

Audit & Standards Committee

Tuesday 14 June 2022

A meeting of the above Committee will be held in the Town Hall, Royal Leamington Spa on Tuesday 14 June 2022, at 6.00pm and available for the public to watch via the Warwick District Council [YouTube channel](#).

Councillor M Ashford
Councillor I Davison
Councillor K Dickson
Councillor R Dickson
Councillor D Russell
Councillor G Illingworth

Councillor M Luckhurst
Councillor R Margrave
Councillor N Murphy
Councillor D Norris
Councillor T Wright
Vacancy – Labour Group

Although not members of the Committee, Ms Pyke and Mr Tomkinson, the Council's Independent Persons normally attend.

Agenda

1. Appointment of Chairman

To appoint the Chairman of the Committee for the municipal year 2022/23.

2. Appointment of Vice-Chairman

To appoint the Vice-Chairman of the Committee for the municipal year 2022/23.

3. 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.

4. 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.

Part A – Audit Items

5. Audit Plan 2021/2022

To consider a report from Finance

(Pages 1 to 3 & Appendices A & B)

6. Internal Audit Progress Report: Quarter 4 2021/22

To consider a report from Finance.

(Pages 1 to 26 & Appendices A-K)

7. Internal Audit Annual Report 2021/22

To consider a report from Finance

(Pages 1 to 18)

8. Annual Governance Statement 2020/21 Action Plan: Review of Progress

To consider a report from Finance

(Pages 1 to 8)

9. Annual Governance Statement 2021/22

To consider a report from Finance

(Pages 1 to 16)

Part B – Other Items

10. Community Governance Review – Burton Green

To consider a report from Democratic Services.

(Pages 1 to 10)

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You can e-mail the members of the Committee at auditstandards@warwickdc.gov.uk

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456114

Title: Audit of 2021/22 Accounts
Lead Officer: Andrew Rollins (01926456013)
Portfolio Holder: Councillor Hales
Wards of the District directly affected: N/A

Summary

The External Auditors, Grant Thornton, have prepared their Draft Audit Plan for 2021/22 for members' consideration. This is supported by the "Informing the Risk Assessment" document

Recommendation(s)

- (1)** That Committee Agree the 2021/22 Draft Audit Plan (Appendix A) and the supporting document, Informing the Risk Assessment (Appendix B).
 - (2)** That Committee note the progress of the 2021/22 audit to date.
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1 Background/Information

- 1.1 The auditors have submitted the External Audit Plan for 2021/22 (Appendix A). This is included as Appendix A. Members are requested to agree the plan and may wish to seek assurance from officers and auditors that all is being done to ensure the statutory requirement will be met.
- 1.2 The Informing the Risk Assessment (Appendix B), has been produced by the external auditors, bringing together details of responses from officers. The document is to assist in the communication between members and the external auditors. Members should consider and agree the document and make any observations to the auditors. Officers responses to the document have been included.
- 1.3 The auditors have commenced work on the audit, starting in February with the interim audit, and are scheduled to complete the main audit over agreed dates between August and November.
- 1.4 The Audited Accounts are due to be signed off and published by 30 November 2022, with it planned for these to be reported to Audit and Standards Committee in November (date to be confirmed).
- 1.5 As in previous years, active use is being made of Inflo. This is an on-line portal to securely share documents between Warwick District Council teams and the External Auditors. Inflo has worked well to date, allowing leads on both sides to keep track on audit progress, therefore all parties are keen to continue with this for 2021/22.

2 Alternative Options available to Audit and Standards Committee

- 2.1 None

3 Consultation and Member's comments

- 3.1 Clarification was sought on the drivers of the fee increase. Officers are satisfied with the reasons given and these have been shared as part of the consultation process.

4 Implications of the proposal

4.1 Legal/Human Rights Implications

- 4.1.1 There are no direct legal/human rights implications to this report.

4.2 Financial

- 4.2.1 The agreed planned fee charged for the 2021/22 Audit of the Accounts is £41,290, as agreed by Public Sector Audit Appointments (PSAA), who tendered for the audit work for the vast majority of local authority audits. The auditors have included in their report how they propose to charge £73,140, an additional £31,850 (77%) above the agreed scale fee, and above the actual Fee for 2020/21 of £65,540. The Auditor's rationale for the increase is set out in their Audit Plan report. The proposed fee is in excess of the Budget allocated for the audit.

4.3 Council Plan

- 4.3.1 This process has been developed to assist the Council in prioritising resources in order to achieve the objectives of the Council Plan.

4.4 Environmental/Climate Change Implications

- 4.4.1 There are no direct environmental or climate change implications arising as part of this report.

4.5 Analysis of the effects on Equality

- 4.5.1 There are no direct equality implications arising as part of this report.

4.6 Data Protection

- 4.6.1 There are no data protection implications arising as part of this report.

4.7 Health and Wellbeing

- 4.7.1 There are no direct health and wellbeing implications arising as part of this report.

5 Risk Assessment

- 5.1 The requirement for external auditors is part of the assurance framework under which all local authorities operate. The audit of the accounts and associated grant claims seeks to provide assurance to all stakeholders that the Council's finances, as reported in the Accounts, are being properly managed.

6 Conclusion/Reasons for the Recommendation

- 6.1 Members are requested to agree the 2021/22 Draft Audit Plan (Appendix A) and the supporting document, Informing the Risk Assessment (Appendix B). The audit will then be able to commence after the draft Statement of Accounts is published on or before 31st July.

Background papers: N/A

Supporting documents:

Appendix A – Warwick DC 2021-22 Audit Plan

Appendix B – Warwick District Council – Informing the Audit Risk Assessment 2021-22

Report Information Sheet

Please complete and submit to Democratic Services with report

Committee / Date	Audit and Standards Committee – 14/06/22	
Title of report	Audit of 2021/22 Accounts	

Officer / Councillor Approval *required	Date	Name
Ward Members(s)		
Portfolio Holder		Councillor Richard Hales
Financial Services *		Andrew Rollins and Steven Leathley
Legal Services (*SDC)		
Other Services		
Chief Executive(s)		Chris Elliot
Head of Services(s)*		Andrew Rollins
Section 151 Officer		Andrew Rollins
Monitoring Officer		
CMT (WDC)		Chris Elliot / Andrew Jones
Leadership Co-ordination Group (WDC)		
Other organisations		

Final decision by this Committee or rec to another Cttee / Council?	Yes
Contrary to Policy / Budget framework?	No
Does this report contain exempt info/Confidential? If so, which paragraph(s)?	No
Does this report relate to a key decision (referred to in the Cabinet Forward Plan)?	No
Accessibility Checked?	Yes

Warwick District Council audit plan

Year ending 31 March 2022

Warwick District Council
14 June 2022



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Your key Grant Thornton team members are:

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Significant improvements from the Financial Reporting Council's (FRC) quality inspection

On 29 October, the FRC published its annual report setting out the findings of its review of the work of local auditors. The report summarises the results of the FRC's inspections of twenty audit files for the last financial year. A link to the report is here: [FRC AOR Major Local Audits October 2021](#)

Grant Thornton are one of seven firms which currently delivers local audit work. Of our 330 local government and NHS audits, 87 are currently defined as 'major audits' which fall within the scope of the AQR. This year, the FRC looked at nine of our audits.

Our file review results

The FRC reviewed nine of our audits this year. It graded six files (67%) as 'Good' and requiring no more than limited improvements. No files were graded as requiring significant improvement, representing an impressive year-on-year improvement. The FRC described the improvement in our audit quality as an 'encouraging response by the firm to the quality findings reported in the prior year.' Our Value for Money work continues to be delivered to a high standard, with all of the files reviewed requiring no more than limited improvement. We welcome the FRC findings and conclusions which demonstrate the impressive improvement we have made in audit quality over the past year.

The FRC also identified a number of good practices including effective challenge of management's valuer, use of an auditor's expert to assist with the audit of a highly specialised property valuation, and the extent and timing of involvement by the audit partner on the VFM conclusion.

Our results over the past three years are shown in the table below:

Grade	Number 2018/19	Number 2019/20	Number 2020/21
Good with limited improvements (Grade 1 or 2)	1	1	6
Improvements required (Grade 3)	2	5	3
Significant improvements required (Grade 4)	1	0	0
Total	4	6	9

Our continued commitment to Audit quality and continuous improvement

Our work over the past year has been undertaken during the backdrop of COVID, when the public sector has faced the huge challenge of providing essential services and helping safeguard the public during the pandemic. Our NHS bodies in particular have been at the forefront of the public health crisis. As auditors we have had to show compassion to NHS staff deeply affected by the crisis, whilst staying focused on the principles of good governance and financial management, things which are more important than ever. We are very proud of the way we have worked effectively with audited bodies, demonstrating empathy in our work whilst still upholding the highest audit quality.

Significant improvements from the Financial Reporting Council's (FRC) quality inspection (cont.)

Over the coming year we will make further investments in audit quality including strengthening our quality and technical support functions, and increasing the level of training, support and guidance for our audit teams. We will address the specific improvement recommendations raised by the FRC, including:

- Enhanced training for local auditors on key assumptions within property valuations, and how to demonstrate an increased level of challenge
- Formalising our arrangements for the consideration of complex technical issues by Partner Panels.

As part of our enhanced Value for Money programme, we will focus on identifying the scope for better use of public money, as well as highlighting weaknesses in governance or financial stewardship where we see them.

Conclusion

Local audit plays a critical role in the way public sector audits and society interact, and it depends on the trust and confidence of all those who rely on it. As a firm we're proud to be doing our part to promote good governance, effective stewardship and appropriate use of public funds.

Key matters

Factors

Council developments

In December 2021 both Warwick District Council and Stratford on Avon District Council agreed to formally request the Secretary of State at the Department of Levelling Up, Housing and Communities to create a South Warwickshire District Council. Officers have been learning lessons from other partnerships / mergers, and working hard to ensure that all stakeholders feel involved in the process and not threatened by it. However, on 21 April 2022 the councils issued a joint news release stating that the proposed merger would not now go ahead.

At Easter 2022 the Head of Finance retired, and was replaced, on an interim basis, by the Financial Services Manager from Stratford DC. Following the cancellation of the proposed merger the Strategic Finance Manager at Warwick District Council will be the interim S.151 Officer.

In November 2021 the Council moved to a new financial ledger system. For 2021/22 some of the working papers supporting the financial statements will continue to be generated outside of the new system, with an aim to have a more integrated approach for 2022/23.

The Medium Term Financial Strategy (MTFS), presented to Council on 23 February 2022, includes cumulative savings / income generation schemes of around £6m. In addition to these there is a further £1.2m of recurrent savings that still need to be identified by 2026/27. While this might seem a long way off, if planned savings are not delivered in full, that figure will increase, and it takes time to develop, agree and implement large scale savings or income generation projects, particularly as “easier” savings or income generation will have already been achieved.

Recovery from the COVID-19 pandemic

The Council is continuing to move towards a new agile way of working, requiring a reduced amount of office space. The accommodation strategy is being reviewed to ensure a more efficient approach.

The Council continues to process COVID-19 related grant claims, including where it acts as “agent” and simply passes funding on to intended recipients.

Internal controls operate effectively remotely, and Internal Audit continue to deliver their programme of work, ensuring that assurance is provided to the governance function.

Milverton Homes Limited

During 2020/21 the Council created a wholly owned Local Housing Company subsidiary, Milverton Homes Ltd. The Business Plan was approved by the Council’s Cabinet on the 10 December 2020. The Council issued four loans of varying terms in the total value of £50m to Crewe Lane Kenilworth JV LLP on the 27th August 2021 to facilitate the construction of 620 dwellings in Kenilworth. Crewe Lane LLP is a 50/50 Joint Venture housing delivery vehicle between Milverton Homes Limited and Vistry Partnerships Limited.

Given the value of the loans made, we anticipate that the Council will need to prepare group accounts for the first time for 2021/22.

Our response

- As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work and fee, as set further in our Audit Plan, has been agreed with the Head of Finance.
- We will consider your arrangements for managing and reporting your financial resources as part of our work in completing our Value for Money work.
- In our 2020/21 Audit Findings Report we reported four recommendations for improvement, as set out on pages 27 and 28. We will follow up progress against these during our post statements audit work.
- In our 2020/21 Auditors’ Annual Report, presented to Audit and Standards Committee on 13 April 2022, we identified seven improvement recommendations. We will follow up progress against these as part of our Value for Money work.
- We will assess the impact of the proposed merger with Stratford on Avon District Council being cancelled. This will include the impact on financial sustainability and capacity within the Council.
- We will continue to provide you with sector updates via our Audit Committee updates.
- We identified a significant audit risk relating to the implementation of the new ledger system and the data migration assets to the new company – please refer to page 10. Our IT auditors will review the Council’s process for ensuring the data migration was complete and accurate.
- We identified an audit risk relating to the probability that the Council will need to prepare Group Financial Statements for the first time. Please refer to pages 11 and 13.

Introduction and headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Warwick District Council ('the Council') for those charged with governance.

Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the agreed in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of Warwick District Council. We draw your attention to both of these documents.

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Council and group's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit and Standards Committee); and we consider whether there are sufficient arrangements in place at the Council and group for securing economy, efficiency and effectiveness in your use of resources. Value for money relates to ensuring that resources are used efficiently to maximise the outcomes that can be achieved.

The audit of the financial statements does not relieve management or the Audit and Standards Committee of your responsibilities. It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Council's business and is risk based.

Group Audit

We anticipate that the Council will be required to prepare group financial statements that consolidate the financial information of Milverton Homes Limited. As this will be the first year group financial statements have been required, we have identified this as an audit risk.

Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- management override of controls;
- new financial ledger implementation;
- valuation of land and buildings; and
- valuation of the pension fund net liability.

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Materiality

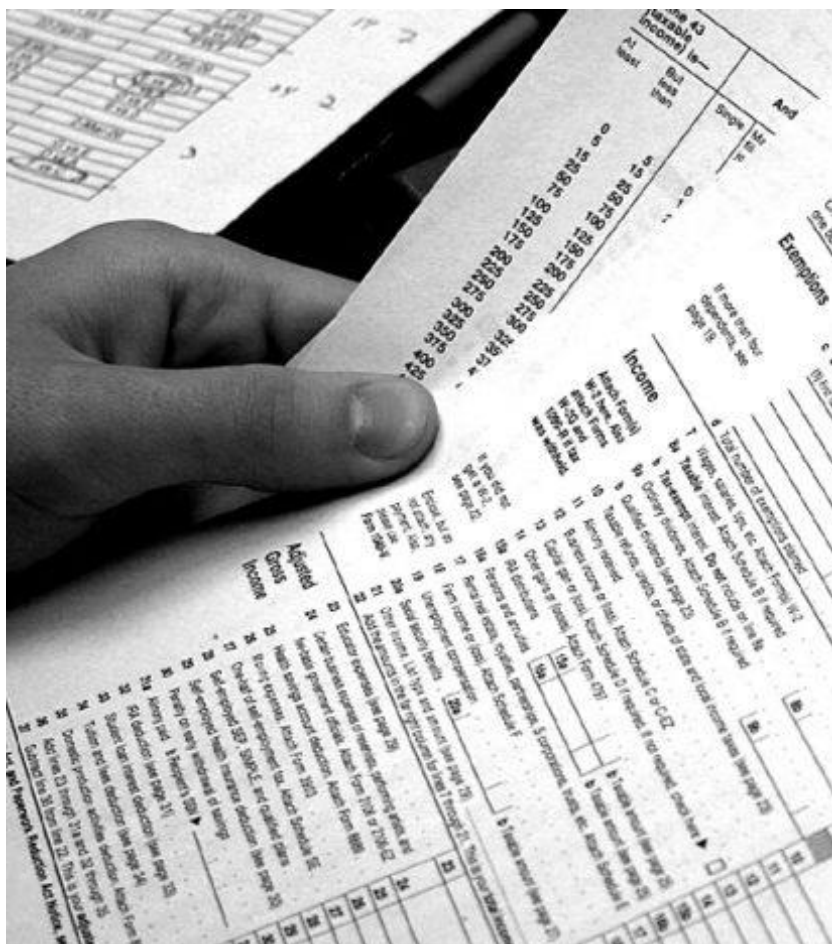
We have determined planning materiality to be £1,600k (PY £1,400k) for the Council, which equates to 1.75% of your prior year gross expenditure. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £80k (PY £70k). We will need to calculate a separate materiality level for the group. As the impact on the financial statements is, at this stage, unclear, we will do this on receipt of the draft financial statements.

Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money have identified the following risks of significant weakness:

- financial sustainability; and
- governance arrangements of the newly formed housing company, Milverton Homes Limited, and whether the expected benefits are realised.

Introduction and headlines cont.



Audit logistics

Our interim visit took place in February and March and our final visit will take place from August to November. Our key deliverables are this Audit Plan, our Audit Findings Report and Auditor's Annual Report.

Our fee for the audit will be £73,140 (PY: £65,540) for the Council, subject to the Council delivering a good set of financial statements and working papers.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements..

Group audit scope and risk assessment

In accordance with ISA (UK) 600, as group auditor we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

Component	Individually Significant?	Level of response required under ISA (UK) 600	Risks identified	Planned audit approach
Warwick District Council	Yes	Audit of the financial information of the component using component materiality	<ul style="list-style-type: none"> Please refer to pages 9 to 12. 	Full scope audit performed by Grant Thornton UK LLP
Milverton Homes Limited	TBC	TBC	<ul style="list-style-type: none"> This is the first year that Milverton Homes Limited has had any transactions or traded. As set out on page five, on 27 August 2021 the Council issued four loans of varying terms in the total value of £50m to Crewe Lane Kenilworth JV LLP. Crewe Lane LLP is a 50/50 Joint Venture housing delivery vehicle between Milverton Homes Limited and Vistry Partnerships Limited. 	We will review the draft group financial statements and determine the appropriate audit approach. This will be determined by the significance of the group transactions and balances.

Key changes within the group:

This is the first year that the Council has had to prepare group financial statements.

Audit scope

- Audit of the financial information of the component using component materiality
- Audit of one more classes of transactions, account balances or disclosures relating to significant risks of material misstatement of the group financial statements
- Review of component's financial information
- Specified audit procedures relating to risks of material misstatement of the group financial statements
- Analytical procedures at group level

Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Improper revenue recognition Under ISA (UK) 240, there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.	Council	This presumed risk can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition. As external auditors in the public sector, we are also required to give regard to Practise Note 10, which interprets the ISA in a public sector context and directs us to consider whether the assumption also applies to expenditure.	Having considered the risk factors set out in ISA 240 and the nature of the revenue streams at the Council, we determined that the risk of fraud arising from revenue and expenditure recognition can be rebutted, because: <ul style="list-style-type: none"> • there is little incentive to manipulate revenue and expenditure recognition • opportunities to manipulate revenue and expenditure recognition are very limited; and • the culture and ethical frameworks of local authorities, including Warwick District Council, mean that all forms of fraud are seen as unacceptable. Therefore we do not consider this to be a significant risk for Warwick District Council.
Risk of fraud related to expenditure recognition	Council	In line with the Public Audit Forum Practice Note 10, in the public sector, auditors must also consider the risk that material misstatements due to fraudulent financial reporting may arise from the manipulation of expenditure recognition (for instance by deferring expenditure to a later period).	We have rebutted this risk for Warwick District Council because: <ul style="list-style-type: none"> • expenditure is primarily related to employee costs • lack of incentive to manipulate financial results, coupled with an overall strong control environment. We therefore do not consider this to be a significant risk for Warwick District Council. We will continue to review material expenditure transactions as part of our audit ensuring that it remains appropriate to rebut the risk of expenditure recognition for Warwick District Council.

Significant risks identified

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Management over-ride of controls	Council	<p>Under ISA (UK) 240, there is a non-rebuttable presumed risk that management override of controls is present in all entities. The Council faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk of material misstatement.</p>	<p>To address this risk we will:</p> <ul style="list-style-type: none"> • evaluate the design effectiveness of management controls over journals; • analyse the journals listing and determine the criteria for selecting high risk unusual journals; • test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration; • gain an understanding of the accounting estimates and critical judgements applied by management and consider their reasonableness with regard to corroborative evidence; and • evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.
New financial ledger implementation	Council	<p>The new financial ledger went live in November 2021. There is a significant risk that the transfer of data from the old system to the new one is not complete or accurate.</p>	<p>Our IT auditors will review the Council's process for ensuring the data migration was complete and accurate and the IT General Controls in place around the new financial ledger.</p>

Significant risks identified

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of land and buildings	Council	<p>The Council revalues its land, buildings and council dwellings on a rolling five-yearly basis.</p> <p>This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (approximately £411m of council dwellings and £81m other land & buildings in the prior period) and the sensitivity of this estimate to changes in key assumptions.</p> <p>Additionally, management will need to ensure the carrying value in the Council financial statements is not materially different from the current value of the fair value (for surplus assets) at the financial statements date, where a rolling program is used.</p> <p>We have therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>To address this risk we will:</p> <ul style="list-style-type: none"> • evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work; • evaluate the competence, capabilities and objectivity of the valuation expert; • write to the valuer to confirm the basis on which the valuation is carried out to ensure that the requirements of the CIPFA Code are met; • challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding; • test revaluations made during the year to see if they had been input correctly into the Council's balance sheet; and • evaluate assumptions made by management for assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end.

