

A meeting of the above Committee will be held in the Town Hall, Royal Leamington Spa on Wednesday 29 May 2019, at 7.30pm or at the end of the scheduled training session, whichever is the latter.

Membership:

Councillor L Bartlett
Councillor J Dearing
Councillor R Dickson
Councillor O Jacques
Councillor V Leigh-Hunt

Councillor J Nicholls
Councillor S Syson
Councillor J Tracey
Councillor N Tangri
Councillor T Wright
Vacancy – Whitnash RA

Emergency Procedure

At the commencement of the meeting, the emergency procedure for the Town Hall will be announced.

Agenda

1. Apologies & Substitutes

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

2. Declarations of Interest

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

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

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

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

3. Minutes

To confirm the minutes of the meeting held on Tuesday 2 April 2019.

(To Follow)

4. **Internal Audit – Quarter 4 Progress Report**

To consider a report from Finance.

(To Follow)

5. **Internal Audit – Annual Report 2018/19**

To consider a report from Finance.

(To Follow)

6. **Annual Governance Statement 2018/19**

To consider a report from Finance.

(To Follow)

7. **Public & Press**

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

8. **Minutes**

To consider the confidential minutes of the meeting held on Tuesday 2 April 2019.

(To Follow)

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You can e-mail the members of the Committee at

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456114

Finance and Audit Scrutiny Committee

Minutes of the meeting held on Tuesday 2 April 2019 at the Town Hall, Royal Leamington Spa at 6.00pm.

Present: Councillor Quinney (Chair); Councillors Cain, Day, Gifford, Illingworth, Mrs Knight and Wright.

Also present: Councillors Coker, Mobbs, Phillips, Rhead and Thompson

126. Apologies and Substitutes

Apologies for absence were received from Councillors Howe, Margrave, Murphy and Noone.

127. Declarations of Interest

Minute Number 134 – Executive Agenda (Non Confidential Items and Reports) – Wednesday 3 April 2019

At the time of discussing this item, Councillor Gifford declared an interest because he was a County Councillor and the Council had a shared procurement service with Warwickshire County Council.

Minute Number 135 – Procurement Progress Update – annual for financial year 2018/2019

At the time of discussing this item, Councillor Gifford declared an interest because he was a County Councillor and the Council had a shared procurement service with Warwickshire County Council.

128. Minutes

The minutes of the meeting held on 5 March 2019 were taken as read and signed by the Chairman as a correct record.

129. Leisure Development Programme - Completion of Phase I

The Committee received a report from Cultural Services providing an update on the completion of Phase I of the Leisure Development Programme.

The Leisure Development Programme (LDP) Phase I commenced in April 2016 with ambitious projects to refurbish and extend the leisure centres at Newbold Comyn, Royal Leamington Spa and St Nicholas Park, Warwick. St Nicholas Park Leisure Centre was finally completed in April 2018 and Newbold Comyn Leisure Centre in October 2018.

Both sites experienced significant delays during the construction phase, and as a result, incurred additional costs in terms of compensation to the construction contractor, the leisure centre operator, materials and professional services, and officer time.

The final costs report had been received from the project managers, Mace, and had been presented to the Project Board. A high level summary extracted from the Cost Report was attached as Appendix A to the report.

As Members were informed in May 2017, based on legal advice, it was intended at the completion of the projects to make a financial claim against the relevant utility companies for their role in the delay in the projects. These claims had now been made as described in the private and confidential report, also on the agenda.

As explained in the briefing given to Members in May 2017, attached as Appendix B to the report, both sites experienced significant disruption to the construction programme as a result of delays in works by a number of utility companies. These delays were extremely disappointing, given that a programme of "Enabling Works" had been undertaken ahead of the official contract award in order to mitigate such delays, and that it had been agreed with Speller Metcalfe (SML), the construction contractor, to place orders in summer 2016 with the appropriate utility company to avoid delays later in the programme.

In summary, the delays were the result of:

- Water mains diversions at Newbold Comyn and St Nicholas Park; burst water pipes; redesign of utility infrastructure to address problems that emerged with original plans.
- Delay in initial works and in redesign of electricity infrastructure to address problems that emerged with original plans.
- Delay in carrying out gas diversions at St Nicholas Park and delay in commissioning the new mains.

Further details of the causes of the delays were included in the private and confidential report, also on the agenda for this meeting.

At the point that officers briefed Members in May 2017, the pool at St Nicholas Park Leisure Centre was due to open on 4 September 2017 with the gym and studios opening in Spring 2018. These dates were achieved and the official opening with Colin Jackson MBE took place on 21 April 2018.

It was anticipated that Newbold Comyn Leisure Centre would be complete with all the facilities open by Spring 2018. Further delays were experienced at this site due to issues related to the water mains, which were impacting on the "buildability" of the sports hall, colonnade, entrance area and car park. The designs produced and implemented by the utility company proved to be unviable, and contractors failed to carry out the works to the approved plans. The Centre was finally completed and fully open to the public on 17 October 2018 with an official open day celebrated on 17 November 2018.

The works undertaken on the project by the utility companies were outside of the "Contract Works" being undertaken by SML, and therefore the management of the utility companies carrying out these works was the responsibility of the Council rather than SML. Under the terms of the NEC3 Engineering and Construction contract, SML were therefore entitled to claim compensation from the Council for the delays. Each compensation event that SML claimed for was assessed by Mace Ltd, the Project Manager, and involved forensic study of SML records, site records, site diaries and SML

quotations in order to ensure that the SML claim for compensation events was justified and auditable. On behalf of the Council, Mace Ltd undertook a forensic assessment of the SML claim, and advised the Council to settle on a figure that they believed was fair and reasonable. Details of the settlement were included in the private and confidential report.

There was a further implication of the delays at each site, in that under the terms of their contract with the Council, Everyone Active were able to claim for loss of income due to the facilities not being completed on schedule. Details of this claim were also included in the private and confidential report.

Given the scale and complexity of the issues relating to the delays, advice was sought from Warwickshire Legal Services and Counsel on the approach and strategy to be taken in approaching these companies. Based on their advice, Deputy Chief Executive (AJ), in consultation with Councillors Coker and Rhead, had lead the process to seek compensation from each of the three utility companies. Letters were sent in January 2019. The private and confidential report provided Members with an update of the current situation in terms of these claims.

Resolved that the report be noted.

130. **Public and Press**

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

The item below was considered in confidential session and the full details of this were included in the confidential minutes of this meeting.

131. **Confidential - Leisure Development Programme - Completion of Phase I**

The Committee received a confidential report from Cultural Services providing an update on the completion of Phase I of the Leisure Development Programme.

The recommendations in the report were approved.

(The meeting resumed in public session.)

132. **2018/19 Audit**

The Committee received a report from Finance seeking approval of the 2018/19 External audit Plan.

The External Auditors, Grant Thornton, had prepared their Audit Plan for 2018/19 for Members' consideration. This was supported by the "Informing the Risk Assessment" document.

As in recent years, the auditors had commenced work on the audit. Progress on the audit work to date was also included.

The auditors had submitted the External Audit Plan for 2018/19 which was included as Appendix A to the report. Appendix B to the report, Informing the Risk Assessment, had been produced by the external auditors, bringing together details of responses from officers. The purpose of the document was to assist in the communication between Members and the external auditors. Officers' responses to the document had also been included.

The auditors had been on site for three visits to commence work on the audit. The intention was to undertake as much work as possible ahead of closedown and the compilation of the Statement of Accounts as possible, so as to reduce their audit time in June/July. Progress on the Audit was included as Appendix C to the report.

The vast amount of the documents and supporting information was supplied to the auditors ahead of their interim visits. At the time of writing the report, most of the items shown as outstanding had been submitted, with progress shared with the auditors.

The progress report included details on progress made against the recommendations from the auditors within the 2017/18 Annual Audit Letter. These recommendations were monitored and reported to Members within the regular update report on the Action Plan following Review of Closure of Accounts.

The external auditors introduced the report and answered questions from Members.

In addition, it was noted there was an error at page 12, where it should read (PY £62,000) rather than (PY £62m).

In response to questions from the Committee, the Head of Finance and external auditors explained that:

- the report and appendices were a transparent way to report to Committee;
- all Members were required to fill in declaration forms, which were efficiently collected in February. The Senior Management Team were also required to fill in the same form. In line with the Employee Code of Conduct, there was also a process for all employees to declare interest to their managers;
- whilst it was not impossible for fraud to happen, the external auditors were satisfied with the procedures the Council had in place for fraud prevention; and
- no delays or problems were anticipated as far as the valuers were concerned.

On behalf of the Committee, the Chairman thanked the external auditors for their attendance and their extremely valuable support when dealing with considerable challenges.

Resolved that

- (1) the 2018/19 External Audit Plan and the supporting document, Informing the Risk Assessment, be agreed; and
- (2) the progress on the 2018/19 audit to date be noted.

133. Update on Action Plan following Review of Closure of Accounts

The Committee received a report from the Deputy Chief Executive (AJ) setting out the progress on the action plan which was agreed in the report on the Review of the Closure of 2017/18 Accounts in October 2018.

Appendices 1 and 2 to the report set out the monthly progress report on, and risk register of, the action plan agreed following the Review of the Closure of the 2017/18 Accounts. Progress was to be noted and for the Executive and the Finance and Audit Scrutiny Committee to make any comments.

The Deputy Chief Executive (AJ) introduced the report and answered questions from Members.

In response to questions from the Committee, the Deputy Chief Executive (AJ) explained that:

- the necessary infrastructure was in place so that all service managers would be able to update performance measurements in real time. Action 15 in Appendix 1 to the report was still amber, but it was expected that once the Project Officer was recruited, there would be no need for that to be amber anymore;
- the skeleton for the statement of accounts was being populated, picking up comments from the auditors.

The Deputy Chief Executive (AJ) thanked the external auditors for all their efforts and support.

