guidance we have completed the Assurance Statement and submit to wgareturns@nao.org.uk.

Audit Deliverables

2019/20 Deliverables	Planned Date	Status
<p>Fee Letter</p> <p>Confirming audit fee for 2019/20.</p>	April 2019	Complete
<p>Audit Plan</p> <p>We are required to issue a detailed audit plan to the Finance and Audit Scrutiny Committee setting out our proposed approach in order to give an opinion on the Council's 2019-20 financial statements and a Conclusion on the Council's Value for Money arrangements.</p>	May 2020	Complete
<p>Interim Audit Findings</p> <p>We will report to you the findings from our interim audit and our initial value for money risk assessment within our Progress Report.</p>	August 2020	Complete
<p>Audit Findings Report</p> <p>The Audit Findings Report will be reported to the Finance and Audit Scrutiny Committee.</p>	September 2020	Complete
<p>Auditors Report</p> <p>This is the opinion on your financial statement, annual governance statement and value for money conclusion.</p>	November 2020	Complete
<p>Annual Audit Letter</p> <p>This letter communicates the key issues arising from our work.</p>	December 2020	Not yet due

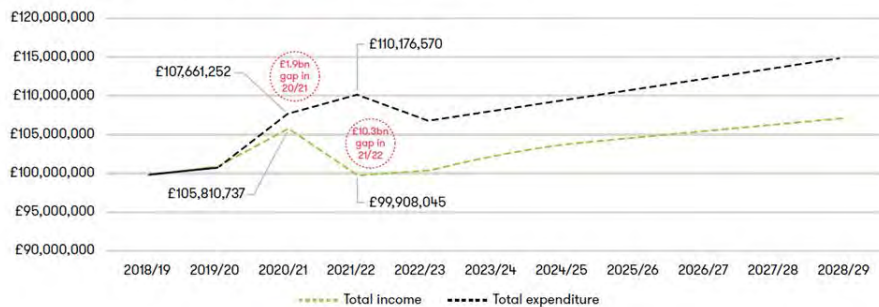
Covid-19 update – Grant Thornton

Where are we now?

Over seven months into lockdown and councils have moved from the initial emergency response phase to focus on recovery planning which is running in parallel with on-going responses to the pandemic, such as supporting vulnerable people, and managing the capacity challenges of delivering business as usual alongside covid-19 response.

The Government has confirmed three tranches of funding to support the impact of increase spend and reduced income directly attributed to Covid-19, and are in the process of confirming further support via the income compensation scheme.

Local Authority Income and Expenditure (England) 2018/19 to 2028/29



Source: Grant Thornton/CIPFA Financial Foresight

Financial Foresight (a Grant Thornton future look analytics platform building on our CFO Insights and Place Analytics data) forecast indicates that English local authorities have a funding gap of £1.9bn this financial year, rising to over £10bn in 2021/22. There is significant uncertainty as to whether the Government will provide further Covid-19 related funding, and what the medium-term funding for the sector will be following the Autumn's Comprehensive Spending Review. Our modelling currently assumes that government funding will remain broadly unchanged, with income being affected by ongoing reduction to Council Tax and Business Rates, both in terms of a reduction to these tax bases, alongside reduced payments as a consequence of the recession brought about by the pandemic.

The uncertainty also impacts on future spending pressures and sales fees and charges income. For example, leisure centres and swimming pools can now be opened, but must follow Government guidelines on issues such as social distancing. Not all leisure services have been able to reopen, and those that have are not able to generate levels of income originally forecast pre-covid. Social care faces uncertainty in relation to future demand, for example most councils responsible for children's services are forecasting an increase in case load when children return to schools in September. For adults, where in some cases demand has fallen during the pandemic, there is uncertainty over future levels of demand. There is also concern over provider failure in relation to social care and other services such as leisure and transport, with many councils providing financial support and loans to some providers, which will not be sustainable in the medium term.

As place leaders, councils are managing the conflict between revitalizing footfall in high streets and keeping people safe, with some leading by example and encouraging council officers to spend some of the week in council offices. Use of public transport as a key mode of travel to get to work remains a particular challenge.

Lessons learned

All organisations, including councils, have been reflecting on the lessons learned from the pandemic, and are seeking to maintain the positive experiences as well as learn from the challenges, as part of recovery planning. There is a recognition that technology has enabled many people to successfully work remotely, and that this will have a fundamental impact on working patterns well after Covid-19 has passed. Councils are reviewing their property portfolios to understand the changes required in terms of future usage patterns, including how councils interact with their communities, whether parts of the municipal estate should be disposed, and whether alternate use of space can support income generation.

There will be demographic variations between places, meaning there is no "one size fits all" to economic recovery. For example, home to work geographies will vary, with some people who previously commuted into a council area for their work may now be considering office space closer to home, leading to a rise in demand for shared office space in some areas, that will in part counterbalance the fall in demand elsewhere.

Covid-19 update (continued)

Lessons Learned (Cont'd)

Many councils have recognized the improvement in community engagement and partnership working with the voluntary sector and other public sector organisations during the pandemic and are seeking to build on this, with a recognition that sharing responsibility for place-based recovery plans can help sustain the improvements gained. Although a shared view of place-based recovery takes an investment of time and resource that not all partner organisations are able to provide.