Significant risks identified

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of the pension fund net liability	Council	<p>The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements. The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£50m in the Council's balance sheet) and the sensitivity of the estimate to changes in key assumptions.</p> <p>The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation.</p> <p>The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable.</p> <p>The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. In particular the discount and inflation rates, where, in the prior year, the actuary indicated that a 0.5% change in these two assumptions would have an approximately £17m - £20m (8.3 to 9.8%) effect on the gross liability. We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation. With regard to these assumptions we have therefore identified valuation of the Authority's pension fund net liability as a significant risk.</p>	<p>To address this risk we will:</p> <ul style="list-style-type: none"> • update our understanding of the processes and controls put in place by management to gain reasonable assurance that Council's net pension liability is not materially misstated and evaluate the design of the associated controls; • evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assess the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation; • assess the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability; • test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; • undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and • obtain assurances from the auditor of Warwickshire Pension Fund as to the controls surrounding the validity and accuracy of membership data, contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.

Other risks identified

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Preparation of group financial statements	Group	This is the first year that the Council has also had to prepare group financial statements.	The additional accounting required, and disclosures in the financial statements, can be complex. We have therefore assessed this as an increased risk.
Officer capacity	Group	Following the cancellation of the proposed merger with Stratford on Avon District Council the Strategic Finance Manager at Warwick District Council will now be interim Head of Finance / S.151 Officer. This officer has, in previous years, been our key contact during our audit of the financial statements and value for money work. There is a risk that our audit or value for money work does not progress as quickly as planned if appropriate backfill and support arrangements are not put in place.	We will keep in regular contact with the interim Head of Finance to ensure any delays or potential problems are discussed at an early stage. If appropriate we will raise concerns with the Chief Executive and / or the Audit and Standards Committee.
Valuation of Investment Properties	Council	<p>The Council is required to revalue its investment property annually..</p> <p>This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (approximately £10m of investment property in the prior period) and the sensitivity of this estimate to changes in key assumptions.</p> <p>We have therefore identified valuation of investment properties, as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>To address this risk we will:</p> <ul style="list-style-type: none"> • evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work; • evaluate the competence, capabilities and objectivity of the valuation expert; • write to the valuer to confirm the basis on which the valuation is carried out to ensure that the requirements of the CIPFA Code are met; • challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding; and • test revaluations made during the year to see if they had been input correctly into the Council's balance sheet.

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings Report.

Accounting estimates and related disclosures

The Financial Reporting Council issued an updated ISA (UK) 540 (revised): *Auditing Accounting Estimates and Related Disclosures* which includes significant enhancements in respect of the audit risk assessment process for accounting estimates. We identified two recommendations in our 2020/21 audit in relation to the Council's estimation process for valuation of land and buildings and the provision for business rates appeals.

Introduction

Under ISA (UK) 540 (Revised December 2018) auditors are required to understand and assess an entity's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the entity's risk management process identifies and addresses risks relating to accounting estimates;
- The entity's information system as it relates to accounting estimates;
- The entity's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit and Standards Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?



Accounting estimates and related disclosures

Additional information that will be required

To ensure our compliance with this revised auditing standard, we will be requesting further information from management and those charged with governance during our audit for the year ended 31 March 2022.

Based on our knowledge of the Council we have identified the following material accounting estimates for which this is likely to apply:

- Valuations of land and buildings, council dwellings and investment properties
- Depreciation
- Valuation of defined benefit net pension fund liabilities
- Fair value estimates

The Council's Information systems

In respect of the Council's information systems we are required to consider how management identifies the methods, assumptions and source data used for each material accounting estimate and the need for any changes to these. This includes how management selects, or designs, the methods, assumptions and data to be used and applies the methods used in the valuations.

When the models used include increased complexity or subjectivity, as is the case for many valuation models, auditors need to understand and assess the controls in place over the models and the data included therein. Where adequate controls are not in place we may need to report this as a significant control deficiency and this could affect the amount of detailed substantive testing required during the audit.

If management has changed the method for making an accounting estimate we will need to fully understand management's rationale for this change. Any unexpected changes are likely to raise the audit risk profile of this accounting estimate and may result in the need for additional audit procedures.

We are aware that the Council uses management experts in deriving some of its more complex estimates, e.g. asset valuations and pensions liabilities. However, it is important to note that the use of management experts does not diminish the responsibilities of management and those charged with governance to ensure that:

- All accounting estimates and related disclosures included in the financial statements have been prepared in accordance with the requirements of the financial reporting framework, and are materially accurate;
- There are adequate controls in place at the Council (and where applicable its service provider or management expert) over the models, assumptions and source data used in the preparation of accounting estimates.



Estimation uncertainty

Under ISA (UK) 540 we are required to consider the following:

- How management understands the degree of estimation uncertainty related to each accounting estimate; and
- How management address this estimation uncertainty when selecting their point estimate.

For example, how management identified and considered alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the point estimate used.

The revised standard includes increased emphasis on the importance of the financial statement disclosures. Under ISA (UK) 540 (Revised December 2018), auditors are required to assess whether both the accounting estimates themselves and the related disclosures are reasonable.

Where there is a material uncertainty, that is where there is a significant risk of a material change to the estimated carrying value of an asset or liability within the next year, there needs to be additional disclosures. Note that not all material estimates will have a material uncertainty and it is also possible that an estimate that is not material could have a risk of material uncertainty.

Where there is material estimation uncertainty, we would expect the financial statement disclosures to detail:

- What the assumptions and uncertainties are;
- How sensitive the assets and liabilities are to those assumptions, and why;
- The expected resolution of the uncertainty and the range of reasonably possible outcomes for the next financial year; and
- An explanation of any changes made to past assumptions if the uncertainty is unresolved.

Planning enquiries

As part of our planning risk assessment procedures we have prepared and agreed with management a separate document (Informing the audit risk assessment 2021-22) that is being presented to the Audit and Standards Committee alongside this audit plan.

Further information

Further details on the requirements of ISA (UK) 540 (Revised December 2018) can be found in the auditing standard on the Financial Reporting Council's website:

[https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-\(UK\)-540_Revised-December-2018_final.pdf](https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-(UK)-540_Revised-December-2018_final.pdf)

Other matters

Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the Council.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under legislation and the Code, as and when required, including:
 - giving electors the opportunity to raise questions about your 2021/22 financial statements, consider and decide upon any objections received in relation to the 2021/22 financial statements;
 - issuing a report in the public interest or written recommendations to the Council under section 24 of the Local Audit and Accountability Act 2014 (the Act).
 - application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act
 - issuing an advisory notice under section 29 of the Act
- We certify completion of our audit.

Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

Materiality

The concept of materiality

Materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality for planning purposes

We have determined financial statement materiality based on a proportion of the gross expenditure of the group and Council for the prior financial year. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £1,600k (PY £1,400k) for the Council, which equates to 1.75% of your gross expenditure for the prior period. We will need to calculate a separate materiality level for the group. As the impact on the financial statements is, at this stage, unclear, we will do this on receipt of the draft financial statements.

We design our procedures to detect errors in specific accounts at a lower level of precision which we have determined to be £10k for senior officer remuneration owing to the sensitive nature of these disclosures.

We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

Matters we will report to the Audit and Standards Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit and Standards Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the group and Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £80k (PY £70k).

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit and Standards Committee to assist it in fulfilling its governance responsibilities.

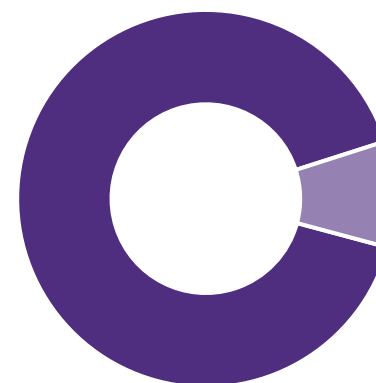
Prior year gross operating costs

£TBCm group

(PY: N/A)

£90.9m Council

(PY98.9m)



■ Prior year gross operating costs

Materiality

£TBCm

group financial statements materiality

(PY: N/A)

£1,600k

Council financial statements materiality

(PY: £1,400k)

£80k

Misstatements reported to the Audit and Standards Committee
(PY: £70k)

IT audit strategy

In accordance with ISA (UK) 315, we are required to obtain an understanding of the information systems relevant to financial reporting to identify and assess the risks of material misstatement. As part of this we obtain an understanding of the controls operating over relevant Information Technology (IT) systems i.e., IT general controls (ITGCs). Our audit will include completing an assessment of the design of ITGCs related to security management; technology acquisition, development and maintenance; and technology infrastructure. Based on the level of assurance required for each IT system the assessment may focus on evaluating key risk areas ('streamlined assessment') or be more in depth ('detailed assessment').

The following IT systems have been judged to be in scope for our audit and based on the planned financial statement audit approach we will perform the indicated level of assessment:

IT system	Audit area	Planned level IT audit assessment
CiAnywhere (TechnologyOne)	Financial reporting (new ledger system)	<ul style="list-style-type: none"> Detailed ITGC assessment (design and operating effectiveness)
Total	Financial reporting (former ledger system)	<ul style="list-style-type: none"> Streamlined ITGC design assessment

In addition, due to the new ledger system implementation additional audit procedures will be completed to address the additional risks of material misstatement identified.

IT system	Event	Relevant risks	Planned IT audit procedures
CiAnywhere (TechnologyOne)	New system implementation	Post migration data completeness and accuracy; system functionality operating to design.	<ul style="list-style-type: none"> Obtain an understanding of the process used for new system implementation Audit of data migration activity and results

Value for Money arrangements

Approach to Value for Money work for 2021/22

The National Audit Office (NAO) issued updated guidance for auditors in April 2020. The Code requires auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under three specified reporting criteria. These are as set out below:



Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years)



Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information



Risks of significant VFM weaknesses

As part of our planning work, we considered whether there were any risks of significant weakness in the body's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. The risks we have identified are detailed in the first table below, along with the further procedures we will perform. We may need to make recommendations following the completion of our work. The potential different types of recommendations we could make are set out in the second table below.

Risks of significant weakness

Those risks requiring audit consideration and procedures to address the likelihood that proper arrangements are not in place at the body to deliver value for money.



Financial Sustainability

The Medium Term Financial Strategy (MTFS), presented to Council on 23 February 2022, includes cumulative savings / income generation schemes of around £6m. In addition to these there is a further £1.2m of recurrent savings that still need to be identified by 2026/27. There is a risk around financial sustainability, and whether the Council has realistic, robust plans to move to a balanced financial position in the longer term. This risk is heightened as the cancelling of the proposed merger with Stratford on Avon District Council will mean that some of the anticipated savings are unlikely to be achieved.

To address this risk we will look at the arrangements in place to identify savings or income generation schemes, and how robust and realistic these are.



Milverton Homes limited

The Council will need to develop and embed appropriate governance arrangements for the newly formed housing company, Milverton Homes Limited, and also establish arrangements to assess whether the expected benefits are realised.

To address this we will gain an understanding of the arrangements, and how governance works in practice. This will include how the Council satisfies itself regarding progress and benefits realisation.

Potential types of recommendations

A range of different recommendations could be made following the completion of work on risks of significant weakness, as follows:



Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.



Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.



Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

Audit logistics and team



Laurelin Griffiths, Key Audit Partner

Laurelin leads our relationship with you and takes overall responsibility for the delivery of a high quality audit, ensuring the highest professional standards are maintained with a commitment to add value to the Council.



Neill Preece, Audit Manager

Neil is responsible for overseeing delivery of our service and managing the audit process in respect of the Council. He will be on hand to answer any queries, whilst ensuring an efficient audit process.



Aaron Smallwood, Audit Incharge

Aaron will work with relevant officers and our operational team to ensure the smooth planning and delivery of the audits. He will oversee the day to day running of the audit and discuss any issues with you during the audit process as well as any questions you may have throughout the year.

Audited body responsibilities

Where audited bodies do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other audits. Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit, you need to ensure that you:

- produce draft financial statements of good quality by the timetable you have agreed with us, including all notes, the Narrative Report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of items for testing
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

Audit fees

In 2018, PSAA awarded a contract of audit for Warwick District Council to begin with effect from 2018/19. The fee agreed in the contract was £41,290. Since that time, there have been a number of developments, particularly in relation to the revised Code and ISA's which are relevant for the 2021/22 audit.

Across all sectors and firms, the FRC has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing, as detailed on pages 14 and 15 in relation to the updated ISA (UK) 540 (revised): Auditing Accounting Estimates and Related Disclosures.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and public sector financial reporting. Our proposed work and fee for 2021/22, as set out below, is detailed overleaf and has been agreed with the Head of Finance.

	Actual Fee 2019/20	Actual Fee 2020/21	Proposed fee 2021/22
Warwick District Council Audit	£57,290	£65,540	£73,140
Total audit fees (excluding VAT)	£57,290	£65,540	£73,140

Assumptions

In setting the above fees, we have assumed that the Council will:

- prepare a good quality set of financial statements, supported by comprehensive and well presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard \(revised 2019\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

Audit fees – detailed analysis

Scale fee published by PSAA			£41,290
<i>Ongoing increases to scale fee first identified in 2019/20</i>			
Raising the bar/regulatory factors	£3,125		
Enhanced audit procedures for Property, Plant and Equipment	£2,187		
Enhanced audit procedures for Pensions	£2,188		
Recurring element of 2019/20 fee			£48,790
<i>Ongoing issues from 2020/21</i>			
Additional work on Value for Money (VfM) under new NAO Code	£10,000		
Increased audit requirements of revised ISAs	£5,000		
Local risk factors i.e. establishment of local housing company	£1,750		
Recurring element of 2020/21 fee			£65,540
<i>New issues for 2021/21</i>			
Infrastructure assets	£2,500		
Additional cost of remote working & new ledger implementation	£5,100		
Total audit fees (excluding VAT)			£73,140

Independence and non-audit services

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons, relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard (Revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council.

Other services

The following other services provided by Grant Thornton were identified. The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

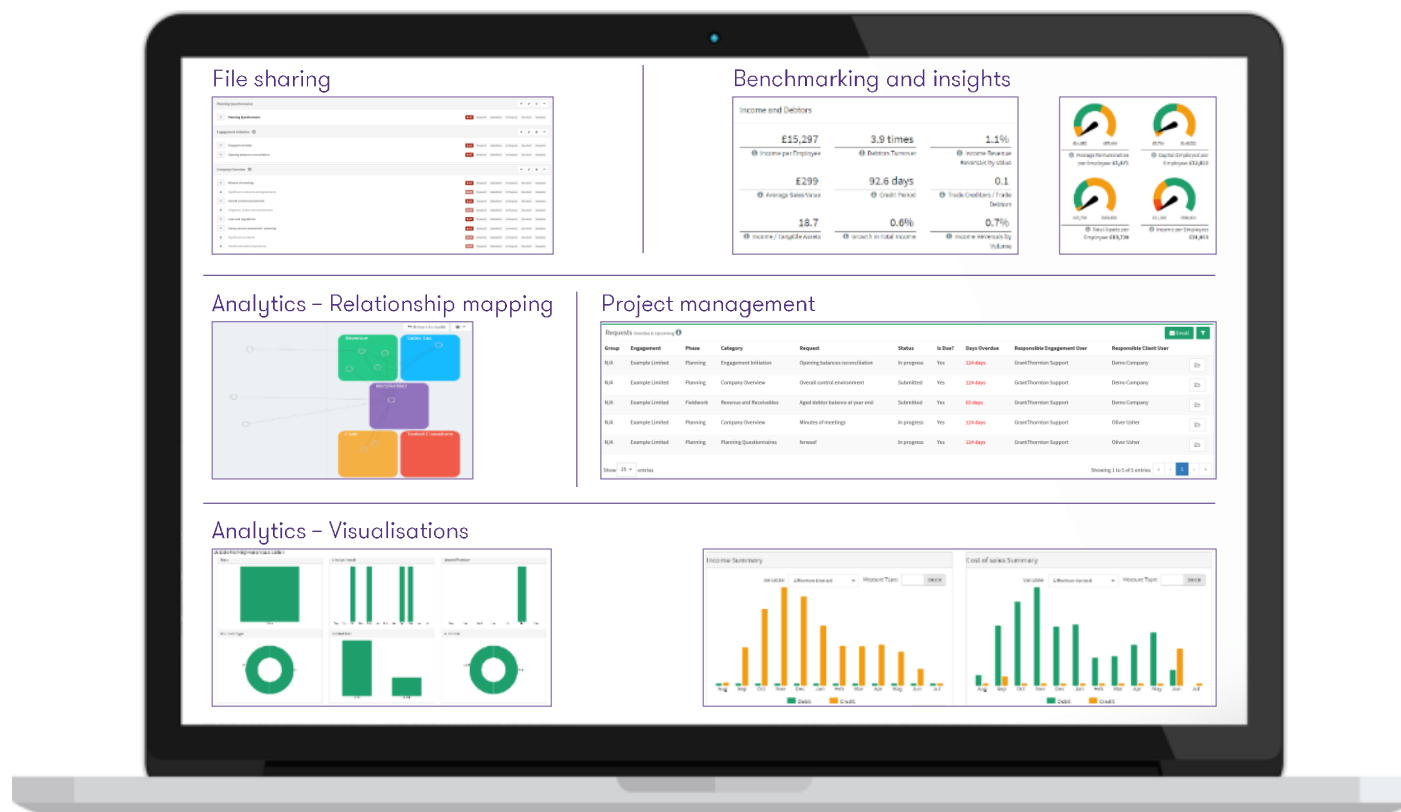
None of the services provided are subject to contingent fees.

Service	Fees £	Threats	Safeguards
Audit related			
Certification of Housing Benefits Subsidy Claim 2021/22	22,600	Self-Interest (because this is a recurring fee)	The level of these recurring fees taken on their own are not a significant threat to independence as the fee for this work is £28,600 in comparison to the total fee for the audit of £73,140. Furthermore these fees are not significant relative to Grant Thornton UK LLP's turnover overall. These are also fixed fees and there are no contingent elements to it.
Certification of Housing Capital receipts grant 2021/22	6,000	Self-Interest (because this is a recurring fee)	We are satisfied that these factors all mitigate the perceived self-interest threat to an acceptable level.
Total	28,600		

Our digital audit experience

A key component of our overall audit experience is our comprehensive data analytics tool, which is supported by Inflo Software technology. This tool has a number of key functions within our audit process:

Function	Benefits for you
Data extraction	Providing us with your financial information is made easier
File sharing	An easy-to-use, ISO 27001 certified, purpose-built file sharing tool
Project management	Effective management and oversight of requests and responsibilities
Data analytics	Enhanced assurance from access to complete data populations



Grant Thornton's Analytics solution is supported by Inflo Software technology

Our digital audit experience

A key component of our overall audit experience is our comprehensive data analytics tool, which is supported by Inflo Software technology. This tool has a number of key functions within our audit process:



Data extraction

- Real-time access to data
- Easy step-by-step guides to support you upload your data



File sharing

- Task-based ISO 27001 certified file sharing space, ensuring requests for each task are easy to follow
- Ability to communicate in the tool, ensuring all team members have visibility on discussions about your audit, reducing duplication of work



Project management

- Facilitates oversight of requests
- Access to a live request list at all times



Data analytics

- Relationship mapping, allowing understanding of whole cycles to be obtained quickly
- Visualisation of transactions, allowing easy identification of trends and anomalies

How will analytics add value to your audit?

Analytics will add value to your audit in a number of ways. We see the key benefits of extensive use of data analytics within the audit process to be the following:

Improved fraud procedures using powerful anomaly detection

Being able to analyse every accounting transaction across your business enhances our fraud procedures. We can immediately identify high risk transactions, focusing our work on these to provide greater assurance to you, and other stakeholders.

Examples of anomaly detection include analysis of user activity, which may highlight inappropriate access permissions, and reviewing seldom used accounts, which could identify efficiencies through reducing unnecessary codes and therefore unnecessary internal maintenance.

Another product of this is identification of issues that are not specific to individual postings, such as training requirements being identified for members of staff with high error rates, or who are relying on use of suspense accounts.

More time for you to perform the day job

Providing all this additional value does not require additional input from you or your team. In fact, less of your time is required to prepare information for the audit and to provide supporting information to us.

Complete extracts from your general ledger will be obtained from the data provided to us and requests will therefore be reduced.

We provide transparent project management, allowing us to seamlessly collaborate with each other to complete the audit on time and around other commitments.

We will both have access to a dashboard which provides a real-time overview of audit progress, down to individual information items we need from each other. Tasks can easily be allocated across your team to ensure roles and responsibilities are well defined.