Resolved that

- (1) the content of the action plan at Appendix 1 to the report, be noted; and
- (2) the content of the Risk Register at Appendix 2, be noted.

134. Executive Agenda (Non Confidential Items & Reports – Wednesday 3 April 2019)

The Committee considered the following items which would be discussed at the meeting of the Executive on Wednesday 3 April 2019.

Item 12 – Update on Action Plan following Review of Closure of Accounts

The Finance & Audit Scrutiny Committee welcomed the report and noted the recommendations in the report and appendices. The Committee accepted that the timing for closure of the final Accounts for 18/19 remained on track for the end of July, as indicated by this report and by the separate report to Committee by the external auditors, who also

contributed to the discussion on this paper. The Committee requested that any bad news regarding closure be immediately reported to the Committee.

Item 10 – Significant Business Risk Register

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

Item 3 – Procurement Strategy and Review of Shared Service

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

135. **Procurement Progress update – annual for financial year 2018/2019**

The Committee received a report from Finance providing Members with greater visibility of all the Council's procurement activity. The report gave a snap shot on how procurement was organised within Warwick District Council and the resources that were being utilised to deliver effective procurement. The report also served to update progress on Procurement during the financial year 2018/19.

It was agreed at the July 2010 Executive meeting as part of the Procurement Strategy that Members would receive updates on the progress of procurement and the procurement strategy. This was one of the actions within the Procurement Action Plan.

The Council's combined expenditure was approximately £38 million a year on the acquisition of goods and commissioning of works and services through procurement activity and the provision of grants to third party organisations.

The Procurement Team had been extremely busy over the past year: mobilising the procurement shared service arrangement with Warwickshire County Council; adjusting to the new procurement service structure; supporting the production and dissemination of the new Code of Procurement Practice and new Procurement Strategy; and supporting the delivery of a large number of procurement exercises for goods, services and works, including the Digital CCTV project.

A revision of the Council's Code of Procurement Practice in conjunction with the County Council had dramatically reduced its size and improved its usability. In addition, to build on the many elements of the current procurement strategy that were now fully integrated as part of the Council's standard procurement processes, a new strategy had been drafted and submitted for approval to align the Council with its current corporate objectives, as well as the objectives set in the National Procurement Strategy 2018.

The appendices to the report detailed progress on procurement during the year. Appendix 1 to the report was the Record of Progress against Procurement Action Plan 2018/19. The Action Plan was agreed by members in April 2018.

Appendix Two, Procurement Activity from April 2018-March 2019, detailed the specific projects worth over £25,000 that had been worked upon in the year, split into contracts being re-let and new contracts awarded.

In January 2018, the Executive agreed that the Council would enter a partnership with Warwickshire County Council for strategic procurement support. This was partly due to the problems that the Council had had in recruiting and retaining senior procurement officers. This partnership was reviewed in more detail within the Procurement Report to the Executive on 3 April 2019.

The proposed Procurement Strategy 2019-23 was included within the Executive Agenda for 3 April 2019. To support this Strategy, an Action Plan had been produced to support the Objectives. These objectives were included within Appendix 5 to the report.

Resolved that

- (1) the progress across the procurement function over the past year as set out in Appendices 1 to 4 of the report, be noted; and
- (2) the Procurement Action Plan to achieve Strategic Procurement Objectives for 2019/2020 attached as Appendix 5 to the report, be approved.

136. Executive Agenda (Non Confidential Items & Reports – Wednesday 3 April 2019)

The Committee considered the following items which would be discussed at the meeting of the Executive on Wednesday 3 April 2019.

Item 4 – Employer’s Agent for New Housing Programme

The Finance & Audit Scrutiny Committee supported the recommendations in the report. Councillor Phillips, Portfolio Holder – Housing undertook to submit a revision to the wording of the Housing Revenue Account (HRA) amendment that would address the concerns raised by the Overview & Scrutiny Committee so that the Employer’s Agent ensured that these new homes met the required standards regarding performance-in-use measures of energy efficiency, lifetime homes and renewable energies. Councillor Davidson had supplied a form of wording which Councillor Phillips agreed he could use to base the revision as follows:

Councillor Davidson’s suggested wording:

The Council is currently developing "a Plan to incorporate in new-builds funded through the Housing Investment Programme improved housing standards, in-use performance standards (such as identified by the Sustainable Development Foundation), lifetime homes standard and renewable energy installations." Consequently, the Employer’s Agent would need to demonstrate experience and expertise in these areas, so that the new homes would be built in accordance with these standards and performance monitored.

137. Public and Press

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

The item below was considered in confidential session and the full details of this were included in the confidential minutes of this meeting.

138. Executive Agenda (Confidential Items & Reports – Wednesday 3 April 2019)

The Committee considered the following items which would be discussed at the meeting of the Executive on Wednesday 3 April 2019.

Item 14 – Confidential Appendix 1 to Item 4 - Employer's Agent for New Housing Programme

The Finance & Audit Scrutiny Committee supported the recommendations in the report. More details were provided in the confidential minutes.

(The meeting resumed in public session.)

139. Executive Agenda (Non Confidential Items & Reports – Wednesday 3 April 2019)

The Committee considered the following items which would be discussed at the meeting of the Executive on Wednesday 3 April 2019.

Item 8 – Corporate Property Repair and Planned & Preventative Maintenance Programme (PPM) 2019/20

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

Item 6 - Software and Hardware Upgrade for CCTV Service

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

140. Health and Community Protection - Service Review

The Committee received a report from Health & Community Protection (HCP) bringing together the Health and Community Protection contract register, risk register and budget.

Following several years of reviewing service contract and risk registers, it had been requested by Members that the two registers for each Service Area should be considered together, along with details of the budget and performance for the relevant service.

The report brought together the HCP risk register, HCP contract register and HCP budget outline.

The latest version of the risk register was set out as Appendix A to the report, with a summary document provided as Appendix B to the report.

The scoring criteria for the risk register were subjective and were based on an assessment of the likelihood of something occurring, and the impact that might occur.

In line with the traditional risk matrix approach, greater concern should be focused on those risks plotted towards the top right corner of the matrix whilst the converse was true for those risks plotted towards the bottom left corner of the matrix. If viewed in colour, the former-described set of risks were within the area shaded red, whilst the latter-described set of risks were within the area shaded green; the mid-range were in the area seen as yellow.

HCP were responsible for a wide range of services which consequently led to a number of potential risks. There were 46 risks contained in the risk register.

There were 25 risks rated "green", 20 rated "amber", and one rated "red", in accordance with the Council's risk scoring matrix.

As with all the risks in the register, it was the controls and mitigations that were being undertaken to control the risks that were of importance. These reflected the tangible actions over which there was more control.

The latest version of the HCP contract register was set out in Appendix C to the report. There were 24 live contracts listed.

Details of HCP budgets were included as Appendix D to the report.

The Head of Health and Community Protection and the Portfolio Holder for Health and Community Protection introduced the report. In response to questions from the Committee they explained that:

- they did charge HS2 Ltd for the work they undertook; and
- the primary work on HS2 was section 61 applications.

Resolved that the Health and Community Protection contract register, risk register and budget, be noted.

141. Review of the Work Programme, Forward Plan Comments from the Executive

The Committee received a report from Democratic Services setting out its current work programme, the Forward Plan and responses from the comments made by the Committee to the Executive.

Resolved that the report and its appendices be noted.

142. End of Term Report 2018/19

The Committee received a report from Civic & Committee Services providing an update on the work the Committee had undertaken during the 2018/19 municipal year.

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

Prior to it being presented to Council, the report would be updated to include items considered at the 2 April 2019 meeting of the Committee.

The Democratic Services Manager & Deputy Monitoring Officer introduced the report and answered questions from Members. Members agreed to add an additional item on the Work Programme relating to Pump Rooms Gardens and lessons learnt from that.


Recommended to Council that the list of matters considered by the Committee during the municipal year 2018/19, as detailed in Appendix 1 to the report, be noted.

The Chairman, Councillor Quinney, thanked all Members, present and absent, for their contributions in what had been a fairly tough year, and thanked officers, who had been supporting the Committee.

The Committee thanked the Chairman for his efforts and for being an extremely thorough, excellent Chair.

(The meeting ended at 9.02 pm)

CHAIRMAN
29 May 2019

 Finance and Audit Scrutiny Committee 29 May 2019		Agenda Item No. 4
Title	Internal Audit Quarter 4 2018/19 Progress Report	
For further information about this report please contact	Richard Barr Tel: (01926) 456815 E Mail: richard.barr@warwickdc.gov.uk	
Wards of the District directly affected	Not applicable	
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006	No	
Date and meeting when issue was last considered and relevant minute number	Finance and Audit Scrutiny Committee – 5 March 2019	
Background Papers	Internal Audit Reports	

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

Officer/Councillor Approval		
With regard to officer approval all reports <i>must</i> be approved by the report author's relevant director, Finance, Legal Services and the relevant Portfolio Holder(s).		
Officer Approval	Date	Name
Chief Executive/Deputy Chief Executive	25/04/2019	Chris Elliott
Head of Service	25/04/2019	Mike Snow
SMT	25/04/2019	SMT
Section 151 Officer	25/04/2019	As Head of Service
Monitoring Officer	25/04/2019	Andrew Jones
Finance	25/04/2019	As Section 151 Officer
Portfolio Holder	25/04/2019	Councillor Whiting
Consultation and Community Engagement		
None other than consultation with members and officers listed above.		
Final Decision?		Yes
Suggested next steps (if not final decision please set out below)		

1 **Summary**

- 1.1 Report advises on progress in achieving the Internal Audit Plan 2018/19, summarises the audit work completed in the fourth quarter and provides assurance that action has been taken by managers in respect of the issues raised by Internal Audit.