Wider learning relates to central vs local response to issues such as provision of PPE, housing the homeless and rough sleepers, and provision of food and equipment to the vulnerable. This is currently playing out on test and trace and how local lockdowns should be managed, with ongoing tension between national and local government.

Many councils understand the importance of data in supporting recovery planning decision making, to effectively understand where to prioritise resources and activity in the right way and at the right time to achieve the right outcomes.

The future?

Covid-19 has only increased volatility and uncertainty for local government, and when working with councils delivering Financial Foresight we have prioritized scenario planning to support strategic financial planning. Understanding best, worst and optimum case scenarios from the impact of the pandemic are critical in strategic discussion when setting next year's budget and updating the Medium-Term Financial Plan – impacts on the place and communities, as well as on the council services and the council as an organization. Some councils are more confident than others in being able to manage their financial position during 2020/21 but all are concerned about 2021/22 and beyond. And it is not just Covid-19 scenarios that need to be understood, but other global, national and local issues that will impact over the medium term, including the impact of a no deal Brexit trade deal, and new government policies such as those expected on devolution and health and social care integration.

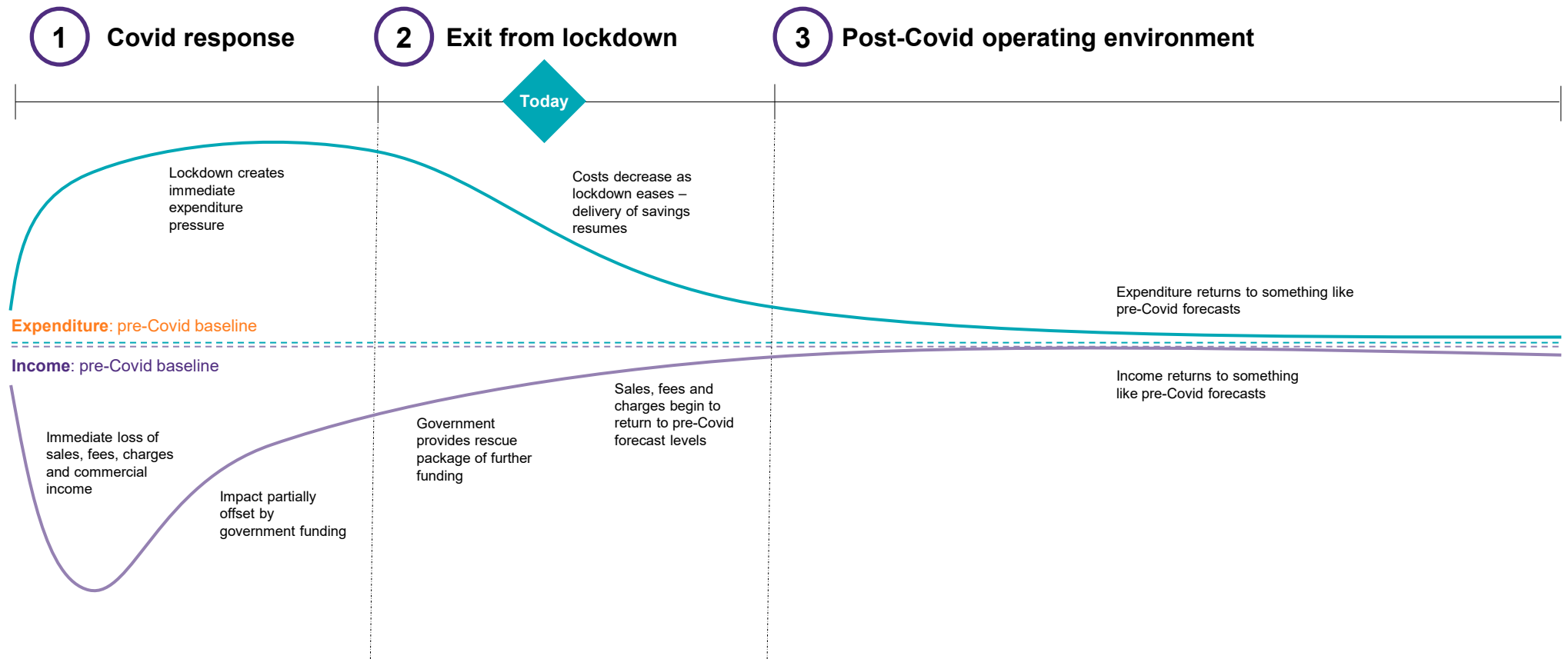
As already noted, places will vary depending on their socio-economic and demographic characteristics, but all councils are working through demand impacts arising from the ongoing pandemic and the associated recession, and ensuring their workforce continue to be supported to ensure they remain personally resilient.

Until a vaccine has been successfully produced and rolled out, the public health threat remains, and there are likely to be further local lockdowns, such as we have seen in Leicester and towns in the north west of England. There could be difficult trade offs for national and local politicians to consider to avert further waves of restrictions. For example to keep schools open after they return in September, will there be a need to increase restrictions elsewhere to ensure the cases of Covid-19 remain at a management level?