Using filters, you and your team will quickly be able to identify actions required, meaning any delays can be flagged earlier in the process. Accessible through any browser, the audit status is always available on any device providing you with the information to work flexibly around your other commitments.

Appendix 1: Progress against prior year audit recommendations

We identified the following issues in our 2020/21 audit of the Council's financial statements, which resulted in four recommendations being reported in our 2020/21 Audit Findings Report. We will follow up progress against these as part of our year end audit.

Assessment	Issue and risk	Recommendations
Medium	<p>Fixed Asset Register</p> <p>There is an £89k difference between the fixed asset register and the ledger, and hence the financial statements. As noted on page 7 [of the 2020/21 Audit Findings Report], Officers are unable to identify why this is and correct the imbalance.</p> <p>While there is little risk of the property values being materially misstated, even over time, the two should agree.</p>	<p>Management should identify and correct the differences between the fixed asset register and the ledger.</p> <p>Management response</p> <p>This will be addressed as part of the implementation of the new Financial Management System, with any adjustment required to rectify the imbalance reflected in the 2021/22 Statement of Accounts.</p>
Medium	<p>Floor area evidence to support property valuations</p> <p>Neither the external valuer, Carter Jonas, nor officers, were able to provide us with floor areas for the assets we tested. We were provided with floor plans, but these did not include any measurements.</p>	<p>As floor area is a key determinant in the valuation of some properties Management need to ensure that this information is readily available.</p> <p>Management response</p> <p>Work with the Assets team will commence to ensure Floor areas plans (with measurements) are held and made available for the external valuer as necessary.</p>
Medium	<p>Provision for Business rates appeals</p> <p>The provision is estimated based on the national average of 4.7% which is applicable in the previous calculations of provisions for business rates appeals.</p> <p>By using an out of date process the estimate of the provision could be misstated.</p>	<p>The Council should consider the Check, Challenge and Appeal (CCA) in the computation of provision for business rates appeals.</p> <p>Management response</p> <p>With more data now available on Check, Challenge, Appeal being incorporated into our provision, the risk of future assessments of the business rates appeals being misstated should be reduced.</p>

Appendix 1: Progress against prior year audit recommendations

Assessment	Issue and risk	Recommendations
High	<p>Bank Reconciliation</p> <p>The cash in bank balance is composed of various cost centre accounts - all of which are separately maintained for the bank balance and other cash reconciling items such as cash in transit, unpresented cheques and cash transfers in/out. Officers prepare monthly cash reports to summarise cash income, expenditures, and transfers in/out during the period and agree them to the ending balances of each cost centre. However, there is really no bank reconciliation performed during the year for the "whole" cash in bank account. Hence, Officers overlooked to reconcile the difference of £1m at the end of the year, as reported on page 7. Officers advised the audit team that the difference comes from the postings on "PARIS suspense account." Being a suspense account, this should be zeroed out at year-end. On further investigation Officers identified that they overlooked to make an entry to reclassify the PARIS suspense account to short-term debtors.</p> <p>Officers are also unable to reconcile the remaining difference of £94k between the adjusted cash balance per the bank reconciliation and balance per the ledger. Officers believe the difference may pertain to the timing difference between the bank statement and ledger postings.</p>	<p>Management should prepare monthly bank reconciliations that consider all the cost centre accounts that make up the cash in bank account. Any suspense accounts should be cleared and reconciling items investigated at the same time.</p> <p>Management response</p> <p>The new Financial Management System should improve the bank reconciliation process, with full reconciliations to be undertaken monthly. It is expected that the full benefits of the new system will be realised for the 2022/23 Statement of Accounts, due to the migration to the new Financial Management System taking place mid-year in 2021/22.</p>

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice



Informing the audit risk assessment for Warwick District Council 2021/22

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Purpose

The purpose of this report is to contribute towards the effective two-way communication between Authority's external auditors and the Authority's Audit and Standards Committee, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where we are required to make inquiries of the Audit and Standards Committee under auditing standards.

Background

Under International Standards on Auditing (UK), (ISA(UK)) auditors have specific responsibilities to communicate with the Audit and Standards Committee. ISA(UK) emphasise the importance of two-way communication between the auditor and the Audit and Standards Committee and also specify matters that should be communicated.

This two-way communication assists both the auditor and the Audit and Standards Committee in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the Audit and Standards Committee and supports the Audit and Standards Committee in fulfilling its responsibilities in relation to the financial reporting process.

Communication

As part of our risk assessment procedures we are required to obtain an understanding of management processes and the Audit and Standards Committee oversight of the following areas:

- General Enquiries of Management,
- Fraud,
- Laws and Regulations,
- Related Parties, and
- Accounting Estimates.

Purpose

This report includes a series of questions on each of these areas and the response we have received from Authority's management. The Audit and Standards Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

General Enquiries of Management

Question	Management response
1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2021/22?	The impact of COVID-19, with a number of grants received during the financial year and a number of programmes of work set up to support the organisation's recovery following the easing of restrictions. The pandemic has also impacted on many items of income and expenditure, so requiring additional use of reserves. A number of savings proposals, agreed as part of Budget Setting 2021/22, have started to be implemented during the course of the year.
2. Have you considered the appropriateness of the accounting policies adopted by the Authority? Have there been any events or transactions that may cause you to change or adopt new accounting policies?	Yes, policies reviewed with no changes required so far. As the Statements are compiled, changes may become appropriate and will be duly disclosed.
3. Is there any use of financial instruments, including derivatives?	Whilst the Council does not 'use' Financial Instruments such as derivatives it does hold financial instruments (as reported in Note 16 to the 2020/21 Statement of Accounts). Borrowings and some investments are held at amortised cost and investments in money market funds, corporate equity funds, certificates of deposit and bonds (no CDs or bonds in 20/21) are held at fair value through profit and loss. Various MMFs and two corporate equity funds were the main financial instruments, until these were sold in September 2021. The Council also makes 'cash' investments to other local authorities. The Council uses experts (Link Asset Services as Treasury Management Consultants and King & Shaxson Ltd as custodian) to provide prices and advice on fair value valuations.
4. Are you aware of any significant transaction outside the normal course of business?	No

General Enquiries of Management

Question	Management response
5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets?	No, but all members of the Senior Leadership Team are aware that they should notify Finance if there has been a change in circumstances that would lead to impairment.
6. Are you aware of any guarantee contracts?	Some of the Council's contracts do include guarantees. The Council has insurances in place which may be regarded as a from of guarantee.
7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements?	Management is not aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements.
8. Other than in house solicitors, can you provide details of those solicitors utilised by the Authority during the year. Please indicate where they are working on open litigation or contingencies from prior years?	Legal Services are provided in 2021/22 by Warwickshire County Council. Some items of work may be contracted out, with this work placed by WCC solicitors. Current areas of litigation are considered as part of our financial close process as part of the review of provisions and contingencies.

General Enquiries of Management

Question	Management response
9. Have any of the authority's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements?	No, with this having been ascertained as part of annual Service Assurance Statements.
10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	Consultants appointed for many Council projects, many being reported to Executive. Key projects include the set up of a Local Housing Company, to which KPMG, Trowers Hamblins and Bevan Britain have provided consultancy. VAT advice is provided by KPMG to the Council. Deloitte have provided consultancy in relation to the merger of Warwick District Council and Stratford-on-Avon District Council. The Council has a service level agreement with Warwickshire County Council for the provision of legal services.

Fraud

Issue

Matters in relation to fraud

ISA (UK) 240 covers auditors responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both the Audit and Standards Committee and management. Management, with the oversight of the Audit and Standards Committee, needs to ensure a strong emphasis on fraud prevention and deterrence and encourage a culture of honest and ethical behaviour. As part of its oversight, the Audit and Standards Committee should consider the potential for override of controls and inappropriate influence over the financial reporting process.

As the Authority's external auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

As part of our audit risk assessment procedures we are required to consider risks of fraud. This includes considering the arrangements management has put in place with regard to fraud risks including:

- assessment that the financial statements could be materially misstated due to fraud,
- process for identifying and responding to risks of fraud, including any identified specific risks,
- communication with the Audit and Standards Committee regarding its processes for identifying and responding to risks of fraud, and
- communication to employees regarding business practices and ethical behaviour.

We need to understand how the Audit and Standards Committee oversees the above processes. We are also required to make inquiries of both management and the Audit and Standards Committee as to their knowledge of any actual, suspected or alleged fraud. These areas have been set out in the fraud risk assessment questions below together with responses from the Authority's management.

Fraud risk assessment

Question	Management response
<p>1. Have the Authority assessed the risk of material misstatement in the financial statements due to fraud?</p> <p>How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process?</p> <p>How do the Authority's risk management processes link to financial reporting?</p>	<p>The financial statements are subject to internal quality assurance checks which are carried out by the Head of Finance and Strategic Finance Manager, and other members of the Finance Team.</p> <p>The monthly review of Service Revenue and Capital budgets will identify any material risk of material misstatement. Risk management processes drive good financial reporting.</p> <p>Each Service Area has a Risk Register which is considered regularly throughout the year. Alongside this, Services will be considering their Budget Monitoring.</p>
<p>2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?</p>	<p>The transactions most at risk of fraud relate to Benefit Payments and Council Tax Reduction. The Business Grants and other payments over the year in respect of the pandemic have been subject to additional assurance framework.</p>

Fraud risk assessment

Question	Management response
<p>3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within the Authority as a whole or within specific departments since 1 April 2021?</p> <p>As a management team, how do you communicate risk issues (including fraud) to those charged with governance?</p>	<p>Management are not aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within the Authority as a whole or within specific departments since 1 April 2021.</p> <p>The Council's Significant Business Risk Register is reviewed quarterly by the Senior Leadership Team and reported to the Cabinet and Audit and Standards Committee. The Audit and Standards Committee receive annual reports on the work of the anti-fraud team. Any specific internal fraud investigations would be reported to the Committee also.</p>
<p>4. Have you identified any specific fraud risks?</p> <p>Do you have any concerns there are areas that are at risk of fraud?</p> <p>Are there particular locations within the Authority where fraud is more likely to occur?</p>	<p>Investigations of suspected fraud, as a result of cases brought to the attention of the Head of Finance or Audit and Risk Manager, are carried out by the Internal Audit team.</p> <p>No Significant Fraud risk identified. However, we are not complacent and are constantly looking to improve procedures.</p> <p>Locations handling income, particularly in the form of cash, are more likely to be at risk of fraud. However, cash is not significant, and has reduced over the last year. Procurement fraud is also identified as an area at risk of fraud.</p>
<p>5. What processes do the Authority have in place to identify and respond to risks of fraud?</p>	<p>All suspected cases of fraud, theft, corruption should be notified to Head of Finance or the Audit & Risk Manager.</p> <p>Anti Fraud & Corruption and Whistle Blowing Policies in place.</p> <p>Risk Registers in place for all services, where the potential for fraud is included, with controls and mitigations.</p> <p>The annual Internal Audit Plan has audits determined by risk ratings.</p> <p>Procurement fraud is mitigated through guidance issued on 'Preventing Procurement Fraud' and a 'Conflict of Interest' form that must be completed and signed by Officers for each individual procurement exercise they are involved in. Procurement card activity is checked by the FSTeam and reviewed by Procurement to identify areas of misuse or disaggregation.</p>

Fraud risk assessment

Question	Management response
<p>6. How do you assess the overall control environment for the Authority, including:</p> <ul style="list-style-type: none"> the existence of internal controls, including segregation of duties; and the process for reviewing the effectiveness the system of internal control? <p>If internal controls are not in place or not effective where are the risk areas and what mitigating actions have been taken?</p> <p>What other controls are in place to help prevent, deter or detect fraud?</p> <p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)?</p>	<p>By a systematic and ongoing process of internal audits together with a process for production of the Annual Governance Statement, supported by the Audit and Risk Manager's Annual Report that provides an opinion on the Council's control environment.</p> <p>Sound systems of internal control with roles and responsibilities are defined in various places such as the Constitution, Code of Financial Practice and Code of Procurement Practice.</p> <p>None known. Miscoding occurs to enable purchases to be made when budgets are not available. Training provided to seek to stop this. New Financial Management System should help to redress miscodings.</p>
<p>7. Are there any areas where there is potential for misreporting?</p>	<p>None known. Internal control systems are in place to ensure robust reporting procedures are adhered to.</p>

Fraud risk assessment

Question	Management response
<p>8. How does the Authority communicate and encourage ethical behaviours and business processes of it's staff and contractors?</p> <p>How do you encourage staff to report their concerns about fraud?</p> <p>What concerns are staff expected to report about fraud?</p> <p>Have any significant issues been reported?</p>	<p>The Codes of Conduct for members and employees outline the Council's expectations for business practice and ethical behaviour.</p> <p>The Code of Conduct for Employees, was updated and agreed by Council in July 2019. Much of this Code is concerned with working practices and matters of ethical behaviour. The revised Code was extensively consulted on, including with staff, and was the main topic at a Managers Forum meeting. The presentation at Managers Forum ended with a group-based question and answer session covering various elements of the Code to promulgate and reinforce learning. A 'meta training' exercise took place on the Council's intranet on this topic which was mandatory for all employees to complete.</p> <p>Within procurement there is the Equality in Procurement Policy and Ethical Procurement Statement, which identifies ethical behaviours expected of officers when undertaking procurement.</p> <p>There is also the Local Code of Corporate Governance, which was approved by Executive in March 2018.</p> <p>Training sessions on 'Social Media Discrimination and the Law' have been delivered to the majority of staff across the Council and to some Members. This has included an overview of the responsibilities of staff in using Social media and the behaviour expected together with the repercussions from a law perspective relating to the Equality Act and protected characteristics. This also links with our Dignity at work Policy relating to ethical behaviour.</p> <p>Management also takes the opportunity to promote the Council's organisational values as and when appropriate values feature on the lanyard device that employees wear to hold their ID badges.</p> <p>Employees should be aware of the anti-fraud and corruption strategy and Whistle Blowing Policy, details are available on the Intranet and induction training for all new staff covers fraud and corruption awareness.</p> <ul style="list-style-type: none"> • Staff undertake CPD, with ethics being a key element for professionals such as accountants. • Audits of Organisational Culture and, separately, Ethics have been completed by Internal Audit in recent years. • Staff are expected to report any and all concerns. When concerns are raised, these are investigated.

Fraud risk assessment

Question	Management response
<p>9. From a fraud and corruption perspective, what are considered to be high-risk posts?</p> <p>How are the risks relating to these posts identified, assessed and managed?</p>	<p>Those that have the scope to perpetrate fraud and corruption on a significant scale. Roles that are considered high risk include those in Benefits, Finance and Housing.</p> <p>Through the risk assessment process performed by Internal Audit when drawing up its Annual and Strategic Plans.</p>
<p>10. Are you aware of any related party relationships or transactions that could give rise to instances of fraud?</p> <p>How do you mitigate the risks associated with fraud related to related party relationships and transactions?</p>	<p>None known.</p> <p>Risks are mitigated by Councillors' declaration of interests and non-participation in debates. Officers are also expected to declare any potential interest or conflict. Senior Managers complete an annual Related Party Declaration. Officers and other individuals involved in tender processes over £50k are required to sign a declaration of interests and will not participate if any potential conflict.</p>

Fraud risk assessment

Question	Management response
<p>11. What arrangements are in place to report fraud issues and risks to the Audit and Standards Committee ?</p> <p>How does the Audit and Standards Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control?</p> <p>What has been the outcome of these arrangements so far this year?</p>	<p>The reporting of fraud issues to Audit and Standards Committee is made by various methods:</p> <ul style="list-style-type: none"> i) Investigation reports by the Audit and Risk Manager, as a result of the Whistleblowing Policy; ii) Reports by the Head of Finance; and iii) Annual Governance Statement report for Internal Control to mitigate fraud risk.
<p>12. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?</p>	<p>No.</p>
<p>13. Have any reports been made under the Bribery Act?</p>	<p>No reports have been made.</p>

Law and regulations

Issue

Matters in relation to laws and regulations

ISA (UK) 250 requires us to consider the impact of laws and regulations in an audit of the financial statements.

Management, with the oversight of the with the Audit and Standards Committee, is responsible for ensuring that the Authority's operations are conducted in accordance with laws and regulations including those that determine amounts in the financial statements.

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. As part of our risk assessment procedures we are required to make inquiries of management and with the Audit and Standards Committee as to whether the entity is in compliance with laws and regulations. Where we become aware of information of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

Risk assessment questions have been set out below together with responses from management.

Impact of laws and regulations

Question	Management response
<p>1. How does management gain assurance that all relevant laws and regulations have been complied with?</p> <p>What arrangements does the Authority have in place to prevent and detect non-compliance with laws and regulations?</p> <p>Are you aware of any changes to the Authority's regulatory environment that may have a significant impact on the Authority's financial statements?</p>	<p>Through effective governance processes and review mechanisms such as internal audit. The Monitoring Officer will advise the Council's Corporate Management team and Councillors as appropriate.</p> <p>The Council has arrangements in place for legal advice to be provided by Warwickshire County Council. Employees are expected to keep themselves updated of laws and regulations related to their area of work. Suspected non-compliances with laws and regulations will be investigated.</p> <p>No</p>
<p>2. How is the Audit and Standards Committee provided with assurance that all relevant laws and regulations have been complied with?</p>	<p>Through audit reviews carried by Internal Audit and by the completion of self-assessment Service Assurance Statements performed by services as part of the Annual Governance Statement.</p>
<p>3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2021 with an on-going impact on the 2021/22 financial statements?</p>	<p>None known.</p>
<p>4. Is there any actual or potential litigation or claims that would affect the financial statements?</p>	<p>Any litigation or claims will be considered on a case by case basis as part of the financial statements preparation process.</p>

Impact of laws and regulations

Question	Management response
5. What arrangements does the Authority have in place to identify, evaluate and account for litigation or claims?	All potential insurance claims should be notified by officers to the Council's Insurance and Risk Officer.
6. Have there been any report from other regulatory bodies, such as HM Revenues and Customs which indicate non-compliance?	None known.

Related Parties

Issue

Matters in relation to Related Parties

Local Authorities are required to disclose transactions with entities/individuals that would be classed as related parties. These may include:

- entities that directly, or indirectly through one or more intermediaries, control, or are controlled by by the authority (i.e. subsidiaries);
- associates;
- joint ventures;
- an entity that has an interest in the authority that gives it significant influence over the the authority;
- key management personnel, and close members of the family of key management personnel, and
- post-employment benefit plans (pension fund) for the benefit of employees of the authority or of any entity that is a related party of the authority.

A disclosure is required if a transaction (or series of transactions) is material on either side, i.e. if a transaction is immaterial from the [type of body]'s perspective but material from a related party viewpoint then the authority must disclose it.

ISA (UK) 550 requires us to review your procedures for identifying related party transactions and obtain an understanding of the controls that you have established to identify such transactions. We will also carry out testing to ensure the related party transaction disclosures you make in the financial statements are complete and accurate.

Related Parties

Question	Management response
<p>1. Have there been any changes in the related parties disclosed in the Authority's 2021/22 financial statements?</p> <p>If so please summarise:</p> <ul style="list-style-type: none"> the nature of the relationship between these related parties and the Authority whether the Authority has entered into or plans to enter into any transactions with these related parties the type and purpose of these transactions 	<p>There have been no changes in the related parties disclosed in the Authority's 2021/22 financial statements.</p>
<p>2. What controls does the Authority have in place to identify, account for and disclose related party transactions and relationships?</p>	<p>Officers and Councillors do not participate in decisions where they are a related party. Annual accounts disclosures for related parties and transactions are reviewed for completeness by the General Fund Accountant. Officers and other individuals involved in tender processes over £50k are required to sign declaration of interests and will not participate if any potential conflict.</p>
<p>3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?</p>	<p>Controls exist within the Code of Financial Practice and Code of Procurement Practice. Appropriate thresholds are agreed for entering into contracts and raising orders.</p>
<p>4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?</p>	<p>Again, the codes will cover these. The Code of Procurement Practice has a section over when exemptions to normal procedures may be applicable, and the processes that should be entered into in such cases.</p>

Accounting estimates

Issue

Matters in relation to Related Accounting estimates

ISA (UK) 540 (Revised December 2018) requires auditors to understand and assess an entity's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the entity's risk management process identifies and addresses risks relating to accounting estimates;
- The entity's information system as it relates to accounting estimates;
- The entity's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit and Standards Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?

We would ask the Audit and Standards Committee to satisfy itself that the arrangements for accounting estimates are adequate.