2 **Recommendations**

- 2.1 That the report, including its appendices, be noted and, where appropriate, approved. Specifically:
 - 2.1.1 That Appendix 1, containing guidance on the role and responsibilities of audit committees, be noted. (Paragraph 3.2 of this report)
 - 2.1.2 That Appendix 2, detailing the performance of Internal Audit in completing the Audit Plan, be considered. (Para. 8.1 of this report)
 - 2.1.3 That Appendix 3, setting out the action plans accompanying all Internal Audit reports issued in the quarter, be reviewed. (Para. 10.2)
 - 2.1.4 That Appendix 4, containing the audit report of an assignment that was awarded a lower than substantial assurance opinion, be scrutinised. (Para. 10.4)
 - 2.1.4 That Appendix 5, recording the state of implementation of recommendations issued in previous quarters, be reviewed. (Para. 11.2)

3 **Reasons for the Recommendations**

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

4 Policy Framework

4.1 Fit for the Future (FFF)

The Council's FFF Strategy is designed to deliver the District's Vision of making it a Great Place to Live, Work and Visit. With those objectives the FFF Strategy contains several Key projects.

The FFF Strategy has 3 strands – People, Services and Money and each has an external and internal element to it. The table, overleaf, illustrates the impact of this proposal if any in relation to the Council's FFF Strategy.

FFF Strands		
People	Services	Money
External		
Health, Homes, Communities	Green, Clean, Safe	Infrastructure, Enterprise, Employment
<u>Intended outcomes:</u> Improved health for all Housing needs for all met Impressive cultural and sports activities Cohesive and active communities.	<u>Intended outcomes:</u> Area has well looked after public spaces All communities have access to decent open space Improved air quality Low levels of crime and ASB.	<u>Intended outcomes:</u> Dynamic and diverse local economy Vibrant town centres Improved performance/ productivity of local economy Increased employment and income levels.
Impacts of Proposal		
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.		
Internal		
Effective Staff	Maintain or Improve Services	Firm Financial Footing over the Longer Term
<u>Intended outcomes:</u> All staff are properly trained All staff have the appropriate tools All staff are engaged, empowered and supported The right people are in the right job with the right skills and right behaviours.	<u>Intended outcomes:</u> Focusing on our customers' needs Continuously improve our processes Increase the digital provision of services.	<u>Intended outcomes:</u> Better return/use of our assets Full Cost accounting Continued cost management Maximise income earning opportunities Seek best value for money.
Impacts of Proposal		
Although there are no direct policy implications, internal audit is an essential part of corporate governance and will be a major factor in shaping the Policy Framework and Council policies.		

4.2 **Supporting Strategies**

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

4.3 **Changes to Existing Policies**

This section is not applicable.

4.4 **Impact Assessments**

This section is not applicable.

5 **Budgetary Framework**

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

6 **Risks**

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

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

7 **Alternative Options Considered**

- 7.1 This section is not applicable.

8 **Progress against Plan**

- 8.1 At the start of each year Members approve the Audit Plan setting out the audit assignments to be undertaken. An analysis of progress in completing the Audit Plan for 2018/19 is set out as Appendix 2.
- 8.2 I am pleased to report that all 36 of the audits planned for the year have been completed.

9 **Assurance**

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

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

Assurance Levels

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

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

10 Internal Audit Assignments Completed During Quarter

- 10.1 Seventeen audits were completed in the fourth quarter of 2018/19. Copies of all the reports issued during the quarter are available for viewing on the online agenda for the meeting.
- 10.2 The action plans accompanying all Internal Audit reports issued in the quarter are set out as Appendix 3. These detail the recommendations arising from the audits together with the management responses, including target implementation dates.
- 10.3 As can be seen, responses have been received from managers to all recommendations contained in audit reports issued during the quarter in question.
- 10.4 One audit completed in the quarter was awarded a lower than substantial assurance opinion. This was in respect of the Systems Ownership and Management audit. In line with procedure, the report relating to this audit is set out as Appendix 4 for specific scrutiny.

11 Implementation of Recommendations Issued Previously

- 11.1 Managers are required to implement recommendations within the following timescales:
- (a) Recommendations involving controls assessed as high risk to be implemented within three months.
 - (b) Recommendations involving controls assessed as low or medium risk to be implemented within nine months.
- 11.2 The state of implementation of **low and medium risk** recommendations made in the **first quarter of 2018/19** and **high risk recommendations** made in the **third quarter of 2018/19** is set out in Appendix 5 to this report.

11.3 As can be seen, responses have been received from all managers in order to provide the state of implementation of recommendations issued in this earlier quarter.

12 **Review**

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

GUIDANCE ON THE ROLE AND RESPONSIBILITIES OF AUDIT COMMITTEES

Public Sector Internal Audit Standards 2013

Independence and Objectivity

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

Glossary

Definition: Audit Committee

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

Audit Committees: Practical guidance for Local Authorities (CIPFA)

Core Functions

Audit committees will:

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

Suggested Audit Committee Terms of Reference

Audit Activity:

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

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

Monitoring Audit Performance

Auditor/officer collaboration

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

Management response

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

Implementation

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

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

CIPFA Technical Information Service Online

Audit Reporting

Introduction

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

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

Periodic Internal Audit Reports

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

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

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

INTERNAL AUDIT PROGRESS 2018/19: QUARTER 4**ANALYSIS OF PERFORMANCE****Time Spent: Audit Plan – Planned Vs Actual**

ACTIVITY	ANNUAL ALLOCATION (DAYS)	PROFILE ALLOCATION (DAYS)	ACTUAL TO DATE (DAYS)	VARIATION (DAYS)
<u>Planned Audit Work</u>	229.0	229.0	234.2	-5.2
<u>Other Time</u>				
Sundry audit advice	25.0	25.0	18.6	+6.4
Special investigations (e.g. Fraud/Irregularities)	15.0	15.0	0.8	+14.2
Corporate and departmental Initiatives	31.0	31.0	34.5	-3.5
Non-chargeable activities	102.0	102.0	127.5	-25.5
Leave and other absences	91.0	91.0	85.1	+5.9
<i>Total Other Time</i>	264.0	264.0	266.5	-2.5
<i>Total Time</i>	493.0	493.0	500.7	-7.7

Time spent: Assignments Completed – Planned Vs Actual

AUDIT ASSIGNMENT	PLAN (DAYS)	TIME TAKEN (DAYS)	UNDER (+) / OVER (-)
Performance Management	Undertaken by Audit & Risk Manager		
Corporate Property & Portfolio Management	Contracted-out		
Council Tax: Valuation, Liability and Collection / Refunds sub-systems	13.0	16.4	-3.4
National Non-Domestic Rates	10.0	11.1	-1.1
Business Applications: Civica Open Revenues	Contracted-out		
System Ownership and Management	Contracted-out		
Financial Systems Interfaces	Contracted-out		
Royal Pump Rooms (including Art Gallery)	10.0	9.4	+0.6
Leisure and Recreation Facilities	10.0	8.2	+1.8
Leisure Facilities Contracts	10.0	8.3	+1.7
Building Control	15.0	11.4	+3.6

AUDIT ASSIGNMENT	PLAN (DAYS)	TIME TAKEN (DAYS)	UNDER (+) / OVER (-)
Funding of Voluntary Organisations	10.0	9.1	+0.9
Health and Safety Enforcement in the District	Contracted-out		
Homelessness and Housing Advice (Review of Strategy Objectives)	Contracted-out		
Estate Management	8.0	6.3	+1.7
Right to Buy	7.0	3.9	+3.1
Car Parking	10.0	8.5	+1.5

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

Council Tax: Allocation of time was for only two sub-systems to be audited but three were audited.

Building Control: Familiarity with the system and minor reduction in testing due to unavailability of key member of staff.

Right to Buy: Ease of document access and no significant changes to processes.

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.	%
36	36	100.0	36	100.0	0	0.0

SUMMARY OF RECOMMENDATIONS AND MANAGEMENT RESPONSES FROM INTERNAL AUDIT REPORTS
ISSUED QUARTER 4, 2018/19

Report Reference	Recommendation	Risk Rating ¹	Responsible Officer	Management Response and Target Implementation Date (TID)
Performance Management – 29 March 2019				
This was performed as a consultancy review so there were no recommendations as such. However, a number of areas for development were identified for management to consider. The full report can be accessed, along with all other Internal Audit reports, through the Committee Management System.				
Corporate Property & Portfolio Management – 22 March 2019				
4.2.4	The draft strategy should be considered for approval to ensure that the Council has framework in place to allow for future planning and investment decisions to be made appropriately in relation to these valuable corporate resources.	Medium	Asset Manager	Following the Asset Management redesign, this strategy has been rescheduled for completion in 2019 and the Asset Management Steering Group will be reconstituted in April to drive the process. TID: September 2019.
4.5.4	A reconciliation of non-operational assets should be undertaken between the different data sources.	Low	Estate Management Surveyor	Agreed. A reconciliation will be carried out as suggested. TID: September 2019.