Local government has always demonstrated a remarkable resilience in managing significant challenges, including ten years of austerity, and being at the forefront of the pandemic response. And whilst much uncertainty remains, we are confident that councils will continue to demonstrate the capacity to lead places, deliver services.

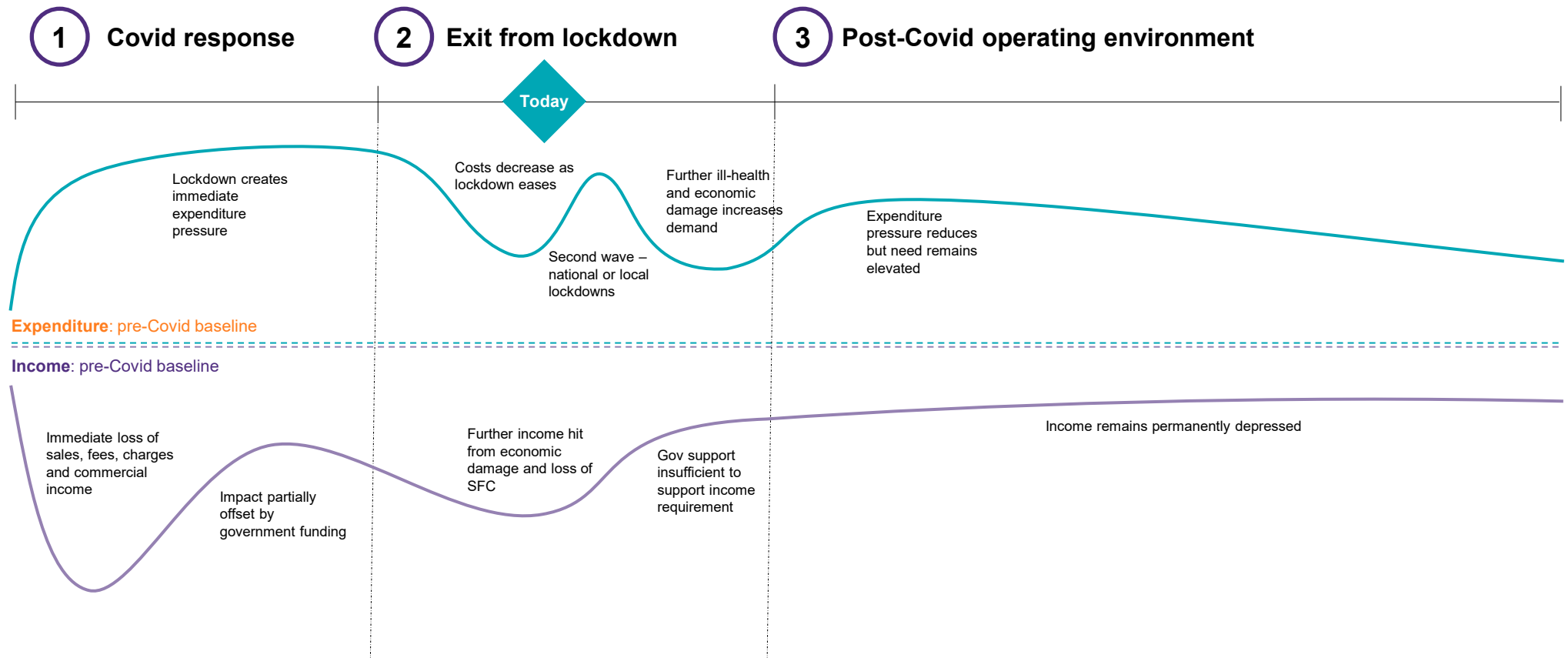
Example scenarios

Scenario 1 – swift return to normality









Example scenarios (Cont'd)

Scenario 2 – second wave and ongoing disruption



Scenarios and hypotheses

Local authority areas in 12-24 months?