Accounting Estimates - General Enquiries of Management

Question	Management response
1. What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures?	Pension Fund Actuarial gains/losses. PPE – Estimated remaining useful lives / property valuations / impairments.
2. How does the Authority's risk management process identify and addresses risks relating to accounting estimates?	Identification of key processes where significant accounting estimation is required, and where that can be managed internally within the Authority. Work with key Specialist stakeholders such as valuers and actuaries, ensuring that they are given an appropriate brief to work from. Sharing relevant information to allow them to provide the most up to date accounting estimates.
3. How do management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?	An open positive line of communication is maintained with the providers of specialist information, allowing the Authority to review and challenge where necessary. The data and methods used are reviewed in line with the most up to date code of practice and guidance.
4. How do management review the outcomes of previous accounting estimates?	Accrual estimates reviewed as part of current year budget monitoring, with significant variances needing further consideration, especially with approach to be made for the future.
5. Were any changes made to the estimation processes in 2021/22 and, if so, what was the reason for these?	No material changes have been made to the estimation processes for 2021/22. The Authority continually reviews processes and procedures as part of a process of continuous improvement.

Accounting Estimates - General Enquiries of Management

Question	Management response
6. How do management identify the need for and apply specialised skills or knowledge related to accounting estimates?	Management identify the need for specialist skills or knowledge where estimates are a result of external factors, and where the relevant knowledge is not available in-house within the Authority.
7. How does the Authority determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?	The Authority procures relevant support from suppliers in Specialist fields. The Authority draws up a brief and agrees an appropriate scope of work to be carried out on behalf of WDC.
8. How do management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?	Review information returns and challenge where appropriate. Ensure appropriate timely deadlines are agreed to ensure sufficient time to review, and challenge / return for clarification and update as required.
9. What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including: <ul style="list-style-type: none"> - Management's process for making significant accounting estimates - The methods and models used - The resultant accounting estimates included in the financial statements. 	Set procedures agreed prior to reporting and communicated with relevant stakeholders. Working papers used to support estimates. Processes reviewed internally, with input by specialist and qualified members of the team. Significant judgements referred to Strategic Finance Manager and S.151 Officer.

Accounting Estimates - General Enquiries of Management

Question	Management response
10. Are management aware of transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in Appendix A)?	Pension Fund Actuarial gains/losses. PPE – Estimated remaining useful lives / property valuations / impairments.
11. Are the management arrangements for the accounting estimates, as detailed in Appendix A reasonable?	Yes. Where estimation is necessary, appropriate estimating methodology is utilised. Estimates will be prepared by those best qualified, e.g. Pension Fund Actuary to supply estimates relating to IAS 19 – Employee Benefits, assets are professionally valued. In line with discussions with auditors, further evidence of challenge will be provided by the Accountants.
12. How is with the Audit and Standards Committee provided with assurance that the arrangements for accounting estimates are adequate ?	Details of estimates disclosed in accounting policies within Accounts. Audit and Standards Committee is responsible for agreeing the audited Statement of Accounts.

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Property Valuations	Property valuations are made by the external valuer from Carter Jonas. Significant Heritage Assets valued by external valuer. Minor valuations provided by Art Gallery & Museum staff.	Valuer notified of changes to the estate from the prior year.	Use the external valuer (RICS qualified) from Carter Jonas for PPE. Significant Heritage Assets valued by external valuer.	Valuations are made in-line with the CIPFA Code of Practice guidance - reliance on expert.	No
Estimated remaining useful lives of PPE	Assets are assigned to asset categories with appropriate asset lives.	Consistent asset lives applied to each asset category.	Use the external valuer (RICS qualified) from Carter Jonas.	The useful lives of property are recorded in accordance with the recommendations of the external RICS qualified valuer.	No
Depreciation	Depreciation is provided for on property plant and equipment with a finite useful life on a straight-line basis.	Consistent application of depreciation method across assets.	Estimated remaining useful life agreed in consultation with external valuer.	The length of the life is determined at the point of acquisition or revaluation.	No

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Impairments	Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.	Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired.	Use the external valuer (RICS qualified) from Carter Jonas. Reliance on Art Gallery & Museum staff to assess whether or not a Heritage Asset needs to be impaired. If necessary, revised valuation will be provided by suitably qualified person.	Valuations are made in-line with the CIPFA Code of Practice guidance - reliance on expert.	No
Expected loss model	Forward looking expected loss model. IFRS 9 removes delayed recognition in relation to credit losses, replacing it with a forward-looking expected loss model.	The finance team calculate.	No	Consistent proportion used across debt. Expected loss model is used.	No

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Measurement of Financial Instruments	Measurements are obtained from appropriate sources. The Authority follows the requirements of the CIPFA Code of Practice.	The financial instruments are measured by the Treasury Accountant and the accounts are reviewed by the Strategic Finance Manager.	No	The measurements are based upon the best information held at the current time and are provided by experts in their field.	No
Creditor accruals	Accruals are estimated by reviewing goods and services received prior to the end of the financial year for which an invoice has not been received.	The date of receipt of the goods and services is used in the estimation of the accrual.	No	The use of actual dates of receipt of goods and services gives a low degree of uncertainty.	No. no change to de-minimis introduced for 2018/19.

Appendix A Accounting Estimates (Continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Net Pensions Liability	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets.</p> <p>There is a full triennial valuation every three years with annual updates through actuarial gains and losses calculated by the actuarial experts. Warwickshire County Council utilise a firm of consulting actuaries Hymans Robertson LLP to provide all Warwickshire authorities with expert advice about the assumptions to be applied.</p>	For the LGPS the Authority responds to queries raised by the administering authority Warwickshire County Council.	<p>The Authority are provided with an actuarial report by Hymans Robertson (LGPS).</p> <p>The reports and information received are agreed in advance of the year-end with the actuary.</p>	The nature of these figures forecasting into the future are based upon the best information held at the current time and are developed by experts in their field.	No

Appendix A Accounting Estimates (Continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Overhead allocation	The accountants apportion central support costs to services based on appropriate bases.	All support service cost centres are allocated according to the agreed processes.	No	Appropriate bases are reviewed each year to ensure equitable.	No



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Title: Internal Audit Progress Report: Qtr. 4 2021/22
Lead Officer: Richard Barr
Portfolio Holder: Councillor Hales
Wards of the District directly affected: None directly impacted

Summary

The Report advises on progress in achieving the Internal Audit Plan 2021/22, summarises the audit work completed in the fourth quarter and provides assurance that action has been taken by managers in respect of the issues raised by Internal Audit.

Recommendations

- 1 That the report, including its appendices, be noted and, where appropriate, approved. Specifically:
 - 1.1 That Appendix 1, containing guidance on the role and responsibilities of audit committees, be noted. (Paragraph 1.2 of this report)
 - 1.2 That Appendix 2, detailing the performance of Internal Audit in completing the Audit Plan, be considered. (Para. 2.1 of this report)
 - 1.3 That Appendix 3, setting out the action plan accompanying the Internal Audit report issued in the quarter, be reviewed. (Para. 4.4)
 - 1.4 That Appendix 4, recording the state of implementation of recommendations issued in previous quarters, be reviewed. (Para. 5.2)
-

1 Background

- 1.1 Members have responsibility for corporate governance, of which internal audit forms a key part.
- 1.2 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.
- 1.3 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.

1.4 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.

1.5 The following sections provide information to satisfy these requirements.

2 Assurance

2.1 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.

2.1 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.

At the start of each year an Audit Plan is approved that sets out the audit assignments to be undertaken.

3 Progress Against Plan

2.1 A detailed analysis of progress in completing the Audit Plan for 2021/22 is set out as Appendix 1. As can be seen the (revised) Audit Plan for 2021/22 is three audits short of being completed. All three audits are IT reviews where the Head of ICT was unable to provide assistance thus preventing the assignments from being progressed. The matter was brought to the attention of senior management and to the Finance and Audit Scrutiny Committee. It is intended that these three audits will be completed very shortly, hopefully by the end of June.

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

4.1 Eleven audits were completed in the final quarter of 2021/22.

4.2 The Internal Audit reports arising from them are available for viewing on the [online agenda for the meeting](#)

- 4.3 The action plans accompanying these reports are set out for separate review as Appendix 3. This details the recommendations arising together with the management responses, including target implementation dates.
- 4.4 As can be seen in the Appendix, responses to recommendations contained in reports that have been issued in the quarter have been received in all cases and none is outstanding.

5 Implementation of Recommendations Issued Previously

- 5.1 As set out in the earlier quarterly reports, a new method of following up on recommendations has been implemented from the start of this financial year. Rather than seeking to determine the implementation status of recommendations after a set period (either three or nine months, depending on the risk rating assigned to the recommendation), the recommendations are now followed up once the implementation date has passed. Officers are also now able to provide an update as soon as they have completed the agreed action, as opposed to waiting to be chased for a response.
- 5.2 The state of implementation for all relevant recommendations is set out in Appendix 4, including **one recommendation where no response has been forthcoming**.
- 5.3 The outstanding response is from the audit of Housing Investment and Maintenance Programmes. It should be noted that this outstanding response from March relates to a recommendation that was also made in a subsequent audit for which a later target date was agreed. However, subsequent chasing on a response to this revised target date has yielded no response.
- 5.4 Where officers have not completed the recommendation in line with the original target date, they are now being asked for a new date by which the agreed action will be completed. If this is not met, this will be flagged separately in future reports to Finance & Audit Scrutiny Committee (with, as per usual protocol, the option of Members asking the officers to attend to explain the lack of progress).
- 5.5 Revised target dates have been provided for three recommendations. Two of these relate to the Statutory Monitoring Functions audit where the original target dates were not achievable due to the sickness absence of one relevant member of staff along with a period of maternity leave for another. The other relates to the Leaseholder Service Charges audit where input is required from Legal Services.
- 5.6 A response to one further recommendation suggested that the action could now be undertaken, following the appointment to the relevant post. However, no revised target date has been provided setting out when this will actually be completed.

6 Review

- 6.1 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.

7 Alternative Options available to Committee

7.1 The report is not based on 'project appraisal' so this section is not applicable.

8 Consultation and Members' comments

8.1 Include any comments received in response to the consultation on the report.
No comments received.

9 Implications of the proposal

9.1 Legal/Human Rights Implications

9.1.1 Include a summary of the legal or human rights implications of the proposal.
Not applicable.

9.2 Financial

9.2.1 Include a summary of the financial implications of the proposal
Not applicable.

9.3 Council Plan

9.3.1 External Impacts

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.

9.3.2 Internal Impacts

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.

9.4 Environmental/Climate Change Implications

9.4.1 An effective internal audit function can assist the Council achieve its environmental and climate emergency objectives

9.5 Analysis of the effects on Equality

9.5.1 An effective internal audit function can help the Council achieve its equality obligations.

9.6 Data Protection

9.6.1 An effective internal audit function can help the Council achieve its data protection objectives.

9.7 Health and Wellbeing

9.7.1 An effective internal audit function can help the Council achieve its health and wellbeing objectives.

10 Risk Assessment

10.1 The whole report is about risks and the risk environment. Clearly there are governance-related risks associated with weak internal control, risk management and governance processes.

11 Conclusion/Reasons for the Recommendation

11.1 The report sets out progress in achieving the Internal Audit Plan 2021/22, summarises the audit work completed in the fourth quarter and provides assurance that action has been taken by managers in respect of the issues raised by Internal Audit. This will aid effective governance within the Council.

Background papers:

The Internal Audit reports arising from them are available for viewing on the [online agenda for the meeting](#)

Supporting documents:

Internal Audit Plan

Internal Audit Reports.

Report Information Sheet

Committee/Date	Audit & Standards Committee – 14 June 2022	
Title of report	Internal Audit Progress Report: Qtr. 4 2021/22	
Consultations undertaken		
Consultee *required	Date	Details of consultation / comments received
Ward Member(s)		
Portfolio Holder WDC & SDC *	12/5/2022	
Financial Services		
Legal Services		
Other Services		
Chief Executive(s)	5/5/2022	
Head of Service(s)	5/5/2022	
Section 151 Officer	5/5/2022	
Monitoring Officer	5/5/2022	
CMT (WDC)	5/5/2022	
Leadership Co-ordination Group (WDC)	5/5/2022	
Other organisations		
Final decision by this Committee or rec to another Cttee/Council?		The former.
Contrary to Policy/Budget framework		No
Does this report contain exempt info/Confidential? If so, which paragraph(s)?		No
Does this report relate to a key decision (referred to in the Cabinet Forward Plan)?		No.
Accessibility Checked?		File/Info/Inspect Document/Check Accessibility

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 2021/22: Quarter 4**Analysis of Performance****Time Spent: Audit Plan – Planned Vs Actual**

ACTIVITY	ANNUAL ALLOCATION (DAYS)	PROFILE ALLOCATION (DAYS)	ACTUAL TO DATE (DAYS)	VARIATION (DAYS)
<i>Planned Audit Work</i>	273.0	273.0	261.3	+11.7
<i>Other Time</i>				
Sundry audit advice	20.0	20.0	10.1	-9.9
Contingency audit work	20.0	20.0	28.5	-8.5
Contingency non-audit work	14.0	14.0	3.1	+10.9
Other work	15.0	15.0	28.9	-13.9
Principal Internal Auditor non-audit work (incl. NFI)	70.0	70.0	54.0	+16.0
Non-chargeable activities	178.0	178.0	218.9	-40.9
Leave and other absences	139.0	139.0	144.7	-5.7
<i>Total Other Time</i>	456.0	456.0	488.2	-32.2
<i>Total Time</i>	729.0	729.0	749.5	-20.5

Time spent: Assignments Completed – Planned Vs Actual

AUDIT ASSIGNMENT	PLAN (DAYS)	TIME TAKEN (DAYS)	UNDER (+) / OVER (-)
Performance Management	14.0	14.2	-0.2
Corporate Property and Portfolio Management	12.0	12.0	0.0
Civic and Committee Services	9.0	8.9	+0.1
Building Control	15.0	7.5	+7.5
Enterprise Facilities	10.0	10.0	0.0
New FMS – Balance Transfers	10.0	11.5	-1.5
Health and Safety Enforcement in the District	11.0	7.2	+3.8
Licensing Services	11.0	9.7	+0.3
Independent Living (previously, Housing Related Support Services)	12.0	7.5	+4.5
Private Sector Housing Regulations	15.0	12.5	+2.5
Media Services	10.0	9.2	+0.8

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

Building Control: Able to access all the available information directly and dealt with a central contact rather than having to speak to individual case officers. Some 'post year-end' time also required.

Health and Safety Enforcement in the District: Generally well organised function which enabled the audit to be completed in a shorter time frame than allowed for.
 Independent Living: Doesn't take into account days required post year-end due to unavailability of principal auditee.

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.	%
29	29	100	26	89.7	-3	-10.3

Summary of Recommendations and Management Responses from Internal Audit Reports
Issued Quarter 4, 2021/22

Report Reference	Recommendation	Risk Rating ¹	Responsible Officer	Management Response and Target Implementation Date (TID)
Performance Management – 4 February 2022				
4.2.1	Now that the Covid-19 emergency is subsiding, the provision of performance management information to Members should be reinstated.	Medium	Performance Management Officer	This is now taking place following a review of this led by the Deputy Chief Executive. Reports will now be considered formally by Joint Management Team at one of their meetings and then made available to Members for any comments/queries they may have. TID: Not applicable – Already in place.
4.2.1	Notwithstanding that some measures are government-driven ones and that it is for individual services to determine what measures they consider appropriate, performance management measures should be specific to work-related targets and statutory obligations where applicable.	Low	Deputy Chief Executive	This is being reviewed as part of the Service Area Plan process for 2022/23. A new template and model will be developed and at Warwick the Service Area Plan will also go through the PABs for advice/discussion. The revised template is currently making its way through the Cabinet process. TID: April 2022

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)
4.2.1	Notwithstanding that subjective interpretation is no longer required by officers, the explanations accompanying the performance management data should clearly explain what is being assessed, the current position and how this impacts progress towards the strategic objectives.	Low	Joint Management Team	This is being reviewed as part of the Service Area Plan process for 2022/23. A new template and model will be developed and at Warwick the Service Area Plan will also go through the PABs for advice/discussion. The revised template is currently making its way through the Cabinet process. Subjective interpretations/explanations of performance are no longer requested. TID: April 2022
4.3.2	Performance information should be scrutinised and acted on. The outcomes of these reviews and proposed actions should be communicated to all Council staff.	Low	Performance Management Officer	The process that is now in place will have ongoing monitoring to consider its effectiveness with active feedback sought from Members. TID: Not applicable – Already in place.
4.4.1	Management should be reminded of the importance of fully engaging in performance management processes.	Low	Deputy Chief Executive	In developing their Service Area Plans, senior managers will be devising indicators that provide the most meaningful information about the performance of the Service. These data will be monitored on an ongoing basis. TID: April 2022
4.4.1	Performance management reports should be thoroughly checked to ensure there are no errors or omissions.	Low	Deputy Chief Executive	The process that is now in place will have ongoing monitoring to consider its effectiveness with active feedback sought from Members. TID: Not applicable – Already in place.

Report Reference	Recommendation	Risk Rating¹	Responsible Officer	Management Response and Target Implementation Date (TID)
4.4.1	Historical performance management reports published on the Council's website should be checked for errors and omissions and updated accordingly.	Low	Deputy Chief Executive	This will not be undertaken as the information is accessed very sparingly and it would not be proportionate to revisit all the data. TID: Not applicable.
4.4.2	All agreed performance measures should be monitored by management and sent to the Performance Monitoring Officer for inclusion in the quarterly report.	Low	Deputy Chief Executive	The process that is now in place will have ongoing monitoring to consider its effectiveness with active feedback sought from Members. TID: Not applicable – Already in place.
Corporate Property and Portfolio Management – 9 March 2022				
4.7.1	When it is written into leases that the building insurance is to be provided by the tenant, proof should be obtained and evidenced to help protect the Council from losses.	Low	Senior Building Surveying Project Manager and Risk	The Senior Building Surveying Project Manager will check that the insurance held is valid and meets the level of insurance required. The Risk & Insurance Officer can provide guidance if needed. TID: 1 March 2022
Civic and Committee Services – 31 March 2022				
Despite a comprehensive review (see Report on this agenda) there are no recommendations arising from the audit.				

Report Reference	Recommendation	Risk Rating ¹	Responsible Officer	Management Response and Target Implementation Date (TID)
Building Control – 31 March 2022				
4.2.1	Staff should be reminded of the need to ensure that notes are recorded on the system to state how the fees have been arrived at where this differs from the standard fees, including details of who it has been agreed with.	Low	Head of Consortium	Staff to be advised at the next team meeting and training to be given if requested. Every officer to ensure they have the bespoke quote form downloaded to their desktop and to ensure the comment screen is completed on Acolaid where fees differ from standard fees. TID: End of April 2022
4.4.1	Staff should (again) be reminded of the correct procedures to undertake regarding the processing of applications, including the completion of relevant fields on Acolaid, the retention of relevant documentation and the need for timely processing.	Low	Head of Consortium	Staff to be advised at the next team meeting and training to be given and arranged for each officer, either via small groups via MS teams meeting or 1-1's when called into office. TID: End of May 2022
4.7.1	A new business plan should be drawn up.	Low	Head of Consortium	Accepted that Business plan needs to be reviewed. TID: End of June 2022
Enterprise Facilities – 27 January 2022				
Despite a comprehensive review (see Report on this agenda) there are no recommendations arising from the audit.				
New Financial Management System: Balance Transfers – 31 March 2022				
Despite a comprehensive review (see Report on this agenda) there are no recommendations arising from the audit.				

Report Reference	Recommendation	Risk Rating ¹	Responsible Officer	Management Response and Target Implementation Date (TID)
Health and Safety Enforcement in the District – 31 March 2022				
4.2.3	Staff should be reminded of the need to ensure that all relevant hours are recorded for PAA enquiries so that bills for additional hours can be raised where necessary.	Low	Food & Safety Team Leader (and team)	All staff reminded to ensure time units are logged on Primary Authority Service Requests; this includes an instruction to always load the Primary Authority Template which has the time units activated and provide training in how to record the time units as necessary. Quality Monitoring Officers to check for time units logged when carrying out their Q M checks. TID: 30 April 2022
			Food & Safety Team Leader	NH to check all PA agreements for current year's 'package' agreements, invoicing for any under-charge outside of the agreed PA 'packages'. TID: 30 April 2022

Report Reference	Recommendation	Risk Rating ¹	Responsible Officer	Management Response and Target Implementation Date (TID)
4.3.1	Staff should be reminded of the need to ensure that all relevant information is recorded so that any subsequent queries can be answered.	Low	Food & Safety Team Leader (and team) Food & Safety Team Leader	Investigating officers to record sufficient detail on service request; details of telephone conversations, attaching emails, adding item text to enable understanding of how the RFS has been closed out. All RFSs to have a prompt for Quality Monitoring and for QM check to include attachments/adequacy of details etc. TID: 30 April 2022 Sample trawl of RFSs to check compliance. TID: 31 May 2022
Licensing Services – 13 January 2022				
4.3.1	All members of the Licensing and Regulatory Committee and sub-committee should receive the mandatory licensing and regulatory training.	Low	Environmental Health and Licensing Manager	A new round of training is being planned. The Chair of the Committee will be consulted with the ensure that he can encourage Members to attend. TID: May 2022
Independent Living (formerly, Housing Related Support Services) – 31 March 2022				
Despite a comprehensive review (see Report on this agenda) there are no recommendations arising from the audit.				
Private Sector Housing Regulations – 31 March 2022				
Despite a comprehensive review (see Report on this agenda) there are no recommendations arising from the audit.				