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)
4.6.5	Evidence should be retained of any agreements made with regards to rent reductions (including rent free periods) agreed with tenants of non-operation properties.	Low	Estate Management Surveyor	Agreed. Evidence will be retained as appropriate for all agreements made. TID: April 2019.
Council Tax: Valuation, Liability and Collection / Refunds sub-systems – 31 March 2019				
No recommendations resulting from review.				
National Non-Domestic Rates – 11 February 2019				
4.3.1.6	The VOA should be informed on the change of property use in the cases identified.	Low	Revenues & Recovery Manager and Visiting Team	Now that we have the Visiting Team Admin Officer (VTA) in post, I will ensure that the VTA report all of these to the VOA by way of Billing Authority Reports from now on. TID: With immediate effect.
4.3.2.3	Follow-up action should be taken with the VOA for all outstanding notified amendments.	Low	Revenues & Recovery Manager and Visiting Team	As above, the newly created VTA post will now run the reports using all amendment codes and chase these with the VOA as we do the 'new' properties. TID: With immediate effect.
4.4.3.5	The identified cases (and any other similar cases) should be reviewed to ensure that they are either billed where appropriate or deleted from the system.	Low	Revenues & Recovery Manager and NDR Team	We will look into these, however if a property is not bought into rating, it is excluded from any reporting on total property numbers. I see this as more of a file tidy exercise than a risk. TID: 31/03/20

Report Reference	Recommendation	Risk Rating ¹	Responsible Officer	Management Response and Target Implementation Date (TID)
4.4.3.6	The listed status of the identified property should be confirmed.	Low	Revenues & Recovery Manager and NDR Team	We do check all new cases with 'Historic England' and any cases that are queried, however some have been within the system for years and when I asked Historic England if they could provide a definitive list for our Council, this was not something that was possible. We will look into the case identified and refer to Historic England for advice. TID: Within one month.
4.4.3.9	A review of discretionary reliefs should be performed with applications sought as appropriate. The scoring of the applications should then be undertaken to ensure that the correct amounts of relief are being awarded.	Low	Revenues & Recovery Manager	This was planned for 2019/20 anyway so will be done as planned. TID: During financial year 2019/20.
Business Applications: Civica Open Revenues – 28 March 2019				
4.2.3	The System Owner should ensure that all generic Civica accounts are promptly disabled on the live Civica Open Revenues application.	Medium	Exchequer Services Manager	These have now been disabled. TID: Actioned.
4.2.5	The System Owner should request ICT to develop a monthly report of all unused or inactive Civica application accounts. All redundant Civica accounts should be promptly disabled.	Medium	Exchequer Services Manager	We now use a report that we receive daily that highlights where passwords have expired (passwords expire after 3 months). These are then reviewed to ascertain whether access is still appropriate. TID: Actioned.

Report Reference	Recommendation	Risk Rating ¹	Responsible Officer	Management Response and Target Implementation Date (TID)
4.4.3	ICT management should arrange for all ICT personnel to be assigned individual and uniquely identifiable superuser userids.	Medium	ICT Services Manager	Accepted. A request has been sent to the System Owner to setup ICT support staff with uniquely identifiable superuser userids. TID: April 2019.
System Ownership and Management – 31 January 2019				
4.4.3	Management should introduce a requirement that standardised user request forms are completed for key Council systems when requesting new users or changes to existing users access permissions. Forms should be retained to provide assurance that appropriate access rights have been granted to users according to their job role.	Medium	Deputy Chief Executive (AJ)	<i>Not fully accepted</i> System Owners must adopt a standardised process for authorising new users and permission changes which are appropriate to the sensitivity of their application. The new user authorisation and change request must be retained for assurance purposes. TID: 1 April 2019.
4.4.5	The accounts in question should be reviewed and all leaver accounts should be disabled.	Medium	Manager – Development Services (GF)	Agreed. We are currently working through the accounts in question to action this. TID: End of February 2019.

Report Reference	Recommendation	Risk Rating¹	Responsible Officer	Management Response and Target Implementation Date (TID)
4.4.6	The accounts should be reviewed and any generic accounts replaced with named individual accounts for those requiring access.	Medium	Manager – Development Services (GF)	<p>We are in the process of identifying the accounts in question.</p> <p>Many of the generic accounts are set up by IDOX engineers for their purposes in supporting us and for testing.</p> <p>However, this is controlled via a 3rd party network access agreement /non-disclosure agreement with IDOX.</p> <p>Further discussion required as to the ability to and appropriateness of complying with this requirement.</p> <p>TID: End of February 2019.</p>
4.5.3	A regular account review process should be introduced for key Council systems. This should be performed at least annually and require team managers to confirm that users under their supervision have appropriate access rights within the application and that all leavers have been removed.	Medium	Deputy Chief Executive (AJ)	<p>Accepted.</p> <p>System Owners are responsible for ensuring that a regular user account review is carried out. This review should be performed at least annually to confirm that users have appropriate access rights within the application and that all leavers have been removed.</p> <p>Where a System Owner has not previously carried out a review for their system, one must be completed by 31.07.19.</p> <p>TID: 31 July 2019.</p>

Report Reference	Recommendation	Risk Rating¹	Responsible Officer	Management Response and Target Implementation Date (TID)
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Financial Systems Interfaces – 31 January 2019				
4.3.5	A regular review process should be introduced for folders containing sensitive financial data. This should be performed at least annually and require relevant team managers to confirm that users under their supervision have appropriate access rights and that any leavers have been removed.	Medium	Strategic Finance Manager	Accepted. Will review in conjunction with ICT and Principal Accountants to assess need. TID: Immediate. (Review will be undertaken annually.)
4.3.8	ICT should ensure the purpose of the administrator account is reviewed and that the account disabled if appropriate.	Medium	ICT Application Support Manager	Accepted. The administrator account has been reviewed and one of the accounts within the administrator group has had its access removed from this folder. The remainder of the accounts are required for essential support purposes. TID: Complete – no further action required.

Report Reference	Recommendation	Risk Rating¹	Responsible Officer	Management Response and Target Implementation Date (TID)
4.5.3	Management should investigate the feasibility of improved event logging with the third party supplier.	Low	Systems Officer, Finance Systems Team	This would potentially be an enhancement and as we intend to replace the FMS within the next two years then there will be no appetite or budget to pursue this (this is noted in paragraph 4.5.4 of the report). The facility/feature will be taken into account when selecting a new FMS. TID: Not applicable (although will be considered when selecting a new FMS).

Royal Pump Rooms (including Art Gallery) – 27 February 2019

4.4.2	Invoices should be set up on the system (TOTAL) correctly to enable budget managers to account for them when budget forecasting. Staff should be trained on how to set up annualised orders (for invoices paid in instalments).	Low	Arts Manager / Collections and Engagement Manager	Training on TOTAL and the correct procedures for annual orders will be given to all appropriate Collections & Engagement staff. TID: By 1 June 2019.
4.4.10	A key signing-in/out procedure should be adopted for the safe keys. The security of storage for the safe key should be reviewed.	Low	Programme and Marketing Manager / Sales and information Supervisor	A signing in/out procedure will be implemented and the storage of keys will be reviewed. TID: By 1 April 2019.

Leisure and Recreation Facilities – 31 March 2019

Report Reference	Recommendation	Risk Rating¹	Responsible Officer	Management Response and Target Implementation Date (TID)
4.4.2	The Code of Procurement Practice should be followed in relation to all purchases. (In this situation it applies as purchases through the year total over £9,999 with one supplier.) Staff should have procurement training and apply the guidance provided by the Procurement team.	Low	Sports & Leisure Contract Manager / Sports & Leisure Contract Officer	We will go through the policy relating to the procurement to ensure that the main processes are fully understood. TID: July 2019

Leisure Facilities Contracts – 29 March 2019				
4.3.16	The summary customer comments reports should include all relevant complaints / compliments.	Low	Sport & Leisure Contract Manager	Whilst we have a good handle on customer complaints / compliments from the data we receive from Everyone Active and from our regular client meetings, we acknowledge that we need to agree with Everyone Active a method of collecting customer satisfaction data. TID: August 2019

Report Reference	Recommendation	Risk Rating¹	Responsible Officer	Management Response and Target Implementation Date (TID)
4.4.5	A formal log of all agreed contract variations should be maintained.	Low	Sport & Leisure Contract Manager	We have a process for contract variations. However, we will review it and make any required amendments, including the use of Change Control Notes as set out in the contract. TID: August 2019
Building Control – 15 March 2019				
4.4.8	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	Principal Building Consultants	It is acknowledged that not all officers are completing all fields when processing applications. Principal Building Consultants (PBCs) ensure all site officers are on a rota to provide office cover, where they can be shadowed and retrained when processing applications. The PBCs are conducting regular 1-1's with staff to support and monitor work flow / processing. This should, over time, reduce errors made. Issues highlighted at quarterly case monitoring will be fed back to the PBCs. TID: Sept 2019 with subsequent quarterly monitoring.
4.5.10	The supplementary fees should be included in the annual fees and charges report for approval by Members.	Low	Head of Consortium	The supplementary fees were discussed at the time of the fees review, but unfortunately they were not presented for approval. This was an oversight, and it is agreed they should have been included for approval by members. This will be done for the next round of fee approval. TID: Sept 2019

Report Reference	Recommendation	Risk Rating¹	Responsible Officer	Management Response and Target Implementation Date (TID)
4.5.14	An annual financial statement should be produced and published.	Medium	Head of Consortium & Assistant Accountant	I can confirm this was actioned for 2016/17, but apparently not for 2017/18. A reminder will be placed on the Head of Consortium's calendar to ensure this is actioned for 2018/19. TID: April/May 2019
4.5.16	Staff should be reminded of the need to ensure that notes are recorded on the system to highlight any fee variations.	Low	Principal Building Consultants	This will be checked and discussed with officers at the regular 1-1's. TID: Immediately and ongoing.
4.5.20	The fee parameter table in Acolaid for 2019/20 should be updated to include the correct figures.	Low	Head of Consortium	This has since been actioned ready for 1 April 2019. TID: Completed.
4.5.26	The quarter one recharge invoices should be checked with the BSM upon her return with charges being raised as appropriate if the figures are found to be incorrect.	Low	Business Support Manager & Head of Consortium	The quarter one recharge invoices will be checked with the BSM upon her return with charges being raised as appropriate if the figures are found to be incorrect. TID : April 2019.

Funding of Voluntary Organisations – 29 March 2019

Report Reference	Recommendation	Risk Rating¹	Responsible Officer	Management Response and Target Implementation Date (TID)
4.4.5	Specific evidence should be retained for all grants approved (either formal minutes from the Planning Group or a proforma document which is signed off by the chair of the group).	Low	Community Partnership Team Manager	The decisions / recommendations from the Planning Group meetings regarding the vetting and approval of bids to go forward to the Forum will be recorded on a proforma which will be signed by the Forum Chair. TID: 30 September 2019.
Health and Safety Enforcement in the District – 30 November 2018				
No recommendations resulting from review.				
Homelessness and Housing Advice (Review of Strategy Objectives) – 28 March 2019				
4.2.2	To further inform development and planning of the future strategy, an assessment should be undertaken of actions to be undertaken against remaining objectives. Progress against these actions should then be assessed on a monthly basis.	Medium	Housing Strategy & Development Manager / Rough Sleeping Strategic Coordinator	The recommendation to assess actions is accepted however our view is that quarterly is sufficient to monitor progress. TID: June 2019.