Theme	Reasonable worst case	Reasonable best case
People & community	 <ul style="list-style-type: none"> • Multiple lockdowns and ongoing disruption • Community dependency and expectation of sustained response • Turbulence and activism within the VCS • Socio-economic inequality is compounded • Failure of leisure and cultural services 	<ul style="list-style-type: none"> • Smooth exit from lockdown to a “new normal” • Community mobilisation is channelled into ongoing resilience • Strengthened VCS relationships and focus • Systemic response to inequality is accelerated • Leisure and cultural services adapted to social distancing
Business & economy	 <ul style="list-style-type: none"> • 16% reduction in GVA for 2020 based on OBR reference scenario • Slow / uneven economic recovery and “long tail” on unemployment • Central gov / BEIS focus investment on areas furthest behind • Loss of tourist & student spend causes unmitigated damage • 'V' shaped recovery results in 2-3 year recovery period 	<ul style="list-style-type: none"> • 5-10% reduction in GVA • Rapid economic recovery with employment levels close behind • Central government “back winners” with investment • Adaptation allows resumption of tourist and student economy • Business base is weighted towards growth sectors
Health & wellbeing	 <ul style="list-style-type: none"> • Increased demand and escalating need due to fallout from lockdown • Newly-vulnerable cohorts place strain on the system • Unit costs increase further as markets deteriorate and providers fail • SEND transport unable to adapt to social distancing • Imposed disruption of care system 	<ul style="list-style-type: none"> • Positive lifestyle changes and attitudes to care reduce demand • Needs of newly vulnerable cohorts met through new service models • New investment in prevention and market-shaping manage costs • New ways of working leading to stronger staff retention • Locally-led reform of health and care system
Political & regulatory	 <ul style="list-style-type: none"> • Local government side-lined by a centralised national recovery effort • Unfunded burdens (e.g. enforcement and contact-tracing) • Councils in the firing line for mismanaging recovery 	<ul style="list-style-type: none"> • Local government empowered as leaders of place-based recovery • Devolution and empowerment of localities • Councils at the forefront of civic and democratic renewal
Environment	 <ul style="list-style-type: none"> • Opportunity missed to capture and sustain environmental benefits • The end of the high street / town centres • Emissions and air quality worsened by avoidance of public transport • Capital programmes stuck 	<ul style="list-style-type: none"> • Ability to invest in transport modal shift and green infrastructure • Changed working patterns rejuvenate town centres • Sustained impact on emissions due to new behaviours • New, shovel-ready infrastructure programmes
Organisational	 <ul style="list-style-type: none"> • Inadequate funding forces fiscal constraint • Working practices return to status quo – increased operating costs • Imposed structural change within the place • Austerity 2 • Commercial portfolio becomes a liability 	<ul style="list-style-type: none"> • Adequate funding enables a programme of targeted investment • Learning and adaptation to new operating environment • Energised system-wide collaboration and reform • Fiscal reform and civic renewal • Commercial portfolio reshaped for economic and social gain

What strategy is needed in response?

From response to recovery

Learn, adapt and prioritise

- Develop and test hypotheses around impact on place, services, operations, finances
- Design rapid interventions - implement, test and evaluate
- Learning from the response to lock in the good stuff – reflection on operations, services and the system
- Set priorities and principles – what is the Council's purpose in an uncertain context and where will it focus?

Mitigating the worst case

Consolidate and build resilience

- Ensure that emergency management and response structures are resilient for the long haul
- What is the minimum operating model to deliver this?
- Predict and model demand for social care and assess care market vulnerability
- Contingency plans for structural disruption
- Re-evaluate infrastructure pipeline

Steering towards the best case

Invest in renewal

- Programme of priority-based investment framed by recovery and renewal
- Focus on inequality, community resilience, targeted economic stimulus, skills and employment support and adapting public spaces
- Continued system leadership, pushing for positive reform and resilience

Guide for Audit and Risk Committees on Financial Reporting and Management during COVID-19 – National Audit Office

In June the National Audit Office (NAO) published a guide that “aims to help audit and risk committee members discharge their responsibilities and to examine the impacts on their organisations of the COVID-19 outbreak. It is part of a programme of work undertaken by the NAO to support Parliament in its scrutiny of the UK government’s response to COVID-19.”

The NAO report notes “Audit and risk committees are integral to the scrutiny and challenge process. They advise boards and accounting officers on matters of financial accountability, assurance and governance, and can support organisations, providing expert challenge, helping organisations focus on what is important, and how best to manage risk.

Each organisation will have existing risk management processes in place, but risk appetite may have changed as a result of COVID-19, for the organisation to operate effectively and respond in a timely manner. This may result in a weakening of controls in some areas, increasing the likelihood of other risks occurring. Organisations will need to consider how long this change in risk appetite is sustainable for.”

The NAO comment “This guide aims to help audit and risk committee members discharge their responsibilities in several different areas, and to examine the impacts on their organisations of the COVID-19 outbreak, including on:

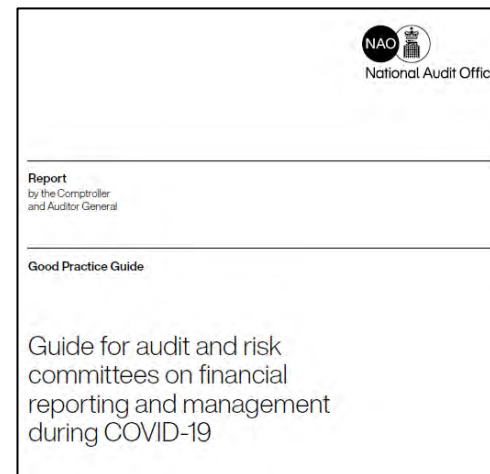
- annual reports;
- financial reporting;
- the control environment; and
- regularity of expenditure.

In each section of the guide we have set out some questions to help audit and risk committee members to understand and challenge activities. Each section can be used on its own, although we would recommend that audit and risk committee members consider the whole guide, as the questions in other sections may be interrelated. Each individual section has the questions at the end, but for ease of use all the questions are included in Appendix One.

The guide may also be used as organisations and audit and risk committees consider reporting in the 2020-21 period.”

The full report can be obtained from the NAO website:

<https://www.nao.org.uk/report/guidance-for-audit-and-risk-committees-on-financial-reporting-and-management-during-covid-19/>



Sector Update

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

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

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

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

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

Public Sector

Local
government

The Redmond Review

The Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting – “The Redmond Review” was published on 8 September.

The review has examined the effectiveness of local audit and its ability to demonstrate accountability for audit performance to the public. It also considered whether the current means of reporting the Authority’s annual accounts enables the public to understand this financial information and receive the appropriate assurance that the finances of the authority are sound.

The Review received 156 responses to the Calls for Views and carried out more than 100 interviews. The Review notes “A regular occurrence in the responses to the calls for views suggests that the current fee structure does not enable auditors to fulfil the role in an entirely satisfactory way. To address this concern an increase in fees must be a consideration. With 40% of audits failing to meet the required deadline for report in 2018/19, this signals a serious weakness in the ability of auditors to comply with their contractual obligations. The current deadline should be reviewed. A revised date of 30 September gathered considerable support amongst respondents who expressed concern about this current problem. This only in part addresses the quality problem. The underlying feature of the existing framework is the absence of a body to coordinate all stages of the audit process.”

Key recommendations in the report include:

- A new regulator - the Office of Local Audit and Regulation (OLAR) to replace the Financial Reporting Council’s (FRC) role and that of Public Sector Auditor Appointments (PSAA)
- Scope to revise fees - the current fee structure for local audit be revised to ensure that adequate resources are deployed to meet the full extent of local audit requirements
- Move back to a September deadline for Local Authorities - the deadline for publishing audited local authority accounts be revisited with a view to extending it to 30 September from 31 July each year
- Accounts simplification - CIPFA/LASAAC be required to review the statutory accounts to determine whether there is scope to simplify the presentation of local authority accounts.

The OLAR would manage, oversee and regulate local audit with the following key responsibilities:

- procurement of local audit contracts;
- producing annual reports summarising the state of local audit;
- management of local audit contracts;
- monitoring and review of local audit performance;
- determining the code of local audit practice; and
- regulating the local audit sector.

The current roles and responsibilities relating to local audit discharged by the Public Sector Audit Appointments (PSAA); Institute of Chartered Accountants in England and Wales (ICAEW); FRC; and The Comptroller and Auditor General (C&AG) to be transferred to the OLAR.

How you can respond to the Review

One of the recommendations was for local authorities to implement:

The governance arrangements within local authorities be reviewed by local councils with the purpose of:

- an annual report being submitted to Full Council by the external auditor;
- consideration being given to the appointment of at least one independent member, suitably qualified, to the Audit Committee; and
- formalising the facility for the CEO, Monitoring Officer and Chief Financial Officer (CFO) to meet with the Key Audit Partner at least annually.

Whilst Redmond requires legislation, in practice the second and third bullets are things which authorities could start doing now.

The full report can be obtained from the gov.uk website:

<https://www.gov.uk/government/publications/local-authority-financial-reporting-and-external-audit-independent-review>

Code of Audit Practice and revised approach to Value for Money audit work - National Audit Office

On 1 April 2020, the National Audit Office introduced a new Code of Audit Practice which comes into effect from audit year 2020/21. The most significant change in the Code is the introduction of a new 'Auditor's Annual Report', which brings together the results of all the auditor's work across the year. The Code also introduced a revised approach to the audit of Value for Money.

Value for Money - Key changes

There are three main changes arising from the NAO's new approach:

- A new set of key criteria, covering governance, financial sustainability and improvements in economy, efficiency and effectiveness
- More extensive reporting, with a requirement on the auditor to produce a commentary on arrangements across all of the key criteria, rather than the current 'reporting by exception' approach
- The replacement of the binary (qualified / unqualified) approach to VfM conclusions, with far more sophisticated judgements on performance, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

The new approach to VfM re-focuses the work of local auditors to:

- Promote more timely reporting of significant issues to local bodies
- Provide more meaningful and more accessible annual reporting on VfM arrangements issues in key areas
- Provide a sharper focus on reporting in the key areas of financial sustainability, governance, and improving economy, efficiency and effectiveness
- Provide clearer recommendations to help local bodies improve their arrangements.

Implications of the changes

Grant Thornton very much welcomes the changes, which will support auditors in undertaking and reporting on work which is more meaningful, and makes impact with audited bodies and the public. We agree with the move away from a binary conclusion, and with the replacement of the Annual Audit Letter with the new Annual Auditor's Report. The changes will help pave the way for a new relationship between auditors and audited bodies which is based around constructive challenge and a drive for improvement.

The following are the main implications in terms of audit delivery:

- The Auditor's Annual Report will need to be published at the same time as the Auditor's Report on the Financial Statements.
- Where auditors identify weaknesses in Value for Money arrangements, there will be increased reporting requirements on the audit team. We envisage that across the country, auditors will be identifying more significant weaknesses and consequently making an increased number of recommendations (in place of what was a qualified Value for Money conclusion). We will be working closely with the NAO and the other audit firms to ensure consistency of application of the new guidance.
- The new approach will also potentially be more challenging, as well as rewarding, for audited bodies involving discussions at a wider and more strategic level. Both the reporting, and the planning and risk assessment which underpins it, will require more audit time, delivered through a richer skill mix than in previous years.

The Code can be accessed here:

https://www.nao.org.uk/code-audit-practice/wp-content/uploads/sites/29/2020/01/Code_of_audit_practice_2020.pdf

CIPFA – Financial Scrutiny Practice Guide

Produced by the Centre for Public Scrutiny (CfPS) and CIPFA, this guide provides guidance to councils and councillors in England on how they might best integrate an awareness of council finances into the way that overview and scrutiny works.

The impact of the COVID-19 pandemic on council finances, uncertainty regarding the delayed fair funding review and future operations for social care – on top of a decade of progressively more significant financial constraints – has placed local government in a hugely challenging position.

For the foreseeable future, council budgeting will be even more about the language of priorities and difficult choices than ever before.

This guide suggests ways to move budget and finance scrutiny beyond set-piece scrutiny 'events' in December and quarterly financial performance scorecards being reported to committee. Effective financial scrutiny is one of the few ways that councils can assure themselves that their budget is robust and sustainable, and that it intelligently takes into account the needs of residents.

Scrutiny can provide an independent perspective, drawing directly on the insights of local people, and can challenge assumptions and preconceptions. It can also provide a mechanism to ensure an understanding tough choices that councils are now making.

This paper has been published as the local government sector is seeking to manage the unique set of financial circumstances arising from the COVID-19 pandemic. This has resulted, through the Coronavirus Act 2020 and other legislation, in changes to local authorities' formal duties around financial systems and procedures.

The approaches set out in this guide reflect CfPS and CIPFA's thinking on scrutiny's role on financial matters as things stand, but the preparation for the 2021/22 budget might look different. CfPS has produced a separate guide to assist scrutineers in understanding financial matters during the pandemic



The full report can be obtained from CIPFA's website:

<https://www.cipfa.org/policy-and-guidance/reports/financial-scrutiny-practice-guide>

Place-Based Growth - 'Unleashing counties' role in levelling up England' – Grant Thornton

In March Grant Thornton launched a new place-based growth report 'Unleashing counties' role in levelling up England. The report, produced in collaboration with the County Councils Network, provides evidence and insight into place-based growth through the lens of county authority areas. It unpacks the role of county authorities in delivering growth over the past decade through: desk-based research, data analysis and case study consultations with 10 county authorities (Cheshire East, Cornwall, Durham, Essex, Hertfordshire, North Yorkshire, Nottinghamshire, Oxfordshire, Staffordshire, Surrey).

The report reveals:

- Growth, as measured by Gross Added Value (GVA), in county areas has lagged behind the rest of the country by 2.6% over the last five years. GVA in the 36 county areas has grown by 14.1% between 2014 and 2018, compared to 16.7% for the rest of England.
- In total, 25 of these counties have grown at a rate slower than the rest of the country. The research finds no north-south divide, as the county areas experiencing some of the smallest economic growth are Herefordshire (5.3%), Oxfordshire (5.6%) and Cumbria (8.2%), Gloucestershire (9.2%), and Wiltshire (9.7%) – showing that one size fits all policies will not work.
- Some 30 of the 36 county authority areas have workplace productivity levels below the England average. At the same time, counties have witnessed sluggish business growth, with county authorities averaging 7.9% growth over the last five years – almost half of that of the rest of the country's figure of 15.1% over the period 2014 to 2019.

To address these regional disparities in growth and local powers, the report's key recommendations include:

- Rather than a focus on the 'north-side divide', government economic and investment assessments should identify those places where the economic 'gap' is greatest – Either to the national average or between different places – and focus investment decisions on closing that gap and levelling up local economies.

- The devolution white paper must consider how devolution of powers to county authorities could assist in levelling-up the country. This should include devolving significant budgets and powers down to councils, shaped around existing county authorities and local leadership but recognising the additional complexity in two-tier local authority areas and whether structural changes are required.
- Growth boards should be established in every county authority area. As part of this a statutory duty should be placed on county authorities to convene and coordinate key stakeholders (which could include neighbouring authorities). These growth boards should be governed by a national framework which would cover the agreed 'building blocks' for growth – powers, governance, funding and capacity.
- Planning responsibilities should be reviewed with responsibility for strategic planning given to county authorities. In line with the recently published final report of the Building Better, Building Beautiful Commission, the government should consider how county authorities, along with neighbouring unitary authorities within the county boundary, could take a more material role in the strategic and spatial planning process.

- The National Infrastructure Commission should ensure greater consideration of the infrastructure requirements in non-metropolitan areas. Their national infrastructure assessments could consider how better investment in infrastructure outside metropolitan areas could link to wider growth-related matters that would help to level up the economy across the country.

The full report can be obtained from the Grant Thornton website:

<https://www.grantthornton.co.uk/en/insights/unleashing-counties-role-in-levelling-up-england/>



Local government reorganisation

The County Councils' Network (CCN) has published new independent evidence on the implications of local government reorganisation in two-tier shire counties ahead of the publication of the government's 'devolution and local recovery' white paper.

The report identifies considerations relating to:

- the costs associated with disaggregation;
- what this might mean in terms of risk and resilience of service provision;
- how service performance might be impacted;
- what it could mean for the place agenda; and
- issues arising from the response to Covid-19.

The report also sets out the financial implications of four unitary scenarios:

- Establishing one unitary authority in every two-tier area in England.
- Establishing two new unitary authorities in every two-tier area in England.
- Establishing three new unitary authorities in every two-tier area in England.
- Establishing two new unitary authorities and a children's trust in every two-tier area in England.



The full report can be obtained from the County Councils' Network website:

<https://www.countycouncilsnetwork.org.uk/new-analysis-reveals-that-single-unitary-councils-could-deliver-3bn-saving-over-five-years-and-maximise-the-benefits-of-economic-growth-and-housing-policy/>

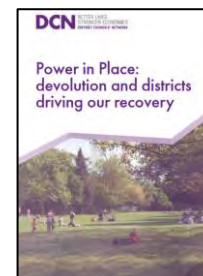
The District Councils' Network (DCN) report ahead of the publication of the government's 'devolution and local recovery' white paper.

The report comments "Devolution should back the success of districts in delivery. It should not distract from the local recovery effort or reduce delivery capacity through forcing reorganisation into a less local, less agile, less responsive local government pushed by interests wanting county unitary councils everywhere. Local governance is a local matter, places must be free to decide how to organise services and to progress any kind of reform only where there is significant local agreement."

The report calls for the Devolution and Local Recovery White Paper to:

- 1) Deliver genuine devolution that moves quickly to drive local growth
- 2) Retain and build on the local capacity to deliver
- 3) Empower real-world economies
- 4) Continue to anchor local government in local communities
- 5) Reject false arguments that bigger local government is better or cheaper local government
- 6) Support strategic leadership across wider functional economic areas
- 7) Introduce an upper limit for the size of new unitary councils, in line with the principle of electoral equality

The report includes a number of case studies in each of these areas.



The full report can be obtained from the District Councils' Network website:

<https://districtcouncils.info/wp-content/uploads/2020/08/DCN-Report-Sept-1.pdf>

Kickstarting Housing – Grant Thornton and Localis

In July Grant Thornton Head of Local Government, Paul Dossett, wrote an essay, included as part of a collection in the Localis report – “Building for renewal: kickstarting the C19 housing recovery”.

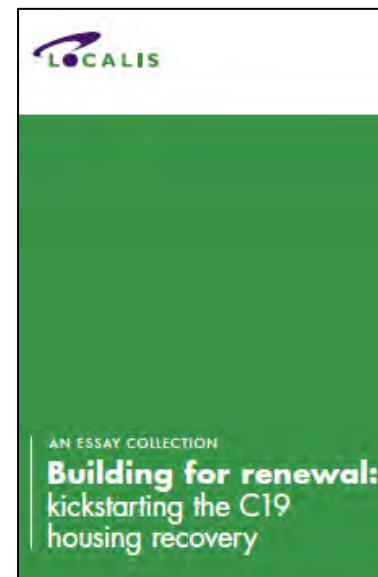
Paul asked “So how do we address “the housing crisis” in the context of an existential threat to the British economy? Just as importantly, how do we ensure our key workers, our new heroes of the Thursday night applause, are front and centre of such a response. Paul suggested that the housing response needs to move away from the piecemeal towards a comprehensive and strategic response, with five key pillars with the key worker demographic at its heart:

- **Public housebuilding.** This will involve more borrowing, but we need a bold and ambitious target to build at least one million new public sector properties at social rents by 2025. This should involve a comprehensive and deep partnership between Homes England and local authorities and underpinned by a need to minimise the carbon footprint.
- **Private sector housing needs a rocket boost** with massive Government supported investment in modern methods of construction and consideration of required workforce needed to meet capacity. This needs to go hand in hand with a major recruitment drive into all facets of the housing industries. This should include national and local training initiatives to support workers from the service sectors who are very likely to lose their jobs because of the pandemic.
- **Strategic authorities based on existing local government footprints** across the country to remove the inconsistent patchwork quilt of current arrangements so that there is consistency between local, county and national strategic priorities. They should be legally tasked and funded for development of comprehensive infrastructure plans to support housing initiatives in their areas with a strong remit for improving public transport, supporting green energy initiatives and developing public realms which create a sense of community and belonging.
- **Building on existing initiatives to improve security of tenure and quality of accommodation,** a new partnership is needed between landlord and tenants that provides a consistent national/regional footing to ensure that housing is a shared community responsibility. This should, like the response to the pandemic, be part of a shared community narrative based on state, business and local people.

- Putting key workers at the heart of the Housing strategy. The country appears to have discovered the importance of key workers. The people that keep the country running and whose contribution is never usually recognised financially or in terms of social esteem. There are several existing key worker accommodation initiatives, but they are local and piecemeal. We need a comprehensive strategy which focuses on key worker needs, including quality of accommodation, affordable mortgages/ rents, proximity to workplaces and above all , a sense of priority on the housing ladder for those who keep the country running in good times and bad and are the best of us in every sense.

Paul concluded “Housing is a basic need and if key workers feel valued in their place in housing priorities, we will have made a giant step forward.

Key workers are not the only group in need of help of course. Utilising the momentum behind keyworkers that their role in COVID-19 has brought into focus, could help kickstart housing initiatives that help all those in need.”



The full report can be obtained from the Grant Thornton website:

<https://www.grantthornton.co.uk/en/insights/homes-fit-for-heroes-affordable-housing-for-all/>

Finance and Audit Scrutiny Committee
9 December 2020

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

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

Portfolio Holder: Not Applicable

Public report

Wards of the District directly affected: N/A

Accessibility checked: yes

1. Summary

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

2. Recommendation

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

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

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

3. Reasons for the Recommendation

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

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

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

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

4. Background

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

**Finance and Audit Scrutiny Committee
WORK PROGRAMME**

9 December 2020

Title	Audit Item or Scrutiny Item	Format	Lead Officer/ Councillor
Internal Audit Quarter 2 Progress Report	Audit	Written report followed by Q&A	Richard Barr / Cllr Hales
AGS Quarter 2 Action Plan Report	Audit	Written report followed by Q&A	Richard Barr / Cllr Day
Base Budget Report	Scrutiny	Written report followed by Q&A	Mike Snow / Cllr Hales

10 February 2021

Title	Audit Item or Scrutiny Item	Format	Lead Officer/ Councillor

Appendix 1**17 March 2021**

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

21 April 2021

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

**Response from the meeting of the Executive on the
F&A Committee's Comments – 10 November 2020**

Item Number: 3 – Fees and Charges

Requested by: Councillor Nicholls & Green Group

Reason Considered:

Councillor Nicholls: Because of the impact on residents and to look at the governance arrangements for the proposals

Green Group: What is the rationale behind these changes?

For example, no increases are proposed (Tables 1/2/3) for building plan submission fees, inspection fees or building notices. Other sectors like Senior Citizens playing bowls see rates increase by 14.58%. There is a projected shortfall in Building Control fees of £136,000 yet an increase of 0.00%. We suggest it would be possible to consider fee exemptions for applications for solar panels, other thermal elements and replacement windows in domestic alterations (Item 3/page 30) as incentives within the Climate Action Programme.

Scrutiny Comment:

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

Executive Response:

Councillor Hales thanked the Finance and Audit Committee and the Programme Advisory Board for their advice. The recommendations in the report and addendum were approved.

Item Number: 4 – Sherbourne Resource Park – Proposal to become a Partner Council

Requested by: Councillor Nicholls

Reason Considered:

The financial commitments being made, the legal obligations, and to ensure proper scrutiny of the risks and opportunities.

Scrutiny Comment:

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

Executive Response:

The recommendations were approved.

Item Number: 6 – Creative Quarter: Spencer Yard

Requested by: Councillor Nicholls

Reason Considered:

The financial commitments being made, the legal obligations, and to ensure proper scrutiny of the risks and opportunities.

Scrutiny Comment:

The Finance & Audit Scrutiny Committee recommend to Executive that authority be delegated to the Deputy Chief Executive (BH) in consultation with the Chair of the Finance & Audit Scrutiny Committee, the Leader of the Council and the Portfolio Holder for Finance and Business, to further investigate and look in detail at the proposed Heads of Terms included in Confidential Appendix 2. Given the Council's unanimous support of the Climate Emergency Action Plan, Members ask that detailed terms on the environmental standards of the proposals be considered, and whether it is sensible to include environmental conditions into the lease. Members feel that the efficacy of those conditions is something the Programme Advisory Board should look at and monitor.

The Executive are required to vote on this because it forms a recommendation to them.

Executive Response:

Councillor Rhead, as the Portfolio Holder for Environment, stated that he was in support of the comments from the Finance and Audit Scrutiny Committee, but requested an amendment to the recommendation to ensure it would not affect the viability of the scheme.

Councillor Hales thanked officers for their time and efforts, and welcomed the input from both Scrutiny Committees. He was happy to accept the recommendation from the Finance and Audit Scrutiny Committee.

Councillor Nicholls, the Chair of the Finance & Audit Scrutiny Committee, agreed to the suggested amendment to the recommendation from the Finance and Audit Scrutiny Committee, to include "subject to not adversely affecting the viability of the scheme".

The recommendations in the report were approved, subject to the additional amended recommendation from the Finance and Audit Scrutiny Committee.

Item Number: 9 – Significant Business Risk Register

Requested by: Councillor Nicholls

Reason Considered:

To focus on risks in the red zone and to understand what can be done to reduce the risk

Scrutiny Comment:

The Finance & Audit Scrutiny Committee recommend to Executive to review Environmental Risk 16 on the Risk Register, "Failure to meet the District's ambition to be carbon neutral within specified timeframes", to more clearly indicate if this risk refers to the ambition to become carbon neutral as a Council, District or both together. Members felt that as it stood, this was unclear and would benefit from being broken down into different aspirations and their risks, or making it more clear if it is an overarching risk for the whole programme.

The Executive are required to vote on this because it forms a recommendation to them.

Executive Response:

Councillor Rhead suggested an amendment to this recommendation, to clarify that there were two separate targets, one for the District and one for the Council.

Councillor Nicholls, the Chair of the Finance & Audit Scrutiny Committee, agreed to Councillor Rhead's suggested amendment, to include: **"Failure to meet the District's ambition to be carbon neutral within specified timeframes, be split in two risks that refer to the ambition to become carbon neutral as a Council and as a District"**.

The recommendations in the report were approved, subject to the additional amended recommendation from the Finance and Audit Scrutiny Committee.