Report Reference	Recommendation	Risk Rating ¹	Responsible Officer	Management Response and Target Implementation Date (TID)
Media Services – 14 February 2022				
4.3.1	Corporate contracts should have review dates scheduled in accordance with the Council's Code of Procurement Practice guidance.	Low	Marketing & Communications Manager	Review dates have been agreed with the Procurement team and put in my calendar. TID: Completed.
4.3.1	Confirmation should be sought that expenditure on external photography is compliant with the Council's Code of Procurement Practice.	Low	Marketing & Communications Manager	Photography will be assessed for value with every booking. TID: Ongoing.

Appendix 4

Current Implementation Position for Recommendations Due for Completion by End of Quarter 4 2021/22

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE	TARGET DATE	TARGET DATE REVISED?	CURRENT STATE OF IMPLEMENTATION PER MANAGER
Responding to Complaints & FOI Requests				
Service area managers should be aware of complaints within their area and manage them effectively to reduce the number of late responses.	CS Team to introduce monitoring reports of remedies and learning points. Quarterly report to JMT for conformation of work completed (similar process as audit reports)	From the next quarter then ongoing on a quarterly basis (Follow up at the end of Q4)	Not applicable.	Quarterly reports are now in place.
Statutory Monitoring Functions				
The Council should investigate entering into an arrangement with another local authority that operates a crematorium to perform joint visits to ensure that there is appropriate 'oversight' of the inspections undertaken.	Discussed with line manager the option to liaise with counterpart in Rugby who have agreed to provide 'peer review' by way of a reciprocal arrangement.	31st January 2022	Yes – revised to 30 June 2022	The position was checked with the Environmental Health and Licensing Manager who confirmed that she had received agreement from Rugby to be that support to us in this area of enforcement. However, due to resource issues in the team (maternity leave and extended periods of sickness) it has not yet progressed.

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE	TARGET DATE	TARGET DATE REVISED?	CURRENT STATE OF IMPLEMENTATION PER MANAGER
Ensure that there is a consistent approach to the removal of environmental permits from the list held on the website where permits have been revoked or surrendered.	Environmental Protection Team Leader to advise the Senior Environmental Health Officer of this requirement and monitor through routine 1-2-1's.	31 March 2022	Yes – revised to 30 June 2022	The relevant officer has been on sick leave and is now on a phased return. A meeting has been scheduled for May 2022 to get this addressed.
Leaseholder Service Charges				
An income recovery process should be established and followed.	To create & implement procedure for management and recovery of leaseholder debt.	31 March 2022	Yes – revised to 31 July 2022	Awaiting input from Legal Services regarding recovery options surrounding first tier tribunals for procedure to be written.
Corporate Training (20/21 Audit)				
Corporate Training should continue to remind SMT and senior managers of the importance of recording the appraisal documents.	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	31st March 2022 (Previous target date of July 2021)	Not applicable.	The Appraisal annual email reminder will be sent in next two days* about the process updates for 2021/22 and the new processes tied into I Trent (* Response date 6 April 2022)
Car Parking				
The website should be updated to accurately reflect the approved charges and timeframes published in the Section 35 notice.	Website will be updated at the appropriate time.	January 2022	Not applicable.	All charges updated, hourly charging structure replaced and all prices and car parks are aligned to town centre prices as advised in latest increases.

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE	TARGET DATE	TARGET DATE REVISED?	CURRENT STATE OF IMPLEMENTATION PER MANAGER
Parking information on the Ring-go application should accurately reflect the approved charges and timeframes published in the Section 35 notice.	Ring-go information to be updated accordingly.	January 2022	Not applicable.	The erroneous 12 minutes charge increment added by RingGo on a previous update has been removed.
Corporate Property and Portfolio Management				
When it is written into leases that the building insurance is to be provided by the tenant, proof should be obtained and evidenced to help protect the Council from losses.	The Senior Building Surveying Project Manager will check that the insurance held is valid and meets the level of insurance required. The Risk & Insurance Officer can provide guidance if needed.	1 March 2022	Not applicable.	We are in the process of contacting the few properties that undertake their own insurances in order to request their insurance documents. A new process is now in development that enables a Ripplestone report to be produced that automatically provides an overview of these properties and when the insurance is due for expiry. This will allow further contact to be programmed in. The Risk & Insurance Officer will check insurance documents provided to ensure that they are suitable & sufficient.

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE	TARGET DATE	TARGET DATE REVISED?	CURRENT STATE OF IMPLEMENTATION PER MANAGER
Housing Repairs and Maintenance				
A review should be carried out to identify and initiate enforcement action on all outstanding recharges within the 6-year limitation period.	Policy & Procedure to be written and introduced following consultation with partners at Legal Services, that details arrears recovery relating to rechargeable repairs.	January 2022	Not applicable.	In consultation with partners, including Legal Services about what actions can be taken to recover non-payment.
Ripplestone reports should be modified to include the 'Urgent' job priority type.	Agreed – post is currently vacant but seeking to recruit in near future.	31st March 2022 (Previous target date of December 2021)	Not stated	The Data Coordinator post has now been filled and this can now be implemented.
Information Governance				
A review of relevant contracts should be performed where contractor staff have access to Riverside House or other relevant Council properties to ensure that appropriate reference is made to data security.	Contract managers will be asked to review their contracts to ensure that the need for data security has been appropriately considered in each case.	Initial: September 2021 Revised (Q2): December 2021 Revised (Q3): February 2022	Not applicable.	Heads of service have confirmed the position for all relevant contracts.

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE	TARGET DATE	TARGET DATE REVISED?	CURRENT STATE OF IMPLEMENTATION PER MANAGER
A review of work-issued devices (such as mobile phones) should be performed to ensure that they are suitable for the work now being performed at home (or other 'off-site' locations).	ICT Steering Group will be asked to perform a review of devices currently in use and to identify the resourcing implications of providing replacement devices where necessary.	31st March 2022 (Previous target date of September 2021)	Not applicable.	<p>The ICT Steering Group was disbanded in 2021 and combined with the Transformation Steering Group.</p> <p>In response to the COVID 19 Pandemic, ICT comprehensively reviewed the devices it issued to staff, switching to a standard setup of laptop, dual screens (where needed) dock, camera and headset in the office. Staff working from home were offered the same equipment when they were sent off-site for COVID and recently, ICT has refreshed certain elements of this.</p> <p>The concern raised in the audit that staff may not be able to deal with data securely can be fully addressed. All laptops are encrypted, all network traffic is via a secure VPN and all mobile devices are secured at the application level. Staff are also provided with headsets to ensure the privacy of conversations and are frequently reminded of their information governance responsibilities.</p>

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE	TARGET DATE	TARGET DATE REVISED?	CURRENT STATE OF IMPLEMENTATION PER MANAGER
Cyber Security (20/21 Audit)				
A formal Network Monitoring Policy and supporting operational procedures should be documented. The policy should set out the scope of the monitoring activity; for example, specifying the infrastructure logs that are relevant, roles and responsibilities and the reporting and follow up processes needing to be carried out.	ICT can review its network monitoring and logging processes in line with the latest guidance from NCSC. An appropriate policy and process will be produced for consideration by the ICT Steering Group.	31st March 2022 (Previous target date of September 2021)	Not applicable.	ICT have started to develop a network monitoring process, but this is a continual cycle of development. We've taken the basic guidance issued by the NCSC regarding monitoring and logging and have adapted this for our environment. We've also invested in training one of our staff formally on cyber security and have deployed the log-point application to enhance our monitoring facilities.

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE	TARGET DATE	TARGET DATE REVISED?	CURRENT STATE OF IMPLEMENTATION PER MANAGER
Reviews should be conducted of the relevant Third-Party remote access policies, their related procedures and the remote working policy for staff and members. A regular review of the policies should be undertaken on an appropriately regular basis.	Several of ICT's key operational policies have not been reviewed according to the normal schedules, principally due to the impact of COVID-19 on capacity to carry out the work and the absence of key staff within the service. The Council's overall remote working and access policy requires a review to ensure that it takes account of the changed circumstances of WDC, where more staff are working remotely than ever before. A review of supplier remote access will also be undertaken to ensure that appropriate safeguards are in place and effective monitoring is operational.	31st March 2022 (Previous target date of September 2021)	Not applicable.	This recommendation in part has been superseded by the Council's merger workstreams. One such workstream relates to the harmonisation of ICT policies and processes. Many of the policies captured in this recommendation are in scope and are actively being reviewed. ICT is also beginning a process of risk evaluating its policies to better inform their required revision timescales. The monitoring of supplier remote access is also now being more effectively utilised as ICT has introduced a revised MFA requirement for suppliers and a new logging system.

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE	TARGET DATE	TARGET DATE REVISED?	CURRENT STATE OF IMPLEMENTATION PER MANAGER
Housing Investment and Maintenance Programmes				
The Council should develop a robust procedure for dealing with instances where reasonable requests for access are refused. These cases should be escalated until remedial action has been completed and every effort should be made to recover the cost from the tenant.	Housing Services will consider as part of the tenancy agreement review and, if necessary, write and implement a procedure that covers access to our customers' homes. However, it must be noted that ultimately it is a legal obligation of any tenancy agreement that a tenant must have quiet enjoyment of their home, which means a Landlord cannot gain or try to obtain access unnecessarily or without good reason. A court order must be obtained and we would need to establish whether legal proceedings would be classed as abuse of process to carry out improvement works. Similarly, whether we would be able to charge tenant for refusing access is a difficult situation to assess. There may be very many reasons why we wouldn't want to charge, or even be successful if we did, in recovering any money, including how we could prove costs incurred for non-access.	March 2022	No response received.	

Title: Internal Audit Annual Report 2021/22
Lead Officer: Richard Barr
Portfolio Holder: Councillor Hales
Wards of the District directly affected: Not applicable

Summary

Forming part of the evidence for the Annual Governance Statement, the Internal Audit Annual Report presents a summary of the internal work undertaken during 2021/22 and provides a conclusion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

Recommendation

- 1 That this Committee should consider the Annual Report of Internal Audit for the year ended 31 March 2022 as part of its consideration and approval of the Annual Governance Statement 2021/22.
-

1 Background to the Annual Governance Statement & Requirement for Internal Audit Annual Report

- 1.1 The Public Sector Internal Audit Standards state:

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

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

The annual report must incorporate:

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

- 1.2 The Annual Report, in the format and comprising the topics prescribed by the Public Sector Internal Audit Standards, is set out as Appendix 1.

2 Alternative Options available to Committee

- 2.1 The report is not based on 'project appraisal' so this section is not applicable.

3 Consultation and Members' comments

- 3.1 Include any comments received in response to the consultation on the report.

No comments received.

4 Implications of the proposal

4.1 Legal/Human Rights Implications

4.1.1 Include a summary of the legal or human rights implications of the proposal.

Not applicable.

4.2 Financial

4.2.1 Include a summary of the financial implications of the proposal

Not applicable.

4.3 Council Plan

4.3.1 External Impacts

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.

4.3.2 Internal Impacts

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.

4.4 Environmental/Climate Change Implications

4.4.1 An effective internal audit function can assist the Council achieve its environmental and climate emergency objectives

4.5 Analysis of the effects on Equality

4.5.1 An effective internal audit function can help the Council achieve its equality obligations.

4.6 Data Protection

9.6.1 An effective internal audit function can help the Council achieve its data protection objectives.

4.7 Health and Wellbeing

- 9.7.1 An effective internal audit function can help the Council achieve its health and wellbeing objectives.

5 Risk Assessment

- 5.1 The whole report is about risks and the risk environment. Clearly there are governance-related risks associated with weak internal control, risk management and governance processes.

6 Conclusion/Reasons for the Recommendation

- 6.1 Forming part of the evidence for the Annual Governance Statement, the Internal Audit Annual Report presents a summary of the internal work undertaken during 2021/22 and provides a conclusion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. The Committee is required to consider the Annual Report of Internal Audit for the year ended 31 March 2022 as part of its consideration and approval of the Annual Governance Statement 2021/22. This is because the Public Sector Internal Audit Standards require that "The 'chief audit executive' must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement."

Background papers:

Please provide a list of any papers which you have referred to in compiling this report and are not published documents. This is a legal requirement.

You must also supply these when submitting the report.

All Papers referred to in this report are published documents.

Supporting documents:

Internal Audit Reports.

Report Information Sheet

Committee/Date	Audit & Standards Committee – 14 June 2022	
Title of report	Internal Audit Annual Report 2021/22	
Consultations undertaken		
Consultee *required	Date	Details of consultation / comments received
Ward Member(s)		
Portfolio Holder WDC & SDC *	12/5/2022	
Financial Services *		
Legal Services *		
Other Services		
Chief Executive(s)	5/5/2022	
Head of Service(s)	5/5/2022	
Section 151 Officer	5/5/2022	
Monitoring Officer	5/5/2022	
CMT (WDC)	5/5/2022	
Leadership Co-ordination Group (WDC)	5/5/2022	
Other organisations		
Final decision by this Committee or rec to another Cttee/Council?		The former.
Contrary to Policy/Budget framework		No
Does this report contain exempt info/Confidential? If so, which paragraph(s)?		No
Does this report relate to a key decision (referred to in the Cabinet Forward Plan)?		No.
Accessibility Checked?		File/Info/Inspect Document/Check Accessibility

Head of Internal Audit's Annual Report and Presentation of
Audit Opinion 2021/22

Introduction

This report is produced to satisfy the Public Sector Internal Audit Standards which requires that:

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

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

The annual report must incorporate:

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

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

The Public Sector Internal Audit Standards state that "*The provision of assurance services is the primary role for internal audit in the UK public sector. This role requires the chief audit executive to provide an annual internal audit opinion based on an objective assessment of the framework of governance, risk management and control. Consulting services are advisory.*"

Based on internal audit assignments undertaken as part of the Audit Plan, together with the general views of the Internal Audit team gained from ancillary exposure to the Council's operations, it must be concluded that the Council has an adequate and effective governance, risk management and control framework to address relevant risks with controls being applied consistently.

This, however, must be qualified by the non-completion of three IT audits caused by the stated unavailability of the Head of ICT to facilitate and assist the audits. These are intended to be completed by May 2022 so there is hope that these can inform positively the Annual Governance Statement for 2021/22.

Inevitably, there were some instances of non-compliance that were identified by Internal Audit, as detailed in reports that were issued during the year. These were reported to Finance & Audit Scrutiny Committee each quarter. Action to address these issues has been confirmed by management in all cases, with urgent action being taken where those issues were regarded as major.

Although not expressed as a further qualification, it must be confirmed that the internal audit opinion can only be based on the audits undertaken during that year and on information garnered more informally by the Internal Audit team; thus it has to be acknowledged that not everything is subject to an audit within a 12-month time frame. The Council's external auditors form their own opinion based on their own work and the Annual Governance Statement provides an overall

judgement on the control environment, derived from many sources, one of which is this Internal Audit Annual Report.

The Public Sector Internal Audit Standards states that *"Where the chief audit executive believes that the level of agreed resources will impact adversely on the provision of the annual internal audit opinion, the consequences must be brought to the attention of the board."*

The Audit and Risk Manager can confirm that the level of agreed resources has not impacted adversely on the provision of the annual internal audit opinion.

Summary of the internal work undertaken during 2021/22 from which the opinion on the internal control environment is derived

The audits which form the basis of the opinion are listed in Appendix 1A. The results of these audits have been communicated to the Finance and Audit Scrutiny Committee in quarterly reports and are therefore not reproduced here. Each audit report, however, gives an overall opinion on the level of assurance provided by the controls within the area audited and this is set out in the table. The bands of assurance are set out at the bottom of Appendix 1A.

Appendix 1A indicates that internal controls were in the main found to be operating satisfactorily, giving an overall confidence in the internal control system operating in relation to these systems. Although most reports that were issued during the year contained recommendations to rectify control deficiencies it is important to stress that the issues raised in respect of these audits have since been addressed or, in the case of more recent audits, are in the process of being addressed. As part of Internal Audit's quarterly reporting, Members receive scheduled updates on the state of implementation of recommendations in order to provide assurance that recommendations are actioned.

The ongoing Covid Pandemic impacted on Internal Audit's work in that excessive working from home created sub-optimal working conditions – for Internal Audit staff and for the staff being audited. Arguably the impact of this lessened as the year progressed and staff adapted and working arrangements improved.

In addition, a member of the team resigned three-quarters of the way through the year. This led to a revised Plan comprising slightly fewer audits – approval of which was obtained from Finance and Audit Scrutiny Committee. The scope of the audits that were carried out was not affected significantly. (The post has since been filled.)

Just five audits undertaken during the year were awarded a less than substantial level of assurance – all receiving a moderate level of assurance, the middle ranking assurance opinion.

The list of audits in Appendix 1A comprises audit reviews and consultancy-based reviews.

Issues particularly relevant to the Annual Governance Statement

Issues particularly relevant to the Annual Governance Statement (AGS) have been identified from the process involved in its production. This includes compilation of the Service Assurance Assessments by services and the review of the draft AGS by the Senior Management Team and by the Leader of the Council and the chairs of

the Scrutiny and Standards Committees. Some of these issues had been highlighted by Internal Audit during the year.

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

This is set out as Appendix 1B.

Compliance with the Public Sector Internal Audit Standards

The Public Sector Internal Audit Standards state that:

"Chief audit executives are expected to report conformance on the Public Sector Internal Audit Standards in their annual report."

"To demonstrate conformance with the Definition of Internal Auditing, the Code of Ethics and the Standards, the results of external and periodic internal assessments are communicated upon completion of such assessments and the results of ongoing monitoring are communicated at least annually. The results include the assessor's or assessment team's evaluation with respect to the degree of conformance."

A review by an external consultant, undertaken towards the end of the previous year, highlighted non-compliance with some elements of the Public Sector Internal Audit Standards. The Public Sector Internal Audit Standards require such external reviews to be undertaken at least once in a five-year period. (The previous review was completed in 2016.) An action plan was produced to address those areas of non-compliance and this was reported to Finance & Audit Scrutiny Committee in March 2021, together with the full results of the review. An update in addressing the areas of non-compliance was reported to Finance & Audit Scrutiny Committee in December 2021. This reported that all areas of non-compliance had at that time been addressed.

Periodic internal assessments form part of the Quality Assurance and Improvement Programme, as described below. The results of internal assessments undertaken during 2021/22 are set out as Appendix 1C to this Annual Report.

Separately, the Public Sector Internal Audit Standards requires that *"The chief audit executive must confirm to the board, at least annually, the organisational independence of the internal audit activity."*

The Audit & Risk Manager can confirm that Internal Audit is organisationally independent.

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

The Public Sector Internal Audit Standards states that *"The results of the quality and assurance programme and progress against any improvement plans must be reported in the annual report."*

The Quality Assurance and Improvement Programme comprises cyclical self-reviews against all element of the Public Sector Internal Audit Standards such that,

over a 5-year period (i.e. up to when the next external review is due) all elements of the Standards have been assessed.

The results of the self-review in respect of Year One of the current Quality and assurance programme are set out in Appendix 1C to this Annual Report.

The Internal Audit quality assurance and Improvement programme also includes ongoing reviews of audit files by the Audit and Risk Manager before issue of final reports and external audit reviews of Internal Audit's work as well as ongoing monitoring by the Section 151 Officer and scrutiny of its work by Finance & Audit Scrutiny Committee. It also comprises completion by auditees, post audit, of questionnaires for audits. In terms of the post audit questionnaires, no auditees awarded a "score" of less than four "marks" out of five in their assessment of the audit that they had received. Clearly this indicates very broad satisfaction with the audits undertaken. Appendix 1D sets out the questionnaire that is used.

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

Summary of Audits Undertaken 2021/22

Assignment	Client Service Area	Level of Assurance	No. of Recs.
Corporate Governance	Law and Governance	Substantial	2 + 1 advisory
Insurances	Financial Services	Substantial	1
Housing Benefit & Council Tax Reduction	Revenues and Customer Services	Substantial	1
Housing Repairs & Maintenance	Housing	Moderate	7 + 5 advisories
Test and Trace Scheme	Revenues and Customer Services	Substantial	2 + 3 advisories
Statutory Monitoring Functions	Community Protection	Substantial	3 + 3 advisories
Refuse Collection and Recycling	Environment and Operations	Substantial	0
Street Cleansing	Environment and Operations	Substantial	0
Housing Investment & Maintenance Programmes	Housing	Substantial	4 + 1 advisory
Asbestos Management	Assets	Substantial	0
Utilities Management	Assets	Substantial	1
Responding to Complaints & FOI Requests	Law and Governance	Moderate	4
Estate Management	Housing	Substantial	3 advisories
Leaseholder Service Charges	Housing	Substantial	1
Car Parking	Environment and Operations	Moderate	6 + 4 advisories
Performance Management	Law and Governance	Moderate	8 + 9 advisories
Corporate Property and Portfolio Management	Assets	Substantial	1
Civic and Committee Services	Law and Governance	Substantial	0
Building Control	Development	Moderate	3 + 4 advisories
Enterprise Facilities	Place and Economy	Substantial	0
New FMS – Balance Transfers	Financial Services	Substantial	0
Health and Safety Enforcement in the District	Community Protection	Substantial	2 + 3 advisories
Licensing Services	Community Protection	Substantial	1 + 1 advisory

Assignment	Client Service Area	Level of Assurance	No. of Recs.
Independent Living (previously, Housing Related Support Services)	Housing	Substantial	2 advisories
Private Sector Housing Regulations	Housing	Substantial	0
Media Services	People and Communications	Substantial	2 + 5 advisories

Key to Level of Assurance:

Level of Assurance	Definition
Substantial Assurance	There is a sound system of control in place and compliance with the key controls.
Moderate Assurance	Whilst the system of control is broadly satisfactory, some controls are weak or non-existent and there is non-compliance with several controls.
Limited Assurance	The system of control is generally weak and, where there are controls, these are often not complied with.

Summary of Internal Audit Performance 2021/22

Performance Indicator	In-house Team	External Contractors	Overall for Service
Number of planned audits assigned	26	3	29
Number of planned audits completed	26	0	26
% assigned audits completed	100%	0%	89.7%
Number of audits completed within time allocation	7	N/A	N/A
% audits completed within time allocation	35.0	N/A	N/A
Number of audit days – planned	197.0	N/A	N/A
Number of audit days – actual	187.2	N/A	N/A
Productive time as % of available time – target	71.2%	N/A	N/A
Productive time as % of available time – actual	61.3%	N/A	N/A
Number of audit recommendations issued	52	0	52
Number of audit recommendations agreed	49	0	49
% audit recommendations agreed	94.2	0	94.2
Number of High Priority audit recommendations issued	0	0	0
Number of High Priority audit recommendations implemented	0	0	0
% High Priority audit recommendations implemented	N/A	N/A	N/A

Results of Internal Assessments

Checklist for Assessing Conformance with the PSIAS and the Local Government Application Note

Review Programme: Core Principles

This checklist has been developed to satisfy the requirements set out in PSIAS 1311 and 1312 for periodic self-assessments and externally validated self-assessments as part of the Quality Assurance and Improvement Programme. It incorporates the requirements of the PSIAS as well as the Application Note in order to give comprehensive coverage of both documents.

For each check performed the relevant box should be ticked in accordance with the following levels of conformance:

GC – General Conformance

PC – Partial Conformance

DNC – Does Not Conform

Evidence for each response must be provided and reasons for any partial or full nonconformance should be given, together with any compensating measures in place or actions in progress to address this.

Ref	Conformance with the Standard	GC	PC	DNC	Evidence
1	Core Principles				The Audit Manual sets out examples of how the service meets the core principles. A copy of the manual with relevant highlighted paragraphs can be found within the supporting documents.
1.1	Demonstrates Integrity				
	Do you consider that the internal audit activity fully conforms with the PSIAS and LGAN by demonstrating integrity?	✓			Declarations of interest are completed by auditors. Audits findings are factual. Findings and recommendations are honest and support the objectives of the Council.
1.2	Demonstrates competence and due professional care				
	Do you consider that the internal audit activity fully conforms with the PSIAS and LGAN by demonstrating competence and due professional care?	✓			IT audits carried out by an external provider. Risk based approach when completing audits. Audit manual refers to the expectations of the auditors.

Ref	Conformance with the Standard	GC	PC	DNC	Evidence
					CPD to be completed by auditors to maintain membership status with audit bodies.
1.3	Is objective and free from undue influence (independent)				
	Do you consider that the internal audit activity fully conforms with the PSIAS and LGAN by being objective and free from undue influence (independent)?	✓			Audits are rotated amongst the auditors. Working papers and reports are signed off by the Audit and Risk Manager. Reports are issued to the committee with a direct line of contact available between the audit manager and chair of the committee.
1.4	Aligns with Strategies, objectives and risks of the organisation				
	Do you consider that the internal audit activity fully conforms with the PSIAS and LGAN by being aligned with the strategies, objectives, and risks of the organisation?	✓			The plan is shared with Senior Management and agreed at committee to ensure key risks are identified. The risk-based approach reviews the risks identified in the Significant Business Risk Register and reviews risks that could impact the objectives of the service area.
1.5	Is appropriately positioned and adequately resourced				
	Do you consider that the internal audit activity fully conforms with the PSIAS and LGAN by being appropriately positioned and adequately resourced?	✓			There is a comprehensive system in place and risk assessments completed which allocates audit time to the auditors. Where there is a gap in specialist audit knowledge or a shortage in resource external parties are used.
1.6	Demonstrates quality and continuous improvement				
	Do you consider that the internal audit activity fully conforms with the PSIAS and LGAN by demonstrating quality and continuous improvement?	✓			All audit staff attend training sessions and complete CPD requirements to maintain their membership with official bodies.

Ref	Conformance with the Standard	GC	PC	DNC	Evidence
1.7	Communicates effectively				
	Do you consider that the internal audit activity fully conforms with the PSIAS and LGAN by communicating effectively?	✓			The audit plan is communicated and approved annually. Reports are communicated to senior management once completed and committee on a quarterly basis.
1.8	Provides risk-based assurance				
	Do you consider that the internal audit activity fully conforms with the PSIAS and LGAN by providing risk-based assurance, based on adequate risk assessment?	✓			The audit process and documents were updated (along with the manual) in 2021. This demonstrates the risk-based approach used and how the risk was identified.
1.9	Is insightful, proactive, and future-focused				
	Do you consider that the internal audit activity fully conforms with the PSIAS and LGAN by being insightful, proactive, and future-focused?	✓			The team review committee reports frequently to identify any gaps or upcoming potential risks which could require audit input. Notes are frequently made in existing audit folders to highlight a concern or potential issue to be considered when next audited.
1.10	Promotes organisational improvement				
	Do you consider that the internal audit activity fully conforms with the PSIAS and LGAN by promoting organisational improvement?	✓			Audit recommends ways to improve a process or reduce risks across the organisation. These recommendations are shared with the relevant team, senior management, and committee and help the Council to achieve its objectives.
	Conclusion: Core Principles	✓			The core principles of audit are carried through the audit process working towards reducing risks and helping the organisation to achieve its goals.

Checklist for Assessing Conformance with the PSIAS and the Local Government Application Note

Review Programme: Mission of Internal Audit and Definition of Internal Auditing

This checklist has been developed to satisfy the requirements set out in PSIAS 1311 and 1312 for periodic self-assessments and externally validated self-assessments as part of the Quality Assurance and Improvement Programme. It incorporates the requirements of the PSIAS as well as the Application Note in order to give comprehensive coverage of both documents.

For each check performed the relevant box should be ticked in accordance with the following levels of conformance:

GC – General Conformance

PC – Partial Conformance

DNC – Does Not Conform

Evidence for each response must be provided and reasons for any partial or full nonconformance should be given, together with any compensating measures in place or actions in progress to address this.

Ref	Conformance with the Standard	GC	PC	DNC	Evidence
1	Mission of Internal Audit				
	Does the Internal audit activity aspire to accomplish the Mission of Internal Audit as set out in the PSIAS? To enhance and protect organisational value by providing risk based and objective assurance, advice and insight.	✓			The manual sets out the audit process. Updated in May 2021 to show the risk-based approach to auditing in line with the recommendations from the external review. The Charter sets out the objectives of IA including how it can add organisational value. Reports, recommendations, and actions are reported to F&A quarterly and IA activity is reported annually. Auditors are reminded to how to conduct audits within the manual ensuring audits remain risk based and focused on adding value.
2	Definition of Internal Auditing				

Ref	Conformance with the Standard	GC	PC	DNC	Evidence
	Using evidence gained from assessing conformance with other Standards, is the internal audit activity: a) Independent? b) Objective?	✓			a) Independently located within the Council. Adequately resourced, enabling the rotation of audits preventing repetitive auditing. Directly reports to the F&A committee and Senior Management. b) Declarations of interest completed and shared with Audit and Risk Manager. Reports and working papers signed off before issuing.
	Using evidence gained from assessing conformance with other Standards, does the internal audit activity use a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes within the organisation?	✓			The manual sets out the approach used when auditing which encourages the auditor to continuously evaluate the risk and controls in place. By reporting quarterly and annually to the Finance and Audit Committee governance obligations are met. The rotation of the audits and consultation with senior management helps to keep the auditor objective and independent.
	Conclusion: Definition of Internal Audit	✓			In conclusion the internal audit function complies with the mission and definition of Internal Auditing in line with the standards and the LGAN.

Post Audit Questionnaire

Audit:

Date of report:

Auditor:

Manager:

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

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

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

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

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

Manager: _____

Date: _____

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

Title: Annual Governance Statement 2020/21 Action Plan: Review of Progress

Lead Officer: Richard Barr

Portfolio Holder: Councillors Day and Hales

Wards of the District directly affected: None directly impacted

Summary

The purpose of this report is for Committee to review the progress that is being made in addressing the 'Significant Governance Issues' facing the Council as set out in its Annual Governance Statement 2020/21. The appendix accompanying this report details the progress in addressing the Significant Governance Issues.

Recommendation

That Committee should review the Action Plan set out in the Appendix and confirm whether it is satisfied with the progress being made in addressing the Significant Governance Issues pertaining to the Annual Governance Statement 2020/21.

1 Background

1.1 Corporate Governance in Local Authorities

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

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

- 1.1.2 CIPFA/SOLACE has issued a framework and guidance on delivering good governance in local government. The framework is built on the six core principles set out in the Good Governance Standard for Public Services that were themselves developed from earlier work by Cadbury and Nolan. The principles in relation to local government as set out in the framework are:
- a clear definition of the body's purpose and focusing on the outcomes for the community and creating and implementing a vision for the local area;
 - members and officers are working together to achieve a common purpose with clearly defined functions and roles;
 - promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;

- taking informed and transparent decisions which are subject to effective scrutiny and managing risk;
- developing the capacity and capability of members and officers to be effective;
- engaging with local people and other stakeholders to ensure robust public accountability.

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

1.2 **Annual Governance Statement**

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

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

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

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

1.3 **The Significant Governance Issues**

1.3.1 The governance issues facing the Council have been identified from production of the statutory Annual Governance Statement and are summarised in the Action Plan element of the Annual Governance Statement for 2020/21.

1.3.2 The appendix accompanying this report sets out the progress in addressing those issues. Progress is reported by the officers leading on them and has been endorsed by the WDC members of the Joint Management Team at a recent meeting.

2 **Alternative Options available to Committee**

2.1 The report is not based on 'project appraisal' so this section is not applicable.

3 Consultation and Members' comments

- 3.1 Include any comments received in response to the consultation on the report.
No comments received.

4 Implications of the proposal

4.1 Legal/Human Rights Implications

- 4.1.1 Include a summary of the legal or human rights implications of the proposal.
Not applicable.

4.2 Financial

- 4.2.1 Include a summary of the financial implications of the proposal.
Not applicable.

4.3 Council Plan

4.3.1 External Impacts

People - Health, Homes, Communities

Services - Green, Clean, Safe

Money- Infrastructure, Enterprise, Employment

Although there are no direct policy implications, corporate governance will be a major factor in shaping the Policy Framework and Council policies.

4.3.2 Internal Impacts

People - Effective Staff

Services - Maintain or Improve Services

Money - Firm Financial Footing over the Longer Term

Although there are no direct policy implications, corporate governance will be a major factor in shaping the Policy Framework and Council policies.

4.4 Environmental/Climate Change Implications

- 4.4.1 Effective corporate governance can assist the Council achieve its environmental and climate emergency objectives.

4.5 Analysis of the effects on Equality

- 4.5.1 Effective corporate governance can help the Council achieve its equality obligations.

4.6 Data Protection

- 4.6.1 Effective corporate governance can help the Council achieve its data protection objectives.

4.7 Health and Wellbeing

- 4.7.1 Effective corporate governance can help the Council achieve its health and wellbeing objectives.

5 Risk Assessment

- 5.1 The whole report is about risks and the risk environment. Clearly there are governance-related risks associated with weak internal control, risk management and governance processes.

6 Conclusion/Reasons for the Recommendation

- 6.1 The report details the progress that is being made in addressing the 'Significant Governance Issues' facing the Council as set out in its Annual Governance Statement 2020/21. The recommendation will help fulfil Members' responsibility for effective corporate governance within the Council and provide assurance to Members that the governance issues identified as part of the compilation of the Annual Governance Statement are being addressed.

Background papers:

Please provide a list of any papers which you have referred to in compiling this report and are not published documents. This is a legal requirement.

You must also supply these when submitting the report.

All Papers referred to in this report are published documents.

Supporting documents:

Minutes of Joint Management Team and Senior Leadership Team.

Report Information Sheet

Committee/Date	Audit & Standards Committee – 14 June 2022	
Title of report	Annual Governance Statement 2020/21 Action Plan: Review of Progress	
Consultations undertaken		
Consultee *required	Date	Details of consultation / comments received
Ward Member(s)		
Portfolio Holder WDC & SDC *	12/5/2022	
Financial Services		
Legal Services		
Other Services		
Chief Executive(s)	5/5/2022	
Head of Service(s)	5/5/2022	
Section 151 Officer	5/5/2022	
Monitoring Officer	5/5/2022	
CMT (WDC)	5/5/2022	
Leadership Co-ordination Group (WDC)	5/5/2022	
Other organisations		
Final decision by this Committee or rec to another Cttee/Council?		The former.
Contrary to Policy/Budget framework		No
Does this report contain exempt info/Confidential? If so, which paragraph(s)?		No
Does this report relate to a key decision (referred to in the Cabinet Forward Plan)?		No.
Accessibility Checked?		File/Info/Inspect Document/Check Accessibility

WDC Annual Governance Statement 2020/21: Action Plan for Governance Issues

Review of Progress

AGS Ref.	Governance Issue	Responsibility	Progress to Date:	
			Last-reported Positions	Position as at beginning of May 2022
7.1	There are clearly major risks associated with the proposal to merge Warwick District Council and Stratford-on-Avon District Council. A comprehensive joint Risk Register in relation to this project needs to be prepared and monitored.	Senior Leadership Team	<p>Mid-August 2021: It has been agreed that the Council's Significant Business Risk Register will be updated to include a specific additional entry regarding the merger. This will be included for the next time the SBRR is reviewed.</p> <p>Mid-November 2021: The SBRR has been updated to include reference to the Programme Implementation work and a specific risk register relating to the merger has been produced. It is monitored by the Programme Board and has been reported to the Overview & Scrutiny Committee.</p> <p>Beg-February 2022: Governance Issue completed – no further action required.</p>	Governance Issue completed – no further action required.

7.2	Business Continuity Plans have been neglected during the pandemic. In the light of extensive homeworking service business continuity plans need to be reviewed and updated.	Senior Leadership Team	<p>Mid-August 2021: This review needs to be scheduled amongst all the other work that is being planned and as services are coming together with SDC, it is anticipated that this exercise should be done jointly.</p> <p>Mid-November 2021: As part of the Service Area Planning process for 2022/23, Joint Management Team will revise the Business Continuity Plans so that they reflect the fact that Services are now managed by a single Head of Service. This work will be completed by end of June 2022.</p> <p>Beg-February 2022: Updated Business Continuity plans were requested by the Emergencies and CCTV Team Leader in Autumn of 2021. A number were provided by a few remain outstanding. This is on the work programme to be chased again. However, we will be looking to align the templates with that used by SDC for the 2023 versions.</p>	This intended action will now need to be reviewed in the light of the conclusion not to proceed with the merger – Chief Executive
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7.3	<p>The range and content of performance data that councillors receive is under review. As part of this, the review needs to consider how best Councillors can fulfil their scrutiny role of contract registers, service risk registers and performance data to ensure that the information can be accessed by Councillors and brought forward for detailed scrutiny as deemed necessary.</p>	<p>Senior Leadership Team</p>	<p>Mid-August 2021: This review needs to be scheduled amongst all the other work that is being planned and as services are coming together with SDC, it is anticipated that this exercise should be done jointly.</p> <p>Mid-November 2021: This is an ongoing piece of work through engagement with the Overview & Scrutiny Committee. It will be completed by end of June 2022.</p> <p>Beg-February 2022: A new service plan template which included the service risk register, a list of the contracts requiring renewal in that year and key performance monitoring has been produced. This is due to be discussed with SDC and WDC cabinet before being finalised. The new template will enable data to be surfaced both in detail within the service area but also pull together and consolidated for a corporate report.</p>	<p>This intended action will now need to be reviewed in the light of the conclusion not to proceed with the merger – Chief Executive.</p>
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Title: Annual Governance Statement 2021/22
Lead Officer: Richard Barr
Portfolio Holder: Councillor Hales
Wards of the District directly affected: Not applicable

Summary

This report sets out the Council's Annual Governance Statement for 2021/22 describing the governance arrangements that were in place during the financial year. The Statement will accompany the Council's Statement of Accounts.

Recommendations

- 1 That Committee should approve the Warwick District Council Annual Governance Statement 2021/22 for as set out at Appendix A.
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1 Background to the Annual Governance Statement

8.1 The production of an Annual Governance Statement is a statutory requirement for local authorities.

8.2 Regulation 6 of The Accounts and Audit (England) Regulations 2015 states:

Review of internal control system

6.—(1) A relevant authority must, each financial year—

- (a) conduct a review of the effectiveness of the system of internal control required by regulation 3; and
- (b) prepare an annual governance statement;

(2) If the relevant authority referred to in paragraph (1) is a Category 1 authority, following the review, it must—

- (a) consider the findings of the review required by paragraph (1)(a)—
 - (i) by a committee; or
 - (ii) by members of the authority meeting as a whole; and
- (b) approve the annual governance statement prepared in accordance with paragraph (1)(b) by resolution of—
 - (i) a committee; or
 - (ii) members of the authority meeting as a whole.

(3) If the relevant authority referred to in paragraph (1) is a Category 2 authority, following the review it must—

- (a) consider the findings of the review by members of the authority meeting as a whole; and

- (b) approve the annual governance statement prepared in accordance with paragraph (1)(b) by resolution of members of the authority meeting as a whole.
- (4) The annual governance statement, referred to in paragraph (1)(b) must be—
 - (a) approved in advance of the relevant authority approving the statement of accounts in accordance with regulations 9(2)(b) or 12(2)(b) (as the case may be); and
 - (b) prepared in accordance with proper practices in relation to accounts(a).

8.3 The Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) emphasise that corporate governance is everyone's business and define it as:

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

9 **Process for Completion of the Annual Governance Statement**

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

- A. Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of the law
- B. Ensuring openness and comprehensive stakeholder engagement
- C. Defining outcomes in terms of sustainable economic, social, and environmental benefits
- D. Determining the interventions necessary to optimise the achievement of the intended outcomes
- E. Developing the entity's capacity, including the capability of its leadership and the individuals within it
- F. Managing risks and performance through robust internal control and strong public financial management
- G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability

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

9.2 The CIPFA Financial Advisory Network has published an advisory document entitled "The Annual Governance Statement: Rough Guide for Practitioners". Its advice is that the Annual Governance Statement is a key corporate document and the most senior member and the most senior officer (Leader and Chief Executive respectively) have joint responsibility as signatories for its accuracy

and completeness. It advises that it should be owned by all senior members and officers of the authority and that it is essential that there is buy-in at the top level of the organisation. It advises that the work associated with its production should not be delegated to a single officer.

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

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

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

Objective 1, ESTABLISHING PRINCIPAL STATUTORY OBLIGATIONS AND ORGANISATIONAL OBJECTIVES

Step 1: Mechanisms established to identify principal statutory obligations

Step 2: Mechanisms in place to establish organisational objectives

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

Step 4: Performance management arrangements are in place

THEN apply the CIPFA/SOLACE Core Principles

Objective 2, IDENTIFY PRINCIPAL RISKS TO ACHIEVEMENT OF OBJECTIVES

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

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

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

Objective 4, OBTAIN ASSURANCES ON THE EFFECTIVENESS OF KEY CONTROLS

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

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

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

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

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

Objective 7, ANNUAL GOVERNANCE STATEMENT

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

Objective 8, REPORT TO CABINET / EXECUTIVE COMMITTEE

Step 1: Report in accordance with pro-forma

- 9.5 The Council's Annual Governance Statement has been produced in accordance with these stages.
- 9.6 Evidence sources collated for drafting the AGS were as follows:
- (a) Consultation with senior and other relevant officers.
 - (b) Assurances provided by Heads of Services through the completion of Service Assurance Statements.
 - (c) Consultation with a cross-party member review group comprising the Leader of the Council and Chairs of Committees.
 - (d) Work undertaken during the year by Internal Audit and other review and inspection agencies.
 - (e) Consultation with the Council's External Auditors.
 - (f) Review of progress against the previous year's AGS action plan, which was reported quarterly to the Finance & Audit Scrutiny Committee.
- 9.7 The process for drafting the AGS itself, and the systems of challenge and review were as follows:
- (a) The information described above was collated and an early draft Statement was circulated to relevant officers for comment and for suggestions on issues to be reflected in the AGS.
 - (b) The draft Statement was issued to the Council's Senior Leadership Team and debated at a meeting, with discussions on whether the Council was facing any significant governance issues for inclusion in section 5 of the Statement.
 - (c) A cross-party member review group considered and provided comment on the final draft AGS.
 - (d) A draft was issued to the Council's External Auditors for their views.
 - (e) Submission to the Finance & Audit Scrutiny Committee for its approval.

2 Alternative Options available to Committee

- 2.1 The report is not based on 'project appraisal' so this section is not applicable.

3 Consultation and Members' comments

- 3.1 Include any comments received in response to the consultation on the report.

Drafting of the Annual Governance Statement involved extensive consultation – with Members and Officers alike.

4 Implications of the proposal

4.1 Legal/Human Rights Implications

4.1.1 Include a summary of the legal or human rights implications of the proposal.

Not applicable.

4.2 Financial

4.2.1 Include a summary of the financial implications of the proposal

Not applicable.

4.3 Council Plan

4.3.1 External Impacts

People - Health, Homes, Communities

Services - Green, Clean, Safe

Money- Infrastructure, Enterprise, Employment

Although there are no direct policy implications, governance is a major factor in shaping the Policy Framework and Council policies.

4.3.2 Internal Impacts

People - Effective Staff

Services - Maintain or Improve Services

Money - Firm Financial Footing over the Longer Term

Although there are no direct policy implications, governance is a major factor in shaping the Policy Framework and Council policies.

4.4 Environmental/Climate Change Implications

4.4.1 An effective governance framework can assist the Council achieve its environmental and climate emergency objectives.

4.5 Analysis of the effects on Equality

4.5.1 An effective internal audit function can help the Council achieve its equality obligations.

4.6 Data Protection

9.6.1 An effective governance framework can help the Council achieve its data protection objectives.

4.7 Health and Wellbeing

- 9.7.1 An effective governance framework can help the Council achieve its health and wellbeing objectives.

5 Risk Assessment

- 5.1 Clearly there are governance-related risks associated with weak internal control, poor risk management and ineffective governance processes.

6 Conclusion/Reasons for the Recommendation

- 6.1 The Council's Annual Governance Statement for 2021/22 is a statutory document that describes the governance arrangements in place during the financial year and which accompanies the financial statements. The Committee is required to consider the Annual Governance Statement and, if satisfied, approve it.

Background papers:

Please provide a list of any papers which you have referred to in compiling this report and are not published documents. This is a legal requirement.

You must also supply these when submitting the report.

All Papers referred to in this report are published documents.

Supporting documents:

Internal Audit Reports.

Service Assurance Statements.

Minutes of Senior Leadership Team.

Internal Audit Annual Report.

Quarterly Internal Audit Progress Reports.

Quarterly AGS Action Plan Review Reports.

Report Information Sheet

Committee/Date	Audit & Scrutiny Committee – 14 June 2022	
Title of report	Annual Governance Statement 2021/22	
Consultations undertaken		
Consultee *required	Date	Details of consultation / comments received
Ward Member(s)		
Portfolio Holder WDC & SDC *	12/5/2022	
Financial Services		
Legal Services		
Other Services		
Chief Executive(s)	5/5/2022	
Head of Service(s)	5/5/2022	
Section 151 Officer	5/5/2022	
Monitoring Officer	5/5/2022	
CMT (WDC)	5/5/2022	
Leadership Co-ordination Group (WDC)	5/5/2022	
Other organisations		
Final decision by this Committee or rec to another Cttee/Council?		The former.
Contrary to Policy/Budget framework		No
Does this report contain exempt info/Confidential? If so, which paragraph(s)?		No
Does this report relate to a key decision (referred to in the Cabinet Forward Plan)?		No.
Accessibility Checked?		File/Info/Inspect Document/Check Accessibility

WARWICK DISTRICT COUNCIL**ANNUAL GOVERNANCE STATEMENT 2021/22****1 Introduction**

- 1.1 The Accounts and Audit Regulations 2015 require the Council to prepare an annual governance statement.
- 1.2 Governance is about how an organisation is directed and controlled to achieve its objectives. It therefore comprises the systems, structures, and values that an organisation has in place to achieve those objectives. Good governance requires that objectives be achieved not only efficiently and effectively but also ethically and in compliance with laws and recognised standards of conduct.
- 1.3 Good governance comprises robust systems and sound structures together with effective leadership and high standards of behaviour.
- 1.4 In short, governance is "Doing the right things, in the right way."

2 The Purpose of the Annual Governance Statement

- 2.1 This Statement provides a summarised account of how Warwick District Council's management arrangements are set up to meet the principles of good governance set out in the Council's Constitution and how assurance is obtained that these are both effective and appropriate. It is written to provide the reader with a clear and straightforward assessment of how the governance framework has operated over the past financial year (but also up to the time of approval of the financial statements) and to identify any weaknesses or gaps in our arrangements that need to be addressed.
- 2.2 The format and scope of this Statement follows that prescribed by the Chartered Institute of Public Finance and Accountancy (CIPFA).

3 The Council's Governance Framework

- 3.1 Warwick District Council must operate in accordance with the law and appropriate standards and ensure that public money is safeguarded, properly accounted for, and used economically, efficiently, and effectively.
- 3.2 Warwick District Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised.
- 3.3 In discharging these responsibilities Warwick District Council is responsible for putting in place suitable governance arrangements, including provisions for the management of risk.
- 3.4 The governance framework comprises the systems and processes, culture, and values by which the authority is directed and controlled as well as its activities through which it accounts to, engages with, and leads its communities. It enables the authority to monitor the achievement of its strategic objectives

and to consider whether those objectives have led to the delivery of appropriate services and value for money.

- 3.5 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve aims and objectives and can therefore provide only reasonable, not absolute, assurance of effectiveness.
- 3.6 Warwick District Council has approved and adopted a Local Code of Corporate Governance that is consistent with the principles of the latest CIPFA/SOLACE¹ Framework for Delivering Good Governance in Local Government (2016).
- 3.7 The Council's corporate strategy is set out in its Fit for the Future (FFF) programme which draws together a shared vision, setting out the Council's objectives and priorities for the district and how these are to be achieved. The FFF programme is the key planning instrument for the Council. In February 2020 the Council adopted a new Business Strategy. The Strategy is based around five themes and is used to identify and prioritise the work programme up to 2023. Officers have commenced work on a revised Business Strategy in readiness for discussions with the new administration to be elected in May 2023.
- 3.8 Delivery of the Council's change programme is through the Service Area Plans in which the corporate objectives are translated into more specific aims and objectives. These are then fed down into individual performance development reviews through the Council's performance appraisal system. These include agreed expectations and, where appropriate, service standards against which service quality and improvement can be judged. Performance is monitored by individual services and made available to all Councillors through the Business Improvement Portal.
- 3.9 This said effective performance management oversight has not been fully resolved, and the range and content of performance data that councillors receive is under review as part of the Service Area Planning Process. Training is also being investigated to have a briefing for Councillors on improved access to the data and scrutiny of it.
- 3.10 Warwick District Council's Constitution establishes the roles and responsibilities for members of the Cabinet, Finance & Audit (F&A) Scrutiny Committee, Overview & Scrutiny (O&S) Committee and Standards Committee, together with officer functions. It should be noted, however, that the Committee arrangements changed from May 2022 with the establishment of a new Audit & Standards Committee to replace F&A with elements of F&A's remit moving to O&S. It includes details of delegation arrangements, the Councillors' Code of Conduct, and protocols for councillor/officer relations. The Constitution is kept under review to ensure that it continues to be fit for purpose. The Council has adopted a Standards regime pursuant to the Localism Act 2011 and appointed a Standards Committee. Conduct of officers is governed through the Employee Code of Conduct and through the values and behaviours which are part of the Council's individual performance appraisal system.

¹ Chartered Institute of Public Finance & Accountancy / Society of Local Authority Chief Executives
Item 9 / Page 9

- 3.11 The Constitution contains procedures, rules and financial regulations that define clearly how decisions are taken and where authority lies for decisions. The statutory roles of Head of Paid Service, Monitoring Officer and Chief Financial Officer are described together with their contributions to provide robust assurance on governance and that expenditure is lawful and in line with approved budgets and procedures. The influence and oversight exerted by these posts is backed by post-holders' membership (whether permanent or 'as required') of the Senior Leadership Team² (SLT).
- 3.12 In 2010 CIPFA published a statement on the Role of the Chief Financial Officer (CFO) in local government, setting out core principles and standards relating to the role of the CFO and how it fits into the organisation's governance arrangements.
- 3.13 A specific statement is required to be reported in the Annual Governance Statement on whether the authority's financial management arrangements conform to the governance requirements of the CIPFA Statement.
- 3.14 The governance requirements in the CIPFA Statement are that the CFO should be professionally qualified, report directly to the Chief Executive and be a member of the Leadership Team³, with a status at least equivalent to other members. The Statement requires that if different organisational arrangements are adopted the reasons should be explained publicly in the Council's Annual Governance Report, together with how these deliver the same impact.
- 3.15 The Council's financial management arrangements conform to the CIPFA Statement other than in just one specific aspect:
- Head of Finance having responsibility for Asset Management.
- 3.16 With regard to asset management, responsibility for this comes under the post of Head of Assets. As with all heads of services, the Head of Assets is part of the Senior Leadership Team.
- 3.17 The Cabinet provides the strategic direction for the Council, ensuring that the Council's priorities are established and that corporate objectives are set and achieved.
- 3.18 The primary counterbalances to the Cabinet are the Finance & Audit Scrutiny (now Audit & Standards) and the Overview & Scrutiny Committees. The roles of these committees include the opportunity to provide a robust challenge to the Cabinet.
- 3.19 The Finance & Audit/Audit & Standards Scrutiny Committee monitors the performance of the Council, fulfilling the core functions of a typical 'audit committee' in respect of External Audit, Internal Audit and Risk Management. The Committee seeks assurance from the relevant Cabinet councillor (Portfolio Holder) and/or senior manager when it has concerns or queries in respect of matters relating to particular service areas.

² The Senior Leadership Team comprises heads of services together with the Chief Executive, Deputy Chief Executive and Programme Director for Climate Change.

³ In the Council's case, this is the Senior Leadership Team.

- 3.20 'Task and Finish' Groups, comprising solely councillors, are appointed by the Scrutiny Committees to examine various issues in detail. These Groups report back to their respective Scrutiny Committees with recommendations on improvements which are, when approved, taken forward.
- 3.21 The Council has a formal complaints procedure which allows the public or other stakeholders to make a complaint regarding the service received from the Council or the conduct of councillors. The Standards Committee has responsibility for overseeing the investigation of complaints against councillors.
- 3.22 The Council has policies to help safeguard the organisation and its staff when making decisions. An Anti-Fraud and Corruption Strategy and set of Policies and Procedures, including a Fraud Response Plan, Whistleblowing Policy and Procedure, Money Laundering Policy and Procedure and Bribery Act 2010 Policy and Procedure, have been developed and communicated to all staff via the intranet and as part of the Staff Induction process. The Anti-Fraud and Corruption Strategy and the Whistleblowing Policy are reviewed by councillors annually.
- 3.23 The Council has embedded Risk Management throughout its arrangements with the Significant Business Risk Register (in effect, the Council's corporate and strategic risk register) being reviewed and updated each quarter, firstly by the Senior Leadership Team and then by the Finance & Audit/ Audit & Standards Scrutiny Committee before being considered by the Cabinet who assumes overall responsibility for it.
- 3.24 Council services are delivered by staff with the appropriate skills, training, and level of experience. Job Descriptions and Person Specifications are in place for all posts and together with a rigorous recruitment and selection process this helps to ensure that the best candidates are appointed into each position. A significant commitment has also been made towards retaining good staff, by offering numerous 'work friendly' schemes and where possible encouraging succession planning and promotion from within. This ensures that valuable skills and experience are retained and passed on, rather than being lost. Training needs are identified through the performance appraisal system.
- 3.25 The individual performance appraisal system has been operated in the Council for several years, having been reviewed and subsequently refined on several occasions. Staff are measured against operational objectives that derive from the Business Strategy. The performance appraisal system also identifies learning and developmental needs to ensure that appropriate training is made available to staff to ensure that they can undertake their role effectively and have the opportunity to develop.
- 3.26 Programme Advisory Boards (PABs) have further developed in the year with one for each Portfolio Area. The PABs act in an advisory capacity, or providing guidance, in developing the projects/policies of Warwick District Council and in doing so, enabling backbench members to have greater involvement in shaping the executive decisions of the Council, particularly on services, key projects and programmes (but not day to day operations). This also helps to utilise the skills, knowledge, and talent of all Councillors in a more effective way. There is further development work to ensure a more consistent approach

of the PABs and a report is anticipated to come forward from the Leader of the Council in the new Municipal year.

- 3.27 The Council has also established a joint advisory group of Councillors and a Joint Cabinet Committee with Stratford-on-Avon District Council in respect of the South Warwickshire Local Plan. The latter had its first meeting in April 2021. This will continue despite the decision by both sets of Members not to proceed with the merger proposals.
- 3.28 The two Scrutiny Committees have continued to reflect and develop their core areas of work. They have revised how they select areas for scrutiny, having developed and tested a method for selecting areas to look at. This was considered for formal adoption at the scrutiny meetings in April 2021.
- 3.29 The Council strives to be open and accessible to the community. All Council committee meetings are open to the public except where confidential matters are discussed. All agendas and minutes are placed on-line, along with the Council's policies and strategies. Councillors are encouraged to ask questions on reports in advance of the committee meetings and, unless they are on confidential matters, these and the answers are then made available to the public on the Council's website along with the agenda and papers. All Council meetings that are held in the Council Chamber, such as the meetings of the Council's Cabinet, are recorded and broadcast via YouTube. When identifying the priorities and objectives for Council strategies, the views of stakeholders and the wider community are sought through a number of consultation mechanisms and are taken into account.
- 3.30 There are terms of reference and constitutions set up for key partnerships which ensure that partners act lawfully throughout the decision-making process. Key partnerships include the Coventry and Warwickshire Local Enterprise Partnership and South Warwickshire Crime and Disorder Partnership. Warwick District Council also works closely with several other councils and operate shared services for Building Control, Business Rates, Corporate Fraud and Legal Services.
- 3.31 At the end of 2019, the Council introduced the position of Performance Management Officer. Part of the role is to monitor the information published on the website to ensure it meets the 2015 Local Government Transparency Code. The Council strives to publish information that is accessible and understandable to Councillors and the public and continues to seek to make improvements in this. An example of this is achievement of the required Website Content Accessibility Guidelines (WCAG).
- 3.32 Also, the Council's Scrutiny Committees looked at various areas of Council decision-making and service delivery, with their annual reports submitted to Council. This included a Task & Finish Group that looked at Equality and Diversity, with an emphasis on race. The resultant recommendations, having been considered by both the Cabinet and the Employment Committee, were passed to the Transformation PAB for consideration.
- 3.33 As a key element of the governance framework, Internal Audit reviews are undertaken each year on a range of activities including one covering a specific aspect of governance.

4 Review of Effectiveness

- 4.1 Warwick District Council is required legally to conduct an annual review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of managers within the authority who have responsibility for the development and maintenance of the governance environment, the Audit & Risk Manager's annual report, annual service assurance statements completed by heads of services and by the findings and reports issued by the external auditors and other review agencies and inspectorates.
- 4.2 More information on the arrangements that provide this assurance is set out below.
- 4.3 The Council's Monitoring Officer (also Deputy Chief Executive) has responsibility for overseeing the implementation and operation of the Code of Corporate Governance, maintaining and updating the Code in the light of latest guidance on best practice, contemplating any changes that may be necessary to maintain it and ensure its effectiveness. All reports to Cabinet, Committees and Council are seen by the Monitoring Officer to ensure compliance with legal requirements.
- 4.4 The Council's Section 151 Officer has responsibility for the proper administration of the Council's finances. This includes responsibility for maintaining and reviewing the Code of Financial Practice and Code of Procurement Practice to ensure they remain fit for purpose and submitting any additions or changes necessary to the full Council for approval. An updated Code of Procurement Practice was agreed by Council in December 2018. The Section 151 Officer is also responsible for reporting any significant breaches of the Codes to the Cabinet and/or the Council. All reports to Cabinet, Committees and Council are seen by appropriate staff within the Finance Department to ensure compliance with financial requirements.
- 4.5 The CIPFA Statement on the Role of the Head of Internal Audit in Public Service Organisations requires the head of internal audit to give an opinion annually to the Authority on its risk management, governance, and control environment and that this should be used as a primary source of evidence for the annual governance statement. In regard to this, the Audit and Risk Manager's Annual Report and Opinion for 2021/22 has concluded that, in overall terms, the Council has an effective internal control and governance environment. This statement is based, however, on those audits that were able to be completed - the inability to complete three planned ICT audits inevitably qualifies this assurance.
- 4.6 In addition to the above, the Council has conducted a formal review of its internal control environment and collated evidence and assurance from a variety of sources. This has included assurances, set out on "service assurance statements", from heads of services on the effectiveness of the internal control environment. The Statements did not reveal any issues of significant concern.
- 4.7 The work of the Council's Internal Audit function is governed by the UK Public Sector Internal Audit Standards (PSIAS). The PSIAS are mandatory for all internal auditors working in the UK public sector. The Standards require an external and independent assessment at least every five years of the

performance of public sector internal audit units and their conformance with the PSIAS. In Warwick District Council's case a review was undertaken in 2020/21. Some areas for improvement were identified with the principal one being that the service should undertake a more risk-based approach, particularly in regard to compilation of the Audit Plan. An essential element of the assessment is to confirm that the annual audit opinion issued by Internal Audit may be relied upon as a key source of evidence and assurance and this was found to be the case. The findings of this review together with an action plan to address the issues raised were reported to the Finance and Audit Scrutiny Committee in March 2021 with an updated report in December 2021.

- 4.8 Grant Thornton was appointed as the Council's External Auditor for five years from 2018/19 to 2022/23 and is responsible for reviewing the Council's Statements of Accounts. In addition to reviewing the 2021/22 Statement of Accounts, Grant Thornton issued a formal opinion on the Council's arrangements for securing Value for Money, concluding that the Council had made proper arrangements in all significant respects to secure economy, efficiency, and effectiveness in its use of resources.

5 The Impact of the Coronavirus Pandemic

- 5.1 The pandemic is revealing many issues the Council will need to reflect on as the business returns to a 'normalised state'. It is already clear that the possibilities provided by new technology and an appetite for flexible working need to be fully harnessed to improve factors such as: work/life balance; equality, diversity, and inclusion; environmental impact; and health and well-being of both officers and Members.
- 5.2 A consequence for the Council of the pandemic has been the reduction in income from sources such as parking charges, planning fees and rent and service charges. Whilst it is not the remit of the Annual Governance Statement to go into the detail of the impact, there will be issues of financial governance to reflect upon which must cover management, monitoring, review, and scrutiny.
- 5.3 In order to help to mitigate the financial impacts of the pandemic upon local authorities, the Government has issued various ring-fenced and non-ring-fenced grants. Whilst this significantly assisted the Council's finances in 2020/21 and 2021/22, it did not fully compensate for the financial losses. The Council's finances are still experiencing after-shocks because of the pandemic.
- 5.4 The on-going financial implications continue to be assessed by officers and be reported to members to help to inform the decision-making process.

6 Update on Joint Working and Merger with Stratford-on-Avon District Council

- 6.1 During 2020/21 the international accountancy and consultancy firm, Deloitte, was commissioned to undertake a review of the financial and non-financial benefits of integration between Warwick District Council and Stratford-on-Avon District Council, up to and including the possibility of a full merger between the organisations.

- 6.2 The principal recommendation from Deloitte was that to achieve the maximum potential financial and non-financial benefits for the residents of South Warwickshire a full merger of the two councils should be considered. (The report can be viewed by clicking on the following link: [Deloitte Report](#).)
- 6.3 In December 2021 both Councils committed to seeking a full merger to create a new single statutory council for South Warwickshire by April 2024.
- 6.4 By the end of the 2021/22 financial year, the following progress towards a merger of the two councils had been made:
- A public consultation exercise on the proposals had been undertaken.
 - Approval for the merger had been sought from the Secretary of State.
 - Operational integration between the two authorities was well advanced with all heads of services being joint appointments and some services being either jointly provided or provided from one authority to both.
 - In relation to joint contracts and arrangements, the Waste Management Contract had been procured jointly.
 - A detailed paper on preparing a Local Plan for South Warwickshire had been agreed.
 - Several key policies had been aligned, including:
 - Joint Organisational Change Policy Statement
 - Joint Redeployment Policy and Procedure
 - Joint Redundancy Policy and Procedure.
- 6.5 However, following a meeting between Council Leaders and Chief Executives on 14 April 2022, the Leader of Stratford on Avon District Council wrote to the Secretary of State to request a delay pending further due diligence to be completed on Milverton Homes, a company set up and wholly-owned by Warwick District Council. Conversely, the Leader of Warwick District Council considered that ongoing due diligence should not prevent the service integration progressing as planned and felt that delaying the merger would create further uncertainty for residents seeking assurances about local services as well as greater uncertainty for staff, especially those facing redundancy. The Leader of Warwick District Council felt that further delay would result in trust being undermined, making it untenable for the two authorities to further integrate services or merge.
- 6.6 Consequently, the Leaders of both authorities concluded that the proposed merger could not go ahead as planned. It was felt that there was a significant difference between the approaches and ambitions of the two councils that were irreconcilable and that a joint request should now be made to the Government to cancel the merger process.
- 6.7 Some of the joint working arrangements already put in place are planned to continue, such as legal services and business rates collection. Others, however, including the Joint Management Team and the service integration programme, have ended.
- 6.8 Throughout the timeline of the merger a communications and engagement plan ensured that there was constant interaction with staff and managers. This was achieved through joint Chief Executive briefings, service managers' forums, team talks and links with the employee consultation group, Staff Voice, as well as with the principal union, Unison. The emphasis on both the benefits of the merger and the impact if proposals didn't proceed were key to

this communication. It is acknowledged, however, that feedback throughout this period was mixed - between understanding the rationale for the merger and the opportunities it would provide and significant concern over losing the Warwick identity. It is recognised that staff trust across the Council has been impacted adversely. Clearly this can have implications for governance and therefore, immediately following the decision to cancel the merger, the process began to rebuild trust. This started off as Chief Executive-led meetings with service managers, their teams and comprehensive communication activities. It is recognised, however, that much more work is needed, and a strategy will be drawn up to deliver this.

7 Significant Governance Issues

- 7.1 Performance management continues to be an issue, in particular the range and content of performance data that councillors receive. When resolved, Councillors will need to be trained to enable them to access the information and scrutinise it effectively.
- 7.2 The new Overview and Scrutiny and Audit and Standards Committee s will present challenges in terms of clarity of role. Councillors will need to be trained on the operation of the new Overview and Scrutiny and Audit and Standards Committee s to enable them to participate more confidently.
- 7.3 Staff morale has been impacted adversely as a result of the merger process. A strategy to improve staff morale is required.

8 Certification

- 8.1 The governance framework has been in place at Warwick District Council for the year ended 31 March 2022 and up to the date of approval of the annual statement of accounts.

Signed:



Councillor Andrew Day
Leader of the Council



Christopher Elliott
Chief Executive

Dated:

9 May 2022

9 May 2022

Title: Community Governance Review – Burton Green
Lead Officer: Graham Leach Democratic Services Manager & Deputy
Monitoring Officer (01926 456114)
Portfolio Holder: Councillor Day
Wards of the District directly affected: Kenilworth Abbey & Arden

Summary

The report brings forward a request from Burton Green Parish Council to review the number of Councillors it has representing the two Wards of the Council.

Recommendation(s)

- (1) That the Committee supports the terms of reference for the review as set out at Appendix 1 to the report;
 - (2) That the Committee delegates authority to the Deputy Chief Executive & Monitoring Officer to undertake the review and implement the recommendations, so long as there are no objections to the proposals.
-

1 Reasons for the Recommendation

- 1.1 Under the Local Government and Public Involvement in Health Act 2007 Warwick District Council is responsible for undertaking Community Governance Reviews.
- 1.2 Burton Green Parish Council have formally requested Warwick District Council carry out a Community Governance Review to undertake a change to the number of councillors that represent each Burton Green Parish Council Ward. A map illustrating the current Parish Boundary and Parish Wards is attached at Appendix 2 to the report.
- 1.3 At present Burton Green Parish Council is allocated seven Councillors for the Burton Green ward, and four Councillors for the Warwick University ward. At present there are 902 registered electors for Burton Green Ward and 732 for the University Ward.
- 1.4 The number of electors within the University Ward fluctuates during the year as the majority of the electors are students and can be as low as 100 at certain times.
- 1.5 The number of electors in the Burton Green ward is due to increase significantly in the next couple of years as the development grows along Westwood Heath Road, with outline planning permission for 425 homes and 129 under construction.
- 1.6 Burton Green Parish Council feel that a Councillor ratio of nine Councillors for the Burton Green ward and two Councillors for the University ward would be more reflective of the electorate numbers in the Parish ongoing.

- 1.7 In both the 2015 and 2019 Elections to Burton Green Parish Council three of the four seats in the University Ward were not filled (i.e. there was only one person nominated for election). At present there are three vacancies on the Parish Council all within the University Ward.
- 1.8 Committee should be aware that there were also vacancies in the Burton Green ward after the elections in both 2015 and 2019 but the Council was able to successfully co-opt to them and there are currently no vacancies in that ward.
- 1.9 Officers consider that the request is a reasonable one and can be completed in good time before the 1 April 2023 to enable elections to take place on 4 May 2023.
- 1.10 The guidance for undertaking is available on line and will be followed by officers for delivering the review, if the Committee supports it.
- 1.11 Following the guidance officers will advertise the proposal within the local press but will also write directly to, Burton Green Parish Council, Warwickshire County Council, all elected representatives for that area as well as both Warwick University & the student association for the University.

2 Alternative Options available to (name of Committee/Cabinet etc.)

- 2.1 Officers considered the potential for moving the Ward Boundary to run along Bockendon Road or the use of HS2 as a Boundary rather than its current alignment along a bridleway. These were considered with a view to creating a balance of electors within the Wards and create more opportunity for candidates for election. At this time neither of these provided a significant increase in elector numbers within the University Ward and could also be considered one of not reflecting the community. Further consideration of this could be made as the development around the village takes place, most notably HS2, the proposed relief road and the potential for further development along Westwood Heath Road as identified within the local Plan Policy DS(20).

3 Consultation and Member's comments

- 3.1 The District Ward Councillors and Strategic Portfolio Holder have been consulted on this and have raised no objections.

4 Implications of the proposal

4.1 Legal/Human Rights Implications

- 4.1.1 The proposals within the report are within the legislative framework and associated guidance.

4.2 Financial

- 4.2.1 There are minimal costs associated with undertaking the Community Governance review and these need to be met by the District Council. It is envisaged they will be met within the existing allocated budgets for Democratic Services.

4.3 Council Plan

- 4.3.1 The proposal seeks to ensure enhanced local representation for the Burton Green Community considering where the development is taking place at present.

4.4 Environmental/Climate Change Implications

- 4.4.1 There are no direct environmental implications of the proposal.

4.5 Analysis of the effects on Equality

4.5.1 There are no direct impacts on equality matters from the recommendations.

4.6 Data Protection

4.6.1 There are no specific data protection issues within the report.

4.7 Health and Wellbeing

4.7.1 There are no Health and Wellbeing implications from the proposals.

5 Risk Assessment

5.1 There are no significant risks associated with the report.

Background papers: None

Supporting documents: None

Report Information Sheet

Please complete and submit to Democratic Services with report

Officer / Councillor Approval *required	Date	Name
Ward Members(s)	6/6/22	Illingworth Hales Cooke
Portfolio Holder	6/6/22	Day
Financial Services *	6/6/22	Lorraine Henson
Legal Services		
Other Services		
Deputy Chief Executive	1/6/22	Andrew Jones
Head of Services(s)*		
Section 151 Officer	6/6/22	Andrew Rollins
Monitoring Officer	1/6/22	Andrew Jones
Leadership Co-ordination Group (WDC)		
Other organisations	1/6/22	Chris Elliott as Returning Officer
Final decision by this Committee or rec to another Ctee / Council?	Yes	
Contrary to Policy / Budget framework?	No	
Does this report contain exempt info/Confidential? If so, which paragraph(s)?	No	
Does this report relate to a key decision (referred to in the Cabinet Forward Plan)?	No	
Accessibility Checked?	Yes	

Burton Green Area Community Governance Review – Terms of Reference

LOCAL GOVERNMENT AND PUBLIC INVOLVEMENT IN HEALTH ACT 2007

What is a Community Governance Review (CGR)?

A Community Governance Review (CGR) is a legal process whereby Councils can create parish councils, review and change electoral arrangements and, in extreme cases, abolish parishes.

Warwick District Council (the District Council) must ensure that community governance in the area under review reflects the identities and interests of the community in that area and is effective and convenient.

It is important that recommendations made through a CGR should bring about improved community engagement, more cohesive communities, better local democracy and result in more effective and convenient delivery of local services.

In undertaking the CGR, the Council will be guided by:

- Part 4 of the Local Government and Public Involvement in Health Act 2007 (“the 2007 Act”);
- the relevant parts of the Local Government Act 1972 (“the 1972 Act”);
- the Guidance on Community Governance Reviews issued jointly by the Department for Communities and Local Government and the Electoral Commission in April 2008 (“the Guidance”);
- also the following regulations which guide, in particular, consequential matters arising from the Review:
 - Local Government (Parishes and Parish Councils) (England) Regulations 2008 (SI2008/625);
 - Local Government Finance (New Parishes) Regulations 2008 (SI2008/626).

What does a Parish Council do?

Parish Councils are the most local form of government. They collect money from Council Tax payers (via the District Council) known as a “precept” and this is used to invest in the area to improve services or facilities. Parish Councils can take different forms but usually are made up of local people who stand for election as Parish Councillors to represent their area. They can be the voice of the local community and work with other tiers of government and external organisations to co-ordinate and deliver services and work to improve the quality of life in the area.

Therefore, the District Council wants to ensure that parishes should be viable and should possess a precept that enables them to actively and effectively promote the well-being of their residents and to contribute to the real provision of services in their areas in an economic and efficient manner.

Who will undertake the CGR?

Warwick District Council is responsible for undertaking a CGR within its electoral area.

The District Councils Audit & Standards Committee is responsible for overseeing this process and officers will produce draft and final recommendations for consideration by the Committee before a Community Governance Order is made.

Why is Warwick District Council undertaking the review?

Burton Green Parish Council has requested a review of its electoral arrangements to ensure that the community governance for the area continues to be effective and convenient for the community.

At present Burton Green Parish Council is allocated seven Councillors for the Burton Green ward, and four Councillors for the Warwick University ward.

Burton Green Parish Council feel that a Councillor ratio of nine Councillors for the Burton Green ward and two Councillors for the University ward would be more reflective of the electorate numbers in the Parish ongoing.

Consultation

The District Council wants to know what local people think about the electoral arrangements for the Parish and invites the public to send their views and responses in writing to Gillian Friar, Electoral Services Manager, Warwick District Council, Riverside House, Milverton Hill, Royal Leamington Spa, Warwickshire CV32 5HZ or by email to elections@warwickdc.gov.uk

The deadline for sending views and responses for consideration in the first stage of the CGR is **at noon Thursday 29 September 2022.**

The District Council will consider all the views and responses received and publish a draft proposal and the reasons behind them. There will then be a further period of time for people to comment on the draft proposal before the final proposal is agreed.

Before making any final proposal, the District Council will take full account of the views of local people.

The District Council will:

- Publish a notice in the local press informing residents of the Review and inviting responses;
- Publish information on the Council's website;
- Publish information on notice boards within the Parish informing residents of the Review and inviting responses;
- Inform and consult; all relevant Warwick District Councillors, all relevant Warwickshire County Councillors, Member of Parliament and both Warwick University and the student association for the University;
- Consult any other person or body which appears to the District Council to have an interest in the Review;
- Take into account any representations received in connection with the Review;
- Inform the Local Government Boundary Commission for England of the commencement of the CGR and keep them informed.

There will then be a further period of time for people to comment on the draft proposal before the final proposal is agreed.

A CGR must, by law, be concluded within a twelve-month period. The twelve months starts when the District Council publishes its Terms of Reference and the Review concludes when the District Council makes its final decision on the proposals in the CGR.

Timetable for the Review

Details	Relevant Date
Terms of Reference agreed by Audit & standards Committee	16 June 2022
Terms of Reference published and consultation period starts	17 June 2022
Last date for submissions	Noon 29 September 2022
First Draft Proposals are prepared	October 2022
Draft Proposals are prepared	1 November 2022
Publish Draft Proposals – consultation period begins	1 November 2022
Draft Proposals – consultation period ends	21 December 2022
Final Proposals are prepared	January 2023
Final Proposals published	1 February 2023
Burton Green Reorganisation of Community Governance Order comes into force	1 April 2023

Electorate Forecasts

The June 2022 Register of Electors has been used in providing the existing parish ward electorate figures.

When the District Council comes to consider the electoral arrangements of the parishes in its area, it is required to consider any change in the number or distribution of the electors which is likely to occur in the period of five years beginning with the day when the Review starts. Electorate forecasts will be prepared using information contained in the Local Plan and data obtained from the Warwickshire Observatory to project the five-year electorate forecast.

The Government's guidance is that these forecasts should be made available to all interested parties as early as possible in the review process. The information is based on the current parish data.

The Present Structure of the Parish and Electoral Arrangements

Details	Current Electoral Arrangements
Type of governance	Warded Parish Council
Number of Councillors	11
Ratio of Councillors to electorate	Burton Green Ward – 128 electors per Cllr. University Ward – 183 electors per Cllr.
District Ward	Kenilworth Abbey & Arden
County Division	Lapworth & West Kenilworth
Parliamentary Constituency	Kenilworth & Southam
Last election date	2019
Next election date	2023

Electoral Arrangements

What does 'Electoral Arrangements' mean?

The term covers the way in which a council is constituted for the parish. It covers:

- the ordinary year in which elections are held;
- the number of councillors to be elected to the parish council;
- the division (or not) of the parish into wards for the purpose of electing councillors;
- the number and boundaries of any such wards;
- the number of councillors to be elected for any such ward; and
- the name of any such ward.

Council Size

The Government's guidance is that "each area should be considered on its own merits, having regard to its population, geography and the pattern of communities," and therefore the District Council is prepared to pay particular attention to existing levels of representation, the broad pattern of existing council sizes and the take-up of seats at elections in its consideration of this matter.

Parishes wishing to increase numbers must give strong reasons for doing so.

The number of parish councillors for each council must be not less than five but can be greater. However, each parish grouped under a common parish council must have at least one parish councillor.

The Aston Business School found the following levels of representation to the good running of a council:

Electors	Councillors
Less than 500	5-8
501-2,500	6-12
2,501-10,000	9-16
10,001-20,000	13-27
More than 20,000	13-31

It should also be noted that the National Association of Local Councils suggest the minimum number of councillors be seven and the maximum be twenty-five.

The District Council must have regard to the following factors when considering the number of councillors to be elected for the parish:

- the number of local government electors for the parish;
- any change in that number which is likely to occur in the period of five years beginning with the day when the Review starts.

Parish Warding

Parishes can be divided into wards for the purpose of electing councillors. (This could depend upon the size and make up of a proposed council). Consideration must be given to the number of and distribution of local government electors which could make a single election of councillors impractical or inconvenient or it may be desirable for areas within the parish to be separately represented.

The Government's guidance is that "the warding of parishes in largely rural areas that are based predominantly on a single centrally-located village may not be justified. Conversely, warding may be appropriate where the parish encompasses a number of

villages with separate identities, a village with a large rural hinterland or where, on the edges of towns, there has been some urban overspill into the parish.”

The number of councillors to be elected for parish wards

The District Council is required to have regard to the following when considering the size and boundaries of the wards and the number of councillors to be elected for each ward:

- the number of local government electors for the parish;
- any change in the number, or distribution, of the local government electors which is likely to occur in the period of five years beginning with the day when the Review starts.

Reorganisation of Community Governance Orders and Commencement

The Review will be completed when the District Council adopts a Reorganisation of Community Governance Order.

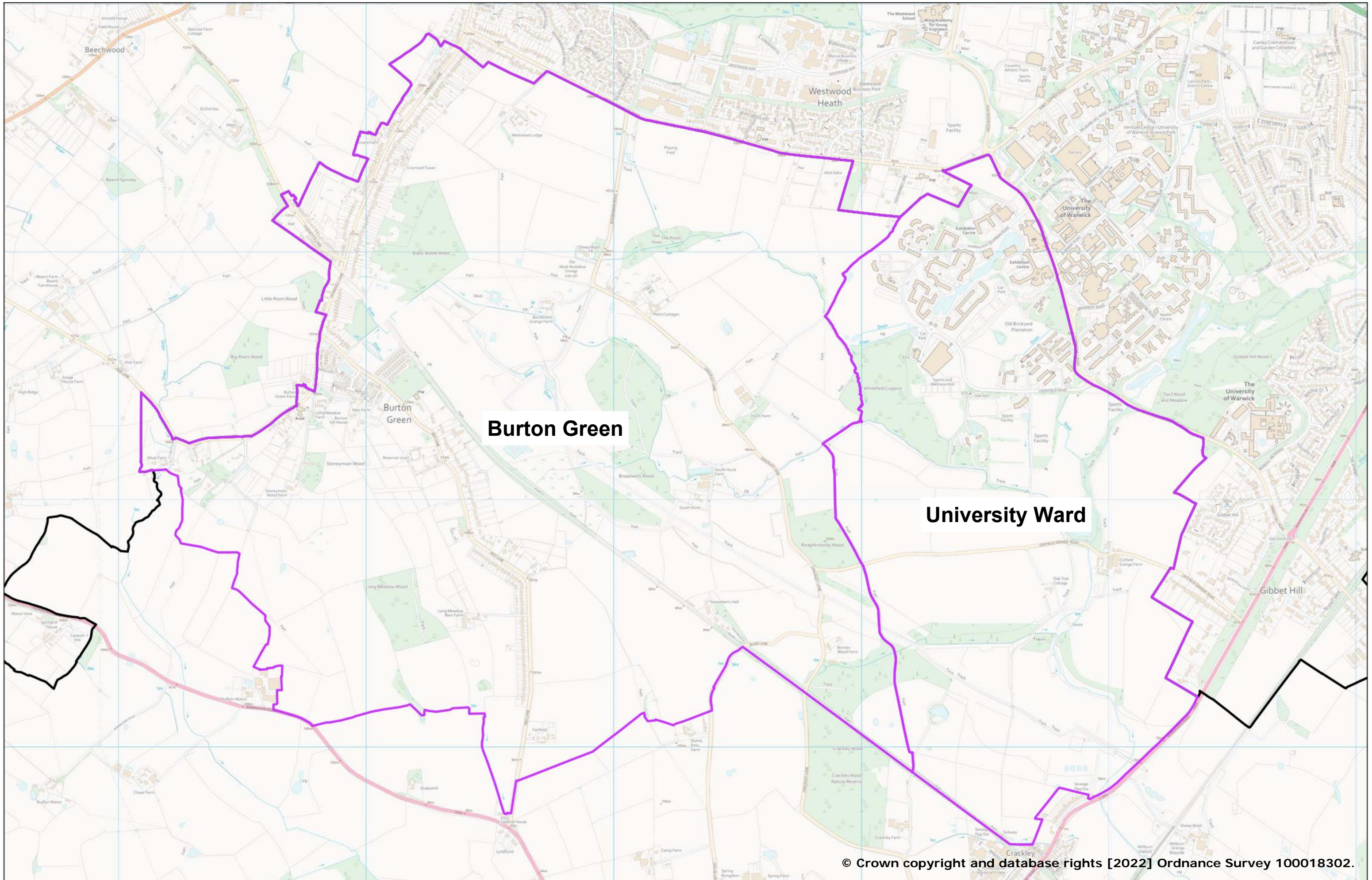
Copies of this Order, the document(s) which set out the reasons for the decisions that the Council has taken will be deposited at the Councils offices at Riverside House, Milverton Hill, Royal Leamington Spa CV32 5HZ and website (www.warwickdc.gov.uk).

In accordance with the Guidance issued by the Government, the Council will issue maps (as necessary) to illustrate each recommendation at a scale that will not normally be smaller than 1:10,000.

Prints will also be supplied, in accordance with the regulations, to Ordnance Survey, the Registrar General, the Land Registry, the Valuation Office Agency, the Boundary Commission for England and the Electoral Commission.

The Order will specify when it will take effect for financial and administrative matters and when the electoral arrangements for the Parish Council will come into force.

Date of Publication of these Terms of Reference Friday 17 June 2022



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Burton Green Parish

Scale: 1:13500 @A3 Drawn By: MB

Riverside House, Milverton Hill, Royal Leamington Spa, Warwickshire. CV32 5HZ

Date: 01/06/2022