Report Reference	Recommendation	Risk Rating¹	Responsible Officer	Management Response and Target Implementation Date (TID)
4.3.2	There should be engagement and consultation, regarding the Mental Health Protocol, with mental health service providers, clinical commissioning groups, safeguarding, and social care teams to ensure that it reflects relevant issues.	Medium	N/A	<p>Since the strategy was approved there have been some key developments at a County level. Warwickshire County Council are funding a pilot scheme involving two Community Psychiatric Nurse posts which will be placed with the street outreach teams but link to the Mental Health partnership trust.</p> <p>Furthermore, a county-wide homeless strategy is being developed which consider addressing the mental health needs of homeless people.</p> <p>We would suggest that events have overtaken the notion of the development of a protocol and it is therefore proposed to put to members, revisions to the strategy to reflect current thinking and practices.</p> <p>TID: Not applicable.</p>
4.3.2	The Mental Health Protocol should include consent to information being exchanged between parties at the outset and include a quarterly case review process of those considered to be at most risk of becoming homeless.	Medium	N/A	<p>As above.</p> <p>TID: Not applicable.</p>

Report Reference	Recommendation	Risk Rating¹	Responsible Officer	Management Response and Target Implementation Date (TID)
4.3.8	Cases discussed at the relevant weekly or monthly meetings should be risk-assessed and RAG-rated identifying assigned actions, barriers and further engagement required. Where a case is not discussed, details should be minuted.	Medium	Rough Sleeping Strategic Coordinator	The recommendation will be actioned as suggested. TDI: May 2019.
Estate Management – 31 March 2019				
4.2.8	Working patterns and restrictions on overtime should be introduced to provide staff cover and allow budget forecasting to be more accurate.	Low	Neighbourhood Estates Manager	WDC are at present recruiting for a Neighbourhood Officer. This will reduce the overtime cover. PID: June 2019
4.2.8	Overtime should be monitored closely to prevent staff from working more than an average of 48 hours per week.	Low	Neighbourhood Estates Manager	As above, Staff have signed a Working time directive opt out agreement on 2 nd April 2019. PID: April 2019
4.5.1	An up-to-date inventory of valuable and desirable items should be compiled and forwarded to the Insurance and Risk Officer. This should be updated at least annually.	Low	Neighbourhood Estates Manager	Neighbourhood officer is at present completing a spreadsheet with items value over £50. To forward onto the Insurance and Risk Officer. PID: June 2019
Right to Buy – 4 March 2019				
4.3.8	The Council's website should be updated to include the correct maximum discount figure.	Low	Business Administration Officer	Oversight corrected 7 th February with diary note to uprate to new amount in April 2019. PID: Completed.

Report Reference	Recommendation	Risk Rating¹	Responsible Officer	Management Response and Target Implementation Date (TID)
4.5.5	Consideration should be given to drawing up a formal agreement document containing relevant terms and conditions for the structural surveys 'contract'.	Low	Business Administration Officer	Discussed with Procurement. Agreed standard purchase order terms and conditions on internet sufficient for the work done by current supplier. PID: Completed.
Car Parking – 7 February 2019				
4.8.4	Inventories should be updated and should include all items of valuable, portable or desirable nature (e.g. cameras, body cams and new handhelds).	Low	Car Parking Manager	All equipment inventories will be updated at least annually and variances referred to Insurance & Risk Officer. PID: 1/4/19 or sooner if we have the new Handhelds.

**AUDIT REPORTS WITH MODERATE OR LOW LEVEL OF ASSURANCE
ISSUED QUARTER 4 2018/19****System Ownership and Management – 31 January 2019****1 Introduction**

- 1.1 In accordance with the Audit Plan for 2018/19 an audit review of System Ownership and Management was completed in December 2018 by Andy Shade from Internal Audit's IT audit contractor, TIAA. This report presents the findings and conclusions drawn from the audit for information and action where appropriate.
- 1.2 Wherever possible, findings have been discussed with the staff involved in the procedures examined and their views are incorporated, where appropriate, into the report. My thanks are extended to all concerned for the help and co-operation received during the audit.

2 Background

- 2.1 This audit was undertaken to ensure that Council systems are managed appropriately and controlled through the use of a designated system owner/owners.

3 Scope and Objectives of the Audit

- 3.1 The objective of the report was to ensure that adequate processes are in place around the management and ownership of key Council systems and that system owner's roles and responsibilities are appropriately defined and documented.
- 3.2 Testing was performed to confirm that controls identified have operated as expected with documentary evidence being obtained where possible, although some reliance has had to be placed on verbal discussions with relevant staff.
- 3.3 The audit was designed to assess and provide assurance on the risks pertaining to the following key areas:
- Documentation of system owner roles and responsibilities
 - Management of superuser/ admin activity
 - System support arrangements
 - Ownership of third party relationships
 - Access control processes and procedures.

4 Findings**4.1 Recommendations from Previous Report**

4.1.1 This section is not applicable as this is the first audit of this area.

4.2 **Policies & Procedures**

4.2.1 The ICT policies and procedures relevant to systems ownership and management were identified and obtained during the review. These were used in the process of reviewing the suitability of the controls in operation at the Council.

4.2.2 The policies and documents identified as being of particular relevance in this review are the; 'Information Security and Conduct Policy', 'Software Policy' and 'System Owners Guidance'.

4.2.3 An understanding of the Council's approach to systems management was obtained through discussion with ICT and business management and review of available process documentation.

4.3 **Documentation of system owner roles and responsibilities**

4.3.1 ICT are responsible for ensuring that each information system has a nominated system owner. The roles and responsibilities of systems owners are defined as part of the 'Information Security and Conduct Policy'.

4.3.2 ICT Services maintains a list of all the Council's key applications and the relevant system owners. ICT Services carries out an annual review to ensure that the information is up-to-date and that system owners are aware of their roles and responsibilities.

4.3.3 A sample of Council systems was selected as the basis for testing in consultation with management. These were Acolaid, ActiveH and Idox. System management and user administration processes were discussed with the relevant administrators for each system to gain an understanding of the control environment.

4.4 **Access control processes and procedures**

4.4.1 User set up, change and removal processes were walked through and key application security controls including authentication controls and password settings were obtained and reviewed for each of the systems tested.

4.4.2 It was found that, for the systems tested, requests for account set up, change and removal were completed through the use of an email from the staff member's manager rather than through the use of a standardised user request form.

4.4.3 Rather than specifying the access individuals require in the system, or specifying a particular role based permission, managers will often nominate an existing member of staff to base the new starters' permissions on. It was also noted that there is no explicit requirement that a record of user requests is retained.

Risk

Staff may be granted access above the needs of their role or able to retain a level of access they no longer require.

Recommendation

Management should introduce a requirement that standardised user request forms are completed for key Council systems when requesting new users or changes to existing users access permissions. Forms should be retained to provide assurance that appropriate access rights have been granted to users according to their job role.

4.4.4 It was noted that regular leaver reporting is generated by HR in line with the Council's payroll runs and distributed to ICT and system owners on a monthly basis to ensure relevant teams are aware of leavers.

4.4.5 Leaver data was obtained and reviewed against application user accounts to ensure no leavers retained active accounts. This identified 16 leavers with active Acolaid accounts and 3 leavers with active Idox accounts.

Risk

There could be unauthorised access to systems and data via the misuse of active leaver accounts.

Recommendation

The accounts in question should be reviewed and all leaver accounts should be disabled.

4.4.6 System user accounts were reviewed for default supplier accounts, test accounts and the use of generic accounts with the potential risk of being shared between multiple users. This highlighted the existence of 8 Idox accounts that appear to be generic, shared or test accounts.

Risk

The use of shared / generic accounts removes accountability for activities performed and increases the risk of unauthorised access to the application.

Recommendation

The accounts should be reviewed and any generic accounts replaced with named individual accounts for those requiring access.

4.4.7 User account security settings including password parameters were obtained for each of the key applications and reviewed as part of the audit. This testing identified that, in general, passwords were sufficiently complex and included requirements for special characters and numerals, password length, password age, password length and password history.

4.4.8 It was confirmed that system support arrangements are in place for each of the systems tested. In the case of ActiveH the Systems and Support team perform a first line/ triage service raising ICT incidents or contacting the third party supplier where required, while the relevant systems support officer also acts in this role for the Acolaid and Idox systems.

4.5 **Management of superuser / admin activity**

4.5.1 Administrator and high level privilege accounts were obtained and reviewed with management for each of applications tested to confirm that accounts were appropriately restricted to authorised staff only. Accounts with the ability to create new users and/or reset the passwords of existing users were extracted and reviewed with management to verify these had been assigned to appropriate users only.

4.5.2 It was noted that, whilst the relevant administrators may perform some ad-hoc checking of accounts, there is no regularly scheduled and documented review of user account permissions performed for the systems tested.

4.5.3 A regularly scheduled exercise to review the validity of user permissions and accounts would help ensure that user's privileges within the application are appropriately restricted, and that any changes required as result of staff changing roles have been considered.

Risk

Staff have access to data/functions above and beyond that required for their job role, and/or may be able to "collect" systems access when changing roles.

Recommendation

A regular account review process should be introduced for all key Council systems. This should be performed at least annually and require team managers to confirm that users under their supervision have appropriate access rights within the application and that all leavers have been removed.

5 **Conclusions**

5.1 Although the audit did not highlight any urgent issues impacting materially on the Council's ability to achieve its objectives it did identify four Medium-rated issues which, if addressed, will improve the control environment to a worthwhile degree.

5.2 As a result, the findings are considered to give MODERATE assurance regarding the Council's system ownership and management risks

5.3 The assurance bands are shown below:

		Level of Assurance	Definition
		Substantial Assurance	There is a sound system of control in place and compliance with the key controls.
		Moderate Assurance	Whilst the system of control is broadly satisfactory, some controls are weak or non-existent and there is non-compliance with several controls.
		Limited Assurance	The system of control is generally weak and there is non-compliance with controls that do exist.
6	Management Action		
6.1	The recommendations arising above are reproduced in the Action Plan for management attention.		

CURRENT IMPLEMENTATION POSITION FOR LOW AND MEDIUM RISK RECOMMENDATIONS
ISSUED IN QUARTER 1 2018/19


RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE (PID)	CURRENT STATE OF IMPLEMENTATION PER MANAGER
IT Governance: The Council's Compliance with General Data Protection Regulations – Follow-up – 22 May 2018		
A comprehensive information audit should be undertaken to formulate an Information Asset Register sufficient to meet the requirements of Article 30.	<p><i>Information Governance Manager & Heads of Services:</i></p> <p>The data audit is largely complete. Primary concerns would be Assets, Community Partnership, Sustaining Tenancies, Audit, Development Policy & Projects as these seems to have significant gaps if not no data at all. A reminder will be sent to the relevant Heads of Service to progress this.</p> <p>PID: Reminder to be sent by 18 May 2018 with responses due by no later than 1 June 2018 to enable Data Asset Register to be signed off.</p>	<p>This issue was discussed at the Information Governance Group meeting on 7/03/2019. Service areas have a responsibility to review and update this record on a regular basis. Teams that have not completed are: Assets, Community Partnership team who have significant information missing. Greenspace, Housing Strategy and Development Management are mostly complete but have some data missing. Managers to contact Information Governance Manager and set up a meeting to receive support and guidance to complete this record. Meetings to be held by July 2019.</p>

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE (PID)	CURRENT STATE OF IMPLEMENTATION PER MANAGER
The new Information Governance Manager moves to working directly with the Information Asset Owners to guide them individually on their requirements, rather than issuing generic advice and guidance.	<i>Democratic Services Manager:</i> Agreed as this will be the priority along with training for all staff. The adopted policies have now been published on the intranet and will be promoted to staff for consideration. PID: 1 October 2018	On the working directly with teams, I would say this is completed and demonstrated by the above, i.e. the Information Governance Group but also the rest of the detail in the draft report (which is out for consultation with Information Governance Group and is planned to be issued to SMT in April).
Highways Functions – 13 July 2018		
A formal method of identifying new areas and items that will become the Council's responsibility should be devised and adopted.	<i>Asset Manager:</i> There are existing arrangements in place for areas that the Council is taking on responsibility to be added to the Asset Register but it is a concern that the junior staff interviewed were unaware of them. The longstanding management weaknesses within the team, of which this is symptomatic, are being addressed through the Assets re-design which has passed the Final Proposals consultation stage and will be the subject of reports to Executive in August and Employment Committee in September. A new Asset Manager is being recruited in advance of these wider changes, which will allow the procedures to be reviewed and staff properly trained. PID: December 2018	New Team Structure in place from November, 2018. Technical Manager recruited and started April 2019 and Compliance Manger recruited and started in December, 2018. Asset Manager in place to oversee the whole team. A new Asset Management Strategy is to be produced by September, 2019 and Asset Management Steering Group is re-established and these will form the framework for identifying and recording responsibility for new and existing assets

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE (PID)	CURRENT STATE OF IMPLEMENTATION PER MANAGER
<p>Consideration should be given to providing staff cover to ensure that all inspections are performed in line with the established frequencies.</p>	<p><i>Asset Manager:</i> The proposals within the Assets re-design include the creation of a new team under a Technical Manager. This will comprise of the Team Manager, two Team Leaders and an increased complement of six Building Surveyors. The responsibility for this work will transfer to this team which will have eight staff available to share the work rather than the current three. PID: December 2018</p>	<p>New Team Structure in place from November, 2018. Technical Manager recruited and started April 2019. Additional Building Surveyor posts and one remains unfilled despite several recruitment exercises so temporary cover being considered.</p>
<p>Once located, senior staff within the Assets section should familiarise themselves with the risk register and should regularly review its contents to ensure that it remains relevant.</p>	<p><i>Deputy Chief Executive (BH):</i> The Asset team risk register was last reviewed in April 2018 by the Deputy Chief Executive (BH) and the (then, temporary) Asset Manager but had been stored by the latter on their H drive rather than the team I drive. The register has specific risk headings for failure to maintain rural street and footway lighting and failure to maintain existing or replace missing street nameplates. The current register has been shared with relevant staff. The register will be reviewed when the re-design has been implemented and the new management team is in place. PID: December 2018</p>	<p>Risk Register is available via the Intranet and is reviewed by the Asset Manager and forms a standing item at Asset Management Team meetings.</p>

CURRENT IMPLEMENTATION POSITION FOR HIGH RISK RECOMMENDATIONS
ISSUED IN QUARTER 3 2018/19

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE (PID)	CURRENT STATE OF IMPLEMENTATION PER MANAGER
Community Infrastructure Levy and Section 106 Agreements – 10 December 2018		
A formal naming protocol should be introduced for documents stored on IDOX so that all contribution requests can be easily identified.	<i>Business Managers:</i> This is now in place. PID: Completed.	Recommendation implemented. No further response required.
Consideration should be given to investigating whether the s106 agreement can be amended in the relevant case so that the NHS contribution can be secured.	Head of Development Services / Development Manager It is not possible to secure this contribution but revised processes whereby 'heads of terms' clauses are included as standard in reports relating to housing sites of over 10 dwellings will prevent this reoccurring. PID: Not applicable.	No further response required.
The contribution request from the Police should be included within final s106 agreement in the relevant case.	<i>Development Manager and Business Managers:</i> The Police contribution has now been included in the final agreement. PID: Completed.	Recommendation implemented. No further response required.

 Finance & Audit Scrutiny Committee 29 May 2019		Agenda Item No. 5	
Title		Internal Audit Annual Report 2018/19	
For further information about this report please contact		Richard Barr Tel: (01926) 456815 E Mail: richard.barr@warwickdc.gov.uk	
Service Area		Finance	
Wards of the District directly affected		Not applicable	
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006		No	
Date and meeting when issue was last considered and relevant minute number		Finance & Audit Scrutiny Committee – 30 May 2018	
Background Papers		Accounts and Audit (England) Regulations 2015 Delivering Good Governance in Local Government: Framework (CIPFA in association with SOLACE, 2016) Delivering Good Governance in Local Government: Guidance Notes for English Authorities 2016 Edition (CIPFA in association with SOLACE) The Annual Governance Statement – Rough Guide for Practitioners (CIPFA Financial Advisory Network) Internal Audit Reports Public Sector Internal Audit Standards Quarterly Progress Reports Post-audit client questionnaires and satisfaction surveys	
Contrary to the policy framework:		No	
Contrary to the budgetary framework:		No	
Key Decision?		No	
Included within the Forward Plan? (If yes include reference number)		No	
Equality & Sustainability Impact Assessment Undertaken		N/A: no direct service implications	
Officer/Councillor Approval			
With regard to officer approval all reports <u>must</u> be approved by the report author's relevant director, Finance, Legal Services and the relevant Portfolio Holder(s).			
Officer Approval	Date	Name	
Chief Executive	25 April 2019	Chris Elliott	
Section 151 Officer	25 April 2019	Mike Snow	
Monitoring Officer	25 April 2019	Andrew Jones	
Finance	25 April 2019	As Section 151 Officer	
Leader of the Council	25 April 2019	Councillor Mobbs	
Portfolio Holder	25 April 2019	Councillor Whiting	
Consultation and Community Engagement			
Consultation with members and officers listed above.			
Final Decision?		Yes	
Suggested next steps (if not final decision please set out below)			

1 **Summary**

- 1.1 Forming part of the evidence for the Annual Governance Statement, the Internal Audit Annual Report presents a summary of the internal work undertaken during 2018/19 and provides a conclusion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

2 **Recommendation**

- 2.1 That this Committee considers the Annual Report of Internal Audit for the year ended 31 March 2019 as part of its consideration and approval of the Annual Governance Statement 2018/19.

3 **Reason for the Recommendations**

- 3.1 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."

4 **Policy Framework**

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

The Council's FFF Strategy is designed to deliver the District's Vision of making it a Great Place to Live, Work and Visit. With those objectives the FFF Strategy contains several Key projects.

The FFF Strategy has 3 strands – People, Services and Money and each has an external and internal element to it. The table below illustrates the impact of this proposal if any in relation to the Council's FFF Strategy.

FFF Strands		
People	Services	Money
External		
Health, Homes, Communities	Green, Clean, Safe	Infrastructure, Enterprise, Employment
<u>Intended outcomes:</u> Improved health for all Housing needs for all met Impressive cultural and sports activities Cohesive and active communities.	<u>Intended outcomes:</u> Area has well looked after public spaces All communities have access to decent open space Improved air quality Low levels of crime and ASB.	<u>Intended outcomes:</u> Dynamic and diverse local economy Vibrant town centres Improved performance/ productivity of local economy Increased employment and income levels.
Impacts of Proposal		
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.		

Internal		
Effective Staff	Maintain or Improve Services	Firm Financial Footing over the Longer Term
<u>Intended outcomes:</u> All staff are properly trained All staff have the appropriate tools All staff are engaged, empowered and supported The right people are in the right job with the right skills and right behaviours.	<u>Intended outcomes:</u> Focusing on our customers' needs Continuously improve our processes Increase the digital provision of services.	<u>Intended outcomes:</u> Better return/use of our assets Full Cost accounting Continued cost management Maximise income earning opportunities Seek best value for money.
Impacts of Proposal		
Although there are no direct policy implications, internal audit is an essential part of corporate governance and will be a major factor in shaping the Policy Framework and Council policies.		

4.2 Supporting Strategies

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

4.3 Changes to Existing Policies

This section is not applicable.

4.4 Impact Assessments

This section is not applicable.

5 Budgetary Framework

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

6 Risks

- 6.1 Internal Audit provides a view on all aspects of governance, including corporate and service arrangements for managing risks.
- 6.2 It is impractical to provide a commentary on risks as the report is concerned with the outcome of reviews by Internal Audit on other services. Having said that, there are risks to the Council in not dealing with the issues raised in the Internal Audit reports. There is also an overarching risk associated with the Finance & Audit Scrutiny Committee not fulfilling its role properly e.g. not scrutinising this report robustly.

7 **Alternative Options Considered**

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

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

- 8.1 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.*

- 8.4 The Annual Report is set out as Appendix 1.

Head of Internal Audit's Annual Report and Presentation of
Audit Opinion 2018/19

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 indirect 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.

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 and, in the case of audit assignments receiving less than 'substantial' assurance opinions, the full reports being brought expressly to the Committee's attention. 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.

There are no qualifications to that opinion, although clearly it can only be based on the audits undertaken during that year and on information garnered more informally by the internal audit team; 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 he does not believe that the level of agreed resources has impacted adversely on the provision of the annual internal audit opinion.

Summary of the internal work undertaken during 2018/19 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 updates on the state of implementation of recommendations so can ensure that recommendations are actioned.

Three audits undertaken during the year were awarded a less than substantial level of assurance.

The list of audits in Appendix 1A comprises planned audits only – it does not include investigations that arose during the year.

Issues particularly relevant to the Annual Governance Statement

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

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

This is set out as Appendix 1B.

Compliance with the Public Sector Internal Audit Standards

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 the Chartered Institute of Public Finance and Accountancy (CIPFA), undertaken two years ago, highlighted non-compliance with some elements of the Public Sector Internal Audit Standards. An action plan was produced to address those areas of non-compliance and this was reported to Finance & Audit Scrutiny Committee on 1 June 2016, together with the full results of the review. Last year's Internal Audit Annual Report confirmed that all areas of non-compliance had been addressed and that Internal Audit was now fully-compliant with the Public Sector Internal Audit Standards. The next external review is required to be undertaken by 31 March 2021.

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 is able to 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 Internal Audit quality assurance programme includes reviews of audit files by the Audit and Risk Manager before issue of final reports and external audit reviews of Internal Audit's work. It also includes monitoring by the Section 151 Officer and ongoing scrutiny of its work by Finance & Audit Scrutiny Committee.

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

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

In terms of the post audit questionnaires, no auditees awarded less than full marks (5) in their assessment of the audit that they had received. Obviously this indicates very broad satisfaction with the audits undertaken.

An improvement plan was produced to address the areas of non-compliance highlighted in the review of the Internal Audit Service undertaken by CIPFA.

Summary of Internal Audit Work Undertaken 2018/19¹

Assignment	Client Service Area	Level of Assurance	No. of Recs.
Corporate Governance – Service Assurance Statements	Corporate	N/A – Consultancy Review	2
Performance Management	Corporate	N/A – Consultancy Review	12 advisories
Housing Investment/Maintenance Programmes	Assets	Substantial	0
Corporate Property & Portfolio Management	Assets	Substantial	3
Ethics	Corporate	Substantial	2
Collection of Council Tax	Finance	Substantial	0
Collection of National Non-domestic Rates	Finance	Substantial	5
Administration of Housing Benefit & Council Tax Reduction	Finance	Substantial	6
Payroll and Staff Expenses	Chief Executive's Office (HR)	Substantial	4
Payment of Creditors	Finance	Substantial	0
Business Applications: Civica Open Revenues	Finance/ICT	Substantial	3
Information Governance: Council's Compliance with General Data Protection Regulations – Follow-up	Deputy Chief Executive (AJ)/Democratic Services	Moderate	3
System Ownership and Management	ICT	Moderate	4
Financial System Interfaces	ICT	Substantial	3
Database Security	ICT	Substantial	4
Employee Attendance Management	Chief Executive's Office	Substantial	2
Royal Pump Rooms (including Art Gallery)	Cultural Services	Substantial	2
Leisure and Recreation Facilities	Cultural Services	Substantial	1
Sports Development	Cultural Services	Substantial	0

¹ Planned and additional audits only.

Assignment	Client Service Area	Level of Assurance	No. of Recs.
Leisure Facilities Contract	Cultural Services	Substantial	2
Electoral Registration	Chief Executive's Office	Substantial	0
Building Control	Development Services	Substantial	6
Community Infrastructure Levy and Section 106 Agreements	Development Services	Moderate	8
Insurances	Finance	Substantial	5
Funding of Voluntary Organisations	Health and Community Protection	Substantial	0
Health and Safety Enforcement in the District	Health and Community Protection	Substantial	0
Places and Projects	Health and Community Protection	Substantial	3
CCTV Services	Health and Community Protection	Substantial	6
Homelessness and Housing Advice	Housing Services	Substantial	4
Estate Management	Housing Services	Substantial	3
Right to Buy	Housing Services	Substantial	2
Leaseholder Service Charges	Housing Services	Substantial	1
Highways Functions	Assets	Substantial	3
Asbestos Management	Assets	Substantial	3
Customer Access Facilities	Neighbourhood Services	Substantial	0
Car Parking	Neighbourhood Services	Substantial	1

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.
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Overall Summary of Performance 2018/19

Performance Indicator	In-house Team	External Contractors	Overall for Service
Number of planned audits assigned	22	14	36
Number of planned audits completed	22	14	36
% assigned audits completed	100.0%	100.0%	100.0%
Number of audits completed within time allocation	9	N/A	9
% audits completed within time allocation	40.9	N/A	40.9
Number of audit days – planned	229.0	N/A	229.0
Number of audit days – actual	234.2	N/A	234.2
Productive time as % of available time – target	74.9%	N/A	74.9%
Productive time as % of available time – actual	68.5%	N/A	68.5%
Number of audit recommendations issued	65	26	91
Number of audit recommendations agreed	61	25	86
% audit recommendations agreed	93.8	96.2	94.5
Number of High Priority audit recommendations issued	3	1	4
Number of High Priority audit recommendations implemented	3	1	4
% High Priority audit recommendations implemented	100	N/A	100

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.

 Finance & Audit Scrutiny Committee 29 May 2019		Agenda Item No. 6
Title		Annual Governance Statement 2018/19
For further information about this report please contact		Richard Barr Tel: (01926) 456815 E Mail: richard.barr@warwickdc.gov.uk
Service Area		Finance
Wards of the District directly affected		Not applicable
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006		No
Date and meeting when issue was last considered and relevant minute number		Finance & Audit Scrutiny Committee – 30 May 2018
Background Papers	Accounts and Audit (England) Regulations 2015 Delivering Good Governance in Local Government: Framework (CIPFA in association with SOLACE, 2016) Delivering Good Governance in Local Government: Guidance Notes for English Authorities 2016 Edition (CIPFA in association with SOLACE) The Annual Governance Statement – Rough Guide for Practitioners (CIPFA Financial Advisory Network) Minutes of Senior Management Team Minutes of Senior Management Team	

Contrary to the policy framework:		No
Contrary to the budgetary framework:		No
Key Decision?		No
Included within the Forward Plan? (If yes include reference number)		No
Equality & Sustainability Impact Assessment Undertaken		N/A: no direct service implications
Officer/Councillor Approval		
With regard to officer approval all reports <i>must</i> be approved by the report author's relevant director, Finance, Legal Services and the relevant Portfolio Holder(s).		
Officer Approval	Date	Name
Chief Executive	25 April 2019	Chris Elliott
Senior Management Team	25 April 2019	
Section 151 Officer	Various dates	Mike Snow
Monitoring Officer	Various dates	Andrew Jones
Finance	Various dates	As Section 151 Officer
Leader of the Council	25 April 2019	Councillor Mobbs
Portfolio Holder	25 April 2019	Councillor Whiting
Consultation and Community Engagement		
With members and officers listed above.		
Final Decision?		Yes
Suggested next steps (if not final decision please set out below)		

1 **Summary**

- 1.1 This report sets out the Council's Annual Governance Statement for 2018/19 describing the governance arrangements that were in place during the financial year. The Statement will be signed by the Chief Executive and the Leader of the Council and will accompany the Council's Statement of Accounts that is approved by Full Council.

2 **Recommendations**

- 2.1 That Committee approves the Annual Governance Statement for 2018/19 for Warwick District Council as set out at Appendix A.

3 **Reason for the Recommendations**

- 3.1 Regulation 6 of the Accounts and Audit (England) Regulations 2015 requires that "A relevant authority must, each financial year...prepare (and approve) an annual governance statement."

4 **Policy Framework**

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

The Council's FFF Strategy is designed to deliver the District's Vision of making it a Great Place to Live, Work and Visit. With those objectives the FFF Strategy contains several Key projects.

The FFF Strategy has 3 strands – People, Services and Money and each has an external and internal element to it. The table below illustrates the impact of this proposal if any in relation to the Council's FFF Strategy.

FFF Strands		
People	Services	Money
External		
Health, Homes, Communities	Green, Clean, Safe	Infrastructure, Enterprise, Employment
<u>Intended outcomes:</u> Improved health for all Housing needs for all met Impressive cultural and sports activities Cohesive and active communities.	<u>Intended outcomes:</u> Area has well looked after public spaces All communities have access to decent open space Improved air quality Low levels of crime and ASB.	<u>Intended outcomes:</u> Dynamic and diverse local economy Vibrant town centres Improved performance/ productivity of local economy Increased employment and income levels.
Impacts of Proposal		
Although there are no direct policy implications, the Annual Governance Statement is an essential part of corporate governance and will be a major factor in shaping the Policy Framework and Council policies.		

Internal		
Effective Staff	Maintain or Improve Services	Firm Financial Footing over the Longer Term
<u>Intended outcomes:</u> All staff are properly trained All staff have the appropriate tools All staff are engaged, empowered and supported The right people are in the right job with the right skills and right behaviours.	<u>Intended outcomes:</u> Focusing on our customers' needs Continuously improve our processes Increase the digital provision of services.	<u>Intended outcomes:</u> Better return/use of our assets Full Cost accounting Continued cost management Maximise income earning opportunities Seek best value for money.
Impacts of Proposal		
Although there are no direct policy implications, the Annual Governance Statement is an essential part of corporate governance and will be a major factor in shaping the Policy Framework and Council policies.		

4.2 **Supporting Strategies**

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

4.3 **Changes to Existing Policies**

This section is not applicable.

4.4 **Impact Assessments**

This section is not applicable.

5 **Budgetary Framework**

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

6 **Risks**

- 6.1 Risk management is an intrinsic element of corporate governance and the Annual Governance Statement describes the Council's risk environment.

7 **Alternative Options Considered**

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

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

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

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

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

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

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

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

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

Objective 7, ANNUAL GOVERNANCE STATEMENT

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

Objective 8, REPORT TO CABINET / EXECUTIVE COMMITTEE

Step 1: Report in accordance with pro-forma

- 9.5 The Council's Annual Governance Statement has been produced in accordance with these stages.

- 9.6 Evidence sources collated for drafting the AGS were as follows:
- (a) Consultation with senior and key officers.
 - (b) Assurances provided by Service Area Managers through the completion of Service Assurance Statements.
 - (c) Consultation with a cross-party member review group comprising the Leader of the Council and the Committee Chairs.
 - (d) Work undertaken during the year by Internal Audit and other inspection bodies.
 - (e) 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 (overleaf):
- (a) The information described above was collated and an early draft Statement was circulated to key 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 Management Team and debated at a meeting, with rigorous 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) The draft AGS issued to the Council's External Auditors for their views.
 - (e) Presentation to the Finance & Audit Scrutiny Committee for approval.

WARWICK DISTRICT COUNCIL

ANNUAL GOVERNANCE STATEMENT 2018/19

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 in order 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 more esoteric characteristics such as effective leadership and high standards of behaviour. 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, simple assessment of how the governance framework has operated over the past financial year and to identify any improvements made and any weaknesses or gaps in our arrangements that need to be addressed.

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 and 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 and 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 CIPFA/SOLACE¹ Framework for Delivering Good Governance in Local Government that was issued in 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.
- 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 all include agreed expectations and, where appropriate, service standards against which service quality and improvement can be judged. Performance is monitored by individual services and reported to the Overview & Scrutiny Committee. Refreshed performance management arrangements will be in place for 2019/20.
- 3.9 Warwick District Council has adopted a Constitution that establishes the roles and responsibilities for members of the Executive, Finance & Audit Scrutiny Committee, Overview & Scrutiny Committee and Standard Committees, together with officer functions. It includes details of delegation arrangements, the Councillors' Codes 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 from 1 July 2012. 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.
- 3.10 The Constitution contains procedure 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 Corporate Management Team.
- 3.11 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.

¹ Chartered Institute of Public Finance & Accountancy / Society of Local Authority Chief Executives
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- 3.12 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.
- 3.13 The governance requirements in the Statement are that the CFO should be professionally qualified, report directly to the Chief Executive and be a member of the Leadership Team, with a status at least equivalent to other members. The Statement requires that if different organisational arrangements are adopted the reasons should be explained publicly in the authority's Annual Governance Report, together with how these deliver the same impact.
- 3.14 The Head of Finance has confirmed that the Council's financial management arrangements conform to the CIPFA Statement other than in three specific aspects:
- Head of Finance reporting directly to Chief Executive.
 - Head of Finance being a member of Leadership Team.
 - Head of Finance having responsibility for Asset Management.
- 3.15 The Council's view is that the way it operates – the Head of Finance's regular attendance at Corporate Management Team/Executive meetings, budget planning meetings, and numerous ad-hoc meetings – enables the officer to have unhindered access to the most senior officer as well as senior councillors. The Head of Finance reports to the Deputy Chief Executive/Monitoring Officer. This approach has subsisted for several years without any apparent problems; consequently, the Council considers that the risk of there being any detriment to the authority is low. However, in the light of overall capacity issues facing the Council and in the light of the issues arising from the failure to close down the accounts on time a Senior Management Review will take place. This may change the current arrangements.
- 3.16 There is one major issue regarding financial management that merits mention at this juncture. For the financial year 2017/18 the Council failed to meet the statutory deadline for publication of its financial statements. A comprehensive examination of the reasons for this was conducted by the Chief Executive and a series measures have been taken to ensure that this does not happen again.
- 3.17 With regard to asset management, responsibility for this comes under the Deputy Chief Executive (BH) as that is where the expertise and the operational work lies.
- 3.18 The Executive provides the strategic direction for the Council, ensuring that the Council's priorities are established and that corporate objectives are set and achieved.
- 3.19 The primary counterbalances to the Executive are the Finance & Audit Scrutiny and the Overview & Scrutiny Committees. The role of these committees is to provide a robust challenge to the Executive.
- 3.20 The Finance & Audit 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 Executive councillor (Portfolio Holder) and/or

senior manager when it has concerns or queries in respect of matters relating to particular service areas.

- 3.21 'Task and Finish' Groups comprising 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.
- 3.22 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.
- 3.23 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.
- 3.24 The Council is embedding 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 Management Team and then by the Finance & Audit Scrutiny Committee before being considered by the Executive who assumes overall responsibility for it.
- 3.25 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.
- 3.26 The individual performance appraisal system has been operated in the Council for a number of years, having been reviewed and subsequently refined on several occasions. Staff are measured against operational objectives that derive from the Corporate Strategy and Fit for the Future change programme. The performance appraisal system also identifies learning and developmental needs to ensure that appropriate training is made available to staff to ensure that they are able to undertake their role effectively and have the opportunity to develop.
- 3.27 In May 2015 a new Council was elected. A councillor induction programme was put in place with training sessions around the internal operation of the council and information about the Council's services. All councillors received Code of Conduct and IT training. The Planning and Licencing Committees held specific induction training for their councillors. The Planning Committee holds regular

workshops and Full Council workshops have been arranged for all councillors, when required. Similar preparations as in 2015 are being made ahead of the elections in May 2019.

- 3.28 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. (These items are also available in paper form.) All Council meetings held in the Council Chamber, such as the meetings of the Council's Executive, are now recorded. When identifying the priorities and objectives for the Strategic Plan the views of stakeholders and the wider community are sought through a number of consultation mechanisms, and are taken into account. The Strategic Plan is made available to all via the Council's website.
- 3.29 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.
- 3.30 During the year, the Council published additional information on the transparency section of the website to meet new guidelines and comply with 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. This especially applies to financial information.
- 3.31 Also, the Council's Scrutiny Committees looked at various areas of Council decision-making and service delivery, with their Annual reports submitted to the April 2019 Council meeting. This included the continued work of a Task & Finish Group to look at the Role of the Chairman of the District Council and the monitoring of the implementation of the recommendations from another Task & Finish Group regarding Houses in Multiple Occupation.
- 3.32 Internal Audit reviews were undertaken during 2018/19 on various aspects of governance, including reviews of the efficacy of the Service Assurance Statements, the fulfilment of ethical obligations in the Council's work and the effectiveness of Performance Management arrangements.

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 (one of the two Deputy Chief Executives) 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 Executive, 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 Executive and/or the Council. All reports to Executive, Committees and Council are seen by appropriate staff within the Finance Department to ensure compliance with financial requirements.
- 4.5 Following on from the failure to produce audited Statement of Accounts by 31 July 2018, as referred to in paragraph 3.16, a comprehensive plan of actions and initiatives has been produced and monitored during the year. This has been reported to Executive and Finance and Audit Scrutiny Committee on a monthly basis. Within the actions, additional financial training has been provided for all officers across the Council who contribute to the closure of the accounts.
- 4.6 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 2018/19 has concluded that, in overall terms, the areas audited were adequately managed and controlled.
- 4.7 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, reviewed by a panel of senior officers comprising the Monitoring Officer, the Section 151 Officer and the Head of Internal Audit, did not reveal any issues of significant concern.
- 4.8 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 the review was undertaken three years ago, well within the specified period for such reviews. Some minor shortcomings were identified which were promptly addressed. The findings of

this review together with the resultant actions to address the shortcomings were reported to the Finance and Audit Scrutiny Committee. 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.

- 4.9 Grant Thornton was appointed as the Council's External Auditor from 1 September 2012 to 31 March 2018 and is responsible for reviewing the Council's Statements of Accounts. In addition to reviewing the 2017/18 Statement of Accounts, Grant Thornton issued a formal opinion on the Council's arrangements for securing Value for Money, concluding that, except for the matters they identified in respect of timely financial reporting, the Council had made proper arrangements in all significant respects to secure economy, efficiency and effectiveness in its use of resources. With the significant actions being taken to ensure the timely production of Audited Statement of Accounts for 2018/19, it is hoped that an unqualified Value for Money conclusion will be issued for 2018/19.

5 SIGNIFICANT GOVERNANCE ISSUES

- 5.1 Last year's Annual Governance Statement included just one Significant Governance Issue – the Council's failure to meet the statutory deadline for publication of its financial statements. The Chief Executive conducted a thorough examination into the conditions that led to this failure and produced an action plan to ensure that it does not happen again. Progress in achieving this action plan was monitored throughout the year by the Council's Senior Management Team and by its Finance and Audit Scrutiny Committee and Executive.
- 5.2 Although all actions planned to be completed during 2018/19 have been fulfilled, a number of actions are either ongoing or have a later completion date. This matter is therefore an ongoing Significant Governance Issue.

6 CERTIFICATION

- 6.1 The governance framework has been in place at Warwick District Council for the year ended 31 March 2019 and up to the date of approval of the annual statement of accounts.

Signed:

Leader of the Council

Chief Executive

Dated:
