

Finance and Audit Scrutiny Committee

Tuesday 5 March 2019

A meeting of the Finance and Audit Scrutiny Committee will be held at the Town Hall, Royal Leamington Spa on Tuesday 5 March 2019 at 6.00pm.

Membership:

	Councillor Quinney (Chair)	
Councillor Cain		Councillor Mrs Knight
Councillor Day		Councillor Margrave
Councillor Gifford		Councillor Murphy
Councillor Howe		Councillor Noone
Councillor Illingworth		Councillor Wright

Emergency Procedure

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

Agenda

Part A – General Items

1. Apologies and Substitutes

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

2. Declarations of Interest

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

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

Members are also reminded of the need to declare predetermination on any matter. 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 5 February 2019 (**Pages 1 to 6**)

Part B - Audit Items

4. **Internal Audit Quarter 3 2018/19 Progress Report**

To consider a report from Finance

**(Pages 1 – 5 &
Appendices 1-5)**

5. **Internal Audit Strategic Plan 2019/20 - 2021/22 and Internal Audit Charter 2019**

To consider a report from Finance

**(Pages 1 – 5 &
Appendices 1 & 2)**

6. **Finalisation of 2017/18 Audit**

To consider a report from Finance

**(Pages 1 – 5 &
Appendices A-C)**

Part C – Scrutiny Items

7. **Scrutiny of Service Area Performance**

To consider a report from Cultural Services

**(Pages 1 – 5 &
Appendices A-C)**

8. **Update on Action Plan following Review of Closure of Accounts**

To consider the report from the Deputy Chief Executive (AJ) as set out on the Executive agenda for 6 March 2019.

(Circulated separately)

9. **Review of the Work Programme, Forward Plan and Comments from the Executive**

To consider a report from Civic & Committee Services

**(Pages 1 – 3 &
Appendices 1 & 2)**

10. **Executive Agenda (Non Confidential Items and Reports) – Wednesday 6 March 2019**

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

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

(Circulated separately)

11. **Public and Press**

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

12. **Executive Agenda (Confidential Items and Reports) – Wednesday 6 March 2019**

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

**You are requested to bring your copy of that agenda to this meeting.
(Circulated separately)**

Agenda published 22 February 2019

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E-Mail: committee@warwickdc.gov.uk

For enquiries about specific reports, please contact the officers named in the reports

You can e-mail the members of the Committee at

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

Please note that the majority of the meetings are held on the first floor at the Town Hall. If you feel that this may restrict you attending this meeting, please call (01926) 456114 prior to this meeting, so that we can assist you and make any necessary arrangements to help you attend the meeting.

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

Finance and Audit Scrutiny Committee

Minutes of the meeting held on Tuesday 5 February 2019 at the Town Hall, Royal Leamington Spa at 6.00pm.

Present: Councillor Quinney (Chair); Councillors Ashford, Cain, Gifford, Howe, Illingworth, Mrs Knight, Margrave, Murphy and Wright.

Also present: Councillors Coker, Mobbs and Whiting.

106. Apologies and Substitutes

- (a) There were no apologies for absence; and
- (b) Councillor Ashford substituted for Councillor Noone.

107. Declarations of Interest

Minute Number 109 – Warwick District Infrastructure Delivery Plan (IDP)

Councillors Mrs Falp and Gifford declared an interest because they were Warwickshire County Councillors.

108. Minutes

The minutes of the meeting held on 8 January 2019 were taken as read and signed as a correct record.

109. Warwick District Infrastructure Delivery Plan (IDP)

The Committee received a report from Development Services in a joint meeting with Overview and Scrutiny Committee updating them on the progress of the Infrastructure Delivery Plan.

Members were asked to consider the information provided on s.106 contributions and feedback to officers if there was additional information that they would like to see provided in the future.

Councillor Rhead, Portfolio Holder – Development Services spoke about the work being done by the Members' Reference Group to:

- identify priorities and to recommend that officers ensured that these were kept under constant review because the flow of money from either s.106 or CIL was dependent on the house building programme working in a timely manner; and
- consider whether any further schemes should be added to the CIL 123 List, and that business cases formed an important part of this.

Councillor Rhead also spoke about various concerns and outstanding issues with the Europa Way scheme. Highlights included:

- timeline issues that he felt had not been considered enough if the developers needed to submit applications to Planning Department to change s.106 obligations;

- the infrastructure that would be provided for pedestrians to cross Europa Way to get to the country park; Warwickshire County Council had been asked to provide an appraisal of costs for the various means this could be provided;
- landscaping provisions for making Europa Way a gateway to Royal Leamington Spa. Plans for this would be available imminently; and
- provision of cycle ways, and liaison with the County Council for these and how that they would link with those provided on the District side.

In response to various questions from Members of both the F&A Scrutiny Committee and the Overview & Scrutiny Committee, Councillor Rhead, the Business Manager, Policy & Delivery and Ms Janet Neale, Infrastructure Delivery Manager (Warwickshire County Council), explained that:

- It was difficult to respond to specific highway questions and how traffic bottlenecks at Victoria Park, the railway bridge and Emscote Road would be solved because a strategic overview was being undertaken; however, they would ensure that these issues were examined.
- The Members' Group were concentrating on the first five years of the plan and that was the reason for looking at what needed to be prioritised in case funds did start to dwindle. It would be a useful exercise for Members to examine the s.106 contributions and filter out those monies affecting their Wards and press for those projects to be delivered.
- Major funding streams were being investigated when there were funding gaps, e.g. money from LEP and Homes England.
- If the County Council wanted to change where s.106 money was allocated, then it would be necessary to seek authorisation from the Planning Committee.
- The electric bikes scheme suggested by BID was not in enough detail to be able to quantify the funding so a lot more detail was required and this had been requested.
- The County Council was pushing to get cycle ways wherever possible and it was required on all s.106 agreements.
- The Bath Street Gyratory was still one of the top three priorities at the County Council to go on the CIL 123 list. Something would need to happen in respect of this before the Commonwealth Games.

At 6.40pm, the Chairman thanked everyone and the Overview and Scrutiny Committee Members left the room to continue their own agenda.

110. Scrutiny of Service Area Performance - Business

The Committee received a report from Development Services which brought together the contract register, risk register and budget for the Business Portfolio.

It had been requested by Members that the service contract and risk registers be considered together, along with details of the budget and performance for the relevant service.

The report noted that Development Services also encompassed the Development Portfolio. Updates relating to the Development Portfolio were

not included in this report and had been the subject of a separate report to the Committee in November 2018.

The risk register was last reviewed on 4 December 2018 and the latest version was set out at Appendix A to the report.

The Business Portfolio was responsible for a wide range of services, which consequently led to a number of potential risks. There were 19 risks contained in the risk register. There were four risks rated "green", 14 rated "yellow", and one rated "red", in accordance with the Council's risk scoring matrix. The risk rated red was the risk of *"Network Rail arches to be sold (confirmed - this refers to ALL arches whether under active or inactive tracks)"*.

The latest version of the contract register relating to the Development Portfolio was set out in Appendix B to the report and was last reviewed on 4 December 2018. There were 12 live contracts listed and all of the contract reviews planned for 2018 had been completed.

Details of Development Services budgets (as relevant to the Business Portfolio) were included as Appendix C to the report.

There were two ongoing issues within the portfolio's budgets. These were:

- Events budget: one of the outcomes of the 2017 Events review was to reduce the costs to event organisers for holding events within the District. In particular, it was planned to reduce costs associated with the use of the Council's open spaces and the collection of waste. Adjustments were made to the Medium Term Financial Strategy to take account of this. However, as a result of these changes, 2018 saw a significant increase in the number of events taking place within the District – rising from 100 in 2017 to 126 in 2018. This could have been in part be as result of the reduced costs, in which case the Events Review had been successful in achieving one of its aims. However, the result of this was that additional costs had been incurred by the Events budget and, as a result, this budget was likely to be overspent by around £25,000. This issue had been highlighted to colleagues in Finance and discussions were taking place to consider whether the 2019/20 budget proposals should take this into account.
- Christmas lights installation budgets: in 2016, the Christmas lights budgets were reduced as part of the ongoing savings that Development Services were required to make. At that time, it was intended that the resulting shortfall would be balanced by additional income arising from sponsorship of Christmas lights. In practice, this proved difficult to achieve as too many sponsored banners detracted from the image of the lights and the other Christmas decorations. Further, partner organisations had sought sponsorship for overlapping costs such as the purchase of new lights (as opposed to their installation). As a result, the income forecasts had not been met and there was a resulting shortfall in the budget, which would be addressed through the procurement of new lights installation contracts and the alignment of budgets to the new contract value.

The Head of Development Services and the Portfolio Holder for Business introduced the report and answered questions from Members.

Councillor Gifford was concerned with the lack of inclusion of a risk relating to Brexit as he felt this was the biggest issue facing businesses in the area. However, it was noted that the lack of certainty surrounding Brexit made it difficult to forecast any outcomes locally or nationally and whilst officers agreed that it was unsettling, they felt that this was a financial report and not an overarching strategic report.

However, it was agreed that risk number 7 'Failure to deliver Economic Prosperity in line with FFF priorities' could make reference to Brexit.

Councillor Mrs Knight felt that there was little in the register to address climate change issues. In response, Councillor Butler assured her that 'green' policies continued to be introduced across the service area.

With regard to the 'red' risk, number 18 – Network Rail arches to be sold, officers advised that this was in the early stages and the Council would continue to communicate with any potential purchaser. Unfortunately, the Council was not at the stage of looking at suitable alternatives because it was not known what Network Rail's intentions were.

Members received clarification on a number of different areas of the budget report, including:

- One of the differences for the range in figures year on year was down to Third Party Payments and included costs for external consultant fees;
- As stated in paragraph 3.5.3 of the report, other budgets were on track and the Head of Service did not have any concerns;
- There had been an overspend on the Events and Christmas lights budgets as detailed in the report;
- The fluctuation in the fees and charges figures could be a result of influences from other Development Services income and expenditure because the data was not always separated into the Business Portfolio.

Members were satisfied with the Contract Register and were pleased that there were signed copies of all contracts in the Deed Store. With regard to the cost increase for the Althorpe Security System, this had been as a consequence of two separate break-ins which had resulted in an increase of security.

The Committee agreed that the report was well presented and extremely easy to understand and they appreciated officers' efforts to keep risks low.

Resolved that the Business Portfolio contract register, risk register and budget updates are noted.

111. Executive Agenda (Non Confidential Items & Reports – Wednesday 6 February 2019)

The Committee considered the following items which would be discussed at the meeting of the Executive on Wednesday 6 February 2019.

Item 6 – Treasury Management Strategy 2019/20

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

Item 5 –Housing Revenue Account (HRA) Budget 2019/20 and Housing Rents

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

Item 9 – Delivery of the St Mary’s Lands Masterplan for 2019/20 and beyond, Warwick

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

Item 14 – Review of Closure of Accounts

The Finance & Audit Scrutiny Committee supported the recommendations in the report and requested that Officers highlight for Members those actions which were critical to the timely closure of accounts for 18/19, and, especially, any risks to that objective being met, for example from slippage in their target completion dates.

In addition, the Committee agreed that this item would be added to their own work programme.

Item 4 – 2019/20 General Fund Budget & Council Tax

The Finance & Audit Scrutiny Committee supported the recommendations in the report but raised a number of concerns about the strategic overview of Reserves and the manner in which they are reported to Members.

Members also noted that recommendation 2.4 should read £99,000.

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

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

As previously discussed under Minute Number 110, Councillors had requested that the Review of the Closure of Accounts report be submitted to the Committee on a monthly basis. This would enable the Committee to scrutinise the issue in full and for their responses to be fully minuted.

It was also requested that an update be provided on the financial risk relating to the Covent Garden Car Park. Councillor Gifford was particularly interested in how much of the facility would be useable over the next 12 months. However, if there was a report due to be submitted to Executive shortly, he did not expect Finance and Audit to receive a separate report.

Councillor Day requested that Members receive a report on the financial impact that the delay in progressing with the HQ move would have, with particular regard to future savings that would need to be found.

Councillor Mrs Knight asked if a report on the costings of Phase 1 of the Leisure Centre’s project could be submitted.

Members were satisfied with the comments made by Executive on their input at the last meeting and


Resolved that the following items be added to the work programme:

- (1) A monthly report on the Review of Closure of Accounts;
- (2) A financial update on Covent Garden Car Park;
- (3) A report advising of the financial impact of delaying HQ move; and
- (4) An update on the costings of Phase I of Leisure Centre project.

106. **Request for Thanks to be Minuted**

Prior to the closure of the meeting, the Chairman reminded Members that this was the Civic & Committee Services Manager's last Council meeting because she was due to start a new role elsewhere. Councillor Quinney thanked Mrs Barnes for her support to Members and in particular to him as a new Chair, over the past few years. Members joined the Chairman in showing their appreciation to Mrs Barnes and thanked her for her dedication to the Committee.

(The meeting ended at 9.01 pm)

 Finance and Audit Scrutiny Committee 5 March 2019		Agenda Item No. 4
Title	Internal Audit Quarter 3 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 – 27 November 2018	
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	05/02/2019	Chris Elliott
Head of Service	05/02/2019	Mike Snow
SMT	05/02/2019	SMT
Section 151 Officer	05/02/2019	As Head of Service
Monitoring Officer	05/02/2019	Andrew Jones
Finance	05/02/2019	As Section 151 Officer
Portfolio Holder	12/02/2019	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 third 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 should be noted and its contents be accepted or, where appropriate, acted upon.

3 **Reason for the Recommendations**

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

4 **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>	<u>Intended outcomes:</u>	<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.	Focusing on our customers' needs Continuously improve our processes Increase the digital provision of services.	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 **Role and Responsibilities of Audit Committees**

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

9 **Progress against Plan**

- 9.1 At the start of each year Members approve the Audit Plan setting out the audit assignments to be undertaken. An analysis of progress in completing the Audit Plan for 2018/19 is set out as Appendix 2.

10 **Assurance**

- 10.1 Management is responsible for the system of internal control and should set in place policies and procedures to help ensure that the system is functioning correctly. On behalf of the Authority, Internal Audit review, appraise and report on the efficiency, effectiveness and economy of financial and other management controls.
- 10.2 Each audit report gives an overall opinion on the level of assurance provided by the controls within the area audited. The assurance bands are shown below:

Assurance Levels

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

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

11 **Internal Audit Assignments Completed During Quarter**

- 11.1 Nine audits were completed in the third quarter of 2018/19. Copies of all the reports issued during the quarter are available for viewing on the [online agenda for the meeting](#).
- 11.2 The action plans accompanying all Internal Audit reports issued in the quarter are set out as Appendix 3. These detail the recommendations arising from the audits together with the management responses, including target implementation dates.
- 11.3 As can be seen, responses have been received from managers to all recommendations contained in audit reports issued during the quarter in question.
- 11.4 One audit completed in the quarter was awarded a lower than substantial assurance opinion. This was in respect of the Community Infrastructure Levy & Section 106 Agreements audit. In line with procedure the report relating to this audit is set out as Appendix 4 for specific scrutiny.

12 **Implementation of Recommendations Issued Previously**

- 12.1 Managers are required to implement recommendations within the following timescales:
 - (a) Recommendations involving controls assessed as high risk to be implemented within three months.
 - (b) Recommendations involving controls assessed as low or medium risk to be implemented within nine months.
- 12.2 The state of implementation of **low and medium risk** recommendations made in the **fourth quarter of 2017/18** is set out in Appendix 5 to this report. There were no **high risk** recommendations issued in the **second quarter of 2018/19** so none is included in this appendix.
- 12.3 As can be seen, responses have been received from all managers in order to provide the state of implementation of recommendations issued in this earlier quarter.

13 **Review**

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

GUIDANCE ON THE ROLE AND RESPONSIBILITIES OF AUDIT COMMITTEES

Public Sector Internal Audit Standards 2013

Independence and Objectivity

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

Glossary

Definition: Audit Committee

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

Audit Committees: Practical guidance for Local Authorities (CIPFA)

Core Functions

Audit committees will:

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

Suggested Audit Committee Terms of Reference

Audit Activity:

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

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

Monitoring Audit Performance

Auditor/officer collaboration

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

Management response

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

Implementation

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

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

CIPFA Technical Information Service Online

Audit Reporting

Introduction

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

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

Periodic Internal Audit Reports

Audit committees should not normally be provided with the full text of internal audit reports. Audit reports are mainly concerned with operational details while audit committees and members or non-executive directors should be concentrating on ensuring that the organisation's system of internal control is effective and that the strategic or corporate objectives are being achieved efficiently. Members or non-executive directors' interest in internal audit should normally be restricted to gaining an assurance that the organisation's systems of internal control are adequate and that where audit does not consider this to be the case that action is taken to ensure that any shortcomings 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 3**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>	227.0	170.3	171.4	-1.1
<u>Other Time</u>				
Sundry audit advice	25.0	18.8	15.6	+3.2
Special investigations (e.g. Fraud/Irregularities)	15.0	11.3	0.8	+10.5
Corporate and departmental Initiatives	31.0	23.2	29.1	-5.9
Non-chargeable activities	102.0	76.5	88.0	-11.5
Leave and other absences	85.0	63.7	73.0	-9.3
<i>Total Other Time</i>	258.0	193.5	206.5	-13.0
<i>Total Time</i>	485.0	363.8	377.9	-14.1

Time spent: Assignments Completed – Planned Vs Actual

AUDIT ASSIGNMENT	PLAN (DAYS)	TIME TAKEN (DAYS)	UNDER (+) / OVER (-)
Housing Investment/Maintenance Programmes	16.0	16.7	-0.7
Housing Benefit & Council Tax Reduction	10.0	11.3	-1.3
Payroll and Staff Expenses	13.0	14.1	-1.1
Payment of Creditors		Contracted-out	
Database Security		Contracted-out	
Employee Attendance Management	9.0	9.4	-0.4
Sports Development	8.0	6.9	+1.1
Community Infrastructure Levy and Section 106 Agreements	10.0	14.2	-4.2
Insurances		Contracted-out	

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

Community Infrastructure Levy and Section 106 Agreements: Large number of issues identified.

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	21	55.0	19	52.8	-2	-9.5

SUMMARY OF RECOMMENDATIONS AND MANAGEMENT RESPONSES FROM INTERNAL AUDIT REPORTS
ISSUED QUARTER 3, 2018/19

Report Reference	Recommendation	Risk Rating¹	Responsible Officer	Management Response and Target Implementation Date (TID)
Housing Investment/Maintenance Programmes – 10 January 2019				
No recommendations resulting from review.				
Housing Benefit & Council Tax Reduction – 31 December 2018				
4.3.1.5	The rejected BACS payment should be processed accordingly on the system. Staff should also be reminded of the need to process these notifications on a timely basis.	Low	Benefits & Fraud Manager	This has now been done. TID: Completed.
4.3.2.3	An amendment needs to be made to the account that was flagged as having the restricted rent still being applied with the underpayment being actioned accordingly.	Low	Benefits & Fraud Manager	This has now been done. TID: Completed.

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)
4.3.3.4	Staff should be reminded of the need for Senior Officers to review the cases and complete the relevant decision notices.	Low	Benefits & Fraud Manager	To be discussed during the next team meeting. TID: 12 December 2018.
4.3.3.4	Staff should be reminded of the need to get the claimants approval for the benefit payments to be made to their landlords in all relevant cases.	Low	Benefits & Fraud Manager	To be discussed during the next team meeting. TID: 12 December 2018.
4.3.3.5	Staff should be reminded of the need to select the relevant reason codes when processing landlord payment applications.	Low	Benefits & Fraud Manager	To be discussed during team meeting. TID: 12 December 2018.
4.4.2.4	There should be segregation of duties between the request and authorisation of write-offs.	Medium	Benefits & Fraud Manager	The appropriate member of staff has been advised. TID: Completed.
Payroll and Staff Expenses – 14 January 2019				
4.2.3	The categorisation of documents on the HR handbook should be reviewed so that relevant documents can be easily located.	Low	HR Manager	This has been reviewed previously with Media. However, the issue will be revisited. TID: September 2019.
4.3.9	A consistent method of storing documents in the HR network folders should be introduced.	Low	HR Manager	HR Support are reviewing how they save and are agreeing best practice. TID: January 2019.

Report Reference	Recommendation	Risk Rating¹	Responsible Officer	Management Response and Target Implementation Date (TID)
4.5.11	HR should review the requirement for retaining expenses receipts. Should it be confirmed that there is a requirement to retain them, the method of storing the receipts should be reviewed to ensure appropriate accessibility and retrieval.	Low	HR Manager	Agreed. Payroll will be contacted to review the retention requirements with action taken accordingly thereafter. TID: April 2019.
4.6.3	A decision should be taken with regards to the dates that Members' allowances changes become effective, with this being consistently applied.	Low	Democratic Services Manager and Civic & Committee Services Manager	We welcome this finding and agreed this would be implemented with the leave date being the date the Councillor was removed from the Committee and the replacement Councillor starting the day after. TID: Completed.
Payment of Creditors – 31 December 2018				
No recommendations resulting from review.				
Database Security – 1 November 2018				

Report Reference	Recommendation	Risk Rating¹	Responsible Officer	Management Response and Target Implementation Date (TID)
4.3.3	ICT management should ensure that all SA accounts are renamed.	Medium	Infrastructure Manager	Accepted: Four sql installs have 'sa' enabled. Tegan4 – this box is being decommissioned. Energy2 – 'sa' account has now been disabled Datapulse2 – the supplier will look into this, however this is a low risk box. Pncserver – the supplier has quoted £450 to make changes. However, a complex password is being used which we believe has mitigated the risk. TID: No Further Action.
4.4.2	ICT management should identify and obtain a password management solution for the storage of key passwords.	Medium	Head of ICT	Accepted. A new password vault will be investigated. TID: May 2019.
4.4.5	ICT management should ensure all SQL Server database 'Guest' accounts are reviewed and disabled.	Medium	Infrastructure Manager	Accepted. All identified 'guest' accounts have been disabled apart from Metacompliance where the 'guest' user only has connection rights to view the database table diagram. TID: No Further Action.
4.5.3	ICT management should upgrade to the latest SQL Server service pack following the upgrade of the Horizon software.	Medium	Infrastructure Manager	Accepted. Horizon upgrade is in the final planning stage. Once complete the latest service pack will be applied. TID: May 2019.

Report Reference	Recommendation	Risk Rating ¹	Responsible Officer	Management Response and Target Implementation Date (TID)
Employee Attendance Management – 9 November 2018				
4.3.2	Managers should be reminded of the need to complete return to work forms for all sickness absence.	Low	SMT HR Manager	Managers are advised in Self Serve training and it is included as part of the new HR for non HR manager Courses which all managers must attend. It is also noted on the form, the intranet and in the policy. We recommend that SMT discuss this with their managers. Coventry City Council (as the payroll provider) will be contacted to check whether an absence trigger report can be produced. TID: March 2019.
4.3.3	Guidance should be provided to managers regarding the retention of Return to Work forms in terms of the method and period of time that they need to be held for.	Low	HR Manager	Managers need to be advised of the Retention timescales –6 years +1 after the end of employment (confirmed with Data Regulations Officer) TID: March 2019.
Sports Development – 16 November 2018				
No recommendations resulting from review.				
Community Infrastructure Levy and Section 106 Agreements – 10 December 2018				
4.1.1	Consultees should be formally made aware of the outcome of relevant applications including in relation to any contributions that are to be paid to them.	Low	Development Manager and Business Managers	Whilst it is unlikely to be practicable to individually advise all consultees of the outcome of planning applications, consultees are able to follow progress online and will be reminded of this. TID: December 2018.

Report Reference	Recommendation	Risk Rating¹	Responsible Officer	Management Response and Target Implementation Date (TID)
4.3.9	A formal naming protocol should be introduced for documents stored on IDOX so that all contribution requests can be easily identified.	High	Business Managers	This is now in place. TID: Completed.
4.3.9	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.	High	N/A	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. TID: Not applicable.
4.3.9	The contribution request from the Police should be included within final s106 agreement in the relevant case.	High	Development Manager and Business Managers	The Police contribution has now been included in the final agreement. TID: Completed.
4.4.4	Responsibility should be formally assigned for the updating of the monitoring information, whether this is the spreadsheet or Acolaid once this has been fully implemented.	Low	Head of Development Services / Development Manager	That responsibility has now be assigned to the Development Monitoring Officer. The spreadsheet will only be used until such time that Acolaid holds all data. New records will be entered direct in to Acolaid with only a short reference being included in the spreadsheet. Associated with this, new processes are being introduced to use Acolaid to ensure all s106 contributions requested are captured and recorded by case officers. TID: Completed.

Report Reference	Recommendation	Risk Rating¹	Responsible Officer	Management Response and Target Implementation Date (TID)
4.5.5	The monitoring spreadsheet should be kept up to date and should include all relevant information.	Low	Head of Development Services / Development Manager	The main monitoring spreadsheet will be updated to ensure that the contributions are being accurately recorded prior to the Acolaid system being employed for this process. TID: Completed and ongoing.
4.5.7	The process of calculating the contribution invoices should be amended so that the figures can be verified.	Medium	Head of Development Services / Development Manager	The process for calculating the invoices (including indexation) will be set out on each invoice as a way allowing the figures to be checked. Invoices will then be associated with the Acolaid record. Further advice will be sought from Internal Audit to ensure that the process is appropriate going forward. TID: Immediate and ongoing.
4.5.12	Formal monitoring should be undertaken to ensure that monies are being spent as stipulated in the s106 agreements.	Medium	Head of Development Services / Development Manager	This has been done in relation to 3 rd party contributions (SWFT, Police, CCG) where formal legal agreements are now used to ensure money is spent correctly. Similar arrangements need to be put in place for internal contributions. The process for this needs to be agreed through SMT. TID: Completed.

Insurances – 30 October 2018

Report Reference	Recommendation	Risk Rating¹	Responsible Officer	Management Response and Target Implementation Date (TID)
4.2.9	Development of a formal insurance strategy be considered that provides the framework to ensure that the Council has in place an optimal balance between external insurance and self-insurance.	Low	Insurance & Risk Officer	Agreed. Consideration will be given to the introduction of an insurance strategy. TID: End of March 2019
4.3.3	An action tracker be included as part of the update to SMT.	Low	Insurance & Risk Officer	This will be included from the next report. TID: November 2018.
4.3.4	The Risk Management Strategy be updated and made available on the Council web site.	Low	Audit & Risk Manager	Agreed and now done. TID: September 2018.
4.3.6	Oversight of risk registers by the IARO be embedded to ensure that insurance is considered in all cases.	Low	Audit & Risk Manager / Insurance & Risk Officer	Audit & Risk Manager in process of putting all risk registers on intranet site viewable by all staff. When set up these will be updated quarterly. Insurance & Risk Officer can then view these documents systematically and ensure that due provision has been made for insurance aspects of risks. TID: End of October 2018.
4.5.6	The claim forms should be refreshed and reflective of GDPR requirements.	Medium	Insurance & Risk Officer	Wording was reviewed and updated in May 2018 taking into account advice and examples from other authorities in the absence of an Information Governance Manager. Advice will be sought from the Information Governance Manager and wording updated accordingly. TID: End of March 2019.

**AUDIT REPORTS WITH MODERATE OR LOW LEVEL OF ASSURANCE
ISSUED QUARTER 3 2018/19**

Community Infrastructure Levy & Section 106 Agreements – 10 December 2018

1 Introduction

1.1 In accordance with the Audit Plan for 2018/19, an examination of the above subject area has been undertaken and this report presents the findings and conclusions drawn from the audit for information and action where appropriate.

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

2 Background

2.1 Previous audits have only covered Section 106 (s106) Agreements, as the Community Infrastructure Levy (CIL) was not in place.

2.2 The first audit of s106 agreements was undertaken in January 2015 at which time there was no formal monitoring being undertaken. A follow-up audit was, therefore, undertaken in March 2016 to review progress towards the adoption of a monitoring process.

2.3 The Government's Planning Advisory Service highlights that "planning obligations under Section 106 of the Town and Country Planning Act 1990, commonly known as s106 agreements, are a mechanism which makes a development proposal acceptable in planning terms that would not otherwise be acceptable. They are focused on site specific mitigation of the impact of development."

2.4 The Community Infrastructure Levy differs from s106 agreements in that the levy can be applied to more general infrastructure projects where they cannot be linked to a specific development.

3 Scope and Objectives of the Audit

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

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

- Community Infrastructure Levy
- S106 consultation and agreement

- S106 monitoring
- S106 income and expenditure.

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

- The Council will be able to raise appropriate income from developers towards infrastructure needs
- All relevant elements are appropriately included within the agreements
- Justification is available where S106 agreements are not entered into on viability grounds
- Agreements are enforceable
- Agreements ensure developments fit in with the agreed local plan
- The Council is aware when relevant milestones are reached in relevant development
- The Council receives all income and land due
- Managers and Members are aware of the status of each agreement
- Monies received are accounted for as appropriate
- Communities benefit as intended from the monies received
- The Council is not held responsible for the inappropriate use of contributions by other organisations.

3.4 As the CIL has been formally in place since only April 2018, it has only been covered in overview to ascertain whether the Council has appropriate processes in place for the future use and monitoring of income received.

3.5 One specific area that has not been covered in this audit is that of the inclusion of SUDS (Sustainable Urban Drainage Systems) in the s106 agreements. The issues with SUDS were touched upon in a recent audit of Flood Risk Management (FRM).

3.6 A recommendation included within the FRM report was to be addressed by staff in Neighbourhood Services but it is felt that Development Services staff need to be aware of the issues raised, so the risks identified in the report and the associated recommendation raised are repeated here for reference (although as it relates to a different audit, it is not included in the action plan at the end of this report):

Risks

SUDS that are not fit for purpose might be installed which may increase the risk of flooding.

Funds deposited by the developer may not be sufficient to meet ongoing maintenance costs.

Recommendation

A coordinated approach to managing the expansion of SUDS in the District should be adopted by involving all relevant senior managers to identify the potential problems and to propose solutions.

4 Findings

4.1 Recommendations from Previous Reports

4.1.1 The current position in respect of the recommendations from the audits reported in January 2015 and March 2016 were also reviewed. The current position is as follows:

Recommendation	Management Response	Current Status
January 2015		
1 A standard list of consultees should be drawn up for major applications.	Agreed. The recommended action will be complied with.	Whilst not a 'full' list of consultees, the Business Manager - Development Management (BM) has sent details of the relevant consultees to the Senior Planning Officers to ensure that all relevant contributions can be requested in respect of each major development. (See 4.3.2 below)
2 Evidence should be obtained to support all requests for s106 contributions for each individual application as appropriate.	Agreed. The recommended action will be complied with.	Sample testing confirmed that contributions included within s106 agreements were all supported by individual requests, although there were some discrepancies between the documents. (See 4.3.6 to 4.3.9 below)
3 Consultees should be formally made aware of the outcome of relevant applications including in relation to any contributions that are to be paid to them.	Agreed. The recommended action will be complied with.	The BM suggested that this does not routinely happen. The recommendation therefore needs to be revisited.

<p>4 A sealed copy of the relevant s106 agreement should be obtained.</p>	<p>Agreed. The recommended action will be complied with.</p>	<p>The copies of the relevant agreement held both on IDOX and the hard copy held in the Document Store were still the unsealed version. However, the agreements are thought to be legally enforceable whether sealed or not. Going forward, legal advice will be sought, but it is not thought relevant to obtain a sealed copy of this 'historic' agreement. Looking ahead storage of signed agreements needs to be consistently associated with Acolaid records Recent agreements covered during sample testing had all been signed / sealed as appropriate. (See 4.3.10 below)</p>
<p>5 The planned monitoring processes set out should be put in place as a key priority.</p>	<p>Agreed. The course of action is included in the Development Services draft Improvement Plan.</p>	<p>Recommendation was superseded by the follow-up Monitoring audit undertaken in March 2016</p>
<p>March 2016</p>		
<p>6 A specific protocol should be put in place for receiving all s106 agreements from Legal Services and recording them on the monitoring spreadsheet. Consideration should also be given to including reference to potential agreements on the spreadsheet when case officers deal with the planning applications.</p>	<p>Agreed. A protocol for the receipt of s106 agreements will be implemented. Potential agreements will also be included as suggested.</p>	<p>A number of recently agreed s106 agreements were found to not be included on the monitoring spreadsheet and none of the applications with anticipated agreements were included either, so this needs revisiting. (See 4.4.3 below)</p>

7 A formal process should be established for updating the monitoring spreadsheet with any variations identified.	Agreed. A process will be implemented.	Given the above finding, no specific review was undertaken on variations to agreements.
8 The MSMO should be included in the monthly update emails from the IIO so that he can formally advise of the status of each of his sites.	The MSMO will update the master spreadsheet directly going forward.	The Site Delivery Officer(s) now have direct access to the spreadsheet, with a formal update report also being produced on a quarterly basis to provide updates on the progress at each development.

4.2 **Community Infrastructure Levy**

- 4.2.1 Every planning application is checked to see if it will become CIL liable, with builds over 100 square meters being potentially liable. Once the application is approved, an outline liability letter is then sent to the developer and a form will be completed by them to give further details of the development.
- 4.2.2 The Development Manager (DM) and the CIL Officer (CO) advised that they undertake sense checks on the weekly lists to see if all relevant cases have been reviewed as some may be borderline in terms of size, so the development will be measured.
- 4.2.3 Upon receipt of the completed form, it will be checked to ascertain whether there are any relevant exemptions, for which another form needs to be submitted.
- 4.2.4 Annexes / extensions for a private dwelling are exempt as are self-build properties. Exemptions are also available for social housing properties. The levy will also be reduced if there are existing properties on site that have been in recent use.
- 4.2.5 One unexpected positive aspect of CIL that the DM and the CO raised was that developers have discussed increasing the number of social housing properties on site in order to reduce their CIL liability.
- 4.2.6 The actual liability is calculated by the Acolaid system based on the information entered onto the Planning Obligations tab. A detailed liability letter will then be sent out to show the calculated figure.
- 4.2.7 Different zones have been established with the developments in the different zones attracting different multipliers. These were agreed by Council in November 2017.
- 4.2.8 The Systems & Business Improvement Officer (SBIO) provided a spreadsheet that had been generated from Acolaid which confirmed that the agreed figures

had been accurately input into the Acolaid parameters.

- 4.2.9 The CO advised that only six liable developments had been identified to date from the completed forms. These had potential CIL contributions due of approximately £2m. Six other cases were exempt and eleven others were ongoing and were being chased.
- 4.2.10 The developers in the six relevant cases are being corresponded with and site visits are also being undertaken to ascertain when the development has commenced and the others also have to be monitored (again via site visits as necessary) to ensure that the exemption reasons remain valid. It was flagged that a land charge will be put on the property in exempt cases so that the relevant income can be received if it is sold within three years.
- 4.2.11 One site has now commenced, with a signed commencement notice having been received as appropriate. A demand notice has, therefore, been issued so that payments can be received.
- 4.2.12 When received, monies will be spent against items on the 'Regulation 123 list' and the Council is required to administer this, although the actual projects may be undertaken by others (e.g. Warwickshire County Council (WCC)). The reasoning behind the formation of the list (along with the current list) were reported to Executive in April 2018 where the list was approved.
- 4.2.13 For each project there will also be a legal agreement put in place to ensure that, should the monies not be spent accordingly, the potential claw back of income would fall to the relevant body.
- 4.2.14 The Strategic Finance Manager has set up the relevant finance codes and a spreadsheet has been set up to show how the income has been distributed, although this has not yet been required.
- 4.3 **S106 Consultation & Agreement**
- 4.3.1 A review of recent planning applications was undertaken to identify those where S106 agreements were to be entered into. Testing was then undertaken to ensure that relevant consultation had taken place and that the contributions requested were being included in the signed agreements unless a relevant viability assessment had been submitted.
- 4.3.2 For the eight relevant applications identified, there were no two that had the same list of consultees. However, with the exception of one application (which turned out to be an amendment to an original agreement with none of the contributions being affected), the others generally covered the majority of the key consultees as identified in an email from the BM to the Senior Planning Officers. However, one did not include any NHS consultees and only three covered the Rights of Way consultee. Also, none included the Sports consultee, although they had submitted contribution requests in a number of cases.
- 4.3.3 However, as well as those consulted with directly, the BM confirmed that all applications are sent out for comment to a list of individuals and organisations

and they will then choose which applications they wish to comment on. This list includes the Sports consultee amongst others.

- 4.3.4 It is also noted that the BM's email was sent out after the sampled applications had been sent out for consultation, so it is anticipated that all relevant consultees should now be covered for each relevant application and it is felt that no recommendation is, therefore, warranted.
- 4.3.5 In the four cases where the s106 agreements have actually been completed, one fully reflected the consultation responses, and two were the subject of viability assessments.
- 4.3.6 In the other case there were two specific variations. The figure for the Open Spaces contribution had been changed with no apparent justification being held which resulted in the figure agreed being almost £100,000 less than that requested.
- 4.3.7 A request for NHS contributions was also omitted from the agreement as the request had not been picked up by the case officer due to the way that the document had been stored on IDOX. This resulted in a further 'loss' of just over £100,000.
- 4.3.8 It should be noted that the Open Spaces contribution would have subsequently been removed from the agreement, had it been included, as the relevant scheme is now covered by CIL. However, at the time of the report to Planning Committee (30 January 2018), the CIL Regulation 123 List had not been approved, so the Open Spaces contribution should have been included.
- 4.3.9 Another, similar, issue was noted in relation to an ongoing case where the agreement has not yet been entered into. A contribution request from the Police for £97,415 has not been included in figures being discussed as the document had been overlooked due to the way that it had been saved on IDOX.

Risk

Contributions requested may not be received.

Recommendations

A formal naming protocol should be introduced for documents stored on IDOX so that all contribution requests can be easily identified.

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.

The contribution request from the Police should be included within final s106 agreement in the relevant case.

- 4.3.10 Where agreements were in place they were all found to have been signed up to by all relevant parties.

4.3.11 The BM advised that all agreements are drawn up and / or reviewed by Legal Services. They will, therefore, ensure that the correct legal references are included within the agreements. Upon review of sample agreements, it was confirmed that standard clauses are included which make reference to the legal basis for the agreements.

4.3.12 Reports are presented to the Planning Committee prior to the agreements being formally agreed. A clause is included within the reports advising that, should the agreement be not signed up to by a specified date, the Head of Development Services is given delegated power to refuse the application.

4.3.13 The BM advised that it is up to the individual case officer to monitor compliance with these dates. However, he suggested that these are not generally enforced, with them being included as more of a tool to speed up the developer.

4.4 **S106 Monitoring**

4.4.1 A spreadsheet is currently in place that is the central record of S106 agreements, although the Site Delivery Officer (SDO) spoken to advised that he had noted a few omissions.

4.4.2 The spreadsheet shows each element of the agreement on a separate line and includes the triggers for each contribution. There are also columns to show (amongst other things) whether the contributions / land transfers etc. have been received or not and when they are due to be spent by (although there are numerous gaps in these columns). There is also a column to show the 'current position' although, again, this is not always updated for each (quarterly) update.

4.4.3 However, as part of the agreement testing undertaken (see above) it was noted that none of the agreements were been included in the latest monitoring spreadsheet. From discussions with relevant staff it was identified that no specific responsibility has been assigned to ensure that the spreadsheet is kept up to date for new agreements.

4.4.4 A project is currently ongoing to get the S106 information onto Acolaid. The Development Monitoring Officer (DMO) advised that the information is being input into the Planning Obligations tab on Acolaid for the individual applications, with a separate line for each obligation on the 'Purposes' tab on the page. As of yet, it was not clear as to who would be inputting new agreements.

Risk

The current status for all s106 agreements may not be known and it may not be possible for interested parties to have an up to date picture.

Recommendation

Responsibility should be formally assigned for the updating of the monitoring information, whether this is the spreadsheet or Acolaid once this has been fully implemented.

- 4.4.5 The DMO advised that the Triggers and Transactions tab should show dates of when the different stages had been reached, although he was unsure whether this part of the process would be automated, based on the information input into the 'monitoring data' fields within the Plotting tab.
- 4.4.6 There were potential issues flagged by the DMO in relation to amendments being put through as separate planning applications, as the monitoring data was input against the individual applications whereas the s106 details had been input against the outline application, so if the process were to be automated, it wouldn't tie up.
- 4.4.7 The 'module' is live, but has not generally been used so far. However, the DMO suggested that the relevant information would be input for the next round of development monitoring in October and would go forward from there.
- 4.4.8 There would also be a need to backfill certain information where developments or have not been completed or monies had not all been spent, but it was not felt that there was much point in inputting data in relation to completed schemes.
- 4.4.9 Looking forward, it is expected that reports would be generated from Acolaid to remove the need for the monitoring spreadsheet, with reports being tailored to meet the needs of different audiences.
- 4.4.10 The SDO advised that he monitors the developments in Warwick and South Leamington with his colleague covering the current Kenilworth development. A new post is being recruited to for the south Coventry / Kings Hill developments.
- 4.4.11 He highlighted that developments are predominantly monitored via site visits to check the percentage of the development that has been completed etc. as the trigger points are generally related to percentage complete / occupied.
- 4.4.12 Following the visits (which are generally undertaken prior to the end of each quarter), the spreadsheet would be updated to show the current position, with this information being included in the Development Contribution Monitoring Report that is prepared for the quarterly meeting attended by various Council staff as well as representatives from WCC. The latest copy of the monitoring spreadsheet includes the June 2018 updates as appropriate.
- 4.4.13 The quarterly meeting held on 1 August 2018 was attended as part of the audit and it was flagged that the meeting and the report have both evolved over time.
- 4.4.14 The DM advised that the meetings were originally just attended by himself,

the SDO and the SBIO, but the current attendance from other officers from both the Council and WCC was how it was always envisaged.

- 4.4.15 The Q1 report being discussed at the meeting was the first to include CIL information. It was highlighted that the report had historically been circulated to the previous Head of Development Services and Finance but it was now being sent to SMT and the relevant Portfolio Holder as well.
- 4.4.16 At the meeting, the possibility of publishing the report on the Council's website alongside the monitoring spreadsheet was discussed and it was agreed by those in attendance that this would be a good idea.
- 4.4.17 During the meeting, a representative from WCC advised that the way the Council monitors their s106 developments and the relationship between the councils with regards to the monitoring process is flagged as best practice with the other districts. This has also been identified in an audit report written by the WCC internal auditors.
- 4.4.18 Included within the monitoring report is commentary on which developments have reached triggers according to the monitoring that has been performed. The report also highlights that land transfers were not always happening in line with the agreements in place. The SDO highlighted that financial contributions had been the main focus but land transfers would also now be specifically monitored.
- 4.4.19 He also flagged that there had been issues with the developers not informing the Council when work had started but suggested that there had been no 'follow-ups' performed by the Council in these cases although this was now being addressed.
- 4.4.20 As suggested above, the monitoring reports are now being circulated to SMT and the Portfolio Holder. The DM advised that Finance & Audit Scrutiny Committee no longer receive regular update reports that had been requested at the time of the previous audit, although it was noted that they do get updates on the Infrastructure Delivery Plan (IDP), with the latest report (July 2018) including various references to s106 monitoring, with a specific s106 monitoring report (which was the previous version of the Developer Contribution Monitoring Report) being included within the appendices.

4.5 **S106 Income & Expenditure**

- 4.5.1 When a developer advises the Council that a trigger has been reached or where monitoring undertaken identifies this, an invoice will be raised and sent to the developer. The Q1 Developer Contribution Monitoring Report highlights that only one development had reached a trigger point in this period.
- 4.5.2 The SDO advised that he maintains a working spreadsheet (s106 contributions calculator), for financial contributions, with each agreement having its own tab. The spreadsheet includes any relevant indexing and shows invoices issued. This shows the relevant invoice raised in relation to the abovementioned contribution. This is separate from the main monitoring spreadsheet.

- 4.5.3 Upon review of invoices raised and payments received as per the relevant cost-centre code on TOTAL, it was noted that the contributions spreadsheet was not up to date. Eight payments had been received during the current financial year against three different developments but there was no record of these having been paid.
- 4.5.4 Another issue was that the payments in respect of one development did not tie in with the amounts shown on the spreadsheet. Three are for indexation payments only (which are not shown on the spreadsheet) and the other had been paid with a different indexation figure. The SDO highlighted that the 'indexation only' payments had been raised separately after the developer had failed to apply indexation when they made their initial payment, with the indices being correct based on when the first payment was made.
- 4.5.5 It was also highlighted that this spreadsheet was only meant to be a working tool, and that the main monitoring spreadsheet should be used to record all relevant information, including the payments made. However, as previously highlighted, the main monitoring spreadsheet was not up to date at the time of the audit and it did not record any information regarding the indices used to calculate the payments due.

Risk

Staff may not be aware of the contributions that have been paid or those that are outstanding.

Recommendation

The monitoring spreadsheet should be kept up to date and should include all relevant information.

- 4.5.6 An additional issue was identified by Development Services in that the processes for calculating the invoice amounts using the relevant indices and the subsequent raising of the invoices do not allow for segregation of duties, with the SDO being responsible for all aspects.
- 4.5.7 Upon further review of the indices used for the calculation of the abovementioned invoices, it was noted that the figures used for one invoice did not tie in with the RPI figures that were in force when the invoice was raised. Again, it was highlighted that the figure used would have been correct when the contribution amount was agreed as opposed to when the invoice was raised, but there was no evidence to show how the figure had been arrived at. This reinforces the risk raised by Development Services.

Risk

Errors in the contribution invoices may not be identified and the officer raising the invoices may be open to fraud and collusion attempts.

Recommendation

The process of calculating the contribution invoices should be amended so that the figures can be verified.

- 4.5.8 In terms of the accounting, the Assistant Accountant (AA) advised that all income received and payments made (with the exception of the monitoring fees) go through the same code. However, balances relating to income received will be moved to specific balance sheet codes at the year-end if monies have not been spent. Similarly, where payments are to be made, monies will be transferred back into main code from the relevant balance sheet codes.
- 4.5.9 The AA also highlighted that the finance details are also entered into the main s106 monitoring spreadsheet as and when monies are received or spent. This was confirmed upon review of the spreadsheet provided.
- 4.5.10 The SDO advised that payments would only be made following receipt of a signed legal agreement (see below). Once received, purchase orders are raised and the organisation is requested to raise an invoice as appropriate.
- 4.5.11 Two payments have been made during the current financial year in respect of hospital contributions and GP contributions and these were found to be supported by orders and invoices as appropriate.
- 4.5.12 The SDO also advised that there is currently no formal monitoring undertaken to ensure monies are being used as per the agreements in place. However, the Legal Agreements in place (see below) will help to ensure that the Council is not liable for repaying any monies that have not been incorrectly used when they have been paid to other organisations.

Risk

The Council may have to repay contributions received.

Recommendation

Formal monitoring should be undertaken to ensure that monies are being spent as stipulated in the s106 agreements.

- 4.5.13 Legal agreements are currently in place with NHS organisations in relation to contributions received for hospitals and acute care and GP surgeries. Sample agreements were reviewed and were found to be appropriately detailed.
- 4.5.14 The SDO advised that agreements have also been sent to the Police but signed copies have not yet been returned. He also highlighted that no agreements are required for Warwickshire County Council as they receive their contributions directly.

5 **Conclusions**

5.1 Following our review, in overall terms we are able to give a MODERATE degree of assurance that the systems and controls in place in respect of Community Infrastructure Levy and Section 106 Agreements are appropriate and are working effectively.

5.2 The assurance bands are shown below:

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

5.3 It is noted that whilst not perfect, the s106 monitoring performed by the Council is identified by WCC as being good practice with this being raised with the other districts.

5.4 Internal Audit also recognise that the level of monitoring performed is much improved compared to that in place at the time of the previous audits, but feel that controls need to be strengthened. In that regard, a number of issues were identified:

- Two recommendations from the previous audits, relating to informing consultees of the outcomes of applications and obtaining a sealed copy of a specific agreement, had not been actioned.
- Contribution requests had not always been identified when s106 agreements were being discussed and drawn up.
- The s106 monitoring spreadsheet did not include a number of recent agreements.
- The financial contributions spreadsheet also required updating to include payments received and missing agreements.
- The process for calculating and raising invoices needs to be amended to allow for checks to be performed.
- No specific monitoring was being undertaken to ensure that contributions were being spent appropriately.

6 **Management Action**

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

CURRENT IMPLEMENTATION POSITION FOR LOW AND MEDIUM RISK RECOMMENDATIONS
ISSUED IN QUARTER 4 2017/18

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE (PID)	CURRENT STATE OF IMPLEMENTATION PER MANAGER
Sustainability & Climate Change – 29 March 2018		
<p>Actions should be identified and recorded with the SOG action plan to address the performance target of having cleaner taxis within the district.</p>	<p><i>Sustainability Officer:</i> Actions will be included in the SOG Action Plan. This will be agreed at the next SOG meeting in May. PID: May 2018</p>	<p>Implemented. An action in relation to electric taxis is included in the SOG action plan found on the SOG web page of the Intranet. This action is progressing.</p>
Collection of Council Tax – 14 February 2018		
<p>Details of the cases checked as part of the write off authorisation process (including the high value authorisations) should be recorded on the batch authorisation sheets.</p>	<p><i>Exchequer Manager / Principal Revenues Officer:</i> Agreed – an instruction will be issued to appropriate staff. PID: February 2018</p>	<p>This now happens and checked cases are recorded on the signed authorisation sheets.</p>
<p>Documentation should be produced and retained to support all debts written off.</p>	<p><i>Senior Recovery Court Officer:</i> Agreed – a reminder will be issued to appropriate staff. PID: February 2018</p>	<p>A full copy is retained within the spool manager on the Billing system and the signed paper copy is scanned and saved on the I drive.</p>

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE (PID)	CURRENT STATE OF IMPLEMENTATION PER MANAGER
Business Applications: PARIS Income Management System – 31 March 2018		
<p>A procedure should be implemented for regular purging of income transaction import files in the PARIS working directory.</p>	<p><i>Strategic Finance Manager / Principal Accountant (Capital & Treasury Management):</i> The feasibility of the recommendation will be investigated and implemented if practical. PID: September 2018</p>	<p><i>Principal Accountant (Capital & Treasury Management):</i> It has been established that these files do not need to be retained longer than 7 years, so the pre 2011/12 folders have been deleted and more recent pre 2018/19 files have been sorted into annual folders. ICT are going to look at eventually automating that process (having confirmed that the files are moved to that directory once they have been processed, to avoid being posted a second time) but it may be some time before this happens. I will keep this under manual review until such time.</p>
<p>Management should formalise the user request process via the use of a user request form, to be used 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.</p>	<p><i>Strategic Finance Manager / Principal Accountant (Capital & Treasury Management):</i> This will be addressed, alongside recommendation 4.5.1. A user request form will be prepared to reflect the revised access levels. This will denote the appropriate access level, manager approval and system administrator verification that all documentation and training has been issued and performed. PID: August 2018</p>	<p>After consideration it has been decided not to pursue this recommendation as it was low priority and will be a time consuming exercise requiring potentially costly assistance from Civica to achieve. In addition the lifespan of this system is potentially limited given the future procurement of a Financial Services System that hopefully will include the functionality provided by this system.</p>

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE (PID)	CURRENT STATE OF IMPLEMENTATION PER MANAGER
<p>Management should consider documenting the role profiles in order to gain better visibility of the access rights assigned to each role and provide further assurance that the correct level of access is being assigned to users.</p>	<p><i>Revenues Manager / Systems Administration Officer:</i> This will be addressed in line with 4.4.4. The system needs to be streamlined. Currently the roles identify individual requirements and are not of a generic nature. It is the intention of Finance management to reduce the number of profiles to ensure correct access rights are allowed to applicants based upon job description. This ensures any changes required are applied to all users correctly with a reduction of system admin time to manage profiles within the system. The issue will be raised with the system supplier (Northgate) to ensure that changes to existing roles will not have any adverse effect. PID: August 2018</p>	<p>Same response as above as the two recommendations are connected i.e. this recommendation is, as the initial response suggested, dependent on the action in relation to the recommendation above it.</p>
<p>A regular, at least annual, exercise should be undertaken to review users' access permissions within PARIS to ensure they remain appropriate.</p>	<p><i>Revenues Manager / Systems Administration Officer:</i> To be done annually. PID: Annually in October</p>	<p>Annual review completed in September.</p>

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE (PID)	CURRENT STATE OF IMPLEMENTATION PER MANAGER
<p>The purpose of the 'Administrator' account should be investigated and, if possible, the account should be renamed or deleted in order to remove the potential for misuse.</p>	<p><i>Revenues Manager/ Systems Administration Officer:</i> To be suspended, alongside any other redundant generic user accounts. In line with Corporate IT policy, all users should have an individually assigned user name and password which must not be disclosed to any other individual either within the organisation or outside. PID: Completed</p>	<p>Completed. The 'Administrator' account was suspended in April 2018.</p>
<p>Testing of PARIS should be scheduled as part of the next disaster recovery testing exercise. The testing should be documented and include the time taken to recover systems and services, whether recovery time and point objectives have been met and include detail on any issues and actions arising from the testing.</p>	<p><i>ICT Manager:</i> The next formal disaster recovery (DR) test is not for another twelve months. However, each month a system is recovered to our in-house standalone test environment which mimics the DR test. Therefore, the PARIS system will be recovered to this environment as part of the April '18 test. As per standard practice a helpdesk job will be raised and all relevant recovery data will be logged within the job and shared with the System Owner. PID: April 2018</p>	<p>Recommendation addressed: A test recovery of the PARIS income management system was successfully undertaken on the 27th March 2018 and recorded in the ICT Helpdesk Job Ref. 31954 – no further action required.</p>

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE (PID)	CURRENT STATE OF IMPLEMENTATION PER MANAGER
Cyber Security – 16 March 2018		
ICT should review firewall password security parameters and ensure that all administrator password settings meet the Council’s requirements around complexity.	<p><i>ICT Infrastructure Manager:</i> Accepted – The current password does meet the Council’s password complexity standard, although it is accepted this is not enforced through the software control. The complexity parameter will be set. PID: April 2018</p>	Recommendation addressed: The appropriate parameter has now been set – no further action required.
ICT should perform an exercise of reviewing and validating firewall rulesets. This should be performed on an at least annual basis to ensure firewall rules remain appropriately configured.	<p><i>ICT Infrastructure Manager:</i> Accepted – Sufficient data needs to be gathered to ensure that the deletion of a rule does not impact on the business. Once the data is gathered, legacy rules will be deleted and this will become an annual housekeeping task. PID: September 2018</p>	<ul style="list-style-type: none"> • Recommendation addressed: An initial review of the firewall rules has been undertaken. In addition: • a monthly ‘task’ has been added to the Infrastructure checklist to check for redundant firewall rules and clear. • the server decommission checklist has a new step included to remove any redundant firewall rules. <p>No further action required.</p>
ICT management should aim to resolve/ mitigate the remaining ITHC issues in order to help ensure PSN certification is retained.	<p><i>ICT Infrastructure Manager:</i> The current ITHC reflected the security position 12 months ago. A new ITHC will take place w/c 19 March 2018. This will supersede the existing ITHC. ICT will, as per normal practice, evaluate and remediate as appropriate. PID: Complete – No further Action</p>	Recommendation addressed: ICT commissioned an independent ICT Health Check in accordance with PSN requirements w/c 19th March 2018. The actions in this plan have been remediated and the PSN has granted WDC a PSN connection compliance certificate – no further action required

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE (PID)	CURRENT STATE OF IMPLEMENTATION PER MANAGER
<p>ICT management should perform an exercise to review the approach to administrator passwords, including investigation into the use of a software solution.</p>	<p><i>ICT Infrastructure Manager:</i> Accepted – A new approach to admin passwords has been agreed and will be rolled out to all servers. The new approach removes the need to invest in a software solution. PID: Complete – No further Action</p>	<p>The new approach to admin accounts has been rolled out to all servers. Recommendation addressed.</p>
<p>ICT management should ensure that the generic administrator account is disabled and replaced with individually named administrator accounts.</p>	<p><i>ICT Infrastructure Manager:</i> Accepted – The generic admin account has been disabled. PID: Complete – No further Action</p>	<p>Recommendation addressed – no further action required.</p>
<p>ICT should liaise with Sophos to identify and resolve the ANYA2 server issue and with business system owners to ensure the remaining servers are updated with Sophos EXP.</p>	<p><i>ICT Infrastructure Manager:</i> Accepted – The ultimate resolution of this problem is outside the control of ICT Services. However, as per the recommendation, a support case has been raised with Sophos and will be followed through to conclusion. PID: Complete – No further Action</p>	<p>Recommendation addressed: The issue with ANYA2 and Sophos EXP has been resolved satisfactorily and this server is now protected - no further action required.</p>

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE (PID)	CURRENT STATE OF IMPLEMENTATION PER MANAGER
Information Governance: Preparedness for General Data Protection Regulations – 9 March 2018		
<p>A programme of targeted awareness raising events (workshops, short training courses/sessions, etc.) and updated communications for Council staff should be introduced at an early point once the new person is in post.</p>	<p><i>Democratic Services Manager:</i> An awareness briefing session is being designed for roll out via meta compliance to go out in in March. PID: Week Commencing 19 March 2018</p>	<p>This has been rolled out to all Councillors and Staff with monitoring of completion rates considered by SMT and as required officers are followed up. Initial Training has been completed. Further Councillor training on Data breach reporting and data retention to be delivered by March 2019 and further as part of induction of new Council. Staff Meta training on data breach currently being designed to be delivered by end of February 2019 Workshop based training programme being developed to target service areas displaying a weakness of data protection awareness – To be available from the end of February 2019</p>
<p>A comprehensive information audit should be undertaken to formulate an Information Asset Register sufficient to meet the requirements of Article 30.</p>	<p><i>Information Governance Manager & Heads of Service:</i> The Information Audit is underway with returns being received from Service Areas. (20 out of 24 teams have started, four are nearly completed.) Progress is being monitored and teams are being actively supported with the audit. PID: 6 April 2018</p>	<p>Information Audit is currently being reviewed and outstanding audits are being followed up as appropriate. Target date for completion of review of information audits end of March 2019 As part of this, meetings will be arranged with team managers to provide support as required.</p>

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE (PID)	CURRENT STATE OF IMPLEMENTATION PER MANAGER
<p>The Council should review and / or introduce compliant information sharing agreements.</p>	<p><i>Information Governance Manager:</i> Information sharing with partner agencies is being identified through the information audit, and via a review of third party and contract arrangements. There will be an action plan for each agreement where non-compliance is identified. PID: May 2018</p>	<p>Register of Information Sharing Agreements is contained within contract register and this will be reviewed by Information Governance Group with a further review as part of the refresh of data retention schedule. Also officers starting to review these quarterly (in a similar way for risk registers and contract registers).</p>
<p>Remote Access – 6 March 2018</p>		
<p>ICT Management should upgrade to Cisco AnyConnect Secure Mobility Client version 4.3.4019.0 or later, which is not affected by the known vulnerability.</p>	<p><i>ICT Infrastructure Manager:</i> Accepted – The upgrade of AnyConnect is scheduled for 6th March 2018. PID: No further action required.</p>	<p>Recommendation addressed: AnyConnect was upgraded on 6th March 2018 - no further action required.</p>
<p>ICT should add a standard change process / check sheet to the system to provide an audit trail of remote working authorisations and activities.</p>	<p><i>Desktop Services Manager:</i> Accepted – A standard change checklist has been produced which is linked to a helpdesk request for remote access. PID: No further action required.</p>	<p>Recommendation addressed – no further action required.</p>

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE (PID)	CURRENT STATE OF IMPLEMENTATION PER MANAGER
Communications: Social Media – 27 February 2018		
The Social Media Policy should be presented to the appropriate committee for formal approval.	<i>Marketing & Communications Manager / Digital Content & Social Media Officer:</i> The policy is under review and approval will be obtained. PID: May 2018	Policy has been put together with the Democratic Services Manager and the ICT Services manager to be submitted to the Standards Committee on 12 February 2019. The initial social media policy was produced for Councillors and has now been combined with an existing policy that both Councillors and staff are signed up to.
The training should be amended to include details of the Social Media Policy.	<i>Marketing & Communications Manager / Digital Content & Social Media Officer:</i> This will be included prior to the next sessions being run. PID: 1 March 2018	Training was updated prior to being rolled out to all staff to include social media policy. During the training session, staff are made aware of the policy and that the advice and guidance given in the training stems from this policy. MetaCompliance ensured all staff were aware of the policy and had to achieve 100% on the questions and answers. All new staff to the organisation are advised to read and adhere to the policy.
The importance of attending the social media training should be reiterated to Members, with further training sessions being made available to those who did not attend the first session.	<i>Learning & Development Officer / Senior Committee Services Officer:</i> Members will be offered further dates and Group Leaders will be emailed to ensure they know who has attended the training. PID: March 2018	When the staff dates were advertised on the intranet in late April, this was also shared on the Members update (14 May & 26 June) asking them to book on staff sessions. This will be done again with the 2019 dates and an update given to Group Leaders.

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE (PID)	CURRENT STATE OF IMPLEMENTATION PER MANAGER
<p>The potential for monitoring the numbers of service-specific enquiries should be examined in order to identify the value of using social media.</p>	<p><i>Marketing & Communications Manager / Website Manager:</i> This information exists in a disparate format. The Media & Communications Manager will work with the new Website Manager to pull it together into a useable format for producing a report. PID: July 2018</p>	<p>Our social media channels are not used as a customer service tool but rather as an engagement/comms tool, and this is why we measure our KPI's based on engagement/reach rather than specific service requests. We do monitor service requests alongside specific projects on an ad-hoc basis. For example at Christmas we used social media activity to monitor the impact of our communication around changes to recycling – the types and number of questions helped us to identify the effectiveness of our other forms of communication.</p>
<p>Committee Services – 2 February 2018</p>		
<p>Advice should be sought from the Assets Team regarding the apparent risk of flooding from the floor above the Document Store and, if the risk is deemed to be unacceptable, appropriate action should be taken to mitigate the risk.</p>	<p><i>Democratic Services Manager:</i> I will raise this issue with the Assets Team and then take whatever action, if any, is deemed necessary. PID: End February 2018.</p>	<p>This was reviewed by the Assets Team and there is a waste pipe within the store, which is partly exposed. The only mitigation that could be proposed was not proportionate to the level of risk potentially impacted on the effectiveness of the fire suppressant system. Therefore this will have to be an accepted risk.</p>

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE (PID)	CURRENT STATE OF IMPLEMENTATION PER MANAGER
The discs containing agendas and minutes for the period pre 2001 should be stored in different locations.	<p><i>Democratic Services Manager:</i> A set of the discs has been handed to the IT infrastructure team and will be relocated to the safe they have at the Town Hall, for corporate back up tapes etc. on Monday. PID: 5 February 2018.</p>	The set of discs passed to the IT infrastructure team has been relocated for back-up purposes to the safe at the Town Hall. The discs contain copies of the scanned pre-2001 minutes.
The basis for the recharges of the cost of the Committee Services team should be reviewed to ensure that they remain appropriate.	<p><i>Democratic Services Manager:</i> I have arranged my budget review with my Accountant for next week and flagged this as a specific issue to be reviewed. Once I have had this meeting I will discuss with the Senior Committee Services Officer when they return from leave to validate my thoughts before making amendments. PID: End February 2018.</p>	This has been reviewed and updated.
Economic Development – 23 January 2018		
Formal arrangements for the scrutiny of Shakespeare’s England’s reports and accounts by senior management should be established.	<p><i>Strategic Economic Development Officer:</i> The papers will be circulated on a quarterly basis following the meeting of the Shakespeare’s England board. PID: March 2018</p>	Action implemented in full. Papers are circulated via email to the Head of Development Services and the Head of Finance. General comments are requested and, where relevant, specific issues are highlighted for consideration and comment.

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE (PID)	CURRENT STATE OF IMPLEMENTATION PER MANAGER
<p>Separate orders should be raised where work or items over and above the normal contracted works are procured from contractors.</p>	<p><i>Business Manager (Enterprise):</i> A new practice will be introduced to ensure that separate orders are raised where appropriate. PID: With immediate effect</p>	<p>This was implemented with immediate effect (January 2018). Where additional ad hoc works or items over and above the contract were required, a separate order was raised.</p>
<p>Formal health and safety assessments should be organised with the Building Manager and Health & Safety Coordinator.</p>	<p><i>Business Manager (Enterprise):</i> The Building Manager and Health & Safety Coordinator will be contacted to request formal health and safety assessments. PID: April 2018</p>	<p>It was agreed with the Health & Safety Co-ordinator that the "Managing Safely" training course would equip the Business Manager (Enterprise) to conduct own formal Health & Safety assessments. Informal Health & Safety checks are ongoing in the interim. The earliest course date achievable has been booked. (Expected date for implementation: Feb/March 2019)</p>
<p>Budgets should be included for legal fees for each relevant facility.</p>	<p><i>Business Manager (Enterprise):</i> Agreed. Financial Year 2018/19: Virements will be undertaken where needed to ensure that all projects have planned budgets (first review at budget monitoring process) From Financial Year 2019/20: Legal fees (contingency) will be set across all projects. PID: April 2018</p>	<p>Implemented: to retain control of budget and with legal costs being largely responsive, contingency provision was made, ensuring that costs could be met from within the service (S3660) either by way of virement or, in the case of one project, offset against the income revenue sub code: 9396 (Legal Fees).</p>

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE (PID)	CURRENT STATE OF IMPLEMENTATION PER MANAGER
Development Management – 23 January 2018		
All members of the team should be reminded to save all necessary documentation in Idox.	<p><i>Development Manager / Team Leader:</i></p> <p>This report and action plan will be discussed with all members of the team during the next team meeting. The message to staff will be to ensure that all relevant documentation is retained and filed in Idox.</p> <p>PID: 8 January 2018</p>	Complete.
Local Land Charges – 12 March 2018		
Search requests should be processed in a timely manner.	<p><i>Applications Officers, Systems & Business Improvement Officer and Business Managers:</i></p> <p>Performance in this respect has been impacted as set out in the body of the report. However revised performance monitoring measures are now in place and recruitment into vacant administration posts is now taking place to build in further resilience.</p> <p>PID: Currently in progress.</p>	Complete.
Cases shown on the outstanding search tabs should be reviewed to ensure that they are appropriately closed off where no further action is required.	<p><i>Systems & Business Improvement Officer and Business Managers:</i></p> <p>Any revisions to procedures required in this respect are being reviewed now.</p> <p>PID: Currently in progress.</p>	Complete.

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE (PID)	CURRENT STATE OF IMPLEMENTATION PER MANAGER
The next Service Area Plan for Development Services should include reference to the remaining aspects of the land charges function.	<i>Development Manager and Head of Development Services:</i> This will be included as part of the current Service Area Plan review. PID: April 2018.	Complete. However, this is being further examined as part of the current Service Area Plan review.
Cumulative figures should be included in the monitoring reports, with consideration being given to including details of any 'outliers' for further investigation.	<i>Systems & Business Improvement Officer and Business Managers:</i> This recommendation is being progressed now. PID: Currently in progress.	Complete. However, wider review of performance measures currently ongoing.
Banking Arrangements – 1 February 2018		
A full set of documented procedures for the Council's banking arrangements should be drawn up to provide step by step instructions and guidelines for the relevant processes. This is particularly important in developing succession planning arrangements, including knowledge retention.	<i>Principal Accountant (Capital and Treasury Management):</i> Bank, AllPay and Capita Download procedure notes are available. At the time of the last audit the 2014 User Guide was available. Due to the retirement of the Principal Accountant, these weren't found when the audit was undertaken. PARIS is being upgraded and testing will take place during February/March. During and after the testing, procedures will be documented. Due to the recent changes in staffing, the Principal Accountant (Systems) has deleted the previous Principal Accountant (Treasury & Capital) as a user and set up an interim replacement user. Interactive notes are available on the HSBC website. The link is now being included in the banking procedure notes. Different staff do different tasks on HSBC, the individual notes made on their procedure copy are meaningful to them. PID: July 2018	Progress in implementing the recommendation has been disrupted by staffing changes and the 2017/18 financial statement issues. Some additional notes have been added and the overall suite will be reviewed once the 2018/19 audit has been completed.

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE (PID)	CURRENT STATE OF IMPLEMENTATION PER MANAGER
<p>The reconciliation process should include a monthly summary reconciliation position that shows the actual monthly bank statement movements, compared to the ledger and actual cashbook movements, with a list of the transactions making up the reconciling difference including reasons.</p>	<p><i>Principal Accountant (Capital and Treasury Management):</i> With a monthly reconciliation in isolation there is a risk that just looking at the movement in month would hide previous discrepancies. There are often timing issues between the months, where a discrepancy one month is addressed at the beginning of the next one. Consequently the decision was taken several years ago to rely on year-to-date reconciliations. The comments are noted, but current practice will continue. PID: Not applicable.</p>	<p>Recommendation not accepted.</p>
<p>All bank reconciliations should be subject to independent review and sign off to ensure timeliness and that any errors, discrepancies and unexplained differences are highlighted and investigated.</p>	<p><i>Principal Accountant (Capital and Treasury Management):</i> The long-standing Principal Accountant (Capital and Treasury Management) was doing this. His successor did not pick this up. She was, however, made aware of the status of the reconciliations. The Interim Principal Accountant is now aware and reconciliations will be signed in future. PID: February 2018</p>	<p>To be reinstated in conjunction with revised bank reconciliation summary that will be introduced in Q4 of 2018/19.</p>

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE (PID)	CURRENT STATE OF IMPLEMENTATION PER MANAGER
<p>An investigation should be undertaken of the use of the OLR2 system at the Royal Spa Centre to establish why income received is not posted to the ledger.</p> <p>Where a 'work around' solution is used, the process should be documented and retained for continuity purposes. However, this should only be used on a temporary basis until a permanent solution is introduced.</p>	<p><i>Principal Accountant (Capital and Treasury Management):</i></p> <p>Whilst this was the status when this audit was undertaken, this has now been addressed. The problems arose due to this needing to be rectified by our external supplier and, despite daily phone calls and emails from several people, there was no response. A decision was made to temporarily suspend the On Line Returns Module early in December 2017. The income is now allocated through suspense with appropriate journals being done in the ledger. The service area was consulted prior to this happening.</p> <p>PID: Actioned December 2017</p>	<p>Due to ongoing issues with delayed posting, OLR2 has been abandoned and the manual journal process reinstated.</p>
<p>An annual review of transaction volumes should be undertaken to ensure they are still within the agreed volumes included within in the Schedule of Rates and the rates are, therefore, still appropriate.</p>	<p><i>Principal Accountant (Capital and Treasury Management):</i></p> <p>The sums of money are insignificant. Transactions will be reviewed during 2018/19 as part of the re-tendering process.</p> <p>PID: March 2018</p>	<p>An annual transaction volume review is undertaken by HSBC and they would notify the Council if transactions volumes vary by more than + / - 10% of the Schedule of Rates.</p> <p>The contract was awarded in 2015 on a 5 + 5 year basis, with the extension to be market tested during 2019.</p>

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE (PID)	CURRENT STATE OF IMPLEMENTATION PER MANAGER
Interest received and charged should be reviewed to ensure it is in line with the agreed rates.	<p><i>Principal Accountant (Capital and Treasury Management):</i></p> <p>The Business Deposit Account is already monitored as part of the Treasury Management function. No credit interest is received on the Council's current accounts and debit interest is minimal. There were two overcharges identified earlier and HSBC were duly notified to refund these.</p> <p>PID: Not applicable.</p>	Recommendation not accepted.

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE (PID)	CURRENT STATE OF IMPLEMENTATION PER MANAGER
Procurement Cards – 31 March 2018		
<p>Regular analysis of purchasing cards usage should be undertaken.</p>	<p>Finance Administration Manager: Regular analysis of card usage is undertaken to ensure compliance with the agreed procedures. PID: Ongoing.</p> <p><i>Senior Procurement Business Partner:</i> Consideration to be given how the currently available data can be further analysed ahead of the new Procurement Card system being produced. PID: 30 June 2018</p>	<p>Recommendation being addressed – no further action required.</p> <p>FAM responsibility is only to provide the data for analysis and to ensure ongoing compliance to procedures. SPBP responsibility is the analysis of the data.</p> <p>A spreadsheet has been created where month-on-month from April 2018 all transaction are copied into it, this means that as time goes on there is a growing database of financial transactions to analyse. This is shared with the SPBP. As a result of the analysis to-date we are pursuing direct award contracts for travel and accommodation, we are also going to implement a change in payment method for new keys/key cutting and fuel whereby purchasing cards should be used instead of order/invoice and fuel cards. An SMT report is being prepared for this.</p> <p>PCard policy requirements are discussed 1:1 with all new cardholders when issuing the card, emails have also been sent to all cardholders on 3rd April 2018 & 22nd November 2018 highlighting policy requirements. FSTeam monitor usage when reconciling monthly returns and flag up any issues to FAM.</p>

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE (PID)	CURRENT STATE OF IMPLEMENTATION PER MANAGER
<p>Purchasing card expenditure should be further analysed to ascertain whether the Council would meet the thresholds for receiving discounted rates with accommodation providers.</p>	<p><i>Finance Administration Manager:</i> A Procurement Card system is due to be produced in 2018/19 that will streamline the process and enable improved interrogation of the transactions. PID: 30 September 2018</p> <p><i>Senior Procurement Business Partner:</i> Data to be analysed as part of forthcoming Spend Analysis. PID: 31 March 2019</p>	<p>A spreadsheet has been created where month-on-month from April 2018 all purchasing card transaction are copied into it, this means that as time goes on there is a growing database of financial transactions to analyse. This is shared with the SPBP. As a result of the analysis to-date we are pursuing direct award contracts for travel and accommodation.</p> <p>The FAM and SPBP are also working on a change of purchasing card supplier using Crown Commercial Framework RM3828 (the framework expired in July 2018 and only became live again in December 2018). An SMT report is being prepared for this.</p>
<p>Expenditure via purchasing cards and via TOTAL should be further analysed to ascertain whether the Council would meet the thresholds for receiving discounted rates with train companies.</p>	<p><i>Finance Administration Manager / Senior Procurement Business Partner:</i> A Spend Analysis is due to be undertaken in-house in 2018/19. Whilst this will primarily be of the transactions within Total, the Purchasing Card data should be evaluated alongside this. PID: 31 March 2019</p>	<p>A spreadsheet has been created where month-on-month from April 2018 all purchasing card transactions are copied into it, this means that as time goes on there is a growing database of financial transactions to analyse. This is shared with the SPBP. As a result of the analysis to-date we are pursuing direct award contracts for travel and accommodation.</p>

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE (PID)	CURRENT STATE OF IMPLEMENTATION PER MANAGER
<p>Cardholders should be instructed that transaction limits should be adhered to, with attempts to circumvent these limits being reported to senior managers.</p>	<p><i>Finance Administration Manager:</i> This has been completed. An email has been sent to all cardholders and copied to SMT Plus to advise them of this requirement with an amended procedure document also being issued. The issue has also been highlighted to the FSTeam and they have been advised to notify the Finance Administration Manager if they notice any further instances. PID: Completed.</p>	<p>Recommendation addressed – no further action required.</p>
<p>Flood Risk Management – 31 March 2018</p>		
<p>A coordinated approach to managing the expansion of SUDS in the District should be adopted by involving all relevant senior managers to identify the potential problems and to propose solutions.</p>	<p><i>Head of Health & Community Protection / SMT:</i> The Interim Assets Manager, the Neighbourhood Services Manager and the Deputy Chief Executive (BH) have met to discuss the issue. The Deputy Chief Executive (BH) and the Neighbourhood Services Manager will be co-ordinating the future approach and involving other staff as appropriate.</p>	<p>The revised Public Open Space SPD gives a clearer definition of the requirements relating to SUDs, and a template has been created for S106 agreements. Developers are required to provide evidence that SUDs have been designed and constructed properly, to ensure that they are fit for purpose, and that maintenance costs have been correctly calculated.</p>

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE (PID)	CURRENT STATE OF IMPLEMENTATION PER MANAGER
Housing-Related Support Services – 19 March 2018		
Budget forecasts should take into account the increase in income, which should also be reflected in the annual budget setting process.	<p><i>Housing Support & Lifeline Manager:</i> This will be discussed with the Assistant Accountant as it is believed this was due to two cost centres being merged (7430 and 7440) and the budget may not, therefore, have been set correctly after the merger. PID: 30 March 2018</p>	Budgets have been discussed with the assistant accountant and next year's budgets have been set as per the budget-setting process.
<p>The performance monitoring and reporting process should be fully developed to include:</p> <ul style="list-style-type: none"> • Relevant and useful Key Performance Indicators (KPIs). • A regular reporting requirement. • Relevant and useful information reported accurately and promptly to the correct officers. • Action plans to improve performance. 	<p><i>Housing Support & Lifeline Manager:</i> Performance is monitored on a day to day basis by the service managers with relevant KPIs reviewed by the Housing Services management team on a quarterly basis. PID: Complete</p>	Recommendation addressed – no further action required.

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE (PID)	CURRENT STATE OF IMPLEMENTATION PER MANAGER
Corporate Properties Repair and Maintenance – 31 March 2018		
<p>The procurement options around the use of Ser-Tec Systems Ltd should be investigated, with a formal contract being put in place if no other suppliers are able to provide the service.</p>	<p><i>Asset Manager:</i> Following advice from Procurement, these works will be tendered for a 3-year contract and a contract will be in place by the end of July 2018. PID: July 2018.</p>	<p>Following further assessment it was agreed that a procurement compliant arrangement would be put in place with an existing contract. Subsequently Ser-Tec's services have been engaged if necessary as a sub-contractor to D&K our main gas/heating contractor. Although this has worked well a further review has determined it would be beneficial to procure Ser-Tec directly. Discussions with procurement are now underway for a DPS contract with the aim of having this in place by the start of Q3 19/20.</p>
Building Cleaning Services – 20 March 2018		
<p>A strategy should be developed and implemented to outline the Council's position on cleaning of corporate buildings and all Council public buildings and spaces. This should be made available to the public to enable better understanding of expected services.</p>	<p><i>Estates Manager:</i> It is not felt that there is a need for a formal strategy. Information is posted in the locked communal notice boards in relevant properties so that tenants are aware of what to expect from the contractor in terms of service levels. Notices are also on display in public toilets. A notice will now be introduced to the corporate buildings and a summary of all cleaning frequencies will be made available on the website. PID: June 2018</p>	<p>Recommendation actioned April 2018 and arrangements in place since that date.</p>

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE (PID)	CURRENT STATE OF IMPLEMENTATION PER MANAGER
<p>A suite of KPIs should be agreed with Kingdom, ensuring only valid and necessary indicators are included, allowing the Council to measure service levels, efficiency, effectiveness and quality of services, as well as overall performance and satisfaction levels.</p>	<p><i>Estates Manager:</i> KPIs have now been agreed with the Area Manager from Kingdom which are to reflect those that were in place with Ocean. PID: Completed</p>	<p>Recommendation addressed – no further action required.</p>
<p>The current monthly meeting process should be further developed to include a meeting agenda with standing agenda items and should also document actions cleared from previous meetings.</p>	<p><i>Estates Manager:</i> Agreed. An agenda will be in place for the next meeting. Whilst not specifically recorded as such, the actions from the previous meeting are covered in the minutes of the subsequent meeting. PID: April 2018</p>	<p>Recommendation actioned April 2018 and arrangements in place since that date.</p>
<p>Where complaints are received, the Council should record the results of the action taken and confirm whether the complaint has been resolved. In addition, the complainants should be informed of the outcome to ensure they are aware that the complaint has been dealt with.</p>	<p><i>Estates Manager:</i> The 'issues' recorded on the spreadsheet so far have not been formal complaints. These have been addressed straight away by Kingdom and, as such, there has not been a need to formally advise the 'complainant' of the outcome as it will be obvious that it has been addressed. Were a formal complaint to be received it would be addressed by the Tenancy Manager in the first instance and a formal response would be issued. PID: No further action required.</p>	<p>Recommendation not accepted.</p>

RECOMMENDATIONS	INITIAL MANAGEMENT RESPONSE incl. PLANNED IMPLEMENTATION DATE (PID)	CURRENT STATE OF IMPLEMENTATION PER MANAGER
<p>The results of the Service Improvement Team's survey should be formally assessed and action taken to address the issues raised.</p>	<p><i>Estates Manager:</i> Due to anonymous nature of the responses and the lack of detail as to what caused any dissatisfaction, it is not possible to address any 'issues'. The block in question is covered as part of the normal inspection routines and no issues have been noted during recent inspections. PID: Not applicable.</p>	<p>Recommendation not accepted.</p>
<p>Invoices processed should be subject to independent review on a monthly basis to ensure any errors and miscodings are identified promptly and corrected to enable accurate month end accounts to be produced.</p>	<p><i>Estates Manager:</i> The issue noted arose during a pilot of the auto-matching process that is to be employed at the Council. In future, if an order number is not stated on the invoice, the invoice will be returned to the supplier. This should ensure that the payments are correctly coded. PID: No further action required.</p>	<p>Recommendation addressed – no further action required.</p>

3 **Scope and Objectives of the Audit**

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

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

- Community Infrastructure Levy
- S106 consultation and agreement
- S106 monitoring
- S106 income and expenditure.

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

- The Council will be able to raise appropriate income from developers towards infrastructure needs
- All relevant elements are appropriately included within the agreements
- Justification is available where S106 agreements are not entered into on viability grounds
- Agreements are enforceable
- Agreements ensure developments fit in with the agreed local plan
- The Council is aware when relevant milestones are reached in relevant development
- The Council receives all income and land due
- Managers and Members are aware of the status of each agreement
- Monies received are accounted for as appropriate
- Communities benefit as intended from the monies received
- The Council is not held responsible for the inappropriate use of contributions by other organisations.

3.4 As the CIL has been formally in place since only April 2018, it has only been covered in overview to ascertain whether the Council has appropriate processes in place for the future use and monitoring of income received.

3.5 One specific area that has not been covered in this audit is that of the inclusion of SUDS (Sustainable Urban Drainage Systems) in the s106 agreements. The issues with SUDS were touched upon in a recent audit of Flood Risk Management (FRM).

3.6 A recommendation included within the FRM report was to be addressed by staff in Neighbourhood Services but it is felt that Development Services staff need to be aware of the issues raised, so the risks identified in the report and the associated recommendation raised are repeated here for reference (although as it relates to a different audit, it is not included in the action plan at the end of this report):

Risks

SUDS that are not fit for purpose might be installed which may increase the risk of flooding.

Funds deposited by the developer may not be sufficient to meet ongoing maintenance costs.

Recommendation

A coordinated approach to managing the expansion of SUDS in the District should be adopted by involving all relevant senior managers to identify the potential problems and to propose solutions.

4 Findings

4.1 Recommendations from Previous Reports

4.1.1 The current position in respect of the recommendations from the audits reported in January 2015 and March 2016 were also reviewed. The current position is as follows:

Recommendation	Management Response	Current Status
January 2015		
1 A standard list of consultees should be drawn up for major applications.	Agreed. The recommended action will be complied with.	Whilst not a 'full' list of consultees, the Business Manager - Development Management (BM) has sent details of the relevant consultees to the Senior Planning Officers to ensure that all relevant contributions can be requested in respect of each major development. (See 4.3.2 below)
2 Evidence should be obtained to support all requests for s106 contributions for each individual application as appropriate.	Agreed. The recommended action will be complied with.	Sample testing confirmed that contributions included within s106 agreements were all supported by individual requests, although there were some discrepancies between the documents. (See 4.3.6 to 4.3.9 below)
3 Consultees should be formally made aware of the outcome of relevant applications including in relation to any contributions that are to be paid to them.	Agreed. The recommended action will be complied with.	The BM suggested that this does not routinely happen. The recommendation therefore needs to be revisited.

Recommendation	Management Response	Current Status
4 A sealed copy of the relevant s106 agreement should be obtained.	Agreed. The recommended action will be complied with.	The copies of the relevant agreement held both on IDOX and the hard copy held in the Document Store were still the unsealed version. However, the agreements are thought to be legally enforceable whether sealed or not. Going forward, legal advice will be sought, but it is not thought relevant to obtain a sealed copy of this 'historic' agreement. Looking ahead storage of signed agreements needs to be consistently associated with Acolaid records. Recent agreements covered during sample testing had all been signed / sealed as appropriate. (See 4.3.10 below)
5 The planned monitoring processes set out should be put in place as a key priority.	Agreed. The course of action is included in the Development Services draft Improvement Plan.	Recommendation was superseded by the follow-up Monitoring audit undertaken in March 2016
March 2016		
6 A specific protocol should be put in place for receiving all s106 agreements from Legal Services and recording them on the monitoring spreadsheet. Consideration should also be given to including reference to potential agreements on the spreadsheet when case officers deal with the planning applications.	Agreed. A protocol for the receipt of s106 agreements will be implemented. Potential agreements will also be included as suggested.	A number of recently agreed s106 agreements were found to not be included on the monitoring spreadsheet and none of the applications with anticipated agreements were included either, so this needs revisiting. (See 4.4.3 below)

Recommendation	Management Response	Current Status
7 A formal process should be established for updating the monitoring spreadsheet with any variations identified.	Agreed. A process will be implemented.	Given the above finding, no specific review was undertaken on variations to agreements.
8 The MSMO should be included in the monthly update emails from the IIO so that he can formally advise of the status of each of his sites.	The MSMO will update the master spreadsheet directly going forward.	The Site Delivery Officer(s) now have direct access to the spreadsheet, with a formal update report also being produced on a quarterly basis to provide updates on the progress at each development.

4.2 Community Infrastructure Levy

- 4.2.1 Every planning application is checked to see if it will become CIL liable, with builds over 100 square meters being potentially liable. Once the application is approved, an outline liability letter is then sent to the developer and a form will be completed by them to give further details of the development.
- 4.2.2 The Development Manager (DM) and the CIL Officer (CO) advised that they undertake sense checks on the weekly lists to see if all relevant cases have been reviewed as some may be borderline in terms of size, so the development will be measured.
- 4.2.3 Upon receipt of the completed form, it will be checked to ascertain whether there are any relevant exemptions, for which another form needs to be submitted.
- 4.2.4 Annexes / extensions for a private dwelling are exempt as are self-build properties. Exemptions are also available for social housing properties. The levy will also be reduced if there are existing properties on site that have been in recent use.
- 4.2.5 One unexpected positive aspect of CIL that the DM and the CO raised was that developers have discussed increasing the number of social housing properties on site in order to reduce their CIL liability.
- 4.2.6 The actual liability is calculated by the Acolaid system based on the information entered onto the Planning Obligations tab. A detailed liability letter will then be sent out to show the calculated figure.
- 4.2.7 Different zones have been established with the developments in the different zones attracting different multipliers. These were agreed by Council in November 2017.

- 4.2.8 The Systems & Business Improvement Officer (SBIO) provided a spreadsheet that had been generated from Acolaid which confirmed that the agreed figures had been accurately input into the Acolaid parameters.
- 4.2.9 The CO advised that only six liable developments had been identified to date from the completed forms. These had potential CIL contributions due of approximately £2m. Six other cases were exempt and eleven others were ongoing and were being chased.
- 4.2.10 The developers in the six relevant cases are being corresponded with and site visits are also being undertaken to ascertain when the development has commenced and the others also have to be monitored (again via site visits as necessary) to ensure that the exemption reasons remain valid. It was flagged that a land charge will be put on the property in exempt cases so that the relevant income can be received if it is sold within three years.
- 4.2.11 One site has now commenced, with a signed commencement notice having been received as appropriate. A demand notice has, therefore, been issued so that payments can be received.
- 4.2.12 When received, monies will be spent against items on the 'Regulation 123 list' and the Council is required to administer this, although the actual projects may be undertaken by others (e.g. Warwickshire County Council (WCC)). The reasoning behind the formation of the list (along with the current list) were reported to Executive in April 2018 where the list was approved.
- 4.2.13 For each project there will also be a legal agreement put in place to ensure that, should the monies not be spent accordingly, the potential claw back of income would fall to the relevant body.
- 4.2.14 The Strategic Finance Manager has set up the relevant finance codes and a spreadsheet has been set up to show how the income has been distributed, although this has not yet been required.

4.3 **S106 Consultation & Agreement**

- 4.3.1 A review of recent planning applications was undertaken to identify those where S106 agreements were to be entered into. Testing was then undertaken to ensure that relevant consultation had taken place and that the contributions requested were being included in the signed agreements unless a relevant viability assessment had been submitted.
- 4.3.2 For the eight relevant applications identified, there were no two that had the same list of consultees. However, with the exception of one application (which turned out to be an amendment to an original agreement with none of the contributions being affected), the others generally covered the majority of the key consultees as identified in an email from the BM to the Senior Planning Officers. However, one did not include any NHS consultees and only three covered the Rights of Way consultee. Also, none included the Sports consultee, although they had submitted contribution requests in a number of cases.

- 4.3.3 However, as well as those consulted with directly, the BM confirmed that all applications are sent out for comment to a list of individuals and organisations and they will then choose which applications they wish to comment on. This list includes the Sports consultee amongst others.
- 4.3.4 It is also noted that the BM's email was sent out after the sampled applications had been sent out for consultation, so it is anticipated that all relevant consultees should now be covered for each relevant application and it is felt that no recommendation is, therefore, warranted.
- 4.3.5 In the four cases where the s106 agreements have actually been completed, one fully reflected the consultation responses, and two were the subject of viability assessments.
- 4.3.6 In the other case there were two specific variations. The figure for the Open Spaces contribution had been changed with no apparent justification being held which resulted in the figure agreed being almost £100,000 less than that requested.
- 4.3.7 A request for NHS contributions was also omitted from the agreement as the request had not been picked up by the case officer due to the way that the document had been stored on IDOX. This resulted in a further 'loss' of just over £100,000.
- 4.3.8 It should be noted that the Open Spaces contribution would have subsequently been removed from the agreement, had it been included, as the relevant scheme is now covered by CIL. However, at the time of the report to Planning Committee (30 January 2018), the CIL Regulation 123 List had not been approved, so the Open Spaces contribution should have been included.
- 4.3.9 Another, similar, issue was noted in relation to an ongoing case where the agreement has not yet been entered into. A contribution request from the Police for £97,415 has not been included in figures being discussed as the document had been overlooked due to the way that it had been saved on IDOX.

Risk

Contributions requested may not be received.

Recommendations

A formal naming protocol should be introduced for documents stored on IDOX so that all contribution requests can be easily identified.

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.

The contribution request from the Police should be included within final s106 agreement in the relevant case.

- 4.3.10 Where agreements were in place they were all found to have been signed up to by all relevant parties.
- 4.3.11 The BM advised that all agreements are drawn up and / or reviewed by Legal Services. They will, therefore, ensure that the correct legal references are included within the agreements. Upon review of sample agreements, it was confirmed that standard clauses are included which make reference to the legal basis for the agreements.
- 4.3.12 Reports are presented to the Planning Committee prior to the agreements being formally agreed. A clause is included within the reports advising that, should the agreement be not signed up to by a specified date, the Head of Development Services is given delegated power to refuse the application.
- 4.3.13 The BM advised that it is up to the individual case officer to monitor compliance with these dates. However, he suggested that these are not generally enforced, with them being included as more of a tool to speed up the developer.

4.4 **S106 Monitoring**

- 4.4.1 A spreadsheet is currently in place that is the central record of S106 agreements, although the Site Delivery Officer (SDO) spoken to advised that he had noted a few omissions.
- 4.4.2 The spreadsheet shows each element of the agreement on a separate line and includes the triggers for each contribution. There are also columns to show (amongst other things) whether the contributions / land transfers etc. have been received or not and when they are due to be spent by (although there are numerous gaps in these columns). There is also a column to show the 'current position' although, again, this is not always updated for each (quarterly) update.
- 4.4.3 However, as part of the agreement testing undertaken (see above) it was noted that none of the agreements were been included in the latest monitoring spreadsheet. From discussions with relevant staff it was identified that no specific responsibility has been assigned to ensure that the spreadsheet is kept up to date for new agreements.
- 4.4.4 A project is currently ongoing to get the S106 information onto Acolaid. The Development Monitoring Officer (DMO) advised that the information is being input into the Planning Obligations tab on Acolaid for the individual applications, with a separate line for each obligation on the 'Purposes' tab on the page. As of yet, it was not clear as to who would be inputting new agreements.

Risk

The current status for all s106 agreements may not be known and it may not be possible for interested parties to have an up to date picture.

Recommendation

Responsibility should be formally assigned for the updating of the monitoring information, whether this is the spreadsheet or Acolaid once this has been fully implemented.

- 4.4.5 The DMO advised that the Triggers and Transactions tab should show dates of when the different stages had been reached, although he was unsure whether this part of the process would be automated, based on the information input into the 'monitoring data' fields within the Plotting tab.
- 4.4.6 There were potential issues flagged by the DMO in relation to amendments being put through as separate planning applications, as the monitoring data was input against the individual applications whereas the s106 details had been input against the outline application, so if the process were to be automated, it wouldn't tie up.
- 4.4.7 The 'module' is live, but has not generally been used so far. However, the DMO suggested that the relevant information would be input for the next round of development monitoring in October and would go forward from there.
- 4.4.8 There would also be a need to backfill certain information where developments or have not been completed or monies had not all been spent, but it was not felt that there was much point in inputting data in relation to completed schemes.
- 4.4.9 Looking forward, it is expected that reports would be generated from Acolaid to remove the need for the monitoring spreadsheet, with reports being tailored to meet the needs of different audiences.
- 4.4.10 The SDO advised that he monitors the developments in Warwick and South Leamington with his colleague covering the current Kenilworth development. A new post is being recruited to for the south Coventry / Kings Hill developments.
- 4.4.11 He highlighted that developments are predominantly monitored via site visits to check the percentage of the development that has been completed etc. as the trigger points are generally related to percentage complete / occupied.
- 4.4.12 Following the visits (which are generally undertaken prior to the end of each quarter), the spreadsheet would be updated to show the current position, with this information being included in the Development Contribution Monitoring Report that is prepared for the quarterly meeting attended by various Council staff as well as representatives from WCC. The latest copy of the monitoring spreadsheet includes the June 2018 updates as appropriate.
- 4.4.13 The quarterly meeting held on 1 August 2018 was attended as part of the audit and it was flagged that the meeting and the report have both evolved over time.

- 4.4.14 The DM advised that the meetings were originally just attended by himself, the SDO and the SBIO, but the current attendance from other officers from both the Council and WCC was how it was always envisaged.
- 4.4.15 The Q1 report being discussed at the meeting was the first to include CIL information. It was highlighted that the report had historically been circulated to the previous Head of Development Services and Finance but it was now being sent to SMT and the relevant Portfolio Holder as well.
- 4.4.16 At the meeting, the possibility of publishing the report on the Council's website alongside the monitoring spreadsheet was discussed and it was agreed by those in attendance that this would be a good idea.
- 4.4.17 During the meeting, a representative from WCC advised that the way the Council monitors their s106 developments and the relationship between the councils with regards to the monitoring process is flagged as best practice with the other districts. This has also been identified in an audit report written by the WCC internal auditors.
- 4.4.18 Included within the monitoring report is commentary on which developments have reached triggers according to the monitoring that has been performed. The report also highlights that land transfers were not always happening in line with the agreements in place. The SDO highlighted that financial contributions had been the main focus but land transfers would also now be specifically monitored.
- 4.4.19 He also flagged that there had been issues with the developers not informing the Council when work had started but suggested that there had been no 'follow-ups' performed by the Council in these cases although this was now being addressed.
- 4.4.20 As suggested above, the monitoring reports are now being circulated to SMT and the Portfolio Holder. The DM advised that Finance & Audit Scrutiny Committee no longer receive regular update reports that had been requested at the time of the previous audit, although it was noted that they do get updates on the Infrastructure Delivery Plan (IDP), with the latest report (July 2018) including various references to s106 monitoring, with a specific s106 monitoring report (which was the previous version of the Developer Contribution Monitoring Report) being included within the appendices.

4.5 **S106 Income & Expenditure**

- 4.5.1 When a developer advises the Council that a trigger has been reached or where monitoring undertaken identifies this, an invoice will be raised and sent to the developer. The Q1 Developer Contribution Monitoring Report highlights that only one development had reached a trigger point in this period.
- 4.5.2 The SDO advised that he maintains a working spreadsheet (s106 contributions calculator), for financial contributions, with each agreement having its own tab. The spreadsheet includes any relevant indexing and shows invoices issued. This shows the relevant invoice raised in relation to the abovementioned contribution. This is separate from the main monitoring spreadsheet.

- 4.5.3 Upon review of invoices raised and payments received as per the relevant cost-centre code on TOTAL, it was noted that the contributions spreadsheet was not up to date. Eight payments had been received during the current financial year against three different developments but there was no record of these having been paid.
- 4.5.4 Another issue was that the payments in respect of one development did not tie in with the amounts shown on the spreadsheet. Three are for indexation payments only (which are not shown on the spreadsheet) and the other had been paid with a different indexation figure. The SDO highlighted that the 'indexation only' payments had been raised separately after the developer had failed to apply indexation when they made their initial payment, with the indices being correct based on when the first payment was made.
- 4.5.5 It was also highlighted that this spreadsheet was only meant to be a working tool, and that the main monitoring spreadsheet should be used to record all relevant information, including the payments made. However, as previously highlighted, the main monitoring spreadsheet was not up to date at the time of the audit and it did not record any information regarding the indices used to calculate the payments due.

Risk

Staff may not be aware of the contributions that have been paid or those that are outstanding.

Recommendation

The monitoring spreadsheet should be kept up to date and should include all relevant information.

- 4.5.6 An additional issue was identified by Development Services in that the processes for calculating the invoice amounts using the relevant indices and the subsequent raising of the invoices do not allow for segregation of duties, with the SDO being responsible for all aspects.
- 4.5.7 Upon further review of the indices used for the calculation of the abovementioned invoices, it was noted that the figures used for one invoice did not tie in with the RPI figures that were in force when the invoice was raised. Again, it was highlighted that the figure used would have been correct when the contribution amount was agreed as opposed to when the invoice was raised, but there was no evidence to show how the figure had been arrived at. This reinforces the risk raised by Development Services.

Risk

Errors in the contribution invoices may not be identified and the officer raising the invoices may be open to fraud and collusion attempts.

Recommendation

The process of calculating the contribution invoices should be amended so that the figures can be verified.

- 4.5.8 In terms of the accounting, the Assistant Accountant (AA) advised that all income received and payments made (with the exception of the monitoring fees) go through the same code. However, balances relating to income received will be moved to specific balance sheet codes at the year-end if monies have not been spent. Similarly, where payments are to be made, monies will be transferred back into main code from the relevant balance sheet codes.
- 4.5.9 The AA also highlighted that the finance details are also entered into the main s106 monitoring spreadsheet as and when monies are received or spent. This was confirmed upon review of the spreadsheet provided.
- 4.5.10 The SDO advised that payments would only be made following receipt of a signed legal agreement (see below). Once received, purchase orders are raised and the organisation is requested to raise an invoice as appropriate.
- 4.5.11 Two payments have been made during the current financial year in respect of hospital contributions and GP contributions and these were found to be supported by orders and invoices as appropriate.
- 4.5.12 The SDO also advised that there is currently no formal monitoring undertaken to ensure monies are being used as per the agreements in place. However, the Legal Agreements in place (see below) will help to ensure that the Council is not liable for repaying any monies that have not been incorrectly used when they have been paid to other organisations.

Risk

The Council may have to repay contributions received.

Recommendation

Formal monitoring should be undertaken to ensure that monies are being spent as stipulated in the s106 agreements.

- 4.5.13 Legal agreements are currently in place with NHS organisations in relation to contributions received for hospitals and acute care and GP surgeries. Sample agreements were reviewed and were found to be appropriately detailed.
- 4.5.14 The SDO advised that agreements have also been sent to the Police but signed copies have not yet been returned. He also highlighted that no agreements are required for Warwickshire County Council as they receive their contributions directly.

5 Conclusions

- 5.1 Following our review, in overall terms we are able to give a MODERATE degree of assurance that the systems and controls in place in respect of

Community Infrastructure Levy and Section 106 Agreements are appropriate and are working effectively.

5.2 The assurance bands are shown below:

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

5.3 It is noted that whilst not perfect, the s106 monitoring performed by the Council is identified by WCC as being good practice with this being raised with the other districts.

5.4 Internal Audit also recognise that the level of monitoring performed is much improved compared to that in place at the time of the previous audits, but feel that controls need to be strengthened. In that regard, a number of issues were identified:

- Two recommendations from the previous audits, relating to informing consultees of the outcomes of applications and obtaining a sealed copy of a specific agreement, had not been actioned.
- Contribution requests had not always been identified when s106 agreements were being discussed and drawn up.
- The s106 monitoring spreadsheet did not include a number of recent agreements.
- The financial contributions spreadsheet also required updating to include payments received and missing agreements.
- The process for calculating and raising invoices needs to be amended to allow for checks to be performed.
- No specific monitoring was being undertaken to ensure that contributions were being spent appropriately.

6 **Management Action**

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

Richard Barr
Audit and Risk Manager

Action Plan

Internal Audit of Community Infrastructure Levy and Section 106 Agreements – December 2018

Report Ref.	Recommendation	Risk	Risk Rating*	Responsible Officer(s)	Management Response	Target Date
4.1.1	Consultees should be formally made aware of the outcome of relevant applications including in relation to any contributions that are to be paid to them.	Consultees may be expecting contributions that have not been agreed.	Low	Development Manager and Business Managers	Whilst it is unlikely to be practicable to individually advise all consultees of the outcome of planning applications, consultees are able to follow progress online and will be reminded of this.	December 2018
4.3.9	A formal naming protocol should be introduced for documents stored on IDOX so that all contribution requests can be easily identified.	Contributions requested may not be received.	High	Business Managers	This is now in place.	Completed
4.3.9	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.	Contributions requested may not be received.	High	N/A	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.	N/A
4.3.9	The contribution request from the Police should be included within final s106 agreement in the relevant case.	Contributions requested may not be received.	High	Development Manager and Business Managers	The Police contribution has now been included in the final agreement.	Completed

Report Ref.	Recommendation	Risk	Risk Rating*	Responsible Officer(s)	Management Response	Target Date
4.4.4	Responsibility should be formally assigned for the updating of the monitoring information, whether this is the spreadsheet or Acolaid once this has been fully implemented.	The current status for all s106 agreements may not be known and it may not be possible for interested parties to have an up to date picture.	Low	Head of Development Services / Development Manager	That responsibility has now be assigned to the Development Monitoring Officer. The spreadsheet will only be used until such time that Acolaid holds all data. New records will be entered direct in to Acolaid with only a short reference being included in the spreadsheet. Associated with this, new processes are being introduced to use Acolaid to ensure all s106 contributions requested are captured and recorded by case officers.	Completed
4.5.5	The monitoring spreadsheet should be kept up to date and should include all relevant information.	Staff may not be aware of the contributions that have been paid or those that are outstanding.	Low	Head of Development Services / Development Manager	The main monitoring spreadsheet will be updated to ensure that the contributions are being accurately recorded prior to the Acolaid system being employed for this process.	Completed and ongoing

Report Ref.	Recommendation	Risk	Risk Rating*	Responsible Officer(s)	Management Response	Target Date
4.5.7	The process of calculating the contribution invoices should be amended so that the figures can be verified.	Errors in the contribution invoices may not be identified and the officer raising the invoices may be open to fraud and collusion attempts.	Medium	Head of Development Services / Development Manager	The process for calculating the invoices (including indexation) will be set out on each invoice as a way allowing the figures to be checked. Invoices will then be associated with the Acolaid record. Further advice will be sought from Internal Audit to ensure that the process is appropriate going forward.	Immediate and ongoing
4.5.12	Formal monitoring should be undertaken to ensure that monies are being spent as stipulated in the s106 agreements.	The Council may have to repay contributions received.	Medium	Head of Development Services / Development Manager	This has been done in relation to 3 rd party contributions (SWFT, Police, CCG) where formal legal agreements are now used to ensure money is spent correctly. Similar arrangements need to be put in place for internal contributions. The process for this needs to be agreed through SMT.	Completed

* Risk Ratings are defined as follows:

High Risk: Issue of significant importance requiring urgent attention.

Medium Risk: Issue of moderate importance requiring prompt attention.

Low Risk: Issue of minor importance requiring attention.

FROM: Audit and Risk Manager **SUBJECT:** Database Security
TO: Deputy Chief Executive (AJ) **DATE:** 1 November 2018
C.C. Chief Executive
Head of Finance
ICT Services Manager
Portfolio Holder – Cllr. Mobbs

1 Introduction

- 1.1 In accordance with the Audit Plan for 2018/10 an audit review of the Council's database security controls was completed in October 2018. 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 database system administration processes are sound and that adequate logical security settings have been implemented on the Council's live database server environment.

3 Scope and Objectives of the Audit

- 3.1 The objective of the report was to perform a review of the controls in place to ensure the confidentiality, integrity and availability of data stored in Council databases.
- 3.2 Testing was performed to confirm that controls identified operated as expected with documentary evidence being obtained where possible, although some reliance has had to be placed on discussions with relevant staff.
- 3.3 The audit was designed to assess and provide assurance on the risks pertaining to the following key areas:
- Access rights for database administrators
 - Super-user privileges
 - Password controls
 - Security patching
 - Vulnerability scanning
 - Database auditing
 - Capacity / performance management.

4 Findings

4.1 Recommendations from Previous Report

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

4.2 Policies & Procedures

4.2.1 The ICT policies and procedures relevant to the management of database security were obtained and reviewed during the audit. These were used in the process of reviewing the suitability of the controls in operation at the Council.

4.2.2 The 'Microsoft SQL Server Database Security Policy' was identified as being of particular relevance to this audit, as it details the requirements and controls in place to ensure that all Council databases are secured to a minimum security standard.

4.2.4 Policies reviewed were found to be subject to regular review and revision on at least an annual basis, and included sections for version control, a revision history and details of the relevant ICT staff who own and are accountable for the policy.

4.3 Access rights for Database Administrators/ Superuser Privileges

4.3.1 A sample of key Council systems w selected for testing. Database security settings and supporting evidence were obtained and reviewed with ICT management. Audit testing verified that database superuser access rights were restricted to valid and authorised ICT personnel.

4.3.2 On a SQL Server database, superuser privileges are automatically assigned to the System Administrator (SA) account. It is good practice to ensure that admin activities are performed via named individual accounts rather than using the SA accounts. It was noted during testing that administration activities are required to be performed using individual administrator accounts, but that "SA" accounts were retained and secured for use in case of emergency.

4.3.3 Audit testing confirmed that ICT actively sought to secure superuser accounts by both renaming the SA account and securing it via the use of a complex password. Review of a sample of SQL Server databases identified that the majority of these accounts had been renamed. The review, however, did identify one instance where the SA account had not been renamed.

Risk

As a known account with administrator privileges there is a risk of an SA account being exploited in an external attack.

Recommendation

ICT management should ensure that all SA accounts are renamed.

4.4 Password Security

- 4.4.1 The ICT 'Microsoft SQL Server Security Policy' recommends "*a strong password policy, including an expiration and complexity policy*" and that new logins be changed upon issue. Database password parameters were obtained and reviewed during the audit and found to meet these requirements.
- 4.4.2 It was noted that high privilege SA account passwords are currently stored on a SharePoint server. This currently poses a risk as passwords could potentially be unavailable in the event of a Disaster Recovery (DR) situation.
- 4.4.3 We were advised by management that a number of cloud based password solutions were being investigated at the time of audit.

Risk

There may be system and service unavailability and/or the inability to recover database systems in the event it is not possible to retrieve superuser passwords in a DR when required.

Recommendation

ICT management should identify and obtain a password management solution for the secure storage of key passwords.

- 4.4.4 The Cyber Essentials Scheme guidelines on Secure Configuration recommend that unnecessary user accounts (such as guest accounts and administrative accounts that won't be used) should be removed and disabled.
- 4.4.5 Testing of a sample of SQL Server platforms identified six instances where 'Guest' accounts were enabled on Council databases. The 'Guest' account is a default account designed to enable users without an account to log on as a guest. It is recognised good practice that these accounts are disabled and/or renamed to improve the security of the domain.

Risk

There is a risk of failure to comply with CES security guidelines and an increased risk of unauthorised access to the live database environment.

Recommendation

ICT management should ensure all SQL Server database 'Guest' accounts are reviewed and disabled.

4.5 Security Patching

- 4.5.1 The ICT 'Microsoft SQL Server Security Policy' states that the aim of database patching is to stay as current as possible and that "*ICT Services will attempt to maintain all operational software at a level that is no more than two major releases from the currently shipping product*".

- 4.5.2 Reporting detailing the patching status/ software version of the Council's databases and supporting operating systems was obtained and reviewed. This identified that there was one exception where the database software version was not within ICT's targets.
- 4.5.3 We were advised that this is due to the software on the 'Horizon' virtual desktop deployment system not supporting the latest SQL Server service pack. It is understood that ICT are in the process of upgrading the Horizon software to a newer version which will enable them to upgrade the database service pack.

Risk

There may be an impact to systems and services in the event of issues caused by known bugs or vulnerabilities being exploited.

Recommendation

ICT management should upgrade to the latest SQL Server service pack following the upgrade of the Horizon software.

4.6 **Vulnerability Scanning**

- 4.6.1 Annual vulnerability scanning and external penetration testing is undertaken as part of the annual IT Health Check (ITHC) exercise required for the Public Services Network (PSN) accreditation process. This includes testing of a selection of key databases for known vulnerabilities. Actions resulting from this ITHC report are logged and tracked through to completion using an actions log.
- 4.6.2 There is not currently any regularly scheduled vulnerability scanning performed on a more frequent basis. However we were advised by ICT management that the need for any internal vulnerability scanning is reviewed on a regular basis.

4.7 **Database Auditing**

- 4.7.1 In addition to ad-hoc and day-to-day checks, ICT perform a regular six monthly exercise of reviewing and sanity checking Council databases to help ensure compliance with requirements of the 'MS SQL Security Policy'. This includes review of patching and version status, the current operating system, and review of admin accounts and service accounts.
- 4.7.2 A sample of databases was selected and reviewed to confirm that database logging was enabled and that failed login attempts were recorded, and no exceptions were identified. Database logs were also reviewed to ensure data was retained for a suitable timescale.

4.7 **Capacity Management**

- 4.7.1 During the audit it was observed that ICT make use the System Centre Operations Manager (SCOM) application to monitor and provide active database alerting to ensure database and server availability is maintained.

4.7.2 Audit testing verified that the SCOM platform was configured to generate real time alerts for any issues on database performance, disc space, capacity, CPU, user connections and disc memory.

5 **Conclusions**

5.1 The audit did not highlight any urgent issues materially impacting the Council's ability to achieve its objectives. The audit did identify, however, four Medium-rated issues which, if addressed, would improve the overall control environment. As a result the findings are considered to give SUBSTANTIAL assurance around the management of database security risks.

5.1 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 attached Action Plan (Appendix A) for management attention.

Richard Barr
Audit and Risk Manager

Action Plan

Internal Audit of Database Security – November 2018

Report Ref.	Recommendation	Risk	Risk Rating*	Responsible Officer(s)	Management Response	Target Date
4.3.3	ICT management should ensure that all SA accounts are renamed.	As a known account with administrator privileges there is a risk of an SA account being exploited in an external attack.	Medium	Infrastructure Manager	Accepted: Four sql installs have 'sa' enabled. Tegan4 – this box is being decommissioned. Energy2 – 'sa' account has now been disabled Datapulse2 – the supplier will look into this, however this is a low risk box. Pncserver – the supplier has quoted £450 to make changes. However, a complex password is being used which we believe has mitigated the risk.	No Further Action

Report Ref.	Recommendation	Risk	Risk Rating*	Responsible Officer(s)	Management Response	Target Date
4.4.2	ICT management should identify and obtain a password management solution for the storage of key passwords.	There may be a system and service unavailability and/or the inability to recover systems and services in the event it is not possible to retrieve key passwords when required.	Medium	Head of ICT	Accepted. A new password vault will be investigated.	May 2019
4.4.5	ICT management should ensure all SQL Server database 'Guest' accounts are reviewed and disabled.	There is a risk of failure to comply with CES security guidelines and increased risk of unauthorised access to the live database environment.	Medium	Infrastructure Manager	Accepted. All identified 'guest' accounts have been disabled apart from Metacompliance where the 'guest' user only has connection rights to view the database table diagram.	No Further Action
4.5.3	ICT management should upgrade to the latest SQL Server service pack following the upgrade of the Horizon software.	There may be an impact to systems/ services in the event of issues caused by known bugs or vulnerabilities being exploited.	Medium	Infrastructure Manager	Accepted. Horizon upgrade is in the final planning stage. Once complete the latest service pack will be applied.	May 2019

* Risk Ratings are defined as follows:

High Risk: Issue of significant importance requiring urgent attention.

Medium Risk: Issue of moderate importance requiring prompt attention.

Low Risk: Issue of minor importance requiring attention.



INTERNAL AUDIT REPORT

FROM: Audit and Risk Manager **SUBJECT:** Employee Attendance Management
TO: Chief Executive **DATE:** 9 November 2018
C.C. Head of Finance
HR Manager
Portfolio Holder (Cllr Mobbs)

1 Introduction

- 1.1 In accordance with the Audit Plan for 2018/19, an examination of the above subject area has been undertaken and this report presents the findings and conclusions drawn from the audit for information and action where appropriate.
- 1.2 Wherever possible, findings have been discussed with the staff involved in the procedures examined and their views are incorporated, where appropriate, into the report. My thanks are extended to all concerned for the help and cooperation received during the audit.

2 Background

- 2.1 Previous audits have been undertaken under the title of Employee **Absence** Management. However, this was thought to concentrate on the negative aspects and so the title has been changed to look at **Attendance** management, i.e. helping to keep staff healthy and be able to stay at work. However, as per the scope of the audit set out below, the processes for dealing with sickness absence are still relevant.

3 Scope and Objectives of the Audit

- 3.1 The audit was undertaken to test the management controls in place.
- 3.2 In terms of scope, the audit covered the following areas:
- Policies and procedures
 - Monitoring and reporting
 - Staff support.
- 3.3 The audit programme identified the expected controls. The control objectives examined were:
- The Council is clear regarding how sickness absence should be dealt with
 - Sickness records are accurate
 - HR and management staff are aware when relevant trigger points are reached
 - Management are aware of the sickness levels within the Council
 - Support is provided to staff to help them stay in work

- Staff returning to work following (long term) absence are provided with appropriate support
- Work can still be completed by teams with absent staff.

4 Findings

4.1 Recommendations from Previous Reports

- 4.1.1 The current position in respect of the recommendation from the audit reported in March 2016 was also reviewed. The current position is as follows:

Recommendation	Management Response	Current Status
Managers should be instructed to retain all documentation relating to employee sickness absence for an indefinite period.	<ol style="list-style-type: none"> 1. As part of Managers Guide to Self-Serve – Managers keep copies of the Self Certification and HR keep copies of the Fit Notes. 2. Highlighted in HR Workshops e.g. Managing Attendance 	<p>The 'Manager's Guide' no longer exists as a specific document. However, guidance notes are available on the system (see 4.2.4). The Return to Work form (which now incorporates the 'self cert') highlights that it is the manager's responsibility to retain the document. During discussions with managers it was advised that not everyone is completing Return to Work interview forms (see 4.3.2).</p>

4.2 Policies & Procedures

- 4.2.1 Two specific policies are in place: the Attendance Management policy; and the Long Term Sickness and Ill Health Capability policy (and procedure) (hereinafter referred to as the LTS policy). Both policies have been approved by Employment Committee having been presented as part of People Strategy Update reports.
- 4.2.2 The Attendance Management policy was approved in December 2015 and has recently undergone an update, with the current version being dated June 2018. The LTS policy is a new policy and was approved by Members in June 2018.
- 4.2.3 The policy documents are available to staff via the HR Handbook page on the intranet. The LTS policy has also been highlighted to staff via the Meta Compliance system.
- 4.2.4 Procedure guidance is available to all staff via the self-serve system. This includes guidance for managers regarding the inputting of sickness absences.

- 4.2.5 The Learning & Development Officer (LDO) advised that new managers would receive self-serve training covering issues such as inputting, responsibilities, return to work etc. Manager Self-Serve training is also included in the forthcoming training sessions as per an email sent to Managers Forum (scheduled for 18 October). She also suggested that 'delegated officers' (i.e. non-managers to whom responsibility has been assigned for inputting sickness onto the system) would be provided training if it was asked for.
- 4.2.6 The LDO also advised that a new, two day, training event is being put together covering HR for Non-HR Managers. This includes sickness and the related policies.

4.3 **Monitoring & Reporting**

- 4.3.1 Discussions were held with a selection of managers to ascertain whether they are completing and retaining relevant documentation in relation to all periods of absence, with the 'self cert' now being incorporated into the Return to Work form.
- 4.3.2 It was highlighted that return to work interviews forms were not held in all cases, with one manager not completing any forms and others not completing them in certain instances.

Risk

Managers may not pick up on absence patterns.

Recommendation

Managers should be reminded of the need to complete return to work forms for all sickness absence.

- 4.3.3 There were also queries raised as to whether they were necessary in light of inputting details onto the self-serve system as well as how / where they should be stored with some managers holding paper copies and others keeping (scanned) electronic copies of the completed forms on the network. Similarly, there were queries regarding the retention periods for the documents with regards to GDPR.

Risk

Personal information may be held in breach of GDPR.

Recommendation

Guidance should be provided to managers regarding the retention of Return to Work forms in terms of the method and period of time that they need to be held for.

- 4.3.4 A number of suggestions for changes to the processes were raised by managers as part of the discussions and they were subsequently reviewed with staff from HR.

- 4.3.5 Some of the suggestions (such as attaching return to work forms to the system and allowing staff to input their own sickness) are not possible due to the functionality of the system.
- 4.3.6 The inputting of sickness of more than a week was considered to be an issue by some of the managers. However, as the 'fit notes' are advisory, staff may return earlier than stated on the form. This may then affect half pay / no pay periods so it was not considered to be possible.
- 4.3.7 Two of the HR & Payroll Support Advisors (HRPSA) advised that there have been issues with regards to fit notes arriving before the absence had been entered onto the system.
- 4.3.8 Steps have been taken to address the issue with emails now being sent to managers to remind them of the need to input the sickness. If the issue is not resolved, further emails are sent which are copied to the Heads of Service and Deputy Chief executives as appropriate. The HRPSAs suggested that this had helped to reduce the issue.
- 4.3.9 Whilst absences requiring a fit note can be checked to ensure that the absence has been recorded on the system, there is no way to check that the shorter absences are being recorded. However, the HRPSAs advised that they will flag the issue if they notice it (e.g. someone not on a training course due to illness which is not them input onto the system).
- 4.3.10 As part of the abovementioned discussions with managers, the processes used for monitoring sickness of individual staff and the associated trigger points were discussed.
- 4.3.11 In general terms, managers suggested that there were no formal methods employed, but they would either rely on memory for identifying when triggers were being approached (where their staff numbers were small) or would use a combination of systems (either reviews of self-serve or recording sickness periods on Outlook which would similarly be reviewed).
- 4.3.12 The Return to Work forms mention the triggers, but there is nothing specifically on the form to record whether triggers are being reached (e.g. the cumulative days / periods of absence within the set period of time). However, the absence planner on the system can be used to identify the absences recorded, so this could be used by managers to identify if any triggers are being approached, including any half / no pay periods.
- 4.3.13 SMT are provided with quarterly reports on overall sickness levels as well as details on the 'cost of sickness'. The LDO advised that this actually only covers this sick pay element as opposed to the 'true' cost of sickness as it doesn't cover other costs such as agency cover, although the HR Manager advised that sickness would be included as the reason for cover on the Vacancy Advertising Recruitment Form.
- 4.3.14 Discussions have been held by the Workforce Steering Group regarding the value of the data provided and how this can be improved. A new 'Business Intelligence Portal' is being developed which will also be used as part of the performance management system.

4.4 **Staff Support**

- 4.4.1 A Health & Wellbeing homepage is available on the intranet which includes various links to appropriate documents and other organisations. A Health & Wellbeing day has also been held recently at which various initiatives were shared with staff. The intranet message regarding World Mental Health Day also flagged the different types of support available to staff.
- 4.4.2 One of the initiatives recently introduced has been the Health & Wellbeing Scheme (BUPA) that provides staff with access to support as well as financial reimbursements for certain health related payments incurred by staff.
- 4.4.3 The Senior Procurement Business Partner (SPBP) advised that there is a 30-day rolling subscription in place with BUPA, and each time we pay we are agreeing to the contract by acceptance through inference. There is, therefore, no signed contract required in this case, just a set of terms and conditions that are accepted every time a payment is made. These details are recorded on the contract register as appropriate (NB they were not included upon initial review, but this was rectified before the audit was completed).
- 4.4.4 The SPBP had been involved in the procurement process for this, with a 'light touch' process being appropriate. A report was presented to SMT relating to this process.
- 4.4.5 There has been extensive promotion of the scheme, with a stand being in place at the Chief Executive's EXPO, messages have been placed on the intranet and sessions were held for members of staff to learn more about it.
- 4.4.6 Employee Support Officers (ESOs) are in place for staff to talk to should they not feel comfortable talking to their manager, other senior staff or HR. Three of the current ESOs were spoken to, two of which were from the original 'team' of ESOs and the other who had recently been appointed.
- 4.4.7 The two 'original' ESOs both highlighted that, following the initial training they had not received anything further until the recent session which was run for the new cohort, with the HR Manager advising that, within the last year, this had been due to the recruitment drive for new ESOs. One further advised that the ESOs were now going to meet up every three months and the trainer could be invited if they felt that there was something that they needed training on. The other also suggested that if she was approached with something that she hadn't dealt with before she would contact HR for advice.
- 4.4.8 Both felt that they had not required any specific support to deal with the issues they were being contacted about, although one highlighted that they would bounce issues off each other if required. She also advised that the original training had covered areas that would allow the ESOs to 'manage themselves' so that the issues did not build up.
- 4.4.9 They also both suggested that they were only contacted on an ad-hoc basis, although it tended to increase at certain times, with both highlighting departmental restructures as a particular trigger. They were also both being approached informally (e.g. in the corridor) as opposed to specific appointments being made.

- 4.4.10 The 'new' ESO had only just received the training and had not had any individuals contacting her in this role. However, she highlighted that the other (existing) ESOs were supportive and the training had given useful information regarding personal management.
- 4.4.11 Occupational health services are also in place. A contract has recently been signed with a new provider (Washington House Occupational Health Ltd) for the provision of these services.
- 4.4.12 Due to the value of the contract, the 'three quote' route was adopted, with the SPBP again being involved in the process as appropriate. The details of this contract are also reflected on the contract register.
- 4.4.13 The LTS policy sets out the process for referring someone to Occupational Health along with the processes for phased returns and 'reasonable adjustments'. A sample case was walked through with one of the HR Business Partners which confirmed that the process was working as expected. Documentation including the Occupational Health report and emails discussing the case were reviewed and were found to be appropriate.
- 4.4.14 No specific support is provided to teams to help them deal with absence within the team, with each situation being different. Advice would, however, be given on a case-by-case basis as requested. Areas such as workload redistribution and reprioritisation would be covered and the potential for using temporary, agency, staff would be discussed although this has obvious budget implications that the manager would have to take into account.

5 Conclusions

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

5.2 The assurance bands are shown below:

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

5.3 Two, related, minor issues were, however, identified:

- Some Return to Work documentation was not being completed.
- Where it is completed, managers are not sure how and for how long this should be retained.

6 **Management Action**

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

Richard Barr
Audit and Risk Manager

Action Plan

Internal Audit of Employee Attendance Management – November 2018

Report Ref.	Recommendation	Risk	Risk Rating*	Responsible Officer(s)	Management Response	Target Date
4.3.2	Managers should be reminded of the need to complete return to work forms for all sickness absence.	Managers may not pick up on absence patterns.	Low	SMT HR Manager	Managers are advised in Self Serve training and it is included as part of the new HR for non HR manager Courses which all managers must attend. It is also noted on the form, the intranet and in the policy. We recommend that SMT discuss this with their managers. Coventry City Council (as the payroll provider) will be contacted to check whether an absence trigger report can be produced.	March 2019
4.3.3	Guidance should be provided to managers regarding the retention of Return to Work forms in terms of the method and period of time that they need to be held for.	Personal information may be held in breach of GDPR.	Low	HR Manager	Managers need to be advised of the Retention timescales – 6 years +1 after the end of employment (confirmed with Data Regulations Officer)	March 2019

* Risk Ratings are defined as follows:

High Risk: Issue of significant importance requiring urgent attention.

Medium Risk: Issue of moderate importance requiring prompt attention.

Low Risk: Issue of minor importance requiring attention.

INTERNAL AUDIT REPORT

FROM: Audit and Risk Manager **SUBJECT:** Housing Benefit & Council Tax Reduction

TO: Head of Finance **DATE:** 31 December 2018

C.C. Chief Executive
Deputy Chief Executive (AJ)
Benefits & Fraud Manager
Portfolio Holder (Cllr Whiting)

1 Introduction

- 1.1 In accordance with the Audit Plan for 2018/19, an examination of the above subject area has been undertaken and this report presents the findings and conclusions drawn from the audit for information and action where appropriate.
- 1.2 Wherever possible, findings have been discussed with the staff involved in the procedures examined and their views are incorporated, where appropriate, into the report. My thanks are extended to all concerned for the help and cooperation received during the audit.

2 Background

- 2.1 From 1 April 2013, Housing Benefits and the Local Council Tax Reduction Scheme are managed as two individual benefits, although they are still administered together.
- 2.2 The estimated Housing Benefit expenditure for 2018/19 will total approximately £28m, with 7325 current claimants.
- 2.3 The budget for the Council Tax Reduction Scheme is roughly £6m for the current financial year and this is being paid to 6386 claimants.

3 Scope and Objectives of the Audit

- 3.1 The controls identified within the systems based audit programmes are covered over a three year timeframe to reflect the current evaluation of risk, as well as available resources. As set out below, this audit has concentrated on the controls in place regarding payments and overpayments. Controls in place within other aspects of the services provided will be covered on a rolling basis.
- 3.2 An extensive examination has been undertaken using the CIPFA systems-based control evaluation models. This entailed completion of Internal Control Questionnaires (ICQs) and testing of controls in accordance with evaluation programmes. Detailed testing was performed to confirm that controls identified have operated, with documentary evidence being obtained where

possible, although some reliance has had to be placed on verbal discussions with relevant staff, including the Benefits & Fraud Manager.

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

- Appropriate legislative and procedural guidance is in place and is available to adequately trained staff
- Bona fide payments are made in respect of claims received which are recorded appropriately on the system, with claimants being notified of what the payments relate to
- Transactions between different internal and external systems are regularly reconciled, with checks being performed to identify and investigate exceptions
- Overpayments are minimised but, when they occur, they are appropriately identified and calculated
- Appropriate processes are in place to recover the identified overpayments

3.4 The expected controls under the relevant matrices are categorised into the following areas:

Payments:

- (1) Policies and procedures
- (2) Payments – general
- (3) On account and discretionary payments
- (4) Landlord payments
- (5) Notifications and payments dispatch
- (6) Returned cheques
- (7) Unpresented cheques
- (8) Checks and reconciliations
- (9) Performance
- (10) Security of data

Overpayments:

- (11) Policies and procedures
- (12) Identification and calculation
- (13) Recording and notification
- (14) Recovery
- (15) Reductions and write-offs
- (16) Performance
- (17) Security of data

3.5 Some specific tests were not performed as they were either considered not relevant to the operations at the Council or are covered under separate audits (e.g. data security is covered under a specific IT audit of the Civica Open Revenues system).

4 Findings

4.1 Recommendations from Previous Report

4.1.1 The current position in respect of the recommendations from the previous audit of these subsystems, undertaken in June 2016 was also reviewed. The current position is as follows:

Recommendation	Management Response	Current Status
1 An agreement should be obtained from the relevant landlord stating that they will repay any relevant overpayments.	Staff will be reminded of this at the next team meeting.	The agreement was not received but is no longer relevant due to subsequent events. Shortly after the audit report was finalised, an overpayment was identified. The claimant then left the property and a sundry debt has been set up with the claimant (as opposed to the landlord who was receiving the payments). This is being paid off in instalments by the claimant.
2 Staff should be reminded of the need to ensure that all information provided is accurately input onto the system.	Staff will be reminded of this at the next team meeting.	The Benefit & Fraud Manager (BFM) advised that reminders have been issued at team meetings as similar issues have been flagged by External Audit. Another error was also identified during the current audit (see 4.4.1.4 below).

4.2 Policies & Procedures

4.2.1 The audit has confirmed that Benefits staff have access to appropriate regulatory and policy material via a combination of on-line reference services (hbinfo.org and the gov.uk website) and the corporate intranet.

4.2.2 The BFM advised that, whilst old procedure documents are in place, these have not been maintained and there is no office manual.

4.2.3 However, all relevant staff have access to the hbinfo.org service which covers relevant legislation, case law etc. She also advised that guidance notes are drawn up following relevant training sessions and sample copies were provided to evidence this.

- 4.2.4 Training is provided to ensure that staff are kept up-to-date with relevant changes and new staff are provided with a mixture of on-the-job training as well as formal training courses.
- 4.2.5 The training calendar provided confirmation that a number of staff have received training during the current calendar year on topics such as GDPR and Universal Credit.

4.3 **Payments**

4.3.1 **General**

- 4.3.1.1 Payments are only made in relation to housing benefit to non-Council tenants, as housing benefit for Council tenants is posted directly to their rent account and council tax reduction is posted directly to the claimant's council tax account.
- 4.3.1.2 The vast majority of benefits payments are now made by BACS. A payment run will be performed on the Civica system with a file subsequently exported to the TOTAL system. The payments will then be made as part of, and be subject to the same controls as, the creditors payments runs that are performed.
- 4.3.1.3 If, for any reason, a BACS payment is rejected, staff from the FS Team will send an email to the Systems Officers and other senior Benefits staff to inform them of the issue, with details of the rejected payments being retained as appropriate.
- 4.3.1.4 The BFM provided sample emails that showed rejected BACS payments (or in one case a report showing details to be changed). The rejected BACS payments were checked back to the Civica system, with relevant diary notes and adjustments being seen in most cases.
- 4.3.1.5 However, upon review of a report produced from the system showing the returned payments during the 2018/19 financial year it was identified that one of the rejected payments was not included. Upon review with the BFM, it was identified that this rejected payment had not been processed on Civica.

Risk

Claimants may not be receiving the benefit that they are entitled to.

Recommendation

The rejected BACS payment should be processed accordingly on the system. Staff should also be reminded of the need to process these notifications on a timely basis.

- 4.3.1.6 Reconciliations are performed between the CIVICA postings and the payments created, with the details being recorded on a spreadsheet. Upon review, it was identified that there were gaps where the payment amounts had not been entered.

4.3.1.7 The BFM highlighted that the Systems Officer who normally performed the reconciliations had been off on long term sick so other staff have covered the work. The current staff member undertaking the reconciliations had been completing the spreadsheet, but it was apparent that the other member of staff had not. However, as the issue has been addressed by the new staff member, there is no further action required.

4.3.2 **On Account & Discretionary Payments**

4.3.2.1 Payments on account are not as prevalent as they used to be and are now, generally, only made with regards to supported accommodation rent whilst the payments are awaiting authorisation from senior Benefits staff to pay the claims under Regulation 13 of the Housing Benefit Regulations 2006, and these relate to specific, known, properties, such as hostels.

4.3.2.2 Testing was performed on a sample of payments that had been made on account to ensure that the decision of a Senior Officer had been received on a timely basis with subsequent payments being offset by the payments made on account, that no more than two payments were being made by this method and that the claimant was being appropriately notified that any overpayments made as a result of the payments would be recovered. This testing proved largely satisfactory.

4.3.2.3 It was noted, however, that one of the claims had been underpaid as the restricted rent that had been applied had not been removed from the system.

Risk

Claimants may not be receiving the benefit that they are entitled to.

Recommendation

An amendment needs to be made to the account that was flagged as having the restricted rent still being applied with the underpayment being actioned accordingly.

4.3.2.4 Reports are produced on a weekly basis by the Systems Officer showing all accounts that have a Payment On Account flag against them. The latest report available at the time of the audit examination showed that there were only two relevant accounts. One had been actioned accordingly whilst the other was the case flagged above.

4.3.2.5 If a claimant is suffering financial hardship, they can apply for an additional discretionary payment. The DWP provide a small budget to make these payments and each application will be judged on its own merits, with payments approved being subject to the available funds.

4.3.2.6 Testing undertaken confirmed that appropriately completed application forms were held, along with approval from a senior officer, for each of the sampled discretionary payments made.

4.3.2.7 The BFM advised that the Discretionary Housing Payments spreadsheets maintained include totals paid for the year to date. The Council is aware of

the total amount available as per the circular received each year and it was confirmed that the total paid in 2017/18 was within the Central Government Contribution amount.

4.3.3 **Landlord Payments**

- 4.3.3.1 Direct payments to landlords are only made in certain circumstances (e.g. the claimant is under threat of eviction or has arrears of more than eight weeks), with the vast majority of claims being paid directly to the claimant.
- 4.3.3.2 Once the claimant has applied for the payment to be made to their landlord or the landlords has proven that the arrears exist, the landlord is required to sign an undertaking to notify the Council of any changes in their tenant's circumstances and to confirm that they would pay back any overpayments made.
- 4.3.3.3 Testing was performed on a sample of payments made directly to landlords to confirm that the claimant had demonstrated their 'vulnerability' and had approved the arrangement where appropriate and that the landlord had returned a signed undertaking.
- 4.3.3.4 This testing proved largely satisfactory, although three cases did not include appropriate supporting documentation (specifically Senior Officer decision notices) and in one of these cases there was no relevant authorisation from the claimant.

Risk

Payments may be incorrectly paid to landlords.

Recommendations

Staff should be reminded of the need for Senior Officers to review the cases and complete the relevant decision notices.

Staff should be reminded of the need to get the claimants approval for the benefit payments to be made to their landlords in all relevant cases.

- 4.3.3.5 It was also identified that the reason codes being used to identify why the payments were being made to the landlords did not always accurately reflect the actual reasons.

Risk

Incorrect information may be provided if cases are queried.

Recommendation

Staff should be reminded of the need to select the relevant reason codes when processing landlord payment applications.

4.3.4 Notification & Payments Dispatch

4.3.4.1 Samples of standard notification letters and a 'non-standard' letter (re discretionary housing payments) were reviewed. Upon examination, it was confirmed that they both contained relevant details of the organisation, including the name, address and a contact telephone number as well as reminders for claimants of the need to inform the Council of any changes to their circumstances.

4.3.4.2 The letters also inform the claimants of what the payments they are receiving relate to, with any amendments to payments being similarly communicated.

4.3.5 Returned & Unpresented Cheques

4.3.5.1 These 'issues' are becoming almost irrelevant, as all new claims are paid via BACS. Only four claimants are currently receiving their benefit payments by cheque and it was, therefore, decided that no testing was required in this area.

4.3.6 Checks & Reconciliations

4.3.6.1 Reports are produced for each payment run that highlight any payments over certain limits (£1,500 for rent allowance and £1,000 for rent rebates). These reports are examined by a Systems Officer as part of the reconciliation of the actual payments made to ensure that they are legitimate.

4.3.6.2 Following the payment runs, the Systems Officer will perform a reconciliation between the benefits module on the system and the various other modules and systems (e.g. the council tax module on Civica and the housing rents system) to identify any anomalies or mismatched records. Spreadsheets are maintained by the Systems Officer to record these reconciliations although, as highlighted above (see 4.3.1.7), there were some gaps due to staffing issues.

4.4 Overpayments

4.4.1 Identification, Calculation, Recording & Notification

4.4.1.1 The BFM advised that there is no documented 'strategy' as such for minimising overpayments, but in effect it is to advise all claimants and landlords of the need to notify the Council of any changes of circumstances (CoCs) as soon as they occur. All staff, including Frontline and Corporate Support Team staff, are trained to place scanned items into the urgent queue on workflow if they are likely to cause a reduction in benefit, and this queue should be cleared on a daily basis to minimise overpayments.

4.4.1.2 She also highlighted that, where claimants have advised that their pay is to change, a workflow date will be included on Civica to prompt a review. Where the claimant is not aware of any future changes in income a reminder is set for the anniversary.

4.4.1.3 Reports were obtained from the system that showed overpayments that had been made and testing was performed to ascertain whether they had been calculated on a timely basis following receipt of notification of changes and

that the correct effective dates have been used, the details had been accurately recorded and decision notices, containing appropriate details were issued to relevant parties in a timely manner.

4.4.1.4 Testing proved generally satisfactory although, as suggested above (see 4.1.1), a minor input error was noted in relation to one of the sampled cases. However, as staff have already been reminded of the need to ensure they input details accurately, there is no need for a further recommendation in this area.

4.4.2 **Recovery, Reductions & Write-Offs**

4.4.2.1 Where possible, overpayments are recovered from current claims payments in weekly instalments if a valid claim is still being paid. However, if there is no longer a valid claim a debtors account is raised for immediate repayment and the chasing of the debt is then dealt with as per any other sundry debt.

4.4.2.2 Council Tax Reduction recovery is posted back to the council tax account and that would be subject to standard recovery action in accordance with standard council tax recovery arrangements. Debt recovery processes in relation to council tax are covered under audits of that topic.

4.4.2.3 Reports were produced from Civica which showed amounts that had been written off due to administrative errors. A small sample was taken from these reports which confirmed that adequate supporting documentation was in place showing appropriate reasons for the write-offs and who had agreed (authorised) them.

4.4.2.4 This review identified an issue with the Principal Benefits Officer having created the request documents as well as authorising the write-off in two of the sampled cases.

Risk

Debts may be written off inappropriately.

Recommendation

There should be segregation of duties between the request and authorisation of write-offs.

4.4.2.5 Other write-offs, such as those where overpaid claimants are untraceable (i.e. they have moved and no new address can be ascertained), are dealt with via the sundry debt module and these are also covered under separate audits.

5 **Conclusions**

5.1 Following our review, in overall terms we are able to give a SUBSTANTIAL degree of assurance that the systems and controls in place in respect of payment and overpayment process for Housing Benefit and Council Tax Reduction are appropriate and are working effectively.

5.2 The assurance bands are shown overleaf:

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

5.3 Minor issues were identified relating to:

- A rejected BACS payment not being processed on the system.
- A Payment on Account remaining on a claim as a restricted rent amount had not been removed.
- Senior Officer decision notices were not held for a number of payments to landlords, with the relevant claimant approval not being held in one of these cases.
- Reason codes for landlord payments did not always accurately reflect the actual reasons.
- Write-offs being authorised by the person raising the request.

6 **Management Action**

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

Richard Barr
Audit and Risk Manager

Action Plan

Internal Audit of Housing Benefit & Council Tax Reduction – December 2018

Report Ref.	Recommendation	Risk	Risk Rating*	Responsible Officer(s)	Management Response	Target Date
4.3.1.5	The rejected BACS payment should be processed accordingly on the system. Staff should also be reminded of the need to process these notifications on a timely basis.	Claimants may not be receiving the benefit that they are entitled to.	Low	Benefits & Fraud Manager	This has now been done.	Completed
4.3.2.3	An amendment needs to be made to the account that was flagged as having the restricted rent still being applied with the underpayment being actioned accordingly.	Claimants may not be receiving the benefit that they are entitled to.	Low	Benefits & Fraud Manager	This has now been done.	Completed
4.3.3.4	Staff should be reminded of the need for Senior Officers to review the cases and complete the relevant decision notices.	Payments may be incorrectly paid to landlords.	Low	Benefits & Fraud Manager	To be discussed during the next team meeting.	12 December 2018
4.3.3.4	Staff should be reminded of the need to get the claimants approval for the benefit payments to be made to their landlords in all relevant cases.	Payments may be incorrectly paid to landlords.	Low	Benefits & Fraud Manager	To be discussed during the next team meeting.	12 December 2018
4.3.3.5	Staff should be reminded of the need to select the relevant reason codes when processing landlord payment applications.	Incorrect information may be provided if cases are queried.	Low	Benefits & Fraud Manager	To be discussed during team meeting.	12 December 2018

Report Ref.	Recommendation	Risk	Risk Rating*	Responsible Officer(s)	Management Response	Target Date
4.4.2.4	There should be segregation of duties between the request and authorisation of write-offs.	Debts may be written off inappropriately.	Medium	Benefits & Fraud Manager	The appropriate member of staff has been advised.	Completed.

* Risk Ratings are defined as follows:

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

FROM: Audit and Risk Manager **SUBJECT:** Housing Investment /
Maintenance Programmes

TO: Deputy Chief Executive (BH) **DATE:** 10 January 2019
Interim Asset Manager

C.C. Chief Executive
Head of Finance
Portfolio Holders:
Councillor Phillips
Councillor Mobbs

1 Introduction

- 1.1 In accordance with the Audit Plan for 2018/19, an examination of the above subject area has been completed recently and this report is intended to present the findings and conclusions for information and action where appropriate.
- 1.2 Wherever possible, results obtained have been discussed with the staff involved in the various procedures examined and their views are incorporated, where appropriate, in any recommendations made. My thanks are extended to all concerned for the help and co-operation received during the audit.

2 Background

- 2.1 The subject programmes are those designed to proactively maintain and improve the condition and safety of the Council's housing stock and entail combined annual revenue and capital expenditure in the region of £7 million (based on the latest official current year budget figures available). This total does not take into account responsive repairs, void repairs and asbestos management.
- 2.2 Since the last audit, reported in September 2015, there have been significant upheavals affecting the structures, processes and priorities in place for delivering the subject programmes. This includes:
- turnover of key staff;
 - service area reorganisation in which the applicable professional and technical resources were separated from the former Housing and Property Services into an asset management team within the Chief Executive's Office;
 - officer restructure within the asset management team (referred to hereafter as the Assets Team);
 - implications of the Grenfell Tower fire;
 - the stock condition survey of 2016 being undertaken and utilised adopting a new approach harnessing mobile data technologies.

- 2.3 At the time of the audit, the new Assets Team structure had only recently been approved with a number of the posts still vacant and the Asset Manager post filled on an interim basis only.
- 2.4 It was also noted that a re-formulated Housing Investment Programme (HIP), with the injection of an additional £3 million of funding, had only recently been approved as an effective culmination of the 2016 stock condition survey.
- 2.5 The approach to the audit and areas focused on were significantly influenced by the above factors with emphasis on 'desktop' working as far as possible.

3 Scope and Objectives of the Audit

- 3.1 The audit examination was undertaken for the purpose of reporting a level of assurance on the adequacy of structures and processes for pro-actively maintaining and improving housing stock to meet legal/regulatory obligations and corporate priority objectives.
- 3.2 The audit was framed as an evidential risk-based examination of the controls in place in relation to the improvement/maintenance programmes for the Council's housing stock in the context of the following areas:
- strategies and policies
 - planning and prioritisation of works
 - procurement
 - performance and financial management.
- 3.3 With regard to the planning and prioritisation of works, the emphasis of the review was primarily on the mechanisms and information flows in relation to the conducting of the 2016 stock condition survey and its translation into the re-formulated (HIP). Data extraction and analysis was used most extensively here.
- 3.4 For the procurement and performance /financial management aspects, four major contracts were selected for review applying a lighter touch variant of the standard contract management audit programme. In selecting the contracts, some emphasis was given on those representing the areas with the highest expenditure levels while also representing a cross-section of diverse profiles and characteristics in the way in which they operate.
- 3.5 The contracts selected were:
- Passive Fire Safety Works to High-Rise Blocks
 - Kitchen & Bathroom Replacements and Repairs
 - Gas Servicing and Heating Replacement
 - Maintenance and Repair of Electrical Appliances and Installations
- 3.6 While the Interim Asset Manager was consulted at the outset of the audit, the officers consulted in the course of the audit were:
- Russell Marsden, Senior Building Surveyor/Project Manager
Simon Hodges, Compliance Team Manager
Matt Hammond, Building Surveyor Team Leader
Tanya Dawson, Maintenance Administrator

4 Findings

4.1 Recommendations from previous report

- 4.1.1 The issues leading to the recommendations in the previous audit report were mainly matters of valuation detail in a specific contract that were addressed at the time. Incidences reported in consultations of lapses in budget meetings between the Asset Manager and Finance also led to a recommendation.
- 4.1.2 Due to the transitional nature of the Assets Team's management position, roles, and responsibilities, the review of budget consultations between the Assets Team and Finance has been conducted within the context of the selected contracts only.

4.2 Strategies and Policies

- 4.2.1 The strategic feed from Fit for the Future (Thematic Priority – Housing) comes across as primarily through the Housing Revenue Account Business Plan 2012-2062. Certain elements of relevance to the subject programmes also emerge from the Housing and Homelessness Strategy 2017-2020, although its main emphasis comes across as being on private sector housing. Although this has been picked up on other audit assignments, it is noted that the development of a new Asset Strategy remains to be completed.
- 4.2.2 Generally, the policy side comes across as bound up in the Council's statutory obligations towards its housing tenants. As part of its adoption of the re-formulated HIP already mentioned, the Council has also re-affirmed its commitment to the Decent Homes Standard and to an energy efficiency goal for all Council stock put forward by the Portfolio Holder.
- 4.2.3 The financial framework around the subject programmes is manifest in the Housing Revenue Account Business Plan which informs the budget setting processes.

4.3 Prioritisation and Planning

- 4.3.1 It had been noted in the previous audit that a stock condition survey was being planned for the following year (2016). While this was performed by the same contractor as the previous survey in 2010, the approach adopted was clearly more innovative this time using mobile data technologies.
- 4.3.2 The survey was undertaken during the summer period of 2016 and the data collected on pre-configured mobile devices populated with housing asset attribute data and 4-band condition rating parameters. The data collected was uploaded to a purpose-built Total Mobile database as the survey progressed and ultimately uploaded into the primary asset database on the MIS ActiveH system in December 2016. This stage entailed the building of an upload interface by ICT Services (a process known as 'smoothing and modelling').
- 4.3.3 With this, the condition survey outcomes are consequently embedded in the MIS asset attribute data to support prioritisation and costing processes for the subject programmes.

- 4.3.4 The Total Mobile database continues to be used for ad-hoc surveys and was accessible to utilise for progression mapping and data retrieval as part of audit testing. Indicative data matches between the two data sources show coverage of the survey and embedding of outcomes to have been comprehensive, although complete surveys could only be performed on around ninety per cent of the stock. Access could not be gained for internal survey at the remainder of the properties (these were still given external surveys as far as side/rear access allowed).
- 4.3.5 It was ascertained from discussions that those 'unaccessed' properties are being addressed piecemeal on a responsive basis whereby the aim is to undertake full surveys on them as and when they become void or subject to a repair matter reported by the tenant.
- 4.3.6 Sample checks on condition ratings between the condition survey web-resource and the MIS asset database did not reveal any anomalies.
- 4.3.7 The information flows supporting the subject programmes that are directly influenced by the stock condition survey typically originate from reports generated in the MIS system to extract attribute condition ratings and corresponding replacement costings (that are also embedded). The output is exported to Excel spreadsheets in which the attributes are priority modelled on condition rating and age criteria to determine funding requirements. A summary level walkthrough review of this progression was undertaken for the overall HIP submission in August 2018 and on a more focused level on kitchen and bathroom replacement as a scheme level example.
- 4.3.8 An important message coming out of consultations during the audit is the recognition that the condition ratings can in some cases not stand up to challenge (e.g. flawed to start with, overtaken by events, etc.). As properties come on stream for imminent attribute replacement under a subject programme, the condition of the attributes in question are re-inspected individually by the contractor prior to the work being carried out.
- 4.3.9 Two noticeable areas under HIP that do not flow from the stock condition survey are the renewal of central heating and electrical installations. These have remained essentially responsive in nature (e.g. tenant request, void assessment, etc.). While it was advised that a programme had been initiated to identify and replace 'back' boilers in properties that still had them, examination of the supporting information showed a high incidence of tenant resistance very few work orders initiated to date.
- 4.3.10 It was also advised that the Council is about to embark on a programme to replace all biomass-fuelled heating installations in the rural areas with electrical heating.
- 4.3.11 The mechanisms for updating the MIS asset data on completion of work were found to vary across the subject programmes, ranging from reliance on individual input to automated updates triggered by contractor input. There is a clear recognition that existing features of the MIS system include the capability to automate work completion updating on a wider basis, but implementing this would require further 'smoothing and modelling' to fit the characteristics of each of the subject programmes.

4.3.12 It has been advised, with reference to recent correspondence, that discussions are ongoing with ICT Services to take this forward.

4.4 **Procurement**

4.4.1 This area was looked at in 'desktop' overview in the context of the four selected review contracts only.

Passive Fire Safety Works to High-Rise Blocks

4.4.2 This contract is a relatively recent award effective from July 2018 and has come about as a clear response to the Grenfell Tower fire, although the risks in question here relate to internal infrastructure and communal area safety within the blocks and not to external cladding.

4.4.3 The contract is a direct award through the Fusion 21 framework, considered the most appropriate approach by the Assets Team and supported by the joint corporate procurement service. In a sense, this contract is a follow-on from a now completed scheme of fire safety works to Radcliffe Gardens.

4.4.4 The contract runs for an initial term of twenty-one months extendable by agreement on annually by review up to 2025 .

Kitchen & Bathroom Replacements and Repairs

4.4.5 This contract was originally awarded on open tender and commenced in 2013 for five-year term, but with an extension agreed for a further five years in the light of transitional elements including organisational restructure and the HIP re-formulation.

Gas Servicing and Heating Replacement

4.4.6 This is also an original award from open tender for five years commencing in 2013 and extended for a further five years on the same considerations as the Kitchen and Bathroom contract.

Maintenance and Repair of Electrical Appliances and Installations

4.4.7 This contract was originally awarded on open tender and commenced in 2016 for a two-year term. Again this was extended for a further five years placing it on the same residual time span as the above two contracts.

4.4.8 It is noted that the predecessor contract, with a different company, had been the subject of a special audit investigation.

4.4.9 It was confirmed that appropriate formal contracts for all the above are in place.

4.5 **Performance and Financial Management**

4.5.1 While there were some diverse characteristics between the four contracts, commonality in the following key areas of effective contract management was evident from the light-touch assessment:

- signed agreements based on sector-standard forms of contract
- clear strategic drivers that can be related to Fit for the Future priorities
- designated responsible officer
- clear expectations and service standards

- key performance indicators (KPIs) built in (except Fire Safety Contract)
- ongoing monitoring mechanisms including regular meetings with contractors
- payments on valuations appropriately authorised
- robust supporting information for payment valuations
- mechanisms for gauging and reporting on customer satisfaction
- ongoing budget monitoring
- requisite contractor insurance in place

4.5.2 The Fire Safety Contract was not seen as lending itself to KPIs in their usual sense given the nature of the work and requirements under British Standards and third-party accreditation.

4.5.3 As matters of observation, the other most noticeable examples of diversity between the four contracts not already referred to are:

- Relevance of the stock condition survey – only the Kitchen and Bathroom contract services a subject programme that is directly driven by the survey.
- Profile of the contract – the Passive Fire Safety contract was selected due to its particularly high profile evidenced in the Risk Registers and Service Area Plans. This contract is also subject to an added element of oversight in the form of the Corporate Fire Safety Group. Also, gas and electrical safety are the only subject programmes to have customer measures specific to them in the Service Area Plans.
- Updating of the MIS system on completion of work – for the inspections under the Gas/Heating and Electrical Maintenance contract this has a certain degree of automation triggered by the uploading of the requisite certificates. Completions of kitchen and bathroom refitting works, on the other hand, have to be manually input against individual work orders.
- Payment processing – payments for valuations on the Passive Fire Safety contract are processed against a purchase order in the Total FMS. On the other contracts, the valuations are exported to Total from the MIS system via an established interface as detailed tables of individual work order lines.

4.5.4 As a final observation, the budget position at the time of the audit was in a state of fluidity with the increased funding from the re-formulated HIP still to be reflected in official budget figures in the Total FMS as well as budget figures for the passive fire safety works. This inhibited any meaningful 'live' review of outturn against budgets in relation to the selected contracts.

4.5.5 No other issues of significance emerged from the assessment.

5 **Conclusions**

5.1 Following our review, in overall terms we are able to give a SUBSTANTIAL degree of assurance that the structures and processes in place to deliver the subject programmes economically, efficiently and effectively are appropriate and are working effectively.

5.2 The assurance bands are shown overleaf:

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

- 5.3 Within the limits of the examination, the findings are seen as demonstrating that the primary systems of control for delivering the subject programmes have been successfully maintained through the structural transition.
- 5.4 There are no recommendations arising from this review.

Richard Barr
Audit and Risk Manager

INTERNAL AUDIT REPORT

FROM: Senior Internal Auditor
TO: Head of Finance
C.C. Chief Executive
Deputy Chief Executive (AJ)
Audit and Risk Manager
Insurance and Risk Officer
Portfolio Holder (Cllr Whiting)

SUBJECT: Insurances
DATE: 30 October 2018

1 Introduction

- 1.1 In accordance with the Audit Plan for 2018/19 an examination of the above subject area has been undertaken and this report presents the findings and conclusions drawn from the audit for information and action where appropriate. This topic was last audited in September 2015.
- 1.2 Wherever possible findings have been discussed with the staff involved in the procedures examined and their views are incorporated, where appropriate, into the report. My thanks are extended to all concerned for the help and cooperation received during the audit.

2 Background

- 2.1 Insurance premiums are unlike any other item of Council expenditure, in that they are governed by the state of the insurance market which, in turn, is governed by the effects of claims, national events and natural phenomena.
- 2.2 As a member of the Audit and Risk team, the Council's Insurance and Risk Officer (IARO) is the designated officer who provides oversight and operational management across the Council to manage the insurance risks associated with services and assets of the Council.
- 2.3 The total value of the insurance premiums payable for policies held with Zurich Municipal for the period 1 November 2017 – 31 October 2018 is £350,356.39 with an additional £16,227.79 for terrorism cover (12% nett of Insurance Premium Tax).

3 Scope and Objectives of the Audit

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

- Claims processing
- Internal financing

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

- Insurance in place is in line with any regulatory / legislative levels of cover
- All relevant business and operational risks are accurately assessed as the basis for providing adequate and appropriate insurance cover
- Cover levels remain appropriate to the needs of the Council
- Insurance cover held provides value for money
- Claims are valid, authorised, agreed and controlled
- Costs are accurately and appropriately recharged to service areas
- Reserves and provisions are maintained at appropriate levels.

3.4 The existing cover provided by Zurich Municipal was procured as a Long Term Agreement (LTA) of three plus two plus two years. As part of the existing arrangement, the first extension was taken out on 1 November 2015 and the Council will be entering into the final year of the second extension from 1 November 2018.

3.5 It is expected that the rollout of the new tender to insurance providers will take place in January 2019 and be completed between May and June 2019.

4 Findings

4.1 Recommendations from Previous Reports

4.1.1 The current position in respect of the recommendations from the audit reported in September 2015 was also reviewed. The current position is as follows:

Recommendation	Management Response	Current Status
1 The Insurance & Risk Officer should obtain details of significant future high value investment programmes in relation to housing stock and future treasury investment plans to assess Fidelity Guarantee maximum limits, updating insurance cover if appropriate.	All indemnity levels are kept under review. In assessing the limit, account has to be taken of the controls in place and the amount of money which it is felt could be taken before the loss is discovered. Increasing the limit will increase the premium payable and could make insurers feel that we are not confident about our controls. Insurers have been asked to provide an indicative quote to double the sum insured – it has been made clear this is to assist us in considering the	Discussed with IARO as part of the 2018/19 internal audit review and it was confirmed that this has been actioned.

Recommendation	Management Response	Current Status
	<p>audit recommendation. Consideration could also be given to having a higher level of cover for specified staff having regard to the levels of expenditure that they can authorise. It would take time to assess who this would apply to and appropriate levels to apply. During the audit the auditor quoted many authorities as having a limit of £10m but most of these were unitary, metropolitan or county councils.</p> <p>The IARO will contact Insurance Officers at District and Borough authorities in the Midlands asking for details of their limit of indemnity so we can compare.</p> <p>Advice will also be taken from our broker.</p>	
<p>2 The Insurance & Risk Officer should update the insurance procedures manual for hirer's liability, insurance excess and provisions.</p>	<p>Hirers' liability notes have been produced.</p> <p>Notes on calculation on insurance provisions and reserve will be produced when estimate figures for 2015/16 are done.</p>	<p>Discussed with IARO as part of the 2018/19 internal audit review and it was confirmed that this has been actioned.</p>

4.2 Regulatory Compliance

- 4.2.1 The IARO advised that the only insurance a council is, in effect, required to have under legislation, is Fidelity Guarantee insurance which covers fraud committed by staff. This is to be compliant with the provisions of Section 114 of the Local Government Act 1972. The insurance maximum limit that the Council has is £5m.
- 4.2.2 Since the last Internal Audit review in 2015, Section 2.4 has been added as part of the Fidelity Guarantee pertaining to the use of corporate credit cards, stating that, "The insurer will indemnify the insured for loss occurring as a direct result of the fraudulent use of a corporate credit card by the designated employee to whom the insured has issued the card". One of the requirements is that the name of the employee allocated the card is noted in the insured's records. This was confirmed during the audit with the IARO.
- 4.2.3 District councils are not required, under legislation, to have any employers' or public liability insurance. However, the Council does have these insurance policies in place.

- 4.2.4 A Long Term Agreement is in place with Gallagher's, Insurance Brokers for the Council which has been extended for two years until 2019. The broker is used independently from the insurers to help achieve value for money.
- 4.2.5 As part of the initial insurance tender process and the annual contract renewal processes, and over the life of the contract, the broker has assisted in setting out the Council's insurance specification, such as levels of cover and perils to be insured against, taking into account current market trends.
- 4.2.6 This annual review effectively ensures that the level of insurance remains adequate and reflects any necessary changes in the Council's needs.
- 4.2.7 Indemnity levels are also managed internally by the IARO. Contact is made between insurance officers at other authorities in the Midlands region in order to benchmark limits of indemnity as and when required.
- 4.2.8 It was stated by the IARO that, whilst no formal benchmarking is carried out, as Secretary to a Midlands based Insurance Group, advice can be sought on current practices. The insurance brokers have suggested looking at cyber security coverage in the future as part of business continuity.
- 4.2.9 It was noted that whilst insurance arrangements are embedded within the Council there is no formal insurance strategy in place.

Risk

Insurance arrangements may not be maximised to develop a coordinated approach to insurance management and transparency.

Recommendation

Development of a formal insurance strategy be considered that provides the framework to ensure that the Council has in place an optimal balance between external insurance and self-insurance.

- 4.2.10 An insurance manual is maintained and was reviewed as part of the audit. Over time, hand written updates and other ad-hoc documents as required have been added to the manual.
- 4.2.11 The index of the insurance manual refers to a number of sections including: Insurer Information; Broker Information; Claims Handling; Policy Information and the Local Authority Claims Handling System (LACHS). The IARO indicated that some of the information, such as sums insured, may not be current as they are included at a specific point in time and are provided as examples. However, the general processes are correct, although minor tweaks will be made as and when required.

4.3 Risk Management

- 4.3.1 The IARO is a member of the risk management group and provides a quarterly update report to the Senior Management Team (SMT). An action plan was included in the Risk Management Strategy in 2016/17 listing fourteen recommendations designed to advance risk management within the

Council. One of these requires the "Insurance & Risk Officer to engage more closely in the risk management process including issuing a quarterly report to SMT on insurance claims and risk management lessons learned."

- 4.3.2 SMT minutes from May 2018 were obtained and were found to include a number of action points. Included in the report is reference to new claims, the overall claim position and learning points following claims. Currently, under the heading of learning points, specific referral is made to unoccupied buildings and theft from car park machines.
- 4.3.3 Following the meeting, actions included advising tenants of the need to leave heating on during periods of cold weather to prevent burst pipes, and taking action to reduce the risk of cash being stolen from car parking machines. Whilst a verbal update may be provided at the subsequent meeting, it is not evident from the minutes if actions had been completed.

Risk

Actions may be omitted or not undertaken on a timely basis.

Recommendation

An action tracker be included as part of the update to SMT.

- 4.3.4 Whilst the audit has not included a detailed review of risk management arrangements, the Council does have in place a Risk Management Strategy. A copy of the strategy was found on the Council's website and is for the period 2016-17. The summary of responsibilities included within the document requires that experience of risk and risk management issues are shared with the IARO, a number of other services / teams, and Council employees. However, it does not reflect sharing with SMT.

Risk

There may be a lack of transparency and engagement.

Recommendation

The Risk Management Strategy be updated and made available on the Council web site.

- 4.3.5 The risks included on the Finance risk register continued to be categorised into those which can be insurable, such as fraud by having a Fidelity Guarantee insurance policy in place, or risks which cannot be insured against such as loss of information technology.
- 4.3.6 On a rotational basis, service risk registers are presented quarterly to the Finance and Audit Scrutiny Committee. On occasion, the IARO is asked to comment and challenge the risk registers and specifically link any matters relating to insurance / emerging themes / matters arising across the district or nationally. E.g. the IARO cited an example relating to the potential impact on the Building Control partnership of the Northamptonshire authorities reorganisation.

Risk

Relevant risks may be omitted from the reviews undertaken by the IARO.

Recommendation

Oversight of risk registers by the IARO be embedded to ensure that insurance is considered in all cases.

4.4 Review & Renewal

- 4.4.1 An annual review of the level of insurance cover required is carried out by the IARO prior to the start of each year, over the life of the contract.
- 4.4.2 Revised premiums for the forthcoming insurance year are submitted based on pricing / risk assumptions including any current market conditions and trends. Examples were provided relating to Asset Management following the Grenfell Tower incident and theft from parking machines. No other service changes are known.
- 4.4.3 Reporting mechanisms between the Council and the insurers operate well. Most documentation, correspondence and claims are now managed via email. Information is also accessible via a secure login on Zurich Municipal's website.
- 4.4.4 The insurance cover from Zurich also provides for a Risk Management fund. To date, the Council has received six years funding at £5,000 a year. Expenditure over the last four years is detailed below:

Date	Description	Cost (£)
17/03/2014	IRM certificate C O'Rourke	1,560
28/03/2014	Building valuation surveys 2014	7,000
03/12/2015	Tree liability report CEN-090490	5,000
05/02/2016	Risk management health check	3,500
27/09/2016	Risk appetite workshop 9/9/16	1,500
25/10/2016	Special events training 4 & 5 Oct	1,500
17/05/2017	Managing events safely training	1,000
Total		21,060

The balance in the fund is currently £8,940.00. The Council has ordered some building valuation work to be carried out in August 2018 at a cost of £2,250.

- 4.4.5 The IARO stated that, as part of the retender process, the broker will be assisting Council officers to assess the tender submissions received, but without the power of decision making. The procurement exercise will be undertaken by the Council's in-house Procurement team.

4.5 Claims Processing

- 4.5.1 The Council has continued to use the JCAD LACHS claims management system to record details and manage all insurance claims. All claims are allocated a claim reference number and the type of claim is detailed.

- 4.5.2 The policies in place cover the assets and activities of the Council. It was stated by the IARO that if a claim has been processed, this is on the basis that it is covered by the policy. Where necessary, advice is sought from Zurich to confirm acceptance / refusal of a claim.
- 4.5.3 The IARO explained that, for any type of claim, the initial notification can be received in various forms from service departments and claimants, either by telephone, email or letter. All claims must be documented, following which a claim record is created.
- 4.5.4 An Accident / Incident Report Form is also accessible on the Council website and instructions are provided on how to make a claim for compensation resulting from loss or personal injury. Contact details for the IARO are also made available along with a statement that any decision on the claim will be made by the Council's insurers only.
- 4.5.5 Section 4 of the form provides for the claimant to complete a declaration confirming that the 'particulars' (of the claim) are true. It also informs them that "Information will also be supplied to insurers, claim handlers and solicitors who may be appointed to deal with your claim".
- 4.5.6 Currently the declaration does not make reference to the General Data Protection Regulations (GDPR) which came into force on 25 May 2018 repealing the Data Protection Act 1998. The new regulations place further obligations on organisations processing personal data, and increase the potential fines for non-compliance with the regulations.

Risk

GDPR requirements may not be complied with.

Recommendation

The claim forms should be refreshed and reflective of GDPR requirements.

- 4.5.7 The claim will be allocated to an insurance cover category on the system and all relevant information will be recorded, including the claimant details and / or solicitors as appropriate and will be allocated against the relevant policy.
- 4.5.8 All correspondence relating to the claim will be recorded and can be imported into the system, with some correspondence being generated directly from the system. The IARO has access to the Council's Active H system and can access this to confirm if there is any previous repairs history relating to the property.
- 4.5.9 Information is passed to the insurers, with the insurer's reference number for the claim being entered onto the system by the IARO once provided by the insurers. Emails or letters are sent to claimants advising them of the relevant insurer details.
- 4.5.10 Walk through testing was undertaken of a claim which was pending and one that had been closed. Sample documentation was reviewed covering the processes and specific checks that need to be undertaken for each type of claim e.g. operational and housing property, non-operational property,

mortgaged and leasehold property, public liability, employers liability, motor and other liability. It was identified that claims are processed as promptly as possible but delays are outside the control of the IARO.

- 4.5.11 A random sample of ten insurance claims for public liability and general property (commercial, operational building and housing), made since the date of renewal (1 November 2017) was reviewed with the objective of verifying that claims were subject to scrutiny and were being progressed by the IARO and referred to the Zurich Municipal on a timely basis.
- 4.5.12 Testing confirmed that all of the claims had been registered with Zurich Municipal and progress in relation to the settlement of the claims was being monitored. In addition, the IARO has been keeping service departments up to date with claim developments as instructed by Zurich Municipal.

4.6 Internal Financing

- 4.6.1 Prior to 1992, insurance would have been provided through Municipal Mutual Insurance (MMI). At that time, the Council had no need to maintain an insurance reserve as all insurance claims would have been paid in full by MMI as the policies had no deductible or excess limits. However, a reserve is now in place to meet to these costs.
- 4.6.2 The balance of the insurance reserve is monitored by the IARO. As part of the internal audit review, the IARO shared email communication relating to the possibility of requesting an increased levy.
- 4.6.3 Separate insurance provisions are also held for current and future liability claims in order to meet the excesses payable by the Council.
- 4.6.4 On an annual basis, the IARO will allocate the premiums due to each relevant budget code. The method of calculation for each premium varies depending upon the type of insurance policy but the main factors used are the number of staff in each department and the total sum insured for buildings and contents.
- 4.6.5 The IARO maintains a spreadsheet that shows how charges have been calculated and codes to which they have been charged. For 2017/18 the value confirmed as recharged equates to £489,825.13.

5 Summary & Conclusion

- 5.1 Following our review we are able to give a SUBSTANTIAL degree of assurance that the systems and controls in place for the management of Insurances are appropriate and are working effectively.
- 5.2 Minor issues were, however, identified relating to the enhancing transparency and updating the Insurance procedures manual following re-tender in 2019.
- 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.

Level of Assurance	Definition
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 attached Action Plan (Appendix A) for management attention.

Sharon Birdi
Auditor

Action Plan

Internal Audit of Insurances – October 2018

Report Ref.	Recommendation	Risk	Risk Rating*	Responsible Officer	Management Response	Target Date
4.2.9	Development of a formal insurance strategy be considered that provides the framework to ensure that the Council has in place an optimal balance between external insurance and self-insurance.	Insurance arrangements may not be maximised to develop a coordinated approach to insurance management and transparency.	Low	Insurance & Risk Officer	Agreed. Consideration will be given to the introduction of an insurance strategy.	End of March 2019
4.3.3	An action tracker be included as part of the update to SMT.	Actions may be omitted or not undertaken on a timely basis.	Low	Insurance & Risk Officer	This will be included from the next report.	November 2018
4.3.4	The Risk Management Strategy be updated and made available on the Council web site.	There may be a lack of transparency and engagement.	Low	Audit & Risk Manager	Agreed and now done.	September 2018

Report Ref.	Recommendation	Risk	Risk Rating*	Responsible Officer	Management Response	Target Date
4.3.6	Oversight of risk registers by the IARO be embedded to ensure that insurance is considered in all cases.	Relevant risks may be omitted from the reviews undertaken by the IARO.	Low	Audit & Risk Manager / Insurance & Risk Officer	Audit & Risk Manager in process of putting all risk registers on intranet site viewable by all staff. When set up these will be updated quarterly. Insurance & Risk Officer can then view these documents systematically and ensure that due provision has been made for insurance aspects of risks.	End of October 2018
4.5.6	The claim forms should be refreshed and reflective of GDPR requirements.	GDPR requirements may not be complied with.	Medium	Insurance & Risk Officer	Wording was reviewed and updated in May 2018 taking into account advice and examples from other authorities in the absence of an Information Governance Manager. Advice will be sought from the Information Governance Manager and wording updated accordingly.	End of March 2019

* Risk Ratings are defined as follows:

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

INTERNAL AUDIT REPORT

FROM: Audit and Risk Manager
TO: Head of Finance
C.C. Chief Executive
Deputy Chief Executive (AJ)
Exchequer Manager
Finance Administration
Manager
Portfolio Holder (Cllr Whiting)

SUBJECT: Payment of Creditors
DATE: 31 December 2018

1 Introduction

- 1.1 In accordance with the Audit Plan for 2018/19, an examination of the above subject area has been completed and this report presents the findings and conclusions for information and action where applicable. This topic was last audited in June 2015.
- 1.2 Wherever possible, findings have been discussed with the staff involved in the procedures examined and their views are incorporated where appropriate, in the below report. My thanks are extended to all concerned for the help and cooperation received during the audit.

2 Background

- 2.1 The 'TOTAL' financial system is used to process the creditors transactions, from the ordering of goods and services through to the payment of the receipted invoices.
- 2.2 For the period 1 April to 30 September 2018, the overall amount processed totalled £44.5m. For the same period last year, the total amount processed to payment was £39.6m.

3 Scope and Objectives of the Audit

- 3.1 This audit covered the CIPFA matrices for the payment of creditors. Detailed testing was performed to confirm that controls identified have operated, with documentary evidence being obtained where possible, although some reliance has had to be placed on discussions with relevant staff.
- 3.2 The expected controls for these matrices are categorised into the following main headings:
- Payment of Creditors:
- (1) General
 - (2) Ordering
 - (3) Receipt of orders
 - (4) Invoice checks

- (5) Payments
- (6) Cheque controls
- (7) Management information

3.3 Some specific tests were not performed as they were either considered not relevant to the operations of the Council or are covered under separate audits. The scope did not include purchasing cards / credit cards, the provision of assurance that the expenditure was necessary, or that value for money was achieved from expenditure committed.

4 Findings

4.1 Recommendations from Previous Reports

4.1.1 The previous audit, reported in June 2015, gave Substantial assurance. The current position in respect of the recommendations from the audit was also reviewed. The current position is as follows:

	Recommendation	Management Response	Current Status
1	The Creditors manual should be updated to include sufficient detail relating to the process in place for goods and service receipting and the creditor reports available to the Financial Services staff, in order to assist with the managing of the creditor function and to document the complete creditor control environment.	The creditor’s manual is an FS Team procedure manual, the FS Team do not receive goods and therefore there is no need for a goods and receipting process. The manual isn’t a corporate document; it details tasks that are only relevant to the FS Team. However, the manual will be added to in respect of reports and in particular the year-end Orders process. Following the audit this has been discussed and agreed with the Senior Internal Auditor.	It was confirmed by the Finance Admin Manager (FAM) and evidenced upon review that this has been actioned. A new Creditors manual has been developed and is being updated to reflect desk-top procedures and guidance. It is viewed as an evolving document.
2	An invoice grid stamp should be forwarded to the Royal Spa Centre.	Recommendation implemented following review.	Following implementation of the auto matching process, within TOTAL, the recommendation has been superseded and is no longer relevant.

4.2 General

4.2.1 The Code of Financial Practice provides clear high-level details of the processes for purchase ordering, receipting and payment for goods and services within the Council, as well as reference to the roles, responsibilities and policies for the creditor payment function.

- 4.2.2 The Council uses an online system known as TOTAL for raising purchase orders, approving them and 'receipting' goods and services. Users of TOTAL are assigned profiles and access rights in accordance with their job role and the expenditure limits list. Access to TOTAL is username restricted and password protected.
- 4.2.3 Daily operational responsibility is assigned to the FAM who is supported by a Senior Finance Administration Officer (SFAO), three administrative officers and an apprentice who started with the team in September 2018 for an eighteen-month period.
- 4.2.4 A Financial Services Team Instruction Manual for processing creditor transactions has been developed. This is continuing to evolve into a comprehensive document with detailed procedural guidance. The manual is reflective of the documents, processes and controls that need to be undertaken to complete the creditor transaction cycle. At the time of the review the SFAO was in the process of updating this.
- 4.2.5 The Council's intranet provides additional guidance in respect of placing orders, creditor invoices and creditor requests along with contact details for the FS Team, quick links and access to documentation for requesting the setting up of a new creditor.

4.3 **Ordering & Receipt of Orders**

- 4.3.1 The FS Team operates a 'No Purchase Order, No Pay' policy. A purchase order must be created on TOTAL and in order to do this, the user must have appropriate access rights on the system. New users are required to be authorised by their line manager and undergo one-to-one training with a member of the FS Team. On completion, an Access to Total form must be completed and passed to the Systems Administrator.
- 4.3.2 The privileges for all users are listed in TOTAL and these are also documented in an annual review monitoring spreadsheet held by the FAM and the Systems Administrator (SA).
- 4.3.3 Once a purchase order has been created this is sent to the contractor / supplier with the requirement that the order number is quoted on the invoice in order for them to receive payment.
- 4.3.4 To ensure that separation of duties are maintained, an annual review is undertaken by the FAM and the SA of all TOTAL users against their access levels. Email communication from September 2017 and 2018 was provided to evidence the reviews undertaken. Each service area is requested to review their area of responsibility and confirm that everything is correct and that access should remain or, alternatively, highlight anything that is incorrect and the changes that are required.
- 4.3.5 A sample of invoices was chosen (see 4.4.2 below) and traced back to the associated orders to ensure that they had been processed in accordance with the relevant sections of the Code of Financial Practice (i.e. controls

pertaining to separation of duties for creating and authorising the order within assigned limits are in place).

- 4.3.6 The orders were also checked to ensure that goods, were consistent with the orders raised and had been appropriately receipted. The testing confirmed that the processes were operating satisfactorily.

4.4 **Invoice Checks**

- 4.4.1 Invoices received through the post or via email are scanned prior to being paid. As part of the auto-matching process on TOTAL, invoices are checked to ensure that they are consistent with delivered orders, they have not been previously paid, are arithmetically correct, and contain appropriate VAT details. Invoices are matched to purchase orders twice a day, at 1pm and 7pm. Where an invoice cannot be matched to a purchase order (e.g. the purchase order has not been delivered or the amounts do not agree) an alert is sent to the service user to resolve and resubmit.
- 4.4.2 Testing was undertaken on a random sample of five invoices where the payment was in excess of £500,000 and a further twenty invoices to ensure that the automated process had operated as expected, the invoice cleared for payment and the payment agreed to the BACS payment listing and related authorisation controls.
- 4.4.3 Testing was also undertaken on a sample of ten payments undertaken where there was no purchase order (i.e. where valuation payments were being made in relation to Housing Services or Asset Management works). In these instances, the orders are placed and the checks are undertaken on Active H by either the Housing or Assets teams, with the relevant details being imported into a folder on TOTAL to allow the invoice to be paid.
- 4.4.4 These are transferred via the MS Interface live for payment and passed to the FAM or the SFAO to authorise. It was noted that in all cases the supplier was VAT registered; a valuation certificate had been submitted; the valuation certificate / invoice was approved in accordance with delegated limits; appropriate segregation of duties were in place; and two Accountancy signatories had signed where the payment was greater than £50,000.
- 4.4.5 As a means of improving and maintaining quality the FS Team perform a one in ten creditor invoice check after processing. They also maintain an invoice checking spreadsheet which notes the issues and errors found along with the actions taken to resolve them (including the subsequent clearance for payment). The maintenance of the spreadsheet is considered to be good practice.

4.5 **Payment of Invoices**

- 4.5.1 Payments relating to creditor invoices are made on a twice-weekly basis; on a Monday and Wednesday.

4.5.2 As part of the audit, time was allocated to observe and undertake a walkthrough of a Monday payment run (22 October 2018) with a member of the FS Team. The 'Checklist for Creditors Payment Run' was used as the basis of the observation which includes the processing of all payments; a review of controls pertaining to safe keeping of cheques by the Corporate Support Team; the requisitioning, printing, and callout of cheques; and reconciliation by FS Team staff. This process was found to be well managed with appropriate separation of duties in place with no concerns being identified.

4.5.3 In one case during the payment run a credit note for £564.97 was raised and matched correctly against the invoice. It was noted that the same controls were applied by staff for the input of the credit as for the invoices. Once these checks have been performed, the credit note is referred to the FAM or SFAO for checking, manual authorisation, and update on the system.

4.6 **Control of Cheques**

4.6.1 The creditor manual outlines the procedures and controls for creditors to be paid by cheque as part of the weekly payment runs. Well defined segregation of duty controls continue to operate for the printing, issue and call-out / reconciliation of cheque payments. This was observed during the payment run.

4.6.2 It was observed that the stock of unused cheques is kept in a safe with restricted access and is remote from publicly accessible areas. Effective handover procedures operate in relation to the transfer of cheques between staff and transfer between teams. No concerns have been identified.

4.7 **Signatories & Bank Mandate**

4.7.1 Although outside the responsibilities of the FS Team, a review of the Council's bank mandate was undertaken to ensure that only main authorised signatories were included. It was noted that the Assistant Accountant (Capital & Treasury) had requested HSBC (the Council's bankers) to amend and update the bank mandate in June 2018 to reflect changes that had occurred within Accountancy.

4.7.2 At the time of the audit and based on the copy bank mandate received, it was identified that the bank had not taken timely action as previously requested. Following discussion with the Assistant Accountant (Capital & Treasury) and observations made, a number of actions were undertaken to resolve the anomalies such that the Principal Accountant (Revenues) has now been added to the mandate as appropriate.

4.7.3 To further strengthen control, the FAM has stated that the FS Team have been advised that they should not approach new delegated officers until the FS Team have been provided with a copy of the updated list to evidence. Further, the FAM has agreed and introduced an internal process for delegating authority to a pool of staff who can check and authorise

payments that are above £50,000. It is envisaged that this will be via email on a trial basis utilising the 'jabber' facility to view staff availability.

4.8 Supplier Set-Up & Amendment

4.8.1 All requests to set up a new supplier or amend details pertaining to an existing supplier are channelled through an intranet request form to the FS Team to action and must be supported with evidence, principally, bank account details and method of payment.

4.8.2 As name changes to an existing supplier are not permitted, a new supplier is created. With respect to change of bank account details, FS Team staff will contact the supplier and ascertain that an amendment has been requested and confirm that the details are correct.

4.8.3 A report of supplier amendments was generated by the SFAO for the period April to October 2018. A random sample of 20 amendments were selected and reviewed. Testing confirmed that all amendments to permanent information were valid and authorised and supporting notes had been added in TOTAL.

4.9 Management Information

4.9.1 On a monthly basis, management information is produced by the FAM of orders raised compared to invoice dates,. The data is tabled and 'RAG rated' to highlight orders raised correctly; raised on the same date as the invoice; or raised retrospectively i.e. after the invoice date. This detail is provided to SMT for reporting and monitoring compliance.

4.9.2 A review of the report for August 2018 was undertaken, which identified that of the 3165 invoices raised, 2706 invoices had been raised correctly (85%). The FAM stated that the aim is to continually improve this percentage although he recognises that there may be occasions where non-compliance could be completely legitimate (e.g. urgent situations or companies that invoice at the time an order is received).

4.9.3 On a quarterly basis and as part of the year end process, the FAM requests that all budget managers and teams should be reviewing outstanding orders reports for both 'undelivered' and 'delivered but not yet invoiced' orders. Reports are issued and budget managers and / or team members who create the orders are requested to review the reports and take action as appropriate in order to maintain the quality of the system records, to aid budget management and to help ensure the year-end processes can be completed quickly and easily. Guidance was provided by the FAM of how to close orders and the due date for accurately reporting the Council's end-of-year accounts.

5 Conclusions

5.1 Following our review we are able to give a SUBSTANTIAL degree of assurance that the systems and controls in place for the Payment of Creditors are appropriate and are working effectively.

5.2 The assurance bands are shown below:

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

6 **Management Action**

6.1 No recommendations were found to be necessary on this occasion.

Richard Barr
Audit & Risk Manager

FROM: Audit and Risk Manager **SUBJECT:** Payroll & Staff Expenses
TO: Chief Executive **DATE:** 14 January 2019
C.C. Head of Finance
HR Manager
Portfolio Holder (Cllr Mobbs)

1 Introduction

- 1.1 In accordance with the Audit Plan for 2018/19, an examination of the above subject area has been undertaken and this report presents the findings and conclusions drawn from the audit for information and action where appropriate.
- 1.2 Wherever possible, findings have been discussed with the staff involved in the procedures examined and their views are incorporated, where appropriate, into the report. My thanks are extended to all concerned for the help and cooperation received during the audit.

2 Background

- 2.1 The payroll function has been outsourced to Coventry City Council since 2015 with different processes being transferred to a 'self-serve' approach on a phased basis since that time.
- 2.2 HR staff deal with the 'in-house' elements on the processes that have not moved to self-serve, with individual line managers being responsible for checking and authorising payments etc. where a self-serve process has been implemented.

3 Scope and Objectives of the Audit

- 3.1 The audit was undertaken to test the management and financial controls in place.
- 3.2 In terms of scope, the audit covered the following areas:
- Policies and procedures
 - Establishment, starters and leavers
 - Deductions
 - Variations to pay (including travel and subsistence)
 - Members' allowances
 - Payments, reconciliations and management information.
- 3.3 The audit programme identified the expected controls. The control objectives examined were:
- The payroll is accurately processed

- Staff, including those with specific payroll responsibilities, are aware of what needs to be done to ensure that payroll is accurately processed
- The (staffing) establishment is appropriately maintained
- New staff are paid appropriately when they commence their employment with the Council
- Staff leaving the organisation are paid appropriately when they cease their employment with the Council
- All staff pay the appropriate amount of tax and National Insurance
- All staff are paid the appropriate amount, taking account of relevant deductions
- All deductions are paid to the relevant account or organisation
- Staff are paid the correct amount for any overtime and casual hours worked
- Staff are paid appropriately for works over and above their normal roles
- Maternity and paternity payments are correctly paid
- Staff are paid at the correct rate following pay awards and re-gradings
- Travel and subsistence payments are only made where expenditure has been incurred
- Members are aware of what they can be paid for
- Payments made to Members reflect accurately reflect the positions they hold and the expenses to which they are entitled
- Emergency payments are only made in exceptional circumstances
- The general ledger reconciles with payments made to staff
- Managers and relevant staff are provided with appropriate information.

3.4 As the payroll function is outsourced, the system itself was not audited. However, Internal Audit at Coventry City Council advised that their last audit of payroll had provided a substantial assurance opinion. Their external auditors had also reviewed the system and the recommendations they made in relation to system access had been responded to as appropriate.

4 Findings

4.1 Recommendation(s) from Previous Reports

4.1.1 The current position in respect of the recommendation from the audit reported in March 2016 was also reviewed. The current position is as follows:

Recommendation	Management Response	Current Status
A suitable document and record management solution for HR and payroll supporting documentation should be explored.	We are reviewing the benefits of the FORTIS system as part of our ongoing review of document management.	No specific system is used for retaining documentation, with scanned / electronic documents all being held in the relevant network folders. The Learning & Development Officer (LDO) advised that the old paper files are being worked through with

Recommendation	Management Response	Current Status
		relevant documents being scanned and saved to the relevant folder with other documentation being destroyed as required.

4.2 Policies & Procedures

- 4.2.1 A formal, signed, service level agreement is in place with Coventry City Council (CCC) with the details being included on the contracts register as appropriate. The HR Manager advised that this is currently in the process of being reviewed. Upon review, the document was found to clearly set out the scope of the agreement and the obligations of CCC.
- 4.2.2 Policy and procedural documentation is held in a variety of different places and takes different forms dependant on who the audience is.
- 4.2.3 Some documentation is held on the intranet within the HR Handbook 'page'. However, it is not particularly easy to locate specific documentation due to the inconsistent categorisation of documents (e.g. there is a section for Leavers which included a number of relevant documents, but there is also a section for Starters and Leavers which includes the Leavers Procedure document; similarly, there is the Expenses for Subsistence Policy under the Employee Benefits heading, whereas the Subsistence Rates document is under the Payroll heading).

Risk

Staff may be unaware of the correct processes to follow.

Recommendation

The categorisation of documents on the HR handbook should be reviewed so that relevant documents can be easily located.

- 4.2.4 Guidance for managers and staff relating to the processing of 'irregular claims' (i.e. travel and subsistence) are included on the payroll system.
- 4.2.5 In terms of the processes to be followed by HR staff, some (e.g. starters and leavers) are set out within the checklists that are to be completed for the relevant tasks.

4.3 Establishment, Starters & Leavers

- 4.3.1 Where changes are made to the establishment, HR staff will send spreadsheets to CCC to provide the relevant details (e.g. the post title, the grade, and where it sits in the hierarchy).
- 4.3.2 The creation of a number of new posts was identified on a sample of these spreadsheets and these were reviewed to ensure that there had been

appropriate approval for the post to be created and that the post had been created appropriately by CCC. This test proved satisfactory.

- 4.3.3 The LDO advised that establishment reports are run on a monthly basis, with two specific reports being generated, with one showing filled posts (post holder report) and the other covering all posts including vacancies (the hierarchy report). She advised that the reports would not be checked in detail due to the number of posts included, but specific issues would be followed up. Ad-hoc reports would also be run if queries were raised.
- 4.3.4 She also highlighted that reports are sent to Heads of Service on a quarterly basis for checking. The relevant Senior HR Business Partner advised that responses are only required on an exception basis (i.e. if everything is correct the Head of Service doesn't need to respond).
- 4.3.5 The LDO highlighted that there may be some posts shown with more than one post holder. These would mainly be casual staff but there are also job shares and there are occasionally cases where there has been some overlap between one staff member leaving and their replacement starting to allow for a handover.
- 4.3.6 Upon review of the post holder report, a number of posts filled with more than one employee were identified. The majority of these were casuals or Councillors. However, five other post numbers were found to be filled by more than one person.
- 4.3.7 In two cases the posts were job shares and, in another case, the 'post' comprised pension-related payments to three ex-employees. Two other posts were, however, seemingly filled, in each case, by two members of staff. It was confirmed that this had been caused as a result of erroneous information being provided by HR staff to CCC. These issues were rectified at the time of the audit.
- 4.3.8 A sample of recent starters was identified and testing was undertaken to ensure that appropriate procedures had been followed with supporting documentation being held as appropriate. This test proved largely satisfactory, with completed starters' checklists being in place and other supporting documentation being found on the HR network files.
- 4.3.9 However, whilst supporting documentation was eventually found in each case, there was an issue with the way in which different members of staff stored the documentation, and this inconsistency caused an element of delay to the testing. This 'issue' was also relevant to a number of other subsequent tests undertaken.

Risk

HR staff may not be able to respond to queries in a timely manner and time may be wasted in tracking down relevant information.

Recommendation

A consistent method of storing documents in the HR network folders should be introduced.

- 4.3.10 Similar testing was also undertaken for a sample of leavers. The review confirmed that leavers' checklists were being completed appropriately, with resignation letters or another form of formal notification (e.g. details re redundancies or settlements) generally being held. The testing also confirmed that the final payments were correct based on the leaving date.
- 4.3.11 HR staff highlighted two recent instances where staff had left owing the Council money due to annualised hours being worked. In one case the final salary was held back (with the agreement of the employee) to recover this payment. In the other case, an invoice had been raised to recover the overpayment.

4.4 Deductions

- 4.4.1 On the post holder report, all staff are shown to have a valid tax code in line with the HMRC coding conventions. However, the report includes two employees with no NI number.
- 4.4.2 The LDO advised that CCC would not ask for the information if it wasn't provided but these NI numbers had been provided. However, one had not been entered and the other was missing as the report had been run prior to the information being input by CCC.
- 4.4.3 Samples of both voluntary and 'non-voluntary' deductions (e.g. student loans) were tested to ensure that formal instructions had been received from the individual or the requesting organisation. These tests proved satisfactory.
- 4.4.4 Upon interrogation of the relevant deductions elements on the payroll reports, two positive amounts were identified. Upon discussion with HR staff, it was highlighted that these were as a result of errors by CCC staff and an email was provided which corroborated this.
- 4.4.5 A review was also performed to ensure that each 'category' of deduction had its own holding code on the TOTAL system, with the payments being made to the relevant body or transferred to the relevant internal system as appropriate. No issues were identified.

4.5 Variations to Pay (Including Travel & Subsistence)

- 4.5.1 Where staff undertake duties that are over and above their normal roles they can be paid an honorarium. A sample of staff being paid honoraria was chosen and testing was undertaken to ensure that there was appropriate authorisation in place for this to be paid.
- 4.5.2 Authorisation from the Chief Executive was found in four of the five sampled cases. In the other case it was highlighted that the payment was not actually an honorarium but there was no specific code against which this could be classed on the payroll system. The Senior HR Business Partner advised that

the payment was actually part of a secondment into a role that the applicant was not initially qualified for and correspondence was on file confirming this to be the case. As such, it was suggested that authorisation from the Chief Executive was not required.

- 4.5.3 Amendments relating to maternity and paternity payments were all supported by a MATB1 form as appropriate. The specific payments were not directly checked as the HR & Payroll Support Adviser suggested that the payments were automatically calculated on the system at CCC using the relevant start date and the 'real time information'.
- 4.5.4 The Council can reclaim a percentage of the statutory maternity and paternity payments made and it was confirmed with the Assistant Accountant that this reclaim would go through as a credit against the monthly payment to HMRC, with the figures being calculated based on the figures on the relevant payroll reports received. A review of a recent reclaim was undertaken and the correct figures were found to be included.
- 4.5.5 A sample of permanent amendments to pay was also tested (i.e. following formal HAY regrades). Upon review, it was confirmed that payments were in line with the new grade for the post, with each member of staff starting at the bottom of the grade. Arrears (due to pay awards being backdated to the date of the HAY panel) had also been calculated and paid appropriately.
- 4.5.6 Travel and subsistence payments are processed under self-serve with managers directly authorising the claims on the system.
- 4.5.7 All receipts for travel and subsistence claims should be forwarded to the Corporate Support Team (CST) once the payments have been approved, with receipts being annotated with the claim reference number.
- 4.5.8 The CST Manager advised that there have been no specific instructions regarding how the receipts should be stored or how long they need to be kept for so, at present, the hard-copy receipts received are stored in numerical (claim reference number) order, although she would not be aware whether she had received all approved receipts
- 4.5.9 She also highlighted that some are received in envelopes with name / reference number etc. recorded with others being received with no envelope and just the reference number being recorded. These would be placed in envelopes so that they can be stored more easily. All receipts that have been received are currently being retained, with full boxes being moved to the Document Store.
- 4.5.10 The LDO advised that there is no report available from the system at present which shows the claim reference numbers for the payments, so it was not possible to check that the receipts are being passed to the CST accordingly.
- 4.5.11 There is no suggested 'best practice' with regards to the method of storage, although HMRC guidance suggests that these should be retained for three years plus the current financial year. With future storage space potentially becoming an issue as the Council moves to new premises, the balance between physical and electronic storage costs should be reviewed along with

the potential need to retrieve the documents should HMRC ever request to review them.

Risk

It may not be possible to locate receipts when required.

Recommendation

HR should review the requirement for retaining expenses receipts. Should it be confirmed that there is a requirement to retain them, the method of storing the receipts should be reviewed to ensure appropriate accessibility and retrieval.

4.6 Members' Allowances

4.6.1 A Members' Allowances Scheme is currently in place which sets out all relevant allowances. This includes the basic allowance that is paid to all Members along with schedules showing the designated posts which attract 'special responsibility allowances' and the 'qualifying meetings' (i.e. the approved duties).

4.6.2 A sample of allowances paid was checked to ensure that the recipients were Members at the time of the payment, that they held the relevant role with regards to any special allowances payments, and that the payments were made at the correct rate.

4.6.3 Whilst all payments were found to be appropriate, an issue was noted with regards to payments made where roles had changed during the year. There was found to be an inconsistency in the dates used, with some changes being effective from the date of the relevant committee whereas others became effective on the following day. Whilst the differences were small in monetary terms, a consistent method should be adopted.

Risk

Members' allowances payments may be incorrect and open to challenge.

Recommendation

A decision should be taken with regards to the dates that Members' allowances changes become effective, with this being consistently applied.

4.7 Payments, Reconciliations and Management Information

4.7.1 The vast majority of payments are made by BACS following the calculation of the relevant amounts by CCC. However, in some instances, emergency payments are required which fall outside of the normal payroll runs.

4.7.2 Five such payments had been made during the current financial year at the time of audit testing and it was confirmed that there had been appropriate

reasons for these to be made and that 'regular' payroll payments had subsequently been amended as appropriate to reflect these emergency payments.

- 4.7.3 The relevant Assistant Accountant confirmed that the TOTAL system is reconciled to the payroll amounts on a monthly basis and provided a Summary Reconciliations spreadsheet to evidence that this check was being undertaken.
- 4.7.4 The LDO advised that, in terms of management information, 'Business Objects' is used for the production of relevant reports. Some of the reports are automatically generated whereas others need to be manually run if there are any variables that need to be input. She also highlighted that ad-hoc reports could be run whenever required / requested.
- 4.7.5 Screenshots of the Business Objects 'system' were provided that confirmed that regular reports were being run, although it was noted that some reports had not been run for a long period. The LDO suggested that some would be run by CCC for their needs and would not, therefore, be required each month by the Council.

5 Conclusions

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

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

- 5.3 A number of minor issues were, however, noted:
 - The categorisation of documents on the HR handbook is inconsistent which may lead to incorrect processes being followed.
 - Two established posts were found to be filled by more than one staff member due to the incorrect assignment of post numbers, although this was rectified at the time of the audit.
 - The method of storing documentation in HR network folders was inconsistent across the team.
 - The storage of receipts relating to expenses claims may need to be reviewed.
 - The effective dates used for changes to Members' allowances were inconsistent.

6 **Management Action**

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

Richard Barr
Audit and Risk Manager

Action Plan

Internal Audit of Payroll & Staff Expenses – January 2019

Report Ref.	Recommendation	Risk	Risk Rating*	Responsible Officer(s)	Management Response	Target Date
4.2.3	The categorisation of documents on the HR handbook should be reviewed so that relevant documents can be easily located.	Staff may be unaware of the correct processes to follow.	Low	HR Manager	This has been reviewed previously with Media. However, the issue will be revisited.	September 2019
4.3.9	A consistent method of storing documents in the HR network folders should be introduced.	HR staff may not be able to respond to queries in a timely manner and time may be wasted in tracking down relevant information.	Low	HR Manager	HR Support are reviewing how they save and are agreeing best practice.	January 2019
4.5.11	HR should review the requirement for retaining expenses receipts. Should it be confirmed that there is a requirement to retain them, the method of storing the receipts should be reviewed to ensure appropriate accessibility and retrieval.	It may not be possible to locate receipts when required.	Low	HR Manager	Agreed. Payroll will be contacted to review the retention requirements with action taken accordingly thereafter.	April 2019

Report Ref.	Recommendation	Risk	Risk Rating*	Responsible Officer(s)	Management Response	Target Date
4.6.3	A decision should be taken with regards to the dates that Members' allowances changes become effective, with this being consistently applied.	Members' allowances payments may be incorrect and open to challenge.	Low	Democratic Services Manager and Civic & Committee Services Manager	We welcome this finding and agreed this would be implemented with the leave date being the date the Councillor was removed from the Committee and the replacement Councillor starting the day after.	Completed

* Risk Ratings are defined as follows:

High Risk: Issue of significant importance requiring urgent attention.

Medium Risk: Issue of moderate importance requiring prompt attention.

Low Risk: Issue of minor importance requiring attention.

FROM: Audit and Risk Manager **SUBJECT:** Sports Development
TO: Head of Cultural Services **DATE:** 16 November 2018
C.C. Chief Executive
Deputy Chief Executive (AJ)
Head of Finance
Sport and Leisure Contract
Manager
Portfolio Holder – Cllr. Coker

1 **Introduction**

- 1.1 In accordance with the Audit Plan for 2018/19, an examination of the above subject area has been completed recently and this report is intended to present the findings and conclusions for information and action where appropriate.
- 1.2 Wherever possible, results obtained have been discussed with the staff involved in the various procedures examined and their views are incorporated, where appropriate, in any recommendations made. My thanks are extended to the Active Communities Officer for the help and co-operation received during the audit.

2 **Background**

- 2.1 The subject of the audit carries a high strategic profile connected with well-publicised issues of national significance while, when looked at in more depth, focuses primarily on the duties of a single Council officer.
- 2.2 These duties substantially involve collaborative working with various organisations ranging from community sports clubs to local and sub-regional partnership agencies towards a common purpose – to encourage and increase opportunities for participation in sport and physical activity among the community at large.
- 2.3 As part of this, the Council operates two small grants schemes to assist qualifying organisations in meeting funding needs for projects which may range from procurements of essential equipment to running special sporting and physical activity programmes.
- 2.4 The officer's role has not changed significantly as a result of the Leisure Development Programme, except that it no longer extends to directly organising and running holiday activities. This has been taken on by the sport and leisure contractor as a consequence of the Leisure Development Programme, while the officer has maintained what is described as an 'enabling' role.

2.5 As a result, the appointment of casual sports coaches to oversee these activities has ceased to be part of the Sports Development role, effectively replaced by establishing and maintaining working relationships with the contractor to deliver the said activities.

3 **Scope and Objectives of the Audit**

3.1 The audit examination was undertaken for the purpose of reporting a level of assurance on the effectiveness of deployment and management of resources in developing sporting activity.

3.2 The audit took the form of a risk-based examination of structures and processes in the context of the following themes:

- strategy and policy
- delivery planning
- roles and responsibilities
- processes and procedures
- monitoring and review
- performance and improvement.

3.3 The findings are based on discussions with Manoj Sonecha (Active Communities Officer) and examination of relevant documents and records. The latter included testing of small grant awards under the relevant schemes on a sample basis.

4 **Findings**

4.1 **Recommendations from previous report**

4.1.1 The current position in respect of the recommendations from the audit reported in July 2015 is as follows:

Recommendation	Management response	Current Status
1 Further effort should be made to obtain the outstanding monitoring forms for 2014/2015. <i>(Low Risk)</i>	To be followed up by e-mail and telephone with the applicable grant payees.	Re-review of this area discussed under 4.5 below.
2 The scheme of virement should be applied when necessary to transfer funds between budgets. <i>(Medium Risk)</i>	Budgets will be reviewed monthly and the scheme of virement will be applied as necessary for the remainder of the financial year.	Review of budgets is discussed under 4.3 below.

4.2 **Strategy and Policy**

4.2.1 The current strategic direction comes primarily from Fit for the Future (Vision and Purpose) and from the Health and Wellbeing Agenda.

4.2.2 Influences are also evident in the 'Towards an Active Nation' Strategy (Sport England) and the vision and principles underpinning the Leisure Development Programme.

4.2.3 The only elements of established written policy to emerge from the examination focus on the two grant schemes and their application.

4.3 **Delivery Planning**

4.3.1 The Service Area Plan for Cultural Services identifies five service priorities pertaining to Sports Development. The Active Communities Officer formulates an annual work plan which is agreed with line management and forms the basis for delivering and monitoring achievement of the Service Area Plan priorities and personal objectives.

4.3.2 A copy of the current year work plan was provided for the audit. From brief examination, this appears to dovetail well with the Service Area Plan priorities.

4.3.3 The last financial year saw some budget re-alignment emanating from the Leisure Development Programme. One noticeable consequence was the removal of the employees cost pertaining to the Active Communities Officer as an item of direct expenditure in the Sports Development cost centre budget, being instituted as part of the Client Monitoring Team budget and recharged at year-end.

4.3.4 The current Sports Development budget for 2018/19 has allocations for direct expenditure, totalling just short of £25,000, which principally cover payments of grant and project funding contributions.

4.4 **Roles and Responsibilities**

4.4.1 As represented in relevant job descriptions, the role of the Active Communities Officer post and line management relationships come across as fitting in well with the aims of the service and with the delegation of authority to the Head of Cultural Services for determining applicable grants under the Constitution.

4.5 **Process and Procedures**

4.5.1 The examination under this theme has centred around the two grant schemes and project funding contributions. While the grants are open to a range of providers in the District and have to be specifically applied for on downloadable forms, the project funding contributions are determined on annual basis dependent on residual budget availability and bids from established trusted agencies. Review of financial data shows the Central Warwickshire School Sports Partnership as the primary recurring beneficiary.

4.5.2 It was advised that the Active Communities Officer determines the project funding contributions in agreement with the line manager.

4.5.3 The Sports Grants scheme came under the responsibility of the Active Communities Officer in 2010 and the Sport and Physical Activity Grant scheme started in 2011. The latter is specifically targeted towards projects benefiting specified District wards in South Leamington.

- 4.5.4 An analytical review of grant payments over the past three financial years show that 38 qualifying organisation received grants of one or both of the two types to a total sum of £59,700.
- 4.5.5 On average, Sports Grants were paid to 29 recipient bodies annually, ranging from £150 to the maximum allowed sum of £500. In the case of Sport and Physical Activity Grants, the annual average was 12 grants to 9 bodies ranging from £200 to £1,700 (the maximum allowed is £2,000).
- 4.5.6 The process for assessing applications and determining awards for both schemes is paper-based, although the actual payments are processed from purchase orders raised in the Total Financial Management System. From examination and sample testing, the process comes across as robust and fit for purpose.
- 4.5.7 An element added to the processing of Sports Grants since the last audit is ratification by the Portfolio Holder (evidenced by retained e-mail correspondence).
- 4.5.8 The monitoring forms which were the subject of the first recommendation from the previous report apply to both grant schemes. It is a condition of grant award that these forms are completed and returned at the end of the funded activity to account for the dispensing of grant funds and outcomes from the projects in question.
- 4.5.9 In periodic 'sweeps', the grants are reviewed and forms requested by e-mail with further e-mail follow-up for those not returned in response to the request. Beyond that, non-returns are not escalated further, being considered a disproportionate response. From a review of award history records, the incidence of non-returned monitoring forms is not seen as significant.
- 4.5.10 It was advised that checks into history records for any previous award to the same applicant for which no monitoring form had been returned form part of the assessment process. In the case of a previous non-return, the applicant would be expected to remedy this before the application can proceed.

4.6 **Monitoring and Review**

- 4.6.1 It was advised in discussions that the grant monitoring forms provide some feed into team and service area management review and are taken up by the Portfolio Holder in Service Area Plan reports and other publicity demonstrating how the service is helping to increase opportunities and participation in sport/physical activity.
- 4.6.2 Processes for review of performance against the annual work plan are a matter for application of the Appraisal and Competency Scheme and, as such, not subject to examination within the scope of this audit.

4.7 **Performance and Improvement**

- 4.7.1 It is fair to say that the activities of the Sports Development service do not lend themselves easily to quantitative measures of performance and improvement that can be derived from internal data. The Service Area Plan utilises activity percentages taken from the annual 'Active Lives' survey instituted by Sport England as the applicable Customer Measures.
- 4.7.2 The Portfolio Holder Statement from April 2018 has taken particular note of the latest survey results which show comparatively high participation levels for the District.


5 **Conclusions**

- 5.1 Following our review, we are able to give a SUBSTANTIAL degree of assurance that the structures and processes in place to deliver the aims and objectives of the Sports Development service are appropriate and are working effectively.
- 5.2 The assurance bands are shown below:

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

- 5.3 There are no recommendations arising from this examination.

Richard Barr
Audit and Risk Manager

 Finance and Audit Scrutiny Committee 5 March 2019		Agenda Item No. 5
Title	Internal Audit Strategic Plan 2019/20 – 2021/22 and Internal Audit Charter 2019	
For further information about this report please contact	Richard Barr Tel: (01926) 456815 email: richard.barr@warwickdc.gov.uk	
Service Area	Finance	
Wards of the District directly affected	Not applicable	
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006	No	
Date and meeting when issue was last considered and relevant minute number	Finance and Audit Scrutiny Committee – 6 March 2018	
Background Papers	Internal Audit risk assessment file; email correspondence with members of SMT+.	

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/Deputy Chief Executive	13 Feb 2019	Chris Elliott
Head of Service	13 Feb 2019	Mike Snow
SMT	13 Feb 2019	SMT
Section 151 Officer	13 Feb 2019	As Head of Service
Monitoring Officer	13 Feb 2019	Andrew Jones
Finance	13 Feb 2019	As Section 151 Officer
Portfolio Holder	14 Feb 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 The report presents the Internal Audit Strategic Plan 2019/20 – 2021/22 and the Internal Audit Charter 2019 for consideration and approval.

2 **Recommendation**

- 2.1 That Members consider and approve the Internal Audit Strategic Plan 2019/20 – 2021/22 and the Internal Audit Charter 2019.

3 **Reason for the Recommendation**

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

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 **Policy Framework**

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

7 **Risks**

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

8 **Alternative Options Considered**

8.1 This section is not applicable.

9 **Internal Audit Strategic Plan**

9.1 Internal Audit provides an independent opinion to the organisation on the control environment by evaluating its effectiveness in achieving the organisation's objectives. It examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.

9.2 The Internal Audit Strategic Plan 2019/20 to 2021/22 comprising the planned reviews over this period is set out as the first Appendix to this report.

9.3 The Audit Plan is organised as follows:

Risk-based coverage

Coverage for core activities that traditionally require Internal Audit input for assurance on financial probity and regularity

Other internal audit coverage

9.4 The audits set out in the first year of the Plan are carried out throughout the year with timings (start dates) agreed with managers on individual audits, usually at the beginning of the year.

9.5 The Internal Audit Charter for delivering this assurance is also included and is set out as Appendix 2.

10 **Formulation of the Plan**

10.1 To produce the audit plan, the following has been taken into consideration:

The strategic objectives of the organisation and the specific risks associated with those objectives;

the content of risk registers and assurance frameworks to understand the risks faced, and the controls that the organisation places reliance on to manage those risks;

areas of concern or previous requests for coverage from management and the Finance & Audit Scrutiny Committee;

areas where the External Auditors will wish to place reliance on the testing performed by Internal Audit;

other sources of assurance available to the organisation e.g. inspections, peer reviews, accreditations;

any recent significant changes within the organisation and its operations; regulatory requirements for internal audit coverage;

emerging issues, including any additional risks that do not appear on the risk profile but may merit internal audit coverage;

the timing for each internal audit review to maximise the benefit of assurance provided; and

the results of previous internal audit coverage.

10.2 In recent years we have strengthened our risk-based approach by placing

greater reliance on the risk registers to identify priority areas. An exercise to link the audit plan to the risk registers also highlighted some new areas that required audit coverage. A good example of this was climate change where an audit of the Authority's preparations for responding to climate change was identified. We have continued that approach for this year.

10.3 An earlier draft of the Strategic Plan was issued to CMT and Service Area Managers for their views.

10.4 Views were sought on a number of aspects, including:

- ∇ The amounts of time allocated to the various proposed assignments;
- ∇ whether anything important has been missed;
- ∇ whether any planned assignments should be excluded (because, for example, the function is considered very low risk or because the function is no longer performed);
- ∇ whether any risk profiles had changed significantly in the last 12 months.

10.5 Deputy Chief Executives and Service Area Managers were requested to share the draft Plan as widely as possible within their service areas and to feed back comments to Internal Audit.

10.6 The draft Plan was subsequently revised to reflect the aforementioned feedback and this updated version is now presented to Committee.

STRATEGIC AUDIT PLAN 1ST APRIL 2019 TO 31ST MARCH 2022

RISK-BASED COVERAGE

This section comprises the auditable areas mapped to the Council's key risks as represented in the Significant Business Risk Register.

Note: Risk Item 10 (....partnerships not delivering stated objectives) will in future be considered for review of partnerships individually in the context of their respective service/functions under 'Core Systems' and 'Other Coverage' assignments as applicable.

Assignment Name	Risk Description	Assignment Objective	Year Last Audited	Assurance Rating Last Audit	2019-20 (Days)	2020-21	2021-22
Corporate Governance	Risk of corporate governance arrangements not maintained effectively.	Evaluate and report on effectiveness of structures, procedures and monitoring to ensure proper conduct of Council business in accordance with CIPFA/SOLACE Corporate Governance Framework.	2018-19	Substantial	5	✓	✓
Performance Management	Fit for the Future Change Programme not managed appropriately/effectively Risk of sustained service quality reduction.	Evaluate the effectiveness of corporate framework for managing performance in relation to the Council's priority objectives.	2018-19	To be advised (audit in progress at time of drafting).			✓
Emergency Planning & Business Continuity Management	Risk of a major incident not responded to effectively.	Evaluate the adequacy of arrangements in place to secure effective Council response to civil emergency incidents in accordance with its statutory duties.	2017-18	Substantial		✓	
Human Resources Management	Risk of staff not developed effectively.	Report a level of assurance on the adequacy of high-level structures and processes in place to maintain and develop the Council's workforce.	2016-17	Substantial	7		
ICT Strategies and Policies	Risk of ineffective utilisation of information and communications technology.	To consider the appropriateness of the revised documents and whether they are fit for purpose.	2015-16	Substantial		To be determined based on next update of IT Audit Needs Assessment.	
Housing Investment/Maintenance Programmes	Risk of failing to provide, protect and maintain Council-owned property.	To ensure that capital monies available for Housing Improvement are appropriately allocated and that programmed maintenance works are sufficient to ensure that Council dwellings are kept in a good state of repair.	2018-19	Substantial		✓	
Housing Stock Asset Management	Risk of failing to provide, protect and maintain Council-owned property.	Appraisal of systems for effective management of the portfolio including maintenance of proper records, asset utilisation, and progressing relevant provisions of Asset Management Plan (excludes rent accounting - covered as separate assignment).	2015-16	Substantial	9		
Corporate Property and Portfolio Management	Risk of failing to provide, protect and maintain Council-owned property.	Report a level of assurance on the adequacy of structures and processes in place to manage the non-Housing property portfolio economically, efficiently and effectively.	2018-19	To be advised (audit in progress at time of drafting).			✓

STRATEGIC AUDIT PLAN 1ST APRIL 2019 TO 31ST MARCH 2022

RISK-BASED COVERAGE

This section comprises the auditable areas mapped to the Council's key risks as represented in the Significant Business Risk Register.

Note: Risk Item 10 (....partnerships not delivering stated objectives) will in future be considered for review of partnerships individually in the context of their respective service/functions under 'Core Systems' and 'Other Coverage' assignments as applicable.

Assignment Name	Risk Description	Assignment Objective	Year Last Audited	Assurance Rating Last Audit	2019-20 (Days)	2020-21	2021-22
Corporate Procurement	Risk of major contractor going into administration or deciding to withdraw from the contract. Risk of improper procurement practices and legislative requirements not being complied with.	Report a level of assurance on the adequacy of controls in place to ensure that the Council's procurement activity accords with best practice and complies with legislation.	2016-17	Substantial		✓	
Information Governance	Risk of not complying with key legislation or legal requirements, including failure to protect data.	Assurance review of the information governance arrangement in light of the legislation changes in 2018 and to include information asset policies, ownership, categorisation, and sharing.	2018-19	Moderate		✓	
Financial Strategy, Planning and Budgetary Control	Risk of not investigating potential income sources. Risk of insufficient finance to enable the council to meet its objectives (including insufficient reduction in operational costs). Risk of additional financial liabilities.	Report a level of assurance on the adequacy of controls in place for financial planning and budgetary control to ensure that the Council's operations and key objectives continue to be sufficiently resourced.	2016-17	Substantial	10		
Cyber Security	Risk of failure to protect information assets from a malicious cyber attack	Appraise the adequacy of the systems and controls in place to ensure that resources are efficiently, effectively and economically deployed, and performance objectives are met.	2017-18	Substantial		To be determined based on next update of IT Audit Needs Assessment.	
TOTAL DAYS					31		

STRATEGIC AUDIT PLAN 1ST APRIL 2019 TO 31ST MARCH 2022

CORE SYSTEMS

This section comprises core activities that traditionally require Internal Audit input for assurance on financial probity and regularity.

Assignment Name	Assignment Objective	Year Last Audited	Assurance Rating Last Audit	2019-20 (Days)	2020-21	2021-22
Council Tax	To ascertain whether there are adequate controls in place to ensure that the Council raises accurate and timely Council Tax bills and that appropriate steps are taken with regards to the recovery of monies owed and the enforcement of any debt agreements	2018-19	Substantial	10	✓	✓
Collection of National Non-Domestic Rates	Report a level of assurance on adequacy of systems for compiling and maintaining local valuation list, assessing liability, billing, collection, enforcement and granting of reliefs.	2018-19	Substantial	10	✓	✓
Administration of Housing Benefit & Council Tax Reduction	To ascertain whether there are adequate controls in place to ensure that benefits are accurately paid and overpayments are appropriately identified and reclaimed.	2018-19	Substantial	10	✓	✓
Main Accounting System	Report a level of assurance on the adequacy of controls for ensuring complete and accurate accounting of all financial transactions and timely production of final accounts in accordance with statutory and regulatory requirements.	2016-17	Substantial	13		
Payroll and Staff Expenses	Appraise adequacy of systems for ensuring that only bona fide employees and Members are paid according to entitlement, and that all payments, deductions, etc. are properly discharged and accounted for.	2018-19	Substantial			✓
Sundry Debtors	Appraise adequacy of systems for ensuring correct raising of invoices, proper accounting for invoices and cash received in payment thereof and effective recovery of arrears.	2015-16	Substantial	10		
Payment of Creditors	To ensure that appropriate arrangements are in place to pay valid creditors for goods and services provided and ensuring that transactions are properly accounted for.	2018-19	Substantial			✓
Treasury Management	Appraise and report on the adequacy of controls in place to address the key risks in carrying out treasury management activities.	2016-17	Substantial	10		
Housing Rent Collection	Report a level of assurance on the adequacy of systems for rent setting, collection and accounting of rents due and control of arrears.	2017-18	Substantial		✓	
Housing Repairs and Maintenance	Appraise adequacy of systems for commissioning and paying for responsive repair work to domestic HRA properties.	2016-17	Substantial	12		
TOTAL DAYS				75		

STRATEGIC AUDIT PLAN 1ST APRIL 2019 TO 31ST MARCH 2022

OTHER INTERNAL AUDIT COVERAGE

This section covers the auditable areas other than those linked with the Significant Business Risk Register or classified as core systems. The decision to audit these areas is primarily influenced by the Service Risk Registers, but further areas are identified through an internal audit needs assessments process, consultations with senior management and IS/IT audit needs assessments commissioned from approved external contractors.

Client Service	Assignment Name	Assignment Objective	Risk Source	Year Last Audited	Assurance Rating Last Audit	2019-20 (Days)	2020-21	2021-22
ICT Services	ICT Business Continuity/Disaster Recovery	Evaluation of the Council's business continuity plans in place and the supporting ITDR arrangements to ensure they are properly co-ordinated and fit for purpose. The review will include the arrangement with the business continuity provider.	IT Audit Needs Assessment	2016-17	Substantial			
ICT Services	Infrastructure Security and Resilience	An assurance review of the continued security and resilience of the ICT network infrastructure during / after the relocation planned for 2019. Added to this review may be an element of ensuring the best use is being made of the available technologies.	IT Audit Needs Assessment	2014-15	Substantial	7		
ICT Services	ICT Change Management and Testing	To report a level of assurance on the key controls in place for managing changes to ICT systems owned by the Council.	IT Audit Needs Assessment	2016-17	Substantial			
ICT Services	Telephony	Report a level of assurance on the adequacy of structures and processes to maintain and develop corporate telephony in accordance with priority aims and objectives in an environment appropriately secured against unauthorised access and wider cyber hazards	Internal Audit Needs Assessment	2011-12	Not Classified			
ICT Services	Patching and Firmware Updates	Assess whether an adequate patch management policy is in place and is applied consistently.	IT Audit Needs Assessment	2016-17	Substantial			To be determined based on next update of IT Audit Needs Assessment.
ICT Services	Remote Access	Review and appraise the adequacy of the systems and controls in place to ensure that remote working arrangements are secure and that devices are appropriately managed.	IT Audit Needs Assessment	2017-18	Substantial			
ICT Services	System Ownership and Management	An assurance review of system administration and user account management for (key) business systems to ensure robust access controls, information (security) management, upgrade and licensing methodologies.	IT Audit Needs Assessment	2018-19	Moderate			
ICT Services	Information Systems Policies	An assurance review of the continued relevance of the key information systems and security policies and the understanding of them and adherence to them in the operational areas of the Council.	IT Audit Needs Assessment	None recent	Not Classified	7		
ICT Services	Cloud Applications	An assurance review to assess the risks known to exist as a result of the increased use of cloud technologies within the Council along with controls in place.	IT Audit Needs Assessment	None		6		
ICT Services	Database Security	An assurance review to ensure that database system administration processes are sound and that adequate logical security settings have been implemented on the live server database environment.	IT Audit Needs Assessment	2018-19	Substantial			

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Client Service	Assignment Name	Assignment Objective	Risk Source	Year Last Audited	Assurance Rating Last Audit	2019-20 (Days)	2020-21	2021-22
Chief Executive	Recruitment and Selection, Terms and Conditions	Appraisal of systems to ensure compliance with statutory requirements and performance issues in setting/reviewing conditions of service, effective recruitment processes operated and appropriate action on termination of service.	Service Risk Register	2016-17	Substantial	8		
Chief Executive	Corporate Training	Appraisal of Council-wide processes for assessing and funding training needs and measuring the effectiveness of training to meet performance objectives and IIP requirements.	Service Risk Register	2017-18	Substantial		✓	
Chief Executive	Employee Attendance Management	To ensure that there are appropriate processes in place for managing staff absence, including monitoring of absence and support for staff.	Service Risk Register	2018-19	Substantial			✓
Chief Executive	Communications	To ascertain whether there are adequate controls in place to manage the Council's internal and external communication channels.	Service Risk Register	2017-18	Substantial		✓	
Chief Executive	Media Services	Report a level of assurance on the adequacy of structures and processes of the Media Services Team in discharging its roles economically, efficiently and effectively in accordance with relevant legislation and corporate policies/strategies.	Service Risk Register	2017-18	Substantial		✓	
Chief Executive	Highways Functions	To ascertain whether there are adequate controls in place to ensure that 'highways' works are undertaken appropriately.	Service Risk Register	2018-19	Substantial			✓
Chief Executive	Website Management	To report a level of assurance on the adequacy of structures and processes in place to maintain and develop the Council's website effectively and securely in accordance with priority aims and objectives.	Service Risk Register	None recent		10		
Chief Executive	Loans to External Organisations	Verify that loans advanced to external organisations are lawful and subject to proper governance arrangements	Reports of emerging issues	None		8		
Chief Executive	Gas and Electrical Safety Checks	Evaluate the controls in place for ensuring that all Council housing stock and applicable corporate properties	Management consultation	None as specific assignment		10		
Democratic Services & Corporate Support	Committee Services	Report a level of assurance on the adequacy of systems of control operating to support the Council's democratic processes economically, efficiently and effectively.	Service Risk Register	2017-18	Substantial		✓	
Democratic Services & Corporate Support	Electoral Registration	Report a level of assurance on the adequacy of structures and processes to maintain economically, efficiently and effectively a complete, accurate and up-to-date Electoral Register in accordance with relevant legislation and standards.	Service Risk Register	2018-19	Substantial			✓
Democratic Services & Corporate Support	Local Elections	Report a level of assurance on the adequacy of structures and processes in place to ensure that local elections are administered economically, efficiently and effectively in compliance with relevant legislation and regulatory provisions.	Service Risk Register	2015-16	Substantial	10		

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Client Service	Assignment Name	Assignment Objective	Risk Source	Year Last Audited	Assurance Rating Last Audit	2019-20 (Days)	2020-21	2021-22
Democratic Services & Corporate Support	Income Receipting and Document Management	Report a level of assurance on structures and processes to secure economic, efficient and effective collection of income and document management support.	Service Risk Register	2017-18	Substantial		✓	
Deputy Chief Executive	Shared Legal Services	To ensure that the Council has appropriate controls in place to secure economic, efficient and effective delivery of legal services under the shared services agreement with Warwickshire County Council (WCC).	Service Risk Register	2017-18	Substantial		✓	
Finance	Business Applications - TOTAL Financial Management	Assess the adequacy of key IT controls in place for the TOTAL Financials application to maintain the confidentiality, integrity and availability of data stored and processed within the system.	IT Audit Needs Assessment	2016-17	Substantial		To be determined based on next update of IT Audit Needs Assessment.	
Finance	Business Applications - PARIS Income Management	To ensure that there are no data security or application control weaknesses in the set-up, use of, and management of the application.	IT Audit Needs Assessment	2017-18	Moderate			
Finance	Business Applications - Civica OPENRevenues	Assess the adequacy of key IT controls in place for the Civica OPENRevenues applications to maintain the confidentiality, integrity and availability of data stored and processed within the system.	IT Audit Needs Assessment	2018-19	Substantial			✓
Finance	Corporate Fraud Investigation Partnership	Evaluate the adequacy of structures and processes in place to deliver the fraud investigation service economically, efficiently and effectively in accordance with the Council's anti-fraud objectives.	Service Risk Register	None		7		
Finance	Banking Arrangements	Assess arrangements to secure economy, efficiency and effectiveness of the banking services to the Council, prompt and correct posting of transactions and secure and reliable on-line transacting.	Internal Audit Needs Assessment	2017-18	Moderate	10		
Finance	Rural and Urban Capital Improvement Scheme	Report a level of assurance on the adequacy of controls in place to ensure that RUCIS grant funding is awarded and deployed in adherence to the approved scheme.	Internal Audit Needs Assessment	2017-18	Substantial		✓	
Finance	Insurances	To ensure that the Council has appropriate, competitively priced insurance cover which is appropriately 'managed' on a day-to-day basis.	Service Risk Register	2018-19	Substantial			✓
Finance	VAT Accounting	Report a level of assurance on the adequacy of controls in place to ensure that VAT is accounted for completely and correctly and that claims arising are processed promptly.	Service Risk Register	2016-17	Substantial	10		
Finance	Purchasing Cards	Verify that deployment and use of procurement cards is authorised, reasonable and in compliance with the Code of Procurement Practice and relevant specific instructions.	Internal Audit Needs Assessment	2017-18	Substantial		✓	
Finance	Financial Systems Interfaces	An evaluation of the efficiency and effectiveness of the interface files provided by various applications into the finance system.	IT Audit Needs Assessment	2018-19	Substantial		To be determined based on next update of IT Audit Needs Assessment.	

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Client Service	Assignment Name	Assignment Objective	Risk Source	Year Last Audited	Assurance Rating Last Audit	2019-20 (Days)	2020-21	2021-22
Assets	Corporate Properties Repair and Maintenance	Assess the adequacy of controls to maintain the Council's non-housing property assets in proper state of repair, including planning, procurement and work management processes.	Service Risk Register	2017-18	Substantial		✓	
Assets	Energy Management	To ascertain whether there are adequate controls in place to ensure that the energy requirements of the council are met via economic, efficient and effective procurement and consumption of all forms of energy resources and ensuring compliance with legislation.	Service Risk Register	2017-18	Moderate	12		
Assets	Asbestos Management	To ascertain whether there are adequate controls in place to ensure that asbestos is appropriately managed within Council-owned buildings in accordance with statutory duties and relevant legislation.	Service Risk Register	2018-19	Substantial			✓
Housing Services	Business Applications - MIS Housing and Corporate Property	Report a level of assurance on the adequacy of key IT controls in place for the MIS ActiveH housing management application to maintain the confidentiality, integrity and availability of data stored and processed within the system.	IT Audit Needs Assessment	2016-17	Substantial		To be determined based on next update of IT Audit Needs Assessment.	
Housing Services	Homelessness and Housing Advice	Appraisal of systems to ensure compliance with statutory/regulatory/policy requirements, achievement of relevant performance objectives and integrity of financial transactions.	Service Risk Register	2018-19	TBA	10		
Housing Services	Affordable Housing Development Programme	Appraisal of systems in place for implementation of Programme, monitoring adherence to relevant policies, management of funding, partnership working and performance review/reporting.	Service Risk Register	2016-17	Substantial	10		
Housing Services	Private Sector Housing Regulation	To ensure that the Council has appropriate controls in place to deliver the functions of the team in an economic, efficient, and effective manner.	Service Risk Register	2017-18	Substantial		✓	
Housing Services	Lettings and Void Control	To ascertain whether there are adequate controls in place for the effective administration of residential property letting.	Service Risk Register	2016-17	Substantial	14		
Housing Services	Estate Management	Review of the management of the function and an assessment of the efficiency and effectiveness of the service.	Service Risk Register	2018-19	TBA			✓
Housing Services	Right to Buy	Appraise the adequacy of the arrangement in place to ensure compliance with legislation, efficient and effective processing of applications and adherence to the associated conditions.	Internal Audit Needs Assessment	2018-19	TBA			✓
Housing Services	Leaseholder Service Charges	Verify that arrangements for setting, levying and collection of leaseholder service charges are adequate to ensure compliance with legislation, inclusion of all chargeable persons and effective recovery of applicable service and management costs.	Service Risk Register	2018-19	Substantial			✓

STRATEGIC AUDIT PLAN 1ST APRIL 2019 TO 31ST MARCH 2022

Client Service	Assignment Name	Assignment Objective	Risk Source	Year Last Audited	Assurance Rating Last Audit	2019-20 (Days)	2020-21	2021-22
Housing Services	Housing Related Support Services	To ascertain whether the council has appropriate controls in place to ensure that housing related support services are provided economically to the right people at the right time in line with regulation, policies and procedures.	Service Risk Register	2017-18	Substantial		✓	
Housing Services	Building Cleaning Services	To ascertain whether the council has appropriate controls in place to ensure that the Building Cleaning contractor performs the duties expected of them, in line with the contract in place.	Internal Audit Needs Assessment	2017-18	Substantial		✓	
Housing Services	Tenancy Management	To give assurance that the processes and controls within Housing Services for the management of tenancies are appropriate and are working effectively.	Senior management consultation	None as specific assignment			✓	
Cultural Services	Royal Spa Centre	To ensure that the Council has appropriate controls in place over the operational and financial activities of the venue.	Service Risk Register	2017-18	Substantial		✓	
Cultural Services	Royal Pump Rooms (including Art Gallery)	Assess adequacy of control over on-site operational and financial activities.	Service Risk Register	2018-19	TBA			✓
Cultural Services	Town Hall Lettings	To ensure that the Council has appropriate controls in place over the hiring of the facilities, both in terms of income receivable and safeguarding the facilities against loss and damage.	Internal Audit Needs Assessment	2017-18	Substantial		✓	
Cultural Services	Leisure and Recreation Facilities	To ensure that effective control is exercised over the charging and collection of fees various facilities offered, ensuring that the facilities remain adequately equipped and wellbeing of users and staff is safeguarded.	Service Risk Register	2018-19	TBA			✓
Cultural Services	Sports Development	Report a level of assurance on the effectiveness of deployment and management of resources in developing sporting and physical activity in the community.	Internal Audit Needs Assessment	2018-19	Substantial			✓
Cultural Services	Catering Concessions	To ascertain whether there are adequate controls in place for managing the catering concessions that operate on Council premises to ensure compliance with the agreed conditions and the proper collection and accounting for income due.	Service Risk Register	2016-17	Substantial	7		
Cultural Services	Leisure Facilities Contracts	Report a level of assurance on the adequacy of structures and processes in place to deliver the outsourced sport and leisure facilities according to the terms of the agreements and expectations of the Council.	Service Risk Register	2018-19	TBA		✓	
Development Services	Economic Development	Report a level of assurance on the adequacy of structures and processes in place to deliver the Council's economic development and regeneration functions economically, efficiently and effectively to achieve priority objectives and targets.	Service Risk Register	2017-18	Substantial			✓
Development Services	Events Management	Report a level of assurance on the adequacy of arrangements to regulate approved markets and deliver events (including the Warwick MOP) economically, efficiently and effectively in accordance with relevant strategy, policy and regulatory provisions.	Internal Audit Needs Assessment	2017-18	Moderate	10		

STRATEGIC AUDIT PLAN 1ST APRIL 2019 TO 31ST MARCH 2022

Client Service	Assignment Name	Assignment Objective	Risk Source	Year Last Audited	Assurance Rating Last Audit	2019-20 (Days)	2020-21	2021-22
Development Services	Development Management	Appraise adequacy of controls to ensure that the Development Management functions comply with governing legislation, policies, standards, etc. and are delivered economically, efficiently and effectively to met relevant priority objectives.	Service Risk Register	2017-18	Substantial		✓	
Development Services	Building Control	To ascertain whether the council has appropriate controls in place to ensure that the building control services are delivered economically, efficiently and effectively, across all areas of the partnership, in accordance with statutory requirements etc.	Service Risk Register	2018-19	TBA			✓
Development Services	Planning Policy	Report a level of assurance on the adequacy of structures and processes for developing and implementing the Local Plan and other plans and policies for managing development in line with the Council's high level strategies and national policies.	Significant Business Risk Register	2016-17	Moderate	10		
Development Services	Local Land Charges	Report a level of assurance on the adequacy of systems in place to ensure compliance with statutory requirements, completeness and accuracy of records and economic/efficient/effective service delivery.	Service Risk Register	2017-18	Substantial		✓	
Development Services	Conservation and Design	To ascertain whether there are adequate controls in place to ensure that the historic built environment of the district is maintained to an appropriate standard and that consultative and promotional functions are delivered appropriately	Service Risk Register	2016-17	Substantial	7		
Development Services	Community Infrastructure Levy and Section 106 Agreements	Report a level of assurance on the adequacy of structures and processes to secure appropriate application and enforcement of CIL and S106 agreements in accordance with relevant legislation and planning policy.	Service Risk Register	2018-19	Moderate		✓	
Development Services	Business Applications - IDOX Planning, Bldg. Control & Land Charges	Assess the adequacy of key IT controls in place for the Plantech Acolaid application to maintain the confidentiality, integrity and availability of data stored and processed within the system.	Internal Audit Needs Assessment	2016-17	Substantial		To be determined based on next update of IT Audit Needs Assessment.	
Development Services	Enterprise Facilities	Report a level of assurance on the adequacy of systems to operate the Council's enterprise facilities, economically, efficiently and effectively.	Service Risk Register	2017-18	Substantial		✓	
Health & Community Protection	Licensing Services	To ensure that the Council's licensing operations comply with statutory and regulatory requirements and that resources are deployed economically, efficiently and effectively to achieve relevant corporate objectives and targets.	Service Risk Register	2017-18	Substantial		✓	
Health & Community Protection	Business Applications - APP Civica	Assess the adequacy of key IT controls in place for the APP Civica application to maintain the confidentiality, integrity and availability of data stored and processed within the system.	IT Audit Needs Assessment	2015-16	Substantial		To be determined based on next update of IT Audit Needs Assessment.	

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Client Service	Assignment Name	Assignment Objective	Risk Source	Year Last Audited	Assurance Rating Last Audit	2019-20 (Days)	2020-21	2021-22
Health & Community Protection	Funding of Voluntary Organisations	To ensure that grants to voluntary organisations are awarded in line with agreed policies.	Internal Audit Needs Assessment	2018-19	TBA			✓
Health & Community Protection	Food Safety	Appraise the adequacy of the systems and controls in place to ensure that all applicable premises are identified and inspected, incidents are appropriately responded to, resources are efficiently, effectively and economically deployed and objectives met	Service Risk Register	2016-17	Substantial	10		
Health & Community Protection	Health and Safety Enforcement in the District	To ensure that the arrangements for undertaking inspections at relevant premises and responding to incidents are appropriate, making effective, efficient and economic use of the resources available to achieve performance objectives.	Service Risk Register	2018-19	Substantial			✓
Health & Community Protection	Statutory Monitoring Functions	To ensure that the processes in place for undertaking the Council's statutory monitoring functions are appropriate.	Service Risk Register	2017-18 (As part of Environment Protection Functions)	Substantial		✓	
Health & Community Protection	Community Services	To ascertain whether there are adequate controls in place to ensure that the Pest Control, Dog Warden and Public Space Protection Orders functions are undertaken appropriately.	Service Risk Register	2018-19	Substantial			✓
Health & Community Protection	Crime and Disorder	To ensure that there are adequate structures and processes in place to ensure compliance with legislation and is can be demonstrated that that Crime and Disorder activity is properly managed.	Service Risk Register	2016-17	Substantial	9		
Health & Community Protection	CCTV Services	Evaluation of operational controls within the CCTV service to ensure effective continual serviceability and contribution to street scene objectives.	Service Risk Register	2018-19	Substantial			✓
Health & Community Protection	Sustainability and Delivery Outcomes	To ascertain whether there are adequate controls in place to manage the risks in relation to sustainability and the projects that are undertaken to achieve the Council's agreed sustainability actions.	Significant Business Risk Register	2017-18	Substantial		✓	
Health & Community Protection	Nuisance and Other Protection Duties	To ascertain whether there are adequate controls in place to ensure that nuisances and other 'protection' services (e.g. Public Health Funerals, Accumulations etc.) are dealt with appropriately.	Service Risk Register	2017-18 (As part of Environment Protection Functions)	Substantial			✓
Neighbourhood Services	Open Spaces	Report a level of assurance on the adequacy of structures and processes in delivering relevant community, strategic and operational objectives in respect of open spaces.	Service Risk Register	2016-17	Substantial	10		
Neighbourhood Services	Refuse Collection and Recycling	Appraisal of management systems to ensure compliance with statutory and regulatory requirements and economic/efficient/effective deployment of resources to achieve priority objectives, national targets, etc.	Service Risk Register	2017-18	Substantial			✓

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Client Service	Assignment Name	Assignment Objective	Risk Source	Year Last Audited	Assurance Rating Last Audit	2019-20 (Days)	2020-21	2021-22
Neighbourhood Services	Street Cleansing	Appraisal of planning and contract administration to ensure that street cleansing services are delivered to the requisite standards in an economic, efficient and effective manner.	Service Risk Register	2017-18	Substantial			✓
Neighbourhood Services	Car Parking	Appraisal of management systems for developing and operating car parking facilities to ensure economic, efficient and effective deployment of resources to achieve the Council's priority objectives.	Service Risk Register	2018-19	TBA			✓
Neighbourhood Services	Bereavement Services	Assess adequacy of controls in place to ensure economic, efficient and effective management of burial and cremation services and integrity of operational systems and statutory records.	Service Risk Register	2016-17	Substantial	12		
Neighbourhood Services	Grounds Maintenance	To ascertain whether the council has appropriate controls in place to ensure that the Grounds Maintenance contractor performs the duties expected of them, in line with the contract in place.	Service Risk Register	2016-17	Substantial	10		
Corporate Functions	Equality and Diversity	Report a level of assurance on the adequacy of the corporate framework for facilitating the fulfilment of the Council's duties under the Equalities Act 2010.	Service Risk Register	2016-17	Substantial	7		
Corporate Functions	Corporate Health and Safety	To ensure that appropriate processes are in place to meet the Council's statutory obligations on health and safety as an employer and provider of services and facilities to customers and the public.	Service Risk Register	2016-17	Substantial	7		
Corporate Functions	Management of Contracts	To give assurance that the management of contracts is undertaken appropriately across the Council	Senior management consultation	None as specific assignment			✓	
Corporate Functions	Safeguarding Children and Vulnerable Adults	Report a level of assurance on the adequacy of corporate systems in place to meet the Council's statutory obligations on safeguarding children and vulnerable adults.	Senior management consultation	2016-17	Substantial	10		
Corporate Functions	Health and Wellbeing	To ascertain whether there are appropriate processes in place at the Council to identify the health and wellbeing needs of the district and to undertake appropriate actions to ensure that these needs are met in line with available funding.	Senior management consultation	None		8		
Corporate Functions	Health & Safety Compliance of Council Buildings	To ascertain whether the buildings owned and operated by the Council are compliant with relevant Health & Safety legislation	Senior management consultation	None		10		

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OTHER FUNCTIONS AND RESOURCE BALANCING

Category	Function	Days (2018-19)
Ongoing Advisory Input and Non-Audit Duties	National Fraud Initiative	15
	Leisure Projects Consultancy	6
	Sundry Advice & Consultancy	30
Contingency Audit Work	(Miscellaneous assignments)	20
Contingency Non-Audit Work	(Miscellaneous assignments)	10
	TOTAL OTHER FUNCTIONS	81
	TOTAL RISK BASED COVERAGE	31
	TOTAL COVERAGE FOR EXTERNAL REQUIREMENTS	75
	TOTAL OTHER AUDIT COVERAGE	266
	TOTAL AUDIT DAYS REQUIRED	453
	TOTAL INTERNAL AUDIT DAYS AVAILABLE *	433
	ESTIMATED DAYS CONTRACTED OUT (IT AUDIT)	20
	Total Estimated Resources Available	453
	SURPLUS / SHORTFALL (-)	0
	* Total Internal Audit Days Available	
	Total Days for 2.6 FTE	676
	<u>Less:</u>	
	Absence (Annual Leave, Statutory Holidays, Sickness, etc)	122
	Management, Administration & Training	121
	Target productive time (days)	433
	Target productive time as % of available time	76%

Estimates for Non-Chargeable Time

2018-19

Technical Reading	25
Audit Planning	10
Time Recording	15
Training	15
Team Meetings/Briefings	15
Sundry Administration	25
Audit Networking Groups	3
Corporate Initiatives/Briefings	6
Service Development	7
	121
Estimates for Absence	
Bank Holidays	22
Annual Leave	82
Sickness	15
Other Leave	3
	122

Internal Audit Charter

Introduction

The Public Sector Internal Audit Standards require the Council to have an Internal Audit Charter that must be approved by Senior Management and the Audit Committee (or its equivalent). The Charter defines the purpose, authority and responsibility of Internal Audit. It also sets out the nature of the Chief Audit Executive's¹ functional relationship with the board² as well as the rights of access to records, personnel and physical properties relevant to internal audit engagements.

Purpose of Internal Audit

The Chartered Institute of Internal Auditors defines internal audit as follows:

"Internal auditing is an independent, objective assurance and consulting activity³ designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes."

Statutory Basis of Internal Audit

Within local government there is a statutory requirement for an internal audit function. The 2003 Accounts and Audit Regulations (as amended by the 2006, 2009, 2011 and 2015 Regulations) require that "A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance."

In addition, the Council's Chief Finance Officer (the Head of Finance) has a statutory duty under Section 151 of the Local Government Act 1972 to "make arrangements for the proper administration of the authority's financial affairs". This assumes, amongst other duties, provision of an effective internal audit

¹ This is the generic title used in the Public Sector Internal Audit Standards to describe the head of internal audit at an organisation. At WDC this officer is the Audit and Risk Manager.

² In the Council's case this is held to be the Finance and Audit Scrutiny Committee.

³ An assurance engagement is an objective examination of evidence for the purpose of providing an independent assessment on governance, risk management, and control processes for the organisation. Examples of the types of engagements that would be considered assurance engagements include financial, performance, and compliance audits. Consulting activities are advisory and related client service activities, the nature and scope of which are agreed upon with the client and which are intended to add value and improve an organisation's operations without the internal auditor assuming management responsibility. Consulting activities includes such activities as conducting internal control training, providing advice to management about the control concerns in new systems, drafting policies, and participating in quality teams.

function. The S151 Officer relies, amongst other sources, upon the work of internal audit in reviewing the operation of systems of internal control and financial management.

Role

Internal Audit's responsibilities are defined by the Finance and Audit Scrutiny Committee, via this Charter, as part of their oversight role. Internal audit activity is approved and overseen by the Finance and Audit Scrutiny Committee.

Internal Audit may undertake consultancy activity (additional work requested by management) where it has the necessary skills and resources to do this, and this will be determined by the Audit and Risk Manager on a case-by-case basis.

Professionalism

Internal Audit complies with the Public Sector Internal Audit Standards. This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of Internal Audit's performance.

In addition, Internal Audit will adhere to the Council's relevant policies and procedures as well as its own operating procedures set out in its Internal Audit Manual.

Authority

Internal Audit, with strict accountability for confidentiality and safeguarding records and information, has full and unrestricted access to all of the organisation's records, physical properties, and personnel pertinent to carrying out any engagement. All employees are required to assist Internal Audit in fulfilling its roles and responsibilities.

Internal Audit also has free and unrestricted access to the Finance and Audit Scrutiny Committee and senior management.

Organisation

Internal Audit has direct access to senior management, the Finance and Audit Scrutiny Committee, the Chief Executive and the Leader of the Council. The Section 151 Officer and the Finance and Audit Scrutiny Committee will jointly agree the level of internal audit resource to be deployed at the Council. The Audit and Risk Manager will communicate and interact directly with the senior management and the Finance and Audit Scrutiny Committee.

For line management purposes, the Audit and Risk Manager will report to the post of Head of Finance at Warwick District Council. The Chief Executive will approve all decisions regarding the performance evaluation of the Audit and Risk Manager as part of the Council's Performance Management Framework.

The following groups are defined in terms of their powers and responsibilities in relation to Internal Audit:

Finance and Audit Scrutiny Committee

The Finance and Audit Scrutiny Committee is responsible for overseeing the effectiveness of the internal audit function, and holding the Audit and Risk Manager to account for delivery, through the receipt of regular reports and updates. The Finance and Audit Scrutiny Committee is responsible for the effectiveness of the governance, risk and control environment within the Council, holding managers to account for delivery.

Senior Management⁴

Senior management is responsible for helping to shape the programme of assurance work through analysis and review of key risks. Senior management is responsible for responding to reports issued by Internal Audit and for implementing recommendations within agreed timescales.

Independence and Objectivity

Internal Audit will remain free from interference by any element in the organisation, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective mental attitude.

Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgement.

The Audit and Risk Manager will confirm to the Finance and Audit Scrutiny Committee, at least annually, the organisational independence of Internal Audit.

Conflicts of Interest

Internal auditors must exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors must make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others when forming judgements.

In addition to the ethical requirements of the various professional bodies, each auditor is required to declare proactively any potential 'conflict of interest' prior to the commencement of each audit assignment.

All auditors are required to sign an annual declaration of interest to ensure that the allocation of audit work avoids conflict of interest. Auditors who undertake any consultancy work will be prohibited from auditing those areas. Audits are rotated within the team to avoid over-familiarity and complacency.

⁴ Senior management comprises the members of the Senior Management Team i.e. the Chief Executive, the Deputy Chief Executives and the Heads of Service Areas.

Responsibility and Scope

The scope of internal auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the organisation's governance, risk management, and internal control processes in relation to the organisation's defined goals and objectives. Internal control objectives considered by internal audit extend to the entire control environment of the organisation and include:

- Consistency of operations with established objectives and goals
- Effectiveness and efficiency of operations and employment of resources
- Compliance with significant policies, plans, procedures, laws, and regulations
- Reliability and integrity of management and financial information processes, including the means to identify, measure, classify, and report such information
- Safeguarding of assets.

Internal Audit is responsible for evaluating all processes ('audit universe') of the organisation including governance processes and risk management processes. It also assists the Finance and Audit Scrutiny Committee in evaluating the quality of performance of external auditors and ensuring a proper degree of coordination with internal audit is maintained.

Due to its detailed knowledge and understanding of risks and controls, internal audit is well placed to provide advice and support on emerging risks and issues. As a result, internal audit may perform consulting and advisory services as appropriate for the organisation. It may also evaluate specific operations at the request of the Finance and Audit Scrutiny Committee and senior management, as appropriate.

Based on its activity, internal audit is responsible for reporting significant risk exposures and control issues identified to the Finance and Audit Scrutiny Committee and to senior management, including fraud risks, governance issues, and other matters requested by these bodies. This can include the results of investigations, whether related to the conduct of staff or otherwise. This ensures Internal Audit plays a key role in providing assurance to the Finance and Audit Scrutiny Committee and senior management on the effectiveness of the entire control environment.

Role in Anti-Fraud

The work programme of Internal Audit is designed, in part, to help deter fraud and corruption. With this in view, Internal Audit bases its planning on regular risk assessment, and works with senior managers and the Finance and Audit Scrutiny Committee in determining its programme of work.

Internal Audit will also share information with relevant partners, where lawful and appropriate, to increase the likelihood of detecting fraudulent activity and reduce the risk of fraud to all. This includes co-ordinating the statutory data matching processes and investigations arising under the National Fraud Initiative.

The Audit and Risk Manager must be notified immediately of all suspected or detected fraud, corruption or impropriety so that the impact upon control arrangements can be evaluated.

Internal Audit Plan

At least annually, the Audit and Risk Manager will submit to the Finance and Audit Scrutiny Committee an Internal Audit Plan for review and approval. The Internal Audit Plan will include resource requirements. The Audit and Risk Manager will communicate the impact of resource limitations and significant interim changes to senior management and the Finance and Audit Scrutiny Committee.

The Internal Audit Plan will be developed based on a prioritisation of the audit universe using a risk-based methodology and on extensive consultation with stakeholders, including the Council's managers.

Any significant deviation from the approved internal audit plan will be communicated through the periodic activity reporting process.

Reporting and Monitoring

The Audit and Risk Manager will arrange for a written report to be prepared and issued following the conclusion of each internal audit engagement; this will be distributed to appropriate managers at various stages of draft. When the report is in final form it will also be issued to the relevant member portfolio holder.

The internal audit report will include management's response and corrective action taken or to be taken in regard to the specific findings and recommendations.

Management's response will include a timetable for anticipated completion of action to be taken and an explanation for any corrective action that will not be implemented.

Internal Audit will determine the state of implementation of recommendations contained in audit reports. For each assignment this will initially be done through managers' self-assessment and then will be achieved through direct confirmation by the auditor as part of the next audit of that subject. In both cases, the Finance and Audit Scrutiny Committee will be informed of the results.

The Audit and Risk Manager will consider any request from external stakeholders for reports on the results of internal audit activity, in consultation with senior management.


The Audit and Risk Manager will issue quarterly update reports to the Finance and Audit Scrutiny Committee to advise on the results of each internal audit engagement, and provide an annual report to the Finance and Audit Scrutiny Committee giving an opinion on the internal control environment.

Periodic Assessment

In accordance with the Public Sector Internal Audit Standards a review of the effectiveness of internal audit will be performed at least once every five years.

Review of the Audit Charter

This Charter will be subject to annual review by the Audit and Risk Manager and annual approval by the Finance and Audit Scrutiny Committee.

 Finance and Audit Scrutiny Committee 5 March 2019		Agenda Item No. 6
Title	Finalisation of 2017/18 Audit	
For further information about this report please contact	Mike Snow 01926 456800	
Wards of the District directly affected	N/A	
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?	No.	
Date and meeting when issue was last considered and relevant minute number	N/A	
Background Papers	External audit papers included as appendices	

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

Officer/Councillor Approval		
Officer Approval	Date	Name
Chief Executive/Deputy Chief Executive	21/2/2019	Andrew Jones
Head of Service	21/2/2019	Mike Snow
CMT	21/2/2019	
Section 151 Officer	21/2/2019	Mike Snow
Monitoring Officer	21/2/2019	Andrew Jones
Finance	21/2/2019	Andrew Rollins, Dave Leech, Andrea Wyatt
Portfolio Holder(s)	21/2/2019	Peter Whiting
Consultation & Community Engagement		
Final Decision?		Yes/No
Suggested next steps (if not final decision please set out below)		

1. **Summary**

1.1 This report brings to members' attention three items of correspondence from Grant Thornton, the Council's external auditors in respect of the 2017/18 Audit. These are:-

- 2017/18 Annual Audit Letter
- Certification work for Warwick District Council for the year ended 31 March 2018
- Pooling of Housing Capital Receipts 2017-2018 return

1.2 In bringing these items to Finance and Audit Scrutiny, the Council is in the position of being able to conclude the 2017/18 Audit.

2. **Recommendations**

It is recommended that Finance and Audit Scrutiny Committee:-

2.1 Note the conclusion of the 2017/18 Audit.

2.3 Note the conclusion of the audit of the 2017/18 Benefits Subsidy.

2.4 Note the conclusion of the audit of the 2017/18 Pooling of Housing Capital Receipts return.

3. **Reasons for the Recommendations**

3.1 **Annual Audit Letter 2017/18**

The Annual Audit Letter summarises the key findings arising from the work that the external auditors have carried out on the 2017/18 Statement of Accounts and Value For Money Conclusion.

3.2 The Annual Audit Letter brings together information that has previously been reported to the Committee. This is notably in respect of the late closedown and the subsequent ramifications on the audit. As previously reported in November, the Accounts received an unqualified audit opinion. However, the Value For Money was qualified as a consequence of the delays to the accounts.

3.3 Members will be aware of the subsequent work on-going as a consequence of the problems with the 2017/18 Accounts. This work continues to be subject to regular reports to Executive and Finance and Audit Scrutiny Committee.

3.4 **Benefits Subsidy Audit**

The auditors have completed the audit of the 2017/18 Housing Benefit Audit. Their letter in respect of this, Certification work for Warwick District Council for the year ended 31 March 2018, is included as Appendix B. Much testing is undertaken by officers and auditors as part of this audit, considering many samples. It will be noted from the letter:-

- The overall claim is over £28m, the amendments totalled £14.

- Some errors were identified that had no overall impact on the level of subsidy being claimed.

3.5 Due to the errors identified, the auditors were required to qualify the claim. As explained to members in previous years, nationally it is the exception for the Benefits Subsidy claim not to be qualified.

3.6 Pooling of Housing Capital Receipts

The Council is required to have the Pooling of Housing Capital Receipts Return audited; this deals with the receipts from Right to Buys. This audit was carried out by Grant Thornton. Their letter is included as Appendix C. From the letter it will be noted that the receipts were correctly allocated with the correct sum paid to the Government for the year.

3.7 The total receipt, and how they have been allocated is shown below:-

	£000
WDC HRA Transaction Cost	45.5
WDC HRA Debt Contribution	834.2
WDC share (any purpose)	393.6
WDC 1-4-1 Allowance	1,446.7
Treasury Share	961.0
Gross Receipt	3,680.9

3.8 The notable finding (7) is with regard to the capital expenditure relating to dwellings sold. This figure does not impact on the allocation of the receipts (shown above). In previous years, and throughout the quarterly returns submitted during the year, an estimate of this has been acceptable, but the final return now requires an actual figure.

4. Policy Framework

4.1 Fit for the Future (FFF)

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	<u>Intended outcomes:</u> Area has well looked after public spaces All communities have access to decent open space Improved air quality	<u>Intended outcomes:</u> Dynamic and diverse local economy Vibrant town centres Improved performance/productivity of local economy

communities	Low levels of crime and ASB	Increased employment and income levels
Impacts of Proposal		
The Subsidy Benefits seeks to provide assurance that claimants are in receipt of the correct level of benefit.	No direct impact.	No direct impact.
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		
No direct impact.	No direct impact.	The work provided by the Council's external auditors should provide members with assurance that the Council's finances are being properly managed and reported upon in accordance with statutory requirements.

4.2 Supporting Strategies

This report indirectly impacts upon all of the Council's strategies on the basis that they all require funding and for that funding to be properly managed. It is part of the role of the external auditors to confirm that the Council's finances are being properly managed.

4.3 Changes to Existing Policies

No changes to existing policies are proposed.

4.3 Impact Assessments

Not applicable.

5. Budgetary Framework

- 5.1 The planned cost of the audit of the 2017/18 Accounts was £53,623. The final figure is £103,111, an increase of £49,388. The reasons for this increase are discussed within the Annual Audit Letter (page 12). Grant Thornton are producing further detail to demonstrate how the increased costs have been arrived at.
- 5.2 Additional costs have been incurred in respect of the prior year objections to the accounts of approaching £5k. This in addition to costs for previous years of circa £13k which have been paid this year.
- 5.3 Within the General Ledger for 2018/19 the main audit budget is £74,500. This is to accommodate the cost of the 2018/19 audit of £41,300 (based on agreed fees). The balance of £33,200 is in respect of the anticipated additional costs of prior years' audits. The additional costs above of £49k and £18k total £67,000. This is well in excess of the £33k anticipated, giving a £34k variance. Given the lateness in the financial year, this will be reported as an overspend at year end, as part of the overall net General Fund surplus/deficit.
- 5.4 The initial fee charged to the 2017/18 Benefits Subsidy was £9,040. An additional fee for further work is £2,257, bringing the total cost of the audit to £11,297.
- 5.5 The fee for the Pooling Return was £3,000, in line with the budget.

6. Risks

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

7. Alternative Option(s) considered

- 7.1 None.

Annual Audit Letter

Year ending 31 March 2018

Warwick District Council

February 2019



Contents



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Section

1. Executive Summary
2. Audit of the Accounts
3. Value for Money conclusion

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Appendices

- A Reports issued and fees
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Executive Summary

Purpose

Our Annual Audit Letter (Letter) summarises the key findings arising from the work that we have carried out at Warwick District Council (the Council) for the year ended 31 March 2018.

This Letter is intended to provide a commentary on the results of our work to the Council and external stakeholders, and to highlight issues that we wish to draw to the attention of the public. In preparing this Letter, we have followed the National Audit Office (NAO)'s Code of Audit Practice and Auditor Guidance Note (AGN) 07 – 'Auditor Reporting'. We reported the detailed findings from our audit work to the Council's Finance and Audit Scrutiny Committee as those charged with governance in our Audit Findings Report on 27 November 2018.

Our work

Materiality	We determined materiality for the audit of the Council's financial statements to be £1.2m, which is 2% of the Council's gross revenue expenditure.
Financial Statements opinion	We gave an unqualified opinion on the Council's financial statements on 12 December 2018, more than four months after the statutory deadline
Whole of Government Accounts (WGA)	We completed work on the Council's consolidation return following guidance issued by the NAO.
Use of statutory powers	We did not identify any matters which required us to exercise our additional statutory powers for the current financial year, and all outstanding objections in respect of previous financial years have been cleared and the audits certified closed.
Value for Money arrangements	We were satisfied that the Council put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources except for the matters we identified in respect of timely financial reporting. We therefore qualified our value for money conclusion in our audit report to the Council on 12 December 2018.
Certification of Grants	Since our last Annual Audit letter we have certified the Council's 2016-17 Housing Benefit subsidy claim, 2016-17 Pooling of Housing Capital Receipts 2016PO16 return, 2017-18 Housing Benefit Subsidy claim and 2017-18 Pooling of Housing Capital Receipts return. We report the results of this work to the Finance and Audit Scrutiny Committee through this Letter and our Annual Certification Letter.
Certificate	We certify that we have completed the audit of the accounts of Warwick District Council in accordance with the requirements of the Code of Audit Practice.

Respective responsibilities

We have carried out our audit in accordance with the NAO's Code of Audit Practice, which reflects the requirements of the Local Audit and Accountability Act 2014 (the Act). Our key responsibilities are to:

- give an opinion on the Council financial statements (section two)
- assess the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion) (section three).

In our audit of the Council financial statements, we comply with International Standards on Auditing (UK) (ISAs) and other guidance issued by the NAO.

Executive Summary

Working with the Council

During the year we have delivered a number of successful outcomes with you:

- We delivered the audit by working hard in partnership with your team to tackle the issues identified, particularly those arising with the capital accounting and financing transactions.
- We provided support and signposted guidance as appropriate to the new members of the finance team, ensuring they had the information they needed to be able to complete the work required on the accounts.
- We have worked with senior officers and members to help them understand the circumstances around the late delivery of the financial statements, and what changes they need to make in future to ensure that the Council can deliver within the statutory timeframe.
- Improved financial processes – we have worked with you to help identify areas where processes could be improved for future years, in particular the reporting from the financial system and the working papers needed to support the entries within the financial statements.
- Sharing our insight – we have regularly attended the Finance and Audit Scrutiny Committee and shared our experiences.

We would like to record our appreciation for the assistance and co-operation provided to us during our audit by the Council's staff.

Grant Thornton UK LLP
February 2019

Audit of the Accounts

Our audit approach

Materiality

In our audit of the Council's financial statements, we use the concept of materiality to determine the nature, timing and extent of our work, and in evaluating the results of our work. We define materiality as the size of the misstatement in the financial statements that would lead a reasonably knowledgeable person to change or influence their economic decisions.

We determined materiality for the audit of the accounts to be £1.2m, which is 2% of the Council's gross revenue expenditure. We used this benchmark as, in our view, users of the Council's financial statements are most interested in where the Council has spent its revenue in the year.

We considered the volume of errors identified in the draft financial statements and the business environment in which the Council operates. We have also considered the number of changes within the finance department. As a result we set a lower level of performance materiality when compared to prior years. This measure influences the amount of audit testing that is undertaken on the financial statements. This was further reduced during the course of the audit to take account of the increased risk of error within the financial statements that was identified during the initial audit work.

We also set a lower level of specific materiality of £100k for senior officer remuneration.

We set a lower threshold of £62,000, above which we reported errors to the Finance and Audit Scrutiny Committee in our Audit Findings Report.

The scope of our audit

Our audit involves obtaining sufficient evidence about the amounts and disclosures in the financial statements to give reasonable assurance that they are free from material misstatement, whether caused by fraud or error. This includes assessing whether:

- the accounting policies are appropriate, have been consistently applied and adequately disclosed;
- the significant accounting estimates made by management are reasonable; and
- the overall presentation of the financial statements gives a true and fair view.

We also read the remainder of the Statement of Accounts and the narrative report and annual governance statement published alongside the Statement of Accounts to check they are consistent with our understanding of the Council and with the financial statements included in the Statement of Accounts on which we gave our opinion.

We carry out our audit in accordance with ISAs (UK) and the NAO Code of Audit Practice. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

We identified key risks and set out overleaf the work we performed in response to these risks and the results of this work.

Audit of the Accounts

Significant Audit Risks

These are the significant risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Improper revenue recognition Under ISA 240 (UK) there is a presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Warwick District Council, mean that all forms of fraud are seen as unacceptable 	<p>We do not consider this to be a significant risk for Warwick District Council. Whilst not a significant risk, as part of our audit work we did undertake work on material revenue items. Our work did not identify any matters that would indicate our rebuttal was incorrect.</p>
<p>Management override of controls Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. We identified management override of controls as a risk requiring special audit consideration.</p>	<p>As part of our work in this area we have;</p> <ul style="list-style-type: none"> – gained an understanding of the accounting estimates, judgements applied and decisions made by management and considered their reasonableness – obtained a full listing of journal entries and tested unusual entries for appropriateness – evaluated the rationale for any changes in accounting policies or significant unusual transactions. 	<p>Our audit work has not identified any evidence of management over-ride of controls. In particular, testing of journal entries has not identified any significant issues.</p> <p>As a result of the amendments required to the original draft financial statements published on 31 May 2018, primarily in respect of significant capital transaction journals, it has been necessary to test an increased number of journals when compared with prior years.</p> <p>Our additional testing covered the use of the test system for posting the adjustment journals, and then the subsequent posting of the journals into the live ledger system to ensure that it accurately reflected the final out-turn position. The nature of the errors identified has meant that a significant volume of adjustment journals were needed. The process has been time consuming for the finance team to both track and document appropriately and has required increased audit testing.</p> <p>The quality of the working papers produced for the correction journals was an improvement on previous working papers that had been produced. While we are satisfied that journals have not been used to override management controls, it is clear that there needs to be improvements made to the Council's overall journal control process to ensure that the issues that have occurred this year do not re-occur in future years. In particular, there needs to be appropriate, and evidenced, review of journals prepared by contract staff.</p>

Audit of the Accounts

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Valuation of property, plant and equipment The Council revalues its land and buildings on an quinquennial basis to ensure that carrying value is not materially different from fair value (current value for operational assets). This represents a significant estimate by management in the financial statements.</p> <p>We identified the valuation of land and buildings revaluations and impairments as a risk requiring special audit consideration.</p>	<p>As part of our work in this area we have:</p> <ul style="list-style-type: none"> • reviewed management's processes and assumptions for the calculation of the estimate, the instructions issues to valuations experts and the scope of their work • considered the competence, expertise and objectivity of any management experts used. • reviewed and challenged the information used by the valuer to ensure it was robust and consistent with our understanding. • tested revaluations made during the year to ensure they were input correctly into the Council's asset register • evaluated the assumptions made by management for those assets not revalued during the year and how management satisfied themselves that these were not materially different to current value. 	<p>As noted in CIPFA's Guidance Notes for Practitioners it is the CFO's responsibility to ensure that adequate valuations are provided to support the financial statements. It is for valuers to ensure that any valuations are professionally sound and accurate for that purpose. CFOs therefore have discretion over the commissioning of valuations and the form of the instructions.</p> <p>We have identified what we consider to be significant weaknesses in the Council's overall processes and arrangements. Whilst there is a formal contract in place with the Council's valuer for the provision of valuation services there are no clear, specific, annual instructions. Instead, finance staff have relied on various streams of email correspondence. As a result it has been difficult for us to track whether the valuer had undertaken the work required, and what data they have used in forming their valuations. In addition, because of the changes in the finance team, it was recognised by officers that insufficient work had been undertaken in order to provide the s151 officer with appropriate assurance that the valuation of the assets at year end are not materially misstated. This resulted in the need for multiple ad hoc valuations. These matters have required significant additional audit work from us in order to gain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement.</p> <p>In future years, the methodology for requesting valuations should be reviewed and then documented. This should include full written instructions to the valuer on an annual basis, and putting a mechanism in place at the Council for ensuring that these valuations are appropriate and in line with expectations. The Council may also wish to review the timing of these valuations, because at present valuations are undertaken at varying points in the year, making the process more complicated than we see at other similar councils.</p> <p>Alongside the consideration of the programme for valuing assets, the s151 officer is also required to ensure that an annual impairment review is carried out on the asset base of the Council. We identified that this had not occurred in a systematic manner during the year as required. Our review of the draft accounts identified that the Covent Garden Car Park had not been considered for impairment, despite the narrative report documenting that the current multi storey car park was beyond economic repair. Following a review of this asset and working with the valuer, the asset has been impaired by £1.7m in the final set of financial statements. We have worked with members of the finance team to gain the necessary assurance that there are no further assets that should be subject to an impairment review. A recommendation has been included to ensure that a formal impairment review is considered as part of the financial statement process in future years.</p> <p>We have gained sufficient assurance to conclude that the valuation of property, plant and equipment is free from material misstatement.</p>

Audit of the Accounts

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Valuation of pension fund net liability The Council's pension fund asset and liability as reflected in its balance sheet represent a significant estimate in the financial statements.</p> <p>We identified the valuation of the pension fund net liability as a risk requiring special audit consideration</p>	<p>As part of our work in this area we have:</p> <ul style="list-style-type: none"> identified the controls put in place by management to ensure that the pension fund net liability is not materially misstated and assessed whether those controls were implemented as expected and whether they were sufficient to mitigate the risk of material misstatement. reviewed the competence, expertise and objectivity of the actuary who carried out the Council's pension fund valuation. We have also gained an understanding of the basis on which the valuation was carried out undertaken procedures to confirm the reasonableness of the actuarial assumptions made reviewed the consistency of the pension fund net liability disclosures in notes to the financial statements with the actuarial report from your actuary. 	<p>From the audit procedures carried out we have gained sufficient assurance to conclude that the valuation of the pension fund net liability is free from material misstatement.</p> <p>A key part of the work we carry out in relation to this estimate is to confirm the reasonableness of the actuarial assumptions made. While we have sufficient assurance that these assumptions are reasonable, there is limited evidence of challenge of the assumptions used and the actuarial output by officers of the authority. As this is a material estimate we have suggested to officers that a more detailed working paper could be produced which compares the estimates used by the actuary to the final year end position. This is an outstanding recommendation from prior years.</p>
<p>Disclosure of entries in relation to Group Accounting The Council have advised us that Group Accounts are likely to be necessary for the first time in 2017/18, however they are yet to produce a group account assessment and form a judgement on whether these additional disclosures are required.</p> <p>Given the judgements, estimates and likely disclosures required in this first year of implementation we have identified this as a risk requiring special audit consideration.</p>	<p>As part of our work in this area:</p> <ul style="list-style-type: none"> we have reviewed the assessment made by officers and the supporting evidence provided where estimates have been used, we have reviewed management's processes and assumptions for the formulation of those estimates where third party information has been used, we have considered the arrangements the Council has in place to assure itself that the information provided is robust we have reviewed the material disclosures made in the financial statements. 	<p>The production of group accounts has been an area of significant debate throughout the audit. Following a review of the CIPFA guidance in respect of collaborations and consultation with the Council's legal advisors, the s151 officer has taken the decision that group accounts do not need to be prepared this year. The group accounts within the financial statements published on 31st May 2018 have been removed and replaced with an enhanced related party disclosure in the final set of financial statements to demonstrate the relationship that the Council has with PSP Ltd.</p> <p>We have reviewed this decision and consider it to be compliant with the Code and therefore no longer consider this to be a significant risk for Warwick District Council against which we need to report.</p>

Audit of the Accounts

Audit opinion

We gave an unqualified opinion on the Council's financial statements on 12 December 2018. This was over four months after the statutory deadline of 31 July 2018.

Preparation of the accounts

The Council published draft financial statements on 31 May 2018 which was in line with the required statutory timetable. However, these did not include a fully reconciled and balanced Movement in Reserve Statement. The Council attempted, but was unable, to balance this statement. Investigations by the Council's finance team revealed the imbalance was indicative of a number of fundamental errors within the published draft financial statements, particularly in relation to the capital accounting and capital financing transactions.

Further investigation by a contract member of staff, who the finance team had brought in in February 2018 to help support them through the accounts process and provide some additional resilience following the retirement of two key members of staff in year, identified that there were a significant number of transactions that had been made that were incorrect, dating back over a number of months. These transactions, had not been subject to appropriate supervision or review.

In addition to the errors identified with the capital transactions by the Council, our initial review of the draft accounts, identified:

- that accounting changes to the Code had not been picked up and actioned, (most notably the need to discontinue using the Major Repairs Allowance as a proxy for depreciation, which had been permitted in previous years, and to depreciate HRA assets in line with proper accounting practice including undertaking full componentisation where it could materially impact HRA depreciation),
- insufficient work had been undertaken on valuations and consideration of potential impairments, and
- key points raised as part our interim audit had been left unresolved.

Initially, the finance team sought to address the issues identified, utilising the contract member of staff employed to support the accounts process and a recently appointed revenue accountant. It was clear however, that due to the lack of knowledge and experience of the financial closedown process retained across the finance team, the task was going to be extremely difficult. The Council were able to secure the services of the two formally retired officers to support the process of correcting the financial statements and contributed significantly to the capacity and capability of the Council to produce a balanced set of accounts. The first version of a balanced and complete set of accounts was only made available for audit in October 2018.

Issues arising from the audit of the accounts

The challenges the Council experienced in preparing a set of financial statements that were balanced and adequately supported by working papers resulted in five different sets of accounts being presented to audit during the period from the end of May 2019 to the end of November.

We reported the key issues from our audit to the Council's Finance and Audit Scrutiny Committee on 27 November 2018. This built on the previous two update reports that were presented to the Committee in both July and November. The impact of the errors identified from the first published draft of the financial statements to the final audited set of accounts has been an adjustment of £4.271m to the Statement of Comprehensive Income and Expenditure. While this is a material adjustment, it is worth noting that the overall impact to the general fund surplus has been limited, with an increase of £56k.

The nature of the issues raised and the volume of changes has resulted in significant additional time being required by the audit team to be able to gather sufficient and appropriate audit evidence to deliver a 'safe' opinion at additional cost to the Council (Appendix A).

Annual Governance Statement and Narrative Report

We are required to review the Council's Annual Governance Statement and Narrative Report. It published them on its website in the Statement of Accounts in line with the national deadlines.

Both documents were prepared in line with the CIPFA Code and relevant supporting guidance. We confirmed that both documents were consistent with the financial statements prepared by the Council and with our knowledge of the Council.

How did the situation arise and what steps is the Council taking to make improvements?

In our 2016/17 Audit Findings Report we highlighted to the Council that achievement of sign off on the 30th August last year was achieved by doing the same things earlier, rather than considering how efficiencies could be gained in the process. In order for the Council to meet the 31 July 2018 we highlighted that the Council needed to:

- review its year end processes to gain efficiencies, including considering areas where a greater use of estimates and automated processes could be used
- introduce quality assurance (QA) arrangements for preparation and review of all working papers produced which should be appropriately evidenced, and
- noted that with two key finance personnel retiring before we began the 2017/18 final accounts audit visit appropriate succession planning would be critical to a successful outcome.

The Council struggled to fully implement these which contributed to the difficulties it subsequently encountered. As a result of the issues identified above we have therefore included the recommendations we have made and the Council responses as an appendix to this letter.

Audit of the Accounts (Cont'd)

In addition to our work, at the request of members, the Chief Executive has undertaken a detailed 'lessons learned' review. His review has confirmed and highlighted a number of areas where the arrangements in the finance team have not operated as they should have done. In particular:

- there was a lack of management of the finance team. With key examples being the lack of preparation and handover when experienced members of staff left, no work plan or targets were set for agency members of staff and no supervision or review of work undertaken by the team.
- while there was an overall project plan in place for the closure of the accounts, this was not sufficient, focusing on service areas rather than the work of the finance team and their responsibilities. There was no ownership or leadership shown in respect of the closure of the accounts, and
- the knowledge and experience of the closure of the accounts had been retained by one or two key people, but this has not been widely understood by the whole finance team or documented in a way that easily enables resilience should key members of staff leave.

A detailed action plan is now in place to address all of the issues identified and this is the subject of regular monitoring by both senior officers and members to ensure that appropriate arrangements are in place to meet the statutory deadline for 2018/19.

Other statutory powers

We also have additional powers and duties under the Act, including powers to issue a public interest report, make written recommendations, apply to the Court for a declaration that an item of account is contrary to law, and to give electors the opportunity to raise questions about the Council's accounts and to raise objections received in relation to the accounts.

We have not had to use our additional powers under the Act for the current financial year, and all outstanding objections in respect of previous financial years have been cleared.

Certificate of closure of the audit

We are also required to certify that we have completed the audit of the accounts of Warwick District Council in accordance with the requirements of the Code of Audit Practice. We certified the audit as completed on 12 December 2018.

Certification of grants

Since our last Annual Audit letter we have certified the Council's 2016-17 Housing Benefit subsidy claim, 2016-17 Pooling of Housing Capital Receipts 2016PO16 return, 2017-18 Housing Benefit Subsidy claim and 2017-18 Pooling of Housing Capital Receipts Return.

2016-17 Housing benefit subsidy claim

We certified the Council's Housing Benefit subsidy claim for the financial year 2016-17 relating to subsidy claimed of £29.04 million. We reported the detailed findings from our audit work to the Council in our Certification Letter dated X February 2018.

We identified an amendment of £348 and a small number of matters which, whilst in a claim of this size, nature and complexity are not unusual, required us to qualify the claim. Those matters which we highlighted to the Council were that there were:

- three errors from the extended testing that we carried out on the 2016-17 subsidy return which recurred from 2015/16, and
- three areas where new errors were identified as a result of the testing undertaken.

We reported our findings to the DWP in our Qualification Letter dated 29 November 2017.

2017-18 Housing benefit subsidy claim

We certified the Council's Housing Benefit subsidy claim for the financial year 2017-18 relating to subsidy claimed of £29.4 million. We reported the detailed findings from our audit work to the Council in our Certification Letter dated X February 2018.

We identified an amendment of £14 and a small number of matters which, whilst in a claim of this size, nature and complexity are not unusual, required us to qualify the claim. Those matters which we highlighted to the Council were that there were:

- four errors from the extended testing that we carried out on this year's subsidy return which recurred from 2016-17, and
- there were two areas where new errors were identified as a result of the testing undertaken.

We reported our findings to the DWP in our Qualification Letter dated 29 November 2018.

Certification of pooled housing capital receipts returns

As noted in Appendix A we provided non-audit services in respect of certifying the Council's Pooling of Housing Capital Receipts returns for 2016-17 and 2017-18. We were required to report one matter in respect of each year:

- 2016-17 - officers identified differences that had arisen because an incorrect pre transfer inflation rate had been used in some quarterly returns. As a result, adjustments were made during quarter 4 to ensure that the final year end return was correct.
- 2017-18 – the figure for capital expenditure in the year needed to be adjusted to reflect the out-turn in the ledger rather than estimated new build expenditure costs.

These were reported to the Ministry of Housing, Communities and Local Government in our agreed upon procedures reports dated 5 February 2018 and 9 February 2019..

Value for Money conclusion

Background

We carried out our review in accordance with the NAO Code of Audit Practice, following the guidance issued by the NAO in November 2017 which specified the criterion for auditors to evaluate:

- *In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.*

Key findings

Our first step in carrying out our work was to perform a risk assessment and identify the key risks where we concentrated our work. This initial risk assessment did not highlight any significant risks to the VFM conclusion.

We continued our review of relevant documents up to the date of giving our report, and identified a significant risk in relation to the accuracy and timeliness of financial reporting following the significant difficulties experienced by the Council in closing down its statutory financial statements. These difficulties have been reported in detail in our AFR and on pages 9 and 10 of this report. In summary, we identified significant weaknesses in the Authority's arrangements for preparing the financial statements. The Authority published unaudited financial statements on 31 May 2018 which had an incomplete Note 8 (Adjustments Between Accounting Basis and Funding Basis Under Regulations) and contained several significant errors, particularly in respect of accounting for capital and capital financing transactions. The underlying causes of these weaknesses were a lack of experience in preparing these complex areas of the financial statements within the Authority's finance team during 2017/18 and a lack of strategic oversight and leadership of the accounts preparation process. It took until 19 October 2018 for the Authority to produce amended financial statements for audit which addressed the errors which we identified in the original version published on 31 May 2018. This matter is evidence of weaknesses in proper arrangements for informed decision making in reliable and timely financial reporting that supports the delivery of strategic priorities. As a result we issued an 'except for' VFM conclusion.

As part of our overall audit responsibilities we have also continued to monitor the financial performance of the Council during 2017/18. Historically, the Council has a strong track record of delivering against its financial objectives, and this remains the case for 2017/18 with an initial surplus of £0.9m reported against an original budget of £14.9m. While this surplus has changed as a result of errors identified within the financial statements, and the overall closedown process, this has not altered significantly, and therefore we consider that the information provided to members in this respect is appropriate for decision making.

The most recent update on the Medium Term Financial Plan (MTFP) was reported to members in June 2018 as part of a Fit for the Future (FFF) report. This projected the budget forward another year to 2023/24 and identified savings needed of £471k over the medium term. As in previous years, the Council has plans in place that it is considering for closing the gap. The report clearly sets out the impact of not achieving already agreed upon savings. In addition, it also highlights key areas where savings are slipping, such as the Riverside House relocation project.

Each year the Council reviews the levels of reserves and balances that it holds as part of setting the budget, as in previous years the s151 officer concluded that there were sufficient levels of reserves. A review of balances at the end of the period confirms that usable reserves have increased by £12m to £68m. The reserves include a number that have been designed to specifically smooth the savings plans, or to ensure investment in key areas that is needed before any savings can be made. This overall level of reserves could be used to support the budget in the medium term if savings are not achieved in line with the current plans and demonstrates that the Council is well placed in the medium term to continue to deliver services for the population of the district. As a result of this work we confirmed that the financial sustainability of the Council was not a significant risk for the VFM conclusion.

Overall Value for Money conclusion

We are satisfied that, in all significant respects, except for the matters we identified in respect of timely financial reporting, the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2018.

A. Reports issued and fees

We confirm below our final reports issued and fees charged for the audit and provision of non-audit services. The planned fees for the year were in line with the scale fee set by PSAA.

Audit Related Services Fees

	Planned £	Actual fees £	2016/17 fees £
2017/18 Statutory Council audit	53,623	103,011*	53,623
Determining Objections and Certifying Closure of Prior Years Accounts	0	4,957**	N/A
Housing Benefit Grant Certification	9,040	11,297***	8,655
Total fees	62,663	119,265	62,278

* The assumptions within our audit plan assumed that draft financial statements and working papers would be provided at the agreed date in accordance with the agreed upon information required list. As previously highlighted, we have needed to undertake additional work as a result of the quality of the initial draft financial statements and the supporting working papers provided. Due to the volume of errors identified in the initial draft financial statements the audit team was required to re-evaluate the level of testing needed on the financial statements, and this was increased to ensure sufficient assurance could be gained to deliver a 'true and fair' opinion. We have discussed the additional fee with Head of Finance and Deputy Chief Executive, and this has been included within the actual fees column above. The key reasons for the significant overrun fee are summarised in the bullet points below:

- The audit team received five different sets of accounts during the period from the 31 May through to signing the statements on the 12 December. Each set required a detailed review to identify the risks associated with the statements and the required focus for the audit testing.
- The errors identified in the first draft of the financial statements were significant, particularly in respect of capital accounting and financing transactions. In line with the auditing standards we re-assessed our view of the risk associated with the audit following the initial errors identified. This resulted in the audit team determining that a lower performance materiality was required, which meant that an increased number of transactions overall required testing than was initially planned. Two key areas where this impacted were:
 - 1) more than doubling the amount of testing we would expect to undertake on capital accounting and financing transactions. This area was further complicated as officers continued to identify errors as the audit progressed and sought to make more adjustments to the balances. These differences required assessment and review.
 - 2) Officers provided working papers on all of the errors, and the required journal entries that were necessary to correct them on both the ledger and in the financial statements. Because of the material nature of them, the journals required review and testing. Again, this more than doubled the amount of testing the audit team undertook on journals, which had already been identified as a significant risk to the audit opinion.
- Working papers provided to support the detailed transaction testing were difficult to follow and lacked the necessary information to understand the substance of the transaction that had been included in the accounts. There were very few transactions sample tested that were resolved on the first query, which proved time consuming.
- We re-programmed the audit on three separate occasions. On each occasion, this required input from both the manager and the director on the audit to communicate the issues to members of the finance team and the senior leadership team. Given the nature of the issues raised, additional regular progress calls were held, and on-going discussions on how to address issues that were arising. The input from the audit manager and director was significantly more than would be anticipated as part of the original scale fee.
- We provided two additional reports to the Finance and Audit Scrutiny Committee, setting out the issues on the audit and the key reasons for the delay. The production and presentation of these reports were not included in the initial assessment of the audit scale fee.
- Given the timeliness issues on financial reporting, we needed to re-visit the VFM conclusion, which resulted in additional time, both for the audit team, but also by our internal quality panel leading to the outcome of a qualified VFM conclusion. The wording of this conclusion was also subject to a further level of internal quality assurance.

** In addition to the fees highlighted above we have also discussed with officers the fee for the determination of two objections from members of the public in relation to the 2016/17 financial statements. These objections were closed in June 2018 and we have proposed an additional fee of £4,957 to officers.

*** The proposed increase in relation to the Housing Benefit Grant Certification is also as a result of the additional level of testing that was required based on the errors that were identified. Further details of this are included in our Grant Certification Letter. Again the fee has been discussed with the Head of Finance.

A. Reports issued and fees continued

Fees for non-audit services

Service	Fees £
Audit related services	
- Certification of Housing Capital Receipts Grant 2016/17	3,000
- Certification of Housing Capital Receipts Grant 2017/18	3,000
Total fees	6,000

Non- audit services

- For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The table above summarises all non-audit services which were identified.
- We have considered whether non-audit services might be perceived as a threat to our independence as the Council's auditor and have ensured that appropriate safeguards are put in place.




The above non-audit services are consistent with the Council's policy on the allotment of non-audit work to your auditor

Reports issued

Report	Date issued
Audit Plan	March 2018
Interim Audit Findings Report	July 2018
Progress Report of the Audit of the 2017-18 Financial Statements	September 2018
Audit Findings Report	November 2018
Annual Audit Letter	February 2019

B. Recommendations


We have identified 9 recommendations of sufficient important to report to those charged with governance for the Council as a result of issues identified during the course of our audit. Following the completion of the audit, the Council have begun work in a number of key areas, a brief update on the progress is included in the table below.

Assessment	Issue and risk	Recommendations
 High	Valuation arrangements. We identified a number of weaknesses in the arrangement over the valuation of assets. This has led to a number of material changes in the financial statements.	<p>The Council needs to ensure that it formally documents the process for valuations, and that the valuer is provided with detailed instructions for the annual valuation exercise. There should be clear working papers demonstrating that the Council has provided the valuer with all of the appropriate information and that it has considered whether the information provided back from the valuer is complete and reasonable. The Council may also wish to review the timing of these valuations, because at present valuations are undertaken at varying points in the year, making the process more complicated than we see at other similar Councils</p> <p>Management response</p> <ul style="list-style-type: none"> The information to be sought from the valuer, and timing thereof, will be considered by the Head of Finance and Principal Accountants in early December ahead of a formal instruction to the valuer being issued. The valuation process will be pro-actively monitored and shared with the Accountancy Team. <p>Progress made against the recommendation</p> <ul style="list-style-type: none"> Officers have confirmed that this was initially considered in December, and the subsequently considered in more detail with the Estates Manager and valuers in January. Draft instructions to be issued to the valuers in February.
 High	Impairment review. There were no formal arrangements in place at the Council to demonstrate that all assets had been considered for impairment as required by the Code.	<p>The arrangements for an impairment review should be considered and documented. These arrangements should be implemented as part of the 2018/19 closedown process.</p> <p>Management response</p> <ul style="list-style-type: none"> The approach to the impairment review will be reviewed ahead of seeking information from the valuer (above). This will involve the full team and the Council's Estates Manager, and in accordance with the Code of Practice. <p>Progress made against the recommendation</p> <ul style="list-style-type: none"> As above, officers have confirmed that this has been considered during January, with the approach being documented.
 High	Timeliness of financial reporting	<p>The report of the Chief Executive includes a detailed action plan to ensure that the issues that have occurred this year are not repeated. It is key that this action plan is implemented and considered in light of the recommendations we have made as part of this AFR to ensure that all issues are addressed as part of the production of the financial statements in future years.</p> <p>Management response</p> <ul style="list-style-type: none"> Progress on the action plan is being actively managed with weekly updates to CMT and monthly reports to Executive and Finance and Audit Scrutiny Committee. <p>Progress made against the recommendation</p> <ul style="list-style-type: none"> Regular updates are being provided.

Controls




 High – Significant effect on control system

 Medium – Effect on control system




 Low – Best practice

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B. Recommendations

Assessment	Issue and risk	Recommendations
 High	<p>Quality and completeness of evidence provided for audit. We have previously reported to members that the quality and completeness of working papers provided to the audit team during the financial statements has not been of the standard we would expect. We have discussed this with finance officers during the audit who now have a much greater understanding of what is required to produce an appropriate working paper.</p>	<p>The Head of Finance should ensure that an appropriate training programme is in place for all officers that produce working papers to support the financial statements. The training should include the features of a good working paper and a reminder that a good working paper should enable another suitably qualified professional with no prior knowledge of the authority the means upon which to re-perform the work.</p> <p>Management response</p> <ul style="list-style-type: none"> • Training on the production of quality working papers for all the Accountancy Team will be provided by the Final Accounts Project Manager early in the New Year. <p>Progress made against the recommendation</p> <ul style="list-style-type: none"> • Following the dissemination and discussion of the closure plan with the accountancy team on the 4th January, advance excel training is planned to be provided. The training is being run by Rugby's training officer, and will be delivered to the Finance Team on the 27th February. Further team training looking at working papers is to be provided by the Final Accounts Project Manager, and also informal 1-2-1 training looking at specific issues relevant to individuals.
 Medium	<p>Pension liabilities are a key estimate in the accounts. We have reviewed the estimation technique used in determining this estimate and are satisfied with the methodology used. We have noted that officers have not evidenced any formal challenge of the assumptions used by the actuary.</p>	<p>A working paper should be provided at year end which demonstrates how the Council has considered the work of the actuary and its reasonableness.</p> <p>Management response</p> <ul style="list-style-type: none"> • This has been discussed with the Pension Fund Actuaries. Officers will ensure that should variances to be identified, these will be challenged, and explained. <p>Progress made against the recommendation</p> <ul style="list-style-type: none"> • No further progress to report.
 Medium	<p>The accounting policies do not include a specific de minimis level for accruals of income and expenditure.</p>	<p>Greater consideration should be given to whether more areas of the accounts would benefit from an increased reliance on estimation techniques to aid faster close.</p> <p>Management response</p> <ul style="list-style-type: none"> • The accruals process will be reviewed early in 2019, ensuring all parties are clear about their responsibilities, timings, and relevant de minimis levels. <p>Progress made against the recommendation</p> <ul style="list-style-type: none"> • The approach has been discussed with the audit team as part of the January planning visit, officers will need to undertake further work to demonstrate that the levels considered will not have a material impact on the accounts.




Controls

-  High – Significant effect on control system
-  Medium – Effect on control system
-  Low – Best practice

B. Recommendations

Assessment	Issue and risk	Recommendations
 Medium	<p>There are a number of areas highlighted throughout the AFR where we have agreed with officers that disclosure omissions will be corrected in future years.</p>	<p>The Head of Finance should ensure that the identified areas are actioned in future years.</p> <p>Management response</p> <ul style="list-style-type: none"> The disclosure omissions will be reviewed as part of the preparation for closedown. It should be noted that some disclosure were previously removed with the support of the auditors as part of the “de-cluttering” of the accounts. <p>Progress made against the recommendation</p> <ul style="list-style-type: none"> No further progress to report
 High	<p>Journals</p> <p>While we are satisfied that journals have not been used to override management controls, it is clear that improvements can still be made to the Council’s overall journal control process to ensure that the issues that have occurred this year do not re-occur in future years. In particular, there needs to be appropriate, and evidenced review of journals prepared by contract staff.</p>	<p>Controls around journals should be improved, particularly in relation to those prepared by contract staff.</p> <p>Management response</p> <ul style="list-style-type: none"> The Head of Finance and Principal Accountants are reviewing journal controls to tighten procedures. New controls will be in place by January 2019. <p>Progress made against the recommendation</p> <ul style="list-style-type: none"> The new process has been mapped and the Head of Finance has confirmed that the new process was in place in January and the first month has been reviewed.
 Medium	<p>In reviewing the final set of financial statements the audit team identified a number of amendments had been made that were not in line with expectations. Officers were able to fully support these amendments however these were not material. In future, the Head of Finance might want to consider whether these type of changes are needed to the final set of financial statements, as a mechanism for further streamlining the process.</p>	<p>In future years officers should keep a full list of any proposed changes to the draft financial statements presented for audit. This list should be reviewed by the Head of Finance, in discussion with the auditors prior to any changes being made to the ledger and final set of financial statements.</p> <p>Management response</p> <ul style="list-style-type: none"> Full controls will be implemented to ensure all proposed changes to the Statements are fully documented for discussion and agreement with the auditors. <p>Progress made against the recommendation</p> <ul style="list-style-type: none"> No further progress to report.

Controls

-  High – Significant effect on control system
-  Medium – Effect on control system
-  Low – Best practice



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Our ref: WDC/2017-18 Certification Letter/GP030219
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3 February 2019

Dear Mike

Certification work for Warwick District Council for the year ended 31 March 2018

We are required to certify the Housing Benefit subsidy claim submitted by Warwick District Council ('the Council'). This certification typically takes place six to nine months after the claim period and represents a final but important part of the process to confirm the Council's entitlement to funding.

The Local Audit and Accountability Act 2014 gave the Secretary of State power to transfer Audit Commission responsibilities to other bodies. Public Sector Audit Appointments Ltd (PSAA) took on the transitional responsibilities for HB COUNT issued by the Audit Commission in February 2015.

We have certified the Housing Benefit subsidy claim for the financial year 2017/18 relating to subsidy claimed of £28 million. We identified a number of issues from our certification work and, as a result of the errors identified, the claim was amended and qualified, and we reported our findings to the DWP in our Qualification Letter dated 29 November 2018.

Further details of the matters we reported upon are set out in Appendix A. Those which we particularly wish to highlight for your attention are that there:

- were four errors from the extended testing that we carried out on this year's subsidy return which recurred from 2016/17, and
- there were two areas where new errors were identified as a result of the testing undertaken.

As required by the DWP, additional testing was performed in respect of the errors. The DWP may require the Council to undertake further work or to provide assurances on the errors we have identified.

The indicative fee for 2017/18 for the Council was based on the actual 2015/16 certification fees, reflecting the amount of work required by the auditor to certify the Housing Benefit subsidy claim that year. The indicative scale fee set by PSAA for the Council for 2017/18 was £9,040. Due to the additional work required to address the issues we identified, we have agreed an additional fee of £2,257, subject to confirmation from PSAA. This is set out in more detail in Appendix B.

Yours sincerely



Grant Thornton UK LLP

Appendix A - Details of claims and returns certified for 2017/18

Claim or return	Value	Amended?	Amendment value	Qualified?	Comments
Housing benefits subsidy claim	£28,415,641	Yes	£14	Yes	See below

Findings from certification of housing benefits subsidy claim

There were four errors that had also been identified in prior years, these were as follows:

- 1) Fifteen errors were identified by officers in the way non-HRA expenditure had been split across cells. Many of these amendments were known in advance and were planned to be amended on the claim prior to its final submission. Due to the complexity of these claims, the Council had already made the decision to test 100% of these claims, which resulted in a cell amendment being made.
- 2) Testing of rent rebates identified four cases where the Council had incorrectly calculated a claimant's earnings due to incorrect information being used to calculate the average earnings. In three of the cases this resulted in underpaid benefit, which totalled £1.42, the fourth case resulted in overpaid benefit of £189. This was included in the Qualification Letter as required.
- 3) Testing of rent allowances identified two misclassifications of overpayments, in both cases the overpayments was classified as eligible when they should have been LA error. This was included in the Qualification Letter as required.
- 4) Testing of rent allowances identified two cases where earners hours have been incorrectly input into the system. In both cases, the resultant overpayment had been incorrectly classified. This was included in the Qualification Letter as required.

Testing also identified two errors that had not been present in prior years, these were as follows:

- 1) Rent rebates underlying entitlement. Through our testing, we have identified one instance where the Council has been unable to provide us with an audit trail that balances a rent rebate case to subsidy paid. The Council has discussed this with Civica and the imbalance is due to RTI assessments that result in underlying entitlement. This is a known issue with Civica and they are investigating the issue. This was included in the Qualification Letter as required.
- 2) Rent allowance incorrect application of family premium. Testing of the initial sample identified one case where the HB system's incorrect treatment of family premium resulted in misclassification of expenditure. Further testing of a sample of forty cases identified one further error of a similar nature. This was included in the Qualification Letter as required, with the Council also making a separate representation to the Department on this point.

Appendix B: Fees for 2017/18 certification work

Claim or return	2015/16 fee (£)	2017/18 indicative fee (£)	2017/18 actual fee (£)	Variance (£)	Explanation for variances
Housing benefits subsidy claim (BEN01)	£9,540	£9,040	£11,297	£2,257	<p>The 2017/18 indicative was based upon work undertaken in 2015/16 when there was 100% testing on Non HRA to enable a cell amendment and then there were also 2 cases where 40+ testing was required. One case was in relation to rent allowance overpayments classification, the other was in relation to rent rebates and the calculation of earnings. Looking at the 2017/18 position, there was again 100% testing on Non HRA to enable a cell amendment but there were 4 cases where 40+ testing was required. These areas were rent allowance - calculation of earnings, rent allowance - calculation of family premium, rent allowance classification of overpayments and rent rebates - calculation of earnings.</p> <p>The rent allowance classification of overpayments and rent rebates - calculation of earnings are recurring errors but we have had to undertake 2 additional samples of 40+ when compared to the scale fee of 2015/16 and therefore as a result of the work required to audit the additional workbooks required a fee variation of £2,257 is being sought.</p>
Total	£9,540	£9,040	£11,297	£2,257	

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Independent Reporting Accountant's agreed-upon procedure report in connection with MHCLG's 2017-18 pooling return for the year ended 31 March 2018

Ministry of Housing, communities and Local Government
2 Marsham Street
London
SW1P 4DF
via HRA.PoolingReturns@communities.gsi.gov.uk

9 February 2019

Dear Sir or Madam

Report of factual findings in connection with Warwick District Council Pooling of Housing Capital Receipts 2017-2018 pooling return for the year ended 31 March 2018

In accordance with the terms of our engagement letter dated 15th January 2019 ("the Engagement Letter") we have performed the procedures agreed with Warwick District Council ("the Local Authority") and the Ministry of Housing, Communities and Local Government ("the MHCLG") on the Local Authority's enclosed 2017-2018 pooling return for the year ended 31 March 2018 ("the Return").

Our report is prepared solely for the use of Warwick District Council and the MHCLG to facilitate the Pooling of Housing Capital Receipts scheme. It has been released to the Local Authority and the MHCLG on the basis that our report shall not be copied, referred to or disclosed, in whole (save as otherwise permitted by agreed written terms) or in part, without our prior written consent. Without assuming or accepting any responsibility or liability in respect of this report to any party other than the Local Authority and the MHCLG, we acknowledge that the Local Authority and the MHCLG (or one of them) may be required to disclose this report to parties demonstrating a statutory right to see it, to enable such parties to exercise statutory rights of access to this report.

Our report and our work is designed to meet the agreed requirements of the Local Authority and the MHCLG determined by the Local Authority's and the MHCLG's needs at the time. Our report should not therefore be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than the Local Authority and the MHCLG for any purpose or in any context. Any party other than the Local Authority and the MHCLG who obtains access to our report or a copy and chooses to rely on our report (or any part of it) will do so at its own risk. To the fullest extent permitted by law, Grant Thornton UK LLP will accept no responsibility or liability in respect of our report to any other party.

Our engagement was undertaken in accordance with International Standard on Related Services 4400 "Engagements to Perform Agreed-Upon Procedures Regarding Financial Information" as published by the IAASB.

The procedures were performed solely for the purpose of assisting the Local Authority to fulfil its responsibilities, under the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (as amended) and The MHCLG Scheme Regulations, for reporting receipts arising from the disposals of housing assets during the year ended 31 March 2018.

The procedures performed and our corresponding findings are set out in Appendix 1 to this report.

We have not subjected the information contained in the Return to checking or verification procedures except to the extent expressly stated. The MHCLG is responsible for determining whether the agreed-upon procedures are sufficient for the purposes of the Local Authority and the MHCLG. We cannot, and do not, make any representations regarding the sufficiency of these procedures for the purposes of the Local Authority or the MHCLG.

Because the above procedures do not constitute an audit or a review or other assurance engagement performed in accordance with International Standards on Auditing or International Standards on Review Engagements or International Standards on Assurance Engagements we do not express any assurance on the Return. Had we performed additional procedures, or had we performed an audit or a review or other assurance engagement in accordance with International Standards on Auditing or International Standards on Review Engagements or International Standards on Assurance Engagements, other matters might have come to our attention that would have been reported to you.

This report relates only to the matters specified above and does not extend to any annual financial statements of the Local Authority taken as a whole.

Yours faithfully



Grant Thornton UK LLP

Birmingham

9 February 2019

APPENDIX 1 - AGREED UPON PROCEDURES AND FINDINGS MATRIX


	Agreed Upon Procedures	Findings and details of any exceptions and errors identified	Responsible Finance Officer explanation for any exceptions and/or errors
1	<p>We have checked that all relevant parts of the return been completed (in pounds and pence) and that the local authority's certificate bears the signature of the Responsible Finance Officer.</p> <p>We have checked that the version provided for reporting matches the information on the DELTA system.</p> <p>We have sought confirmation that any significant matters of which we should be aware have been brought to our attention.</p>	No issues have been identified through the procedures carried out.	N/A
2	<p>For a selection of items of expenditure declared in cells 2, 32, 62 and 92 chosen at random (from a number of acquisitions in the following table), we have compared the amount declared to purchase invoices or completion statements and checked that the date on the purchase invoice/completion statement lies within the period stated on the 2017-2018 pooling return.</p> <p>For the same selection of items, we have inspected the narrative on the corresponding purchase invoice or completion statements to check that the costs meet the definition of "relevant costs" as defined in paragraph 3(1)(a) of the Schedule to the Local Authorities (Capital Finance and Accounting) (England) (Amendment)</p>	No testing performed as criteria not met, i.e. cells are £0.	N/A

	Agreed Upon Procedures	Findings and details of any exceptions and errors identified	Responsible Finance Officer explanation for any exceptions and/or errors
	<p>Regulations 2013 (SI 2013/476) ("the Schedule") and that they were in respect of buying back a "relevant interest" as defined in paragraph 3(1)(b) of the Schedule.</p> <p>Using the same selection as in procedure 2(a), inspect the breakdown of the expenditure declared in cells 2, 32, 62 and 92 with the breakdown of the expenditure declared in cells 126, 130, 135, 140, 145, 150, 155, 160, 165, 170, 175 and 180 to check that the buyback expenditure items selected for testing have not been double counted in those cells of the 2017-2018 pooling return as 1-4-1 expenditure.</p>		
3	<p>For a selection of property sales spread throughout the year as noted in the local authority's property register (or equivalent), we have compared the amount of the sales receipts as declared in cells 5, 35, 65 or 95 (as appropriate depending on the quarter during which the sale took place) to the cash received per the bank statement; and checked that the date of receipt lies within the quarter in which the receipt was declared.</p>	<p>No issues have been identified through the procedures carried out.</p>	N/A
4	<p>If the total declared in cells 6, 36, 66 and 96 is more than £500, then for a random selection of four items of receipts included in the supporting breakdown provided by the Responsible Finance Officer, agree the amount of the receipt declared to local authority's records of receipts from mortgages awarded.</p>	<p>No testing performed as criteria not met, i.e. cells are £0.</p>	N/A

	Agreed Upon Procedures	Findings and details of any exceptions and errors identified	Responsible Finance Officer explanation for any exceptions and/or errors
5	We have agreed the number of properties sold (on an annual basis) to the number of properties disclosed as being sold in the audited financial statements. Explanations for any reconciling items should be obtained from the local authority.	No issues have been identified through the procedures carried out.	N/A
6	<p>We have agreed the calculated amount in cell D35 of the Valuation Sheet of the Authority's Debt Supportable Workbook to the Attributable Debt for that quarter on the 2017-18 pooling return (Cells 12, 42, 72 and 102).</p> <p>For a selection of dwellings sold in each quarter as recorded in cells 7, 37, 67 & 97 of the 2017-18 pooling return, we have:</p> <ul style="list-style-type: none"> compared the archetypes listed in cells C5 to C19 of the Debt Supportable Workbook to the archetype attributes of the dwellings as recorded in the local authority's property records; compared the bedroom weightings listed in cells C38 to C45 of the Debt Supportable Workbook to the bedroom weightings attributes of the dwellings as recorded in the local authority's property records; compared the capital valuations listed in cells C50 and below of the Debt Supportable Workbook to the capital valuations attributes of the dwellings as 	No issues have been identified through the procedures carried out.	N/A

	Agreed Upon Procedures	Findings and details of any exceptions and errors identified	Responsible Finance Officer explanation for any exceptions and/or errors																												
	<p>recorded in the local authority's property records;</p> <p>for any of those dwellings identified in the local authority's property records as being subject to a PFI contract, inspected the PFI contract to check that the dwelling is listed in the PFI contract.</p>																														
7	<p>For a selection of items of expenditure incurred by the local authority, we have checked whether the expenditure fell within the definition of "development costs" as set out in paragraph vi of the section 11(6) retention agreement ("the Agreement") as clarified by Part 6 of the Agreement.</p> <p>For any items of expenditure within the same selection which relate to the completion of a dwelling, we obtained from the local authority's Section 151 Officer/Responsible Finance Officer a list of the dwellings to which they relate.</p> <p>For the same selection of items of expenditure incurred by the local authority, we have agreed the amount of the expenditure to the corresponding purchase invoice and check that the date of the invoice lies within the quarter during which the expenditure is declared on the 2017-2018 pooling return.</p> <p>We have obtained written management representation from the RFO that the expenditure incurred by the local authority declared in one of</p>	<p>Included within the pooling claim is a total capital expenditure of £16,889,635.23. A summary of this expenditure along with the relevant cell reference is provided below.</p> <table border="1" data-bbox="840 778 1160 1189"> <thead> <tr> <th>Cell</th> <th>£</th> </tr> </thead> <tbody> <tr><td>126</td><td>1,487,747.45</td></tr> <tr><td>131</td><td>1,461,530.12</td></tr> <tr><td>136</td><td>2,328,419.23</td></tr> <tr><td>141</td><td>4,233,255.43</td></tr> <tr><td>146</td><td>2,156,361.51</td></tr> <tr><td>151</td><td>716,451.49</td></tr> <tr><td>156</td><td>825,000.00</td></tr> <tr><td>161</td><td>0.00</td></tr> <tr><td>166</td><td>0.00</td></tr> <tr><td>171</td><td>0.00</td></tr> <tr><td>176</td><td>0.00</td></tr> <tr><td>181</td><td>3,680,870.00</td></tr> <tr><td></td><td>16,889,635.23</td></tr> </tbody> </table> <p>The client could not provide a detailed breakdown to support this value. The general ledger report provided to support the</p>	Cell	£	126	1,487,747.45	131	1,461,530.12	136	2,328,419.23	141	4,233,255.43	146	2,156,361.51	151	716,451.49	156	825,000.00	161	0.00	166	0.00	171	0.00	176	0.00	181	3,680,870.00		16,889,635.23	<p>A formal request has been made to re-open the Pooling return form to enable the necessary changes to be made, to which we are waiting for a response.</p> <p>We are also seeking clarification on the change in cell narrative. In the original submission, the narrative for the cells in question referred to 'estimated' new build expenditure costs. However, the pre audit submission refers to the same data as being 'actual' new build expenditure.</p> <p>This clarification going forward will ensure that future discrepancies between the return and the ledger are avoided.</p>
Cell	£																														
126	1,487,747.45																														
131	1,461,530.12																														
136	2,328,419.23																														
141	4,233,255.43																														
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	Agreed Upon Procedures	Findings and details of any exceptions and errors identified	Responsible Finance Officer explanation for any exceptions and/or errors
	<p>the cells listed in procedure 7(a) above was not funded from grants or other housing receipts.</p> <p>We have obtained written management representation from the RFO that they have not included in their 2017-18 pooling return any expenditure incurred by a body in which the local authority held a controlling interest at the time of that expenditure.</p> <p>Where a local authority has handed over 1-4-1 receipts to a housing association, and this is recorded as expenditure in one of the cells listed in procedure 7(a) above, we have checked that there is a contract or written agreement in place between the local authority and the housing association which governs how the 1-4-1 receipts are to be used. We have checked that this contract or written agreement specifies that 1-4-1 receipts must be used for social housing in the area of the local authority or a dwelling to which the authority has nomination rights. We have checked that the local authority has received written confirmation from the housing association that 1-4-1 receipts have been used for the purposes intended by the contract or written agreement.</p>	<p>expenditure above totalled £15,774,898.80. Our sample testing has been carried out on this total.</p> <p>An amendment to the claim form is required in order to recognise the expenditure as the value which can be substantiated by the general ledger records ie the £15,774,898.80. This change has already been requested by the Authority.</p>	
8	<p>For all management explanations related to the exceptions and errors noted, we have obtained representations from the Responsible Finance Officer.</p>	<p>We have received representations from the RFO in respect of the exception noted in Test 7. No other representations required.</p>	N/A

 Finance and Audit Committee March 5th 2019		Agenda Item No. 7
Title	Cultural Services – Service Review	
For further information about this report please contact	Rose Winship Head of Cultural Services rose.winship@warwickdc.gov.uk 01926 456223	
Wards of the District directly affected	All	
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?	No	
Date and meeting when issue was last considered and relevant minute number	NA	
Background Papers	NA	

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

Officer/Councillor Approval		
Officer Approval	Date	Name
Chief Executive/Deputy Chief Executive	14th Feb 2019	Chris Elliott
Head of Service	14th Feb 2019	Rose Winship
CMT	14th Feb 2019	Andy Jones
Section 151 Officer	14th Feb 2019	Mike Snow
Monitoring Officer	14th Feb 2019	Andrew Jones
Finance	14th Feb 2019	Mike Snow
Portfolio Holder(s)	19 th Feb 2019	Cllr Coker
Consultation & Community Engagement		
NA		
Final Decision?	NA	
Suggested next steps (if not final decision please set out below)		

1. **Summary**

- 1.1 This report brings together the Cultural Services contract register, risk register and budget.

2. **Recommendation**

- 2.1 That Finance and Audit Committee should review the Cultural Services contract register, risk register and budget.

3. **Reasons for the Recommendation**

- 3.1 Following several years of reviewing service contract and risk registers, it has 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.

- 3.2 Cultural Services are presenting a report to the Finance and Audit Scrutiny Committee that brings together:

- Cultural Services risk register
- Cultural Services contract register
- Cultural Services budget outline

3.3 Risk Register

- 3.3.1 The latest version of the risk register is set out as Appendix A to this report.

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

- 3.3.3 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 is true for those risks plotted towards the bottom left corner of the matrix. If viewed in colour, the former-described set of risks are within the area shaded red, whilst the latter-described set of risks are within the area shaded green; the mid-range are in the area seen as yellow.

- 3.3.4 Cultural Services are responsible for a wide range of services which consequently lead to a number of potential risks. There are 36 risks contained in the risk register.

- 3.3.5 There are 5 risks rated "green", 29 rated "amber", and 2 rated "red", in accordance with the Council's risk scoring matrix. As with all the risks in the register, it is the controls and mitigations that are being undertaken to control the risks that are of importance. These reflect the tangible actions over which there is more control.

3.4 Contract Register

- 3.4.1 The latest version of the Cultural Services contract register is set out in Appendix B.

There are 20 live contracts listed.

3.5 Budget

3.5.1 Details of Cultural Services budgets are included as Appendix C. The figures shown compare the net position for the main cost centres within Cultural Services at the end of period 9 (December) for the current year and the comparative position in 2017/18/ Also shown is the final position at the end of 2017/18. Appendix C also includes comments on major variances when comparing the 2 years performance to the end of December.

4. Policy Framework

4.1 Fit for the Future (FFF)

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

"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 Neighbourhood 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		
Services managed within the Culture portfolio make a significant contribution to health outcomes; impressive sport and cultural facilities; and to a more cohesive and active community by providing services that are available to all sectors of the community.	Cultural Services work closely with Neighbourhood Services to ensure that opportunities are optimized to use outdoor space to contribute to health and wellbeing objectives.	Dynamic and diverse local economy Increased employment and income levels
Internal		
Effective Staff	Maintain or Improve Services	Firm Financial Footing over the Longer Term
<u>Intended outcomes:</u> All staff are properly	<u>Intended outcomes:</u> Focusing on our	<u>Intended outcomes:</u> Better return/use of our

<p>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</p>	<p>customers' needs Continuously improve our processes Increase the digital provision of services</p>	<p>assets Full Cost accounting Continued cost management Maximise income earning opportunities Seek best value for money</p>
Impacts of Proposal		
<p>Staff are continually developed using a range of methods including formal courses, in-house training and attendance at seminars, conferences or regional bodies.</p>	<p>The Service Area is continually looking at ways of improving the way services are delivered to customers, through improved working practices and use of ICT.</p>	<p>Cultural Services ensures that any expenditure achieves the best value for money. We seek to maximize external funding opportunities where appropriate, ensure that all expenditure is scrutinized in detail, and that all income is appropriately accounted for.</p>

4.2 Supporting Strategies

There are several strategies that underpin the delivery of services including the Indoor Sports Strategy, Playing Pitch Strategy, Arts Strategy (currently under review). The strategic projects managed by the Programme Team in Cultural Services (ie Leisure Development Programme, Community Stadium and associated projects, and Commonwealth Games all contribute to a wider range of corporate strategies under the overarching Fit for the Future, in a variety of ways.

4.3 Changes to Existing Policies

4.3.1 There are no changes to existing policies as a result of this report.

5. Budgetary Framework

5.1 Details of the Cultural Services budgets are discussed at para 3.5 and Appendix C.

5.2 Annual Budgets for Cultural Services are set by the Executive on an annual basis and budget reports are routinely considered by the Senior Management Team, with quarterly reports issued to the Executive.

6. Risks

6.1 Details of the Cultural Services Risk Register has been included in para 3.1 and Appendix A.

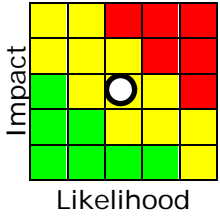
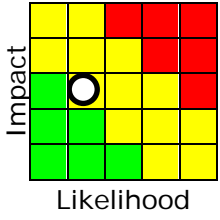
- 6.2 Operational risks are managed within venues and each venue/operator has their own Risk Assessments to manage these operational risks. This includes the Council's leisure centre operator, Everyone Active, who's risk management forms part of the contract management undertaken by Cultural Services officers on a regular basis.
- 6.3 Individual projects managed by the Programme Team within Cultural Services each have their own Risk Register

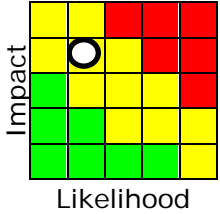
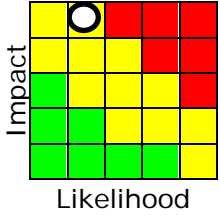
7. Alternative Option(s) considered

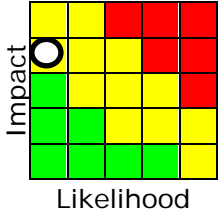
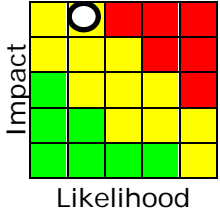
- 7.1 As this report is predominantly for information, at the request of the Finance and Audit Committee, no other options are proposed.

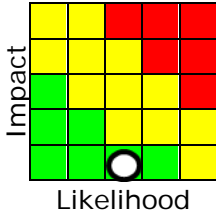
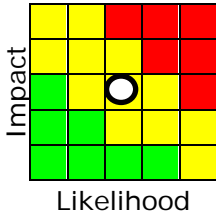
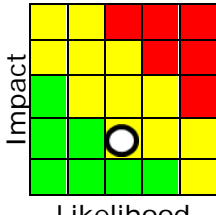
Cultural Services Risk Register (Feb 2019)

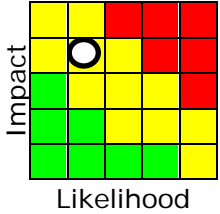
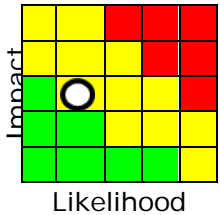
Risk description	Possible Triggers	Possible Consequences	Risk Mitigation/ Control	Required action	Responsible Officer	Residual Risk Rating
Generic Risks						
1. Loss or major damage to operational buildings	Fire Floods and storms Gas explosion Vandalism Civil unrest	Danger to occupants Non-availability of service Additional expenditure/loss of income Loss of customers	Business Continuity plans (CSMT) Normal operating procedures/ emergency Action Plans (Section Heads & building managers) Contract management of operators procedures where they are responsible for delivery of services in Council venues.	On-going review of Fire Risk Assessment procedures – corporate project	Building Managers Corporate Compliance Group	
2. Unplanned unavailability of R/H offices	Power failures Emergencies/ incidents including floods/ fire/terrorism	Minimal disruption to Cultural Services. Possible loss of data (hard copies).	WDC corporate approach for relocation of services. CS staff to relocate to Town Hall as temporary office space or home working. Business Continuity Plan for CS		Head of Cultural Services	
3. Plant failure	Mechanical breakdown; structural failure. Equipment nearing end of life. Flooding in plant rooms	Loss or restriction of service Health & safety risks Potential for damage to assets and high value items	Building Energy Management system. PPM - regular service by contractors Replacement of faulty items as scheduled . RSC Dimmers and motors were replaced July/Aug 2016. Maintenance contract in place for boilers at sports pavilions	Implementation of replacement programme based on 2013 Condition Survey (2015/16 onwards)	Asset Manager & Energy Manager with building managers Asset Manager	

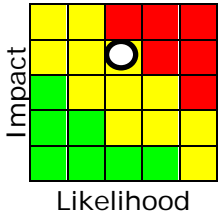
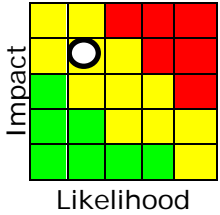
Risk description	Possible Triggers	Possible Consequences	Risk Mitigation/ Control	Required action	Responsible Officer	Residual Risk Rating
4. Loss of power/water	Local or external interruption to supply; power surge; failure of piece of equipment	Loss or restriction of service.	PPM - regular service by contractors (Building Managers & Energy Manager) Spa Centre dimmers and motors replaced, reducing risk of power overload and potential for loss of power	Implementation of replacement programme based on 2013 Condition Survey(2015/16 onwards)	Asset Manager & building managers	
5. Moved to new risk 44						
6. Failure to comply with Council Policy and/or legislation	Need for ongoing training for staff Failure to monitor staff Dishonesty	Staff resources tied up in investigations Reputational cost Poor service and complaints Loss of income Financial Effects	Legal and Financial controls (ICT) Supervision and monitoring (building managers) Audit inspections (Finance & building managers) Managers and Team Leaders on IOSH Managing Safely courses Training – HR for non HR Managers (employment legislation)		Head of Cultural Services and Section Heads	
7. Moved to new risk 42						
8. Moved to new risk 43						

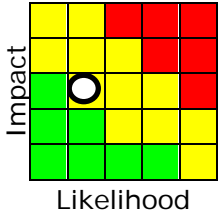
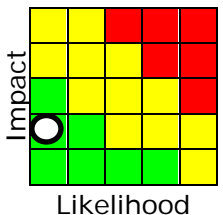
Risk description	Possible Triggers	Possible Consequences	Risk Mitigation/ Control	Required action	Responsible Officer	Residual Risk Rating
<p>9. Unauthorised access to buildings</p>	<p>Failure to check visitors ID Lack of access control Lack of staff awareness Lack of management of visitors to Riverside House</p>	<p>Theft/vandalism Staff and customers at risk Loss of income through non payment</p>	<p>Audit reports Physical barriers to control entry where applicable (Building Managers) Staff training (Building Managers) Key codes/access control methods regularly changed (Building Managers) Normal operating procedures and supervisors guidelines Installation of intruder alarm at Harbury Lane sports pavilion, and extension of alarm at Newbold Comyn sports pavilion</p>	<p>Ongoing vigilance at all sites and Riverside House</p>	<p>Building Managers</p>	
<p>10. Accidents to staff and customers</p>	<p>Lack of health & safety good practice including contractors working in venues Unpreventable accidents</p>	<p>Injury to individuals Loss of business Liability claims Loss of reputation Loss of staff working time</p>	<p>H&S audits (H&S reps & building managers) Accident reporting (building managers) Staff training (Section heads)</p>		<p>Building Managers and team leaders</p>	

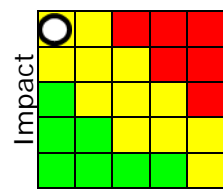
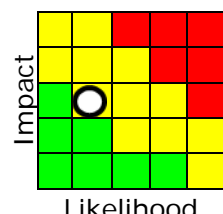
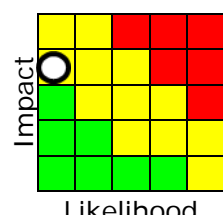
Risk description	Possible Triggers	Possible Consequences	Risk Mitigation/ Control	Required action	Responsible Officer	Residual Risk Rating
11. Abuse/ attacks on staff	Theft Vandalism Lone working Lack of training and knowing how to deal with situations	Staff injury Loss of staff time at work Stress Loss of confidence	Staff training and awareness, staff following guidelines of Normal Operating Procedures and Risk Assessments (Section Heads & Building Managers). Acceptable Behaviour Policy developed and shared across Cultural Services. Toolbox talks include lone working procedures (Building Managers) Meta training on Lone Working		Section Heads and Building Managers	
12. Legionella in operational buildings	Poor PPM Poor record keeping Lack of procedures or procedures not being followed Design of pipework Poor staff awareness	Serious public health issues/death Litigation and reputational risk Business risk	Legionella policy (Energy Manager & Safety Advisor) Staff training (Building Managers) Operational procedures (Building Managers) Senior officer group Corporate contract for maintenance - Hertel Active H/MIS now visible at all sites. New files created for un- manned buildings to ensure robust records are held for legionella and other building checks. Pending full implementation of new Assets team structure - temp post in "sports team" to ensure full compliance and full records (end of fixed term Jan 2019)	Awaiting implementation of new Assets structure which includes Compliance posts,	Corporate Compliance Group Building Managers	

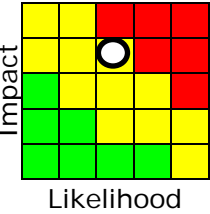
Risk description	Possible Triggers	Possible Consequences	Risk Mitigation/ Control	Required action	Responsible Officer	Residual Risk Rating
13. Loss of WDC network	Technical failure Floods/Fire Power cuts Viruses/hacking Human error/malicious damage Telecoms failure Lack of knowledge	Loss of access to data and/or loss of data; Loss of access to phones Reduced services; slow communication Potential loss of income	Back up processes (ICT) Business continuity plan (HoCS) Manual processes in place where appropriate (Section Heads) Mobile phones Updated Business Continuity Plan Nov 2017 Box Office ticketing system, Artifax, and telephones within the Arts team moved to the Cloud.		Head of Cultural Services ICT and Building Managers	
14. Loss of key management staff	Market forces; Illness Retirement Career progression	Loss of skills and knowledge Impact on remaining staff Loss of experience Reduced standards of service	Continued staff development to increase internal promotion opportunities (Section Heads) Workforce planning (Section Heads & HoCS) Sharing of information (CSMT) Workforce planning actions as per the Workforce Steering Group		Head of Cultural Services and Section Heads	
15. Unplanned loss of operational staff	Market factors - e.g. low pay Dissatisfaction, low morale Lapse of qualifications Disciplinary or dispute Illness	Restricted service or delay	HR procedures (Section Heads) Notice periods (Section heads & HR) Appraisals and 1:1 meetings (All Managers). Training matrix of qualifications (Section Heads)		Section Heads and Building Managers	

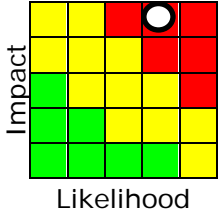
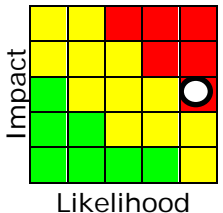
Risk description	Possible Triggers	Possible Consequences	Risk Mitigation/ Control	Required action	Responsible Officer	Residual Risk Rating
<p>16. Non-compliant procurement</p>	<p>Lack of understanding of procurement policy.</p> <p>Urgency of procurement forces urgent action - without the necessary approval</p> <p>Procurement cards replacing petty cash</p>	<p>Non-compliant contracts awarded or cancelled at last minute.</p> <p>Risk of challenge to WDC.</p> <p>Loss of reputation of WDC</p> <p>Potential financial cost</p>	<p>Budget managers aware of Code of Procurement Practice and their roles within it.</p> <p>Training completed for budget holders (Section Heads)</p> <p>On-going advice from Procurement Officers (Section Heads)</p> <p>Contracts register completed and monitored (Jan 2019)</p> <p>Contributions made to Corporate Procurement Plan 2019/20</p> <p>Use of Warwickshire Legal Services to advise on complex/high value procurement projects.</p>	<p>Awareness raising of new Code of Procurement</p>	<p>Section Heads</p>	
<p>17. Failure to manage budgets</p>	<p>Unauthorised spending on codes without sufficient budget.</p> <p>Poor budget management</p> <p>Lack of timely accurate budget data from ledger</p> <p>Lack of compliance with Code of Financial Practice</p> <p>Incorrect raising and management of annual orders</p> <p>Reduce Business Support team resources from Jan 2017</p> <p>Mis-use of procurement cards/not managed effectively</p>	<p>Financial loss to the Council</p> <p>Disciplinary action</p>	<p>Budget managers attend training by Finance team (Section Heads)</p> <p>Budget managers and Accountants monthly budget monitoring now well established (Budget Managers)</p> <p>Dedicated admin resources to support Arts team and Sport team as a result of restructures.</p> <p>Regular "cost" meetings within teams responsible for managing capital projects – project</p>		<p>Budget Managers</p>	

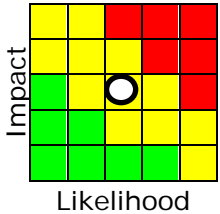
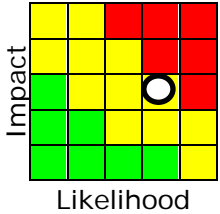
Risk description	Possible Triggers	Possible Consequences	Risk Mitigation/ Control	Required action	Responsible Officer	Residual Risk Rating
<p>18. Withdrawal of partners</p>	<p>Change of strategic objectives of partners</p> <p>Economic pressures</p>	<p>Loss of external funding</p> <p>Inability to deliver specialist services</p>	<p>Maintain strong relationships with key partners (Section Heads & HoCS)</p> <p>Forward planning within partnerships (Section Heads & HoCS)</p>		Section Heads	
<p>19. Failure of a major contract</p>	<p>Financial failure</p> <p>Breach of contract</p>	<p>Loss or suspension of service</p> <p>Loss of income</p> <p>Reputational loss</p>	<p>On-going robust contract monitoring (HoCS & AJ)</p> <p>Strong partnership and relationship (contract managers as appropriate)</p> <p>Advance planning for re-let at end of contracts (HoCS)</p> <p>Client team established to monitor leisure contract</p> <p>Following end of golf contract – options appraisal ongoing</p> <p>New catering contractor appointed from 5th Jan 2019. Contract management processes in place lead by Arts Manager</p>		Head of Cultural Services	

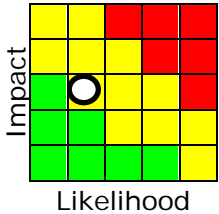
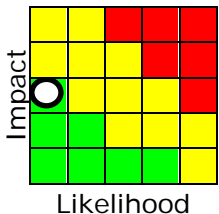
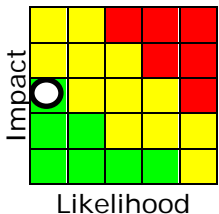
Risk description	Possible Triggers	Possible Consequences	Risk Mitigation/ Control	Required action	Responsible Officer	Residual Risk Rating
<p>20. Management of leaseholders/tenants to ensure compliance</p>	<p>Failure to comply with terms of lease or agreement</p>	<p>Reputational damage to Council</p> <p>Possible litigation</p> <p>Loss of income</p>	<p>Detailed contract documents which make responsibility clear and unambiguous regarding responsibilities.</p> <p>Sound management of leaseholders in partnership with Estates Manager (Section Heads)</p> <p>Sound legal advice from Warwickshire Legal Services</p> <p>Contract monitoring of Cultural Services contracts include checking of records on compliance</p>	<p>H&PS to send letters to all leaseholders regarding their responsibilities.</p>	<p>Section Heads</p> <p>Estates Manager</p>	
<p>21. Loss of crucial suppliers of specialist goods</p>	<p>Various</p>	<p>Impact on service delivery</p>	<p>Consider alternative suppliers that could be used in the event of a supplier failure (Section Heads)</p> <p>Managers aware of Code of Procurement and the actions that can be taken in the event of unplanned end of contract; approved emergency actions.</p> <p>Effective contract management by managers so that they are aware of any impending issues with suppliers</p>	<p>Roll out of new Code of Procurement once approved</p>	<p>Section Heads</p>	

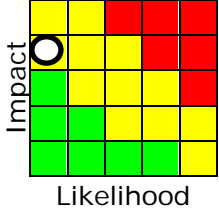
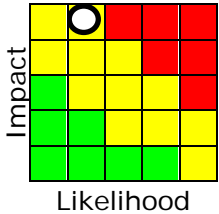
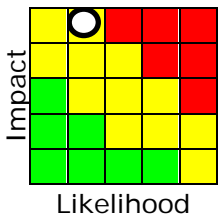
Risk description	Possible Triggers	Possible Consequences	Risk Mitigation/ Control	Required action	Responsible Officer	Residual Risk Rating
Sports & Leisure Risks						
22. Serious Injury, Heart attack, Loss of Life, – pitches, community sports events	Accidents, Medical Conditions, Cleaning chemicals, Lack of compliance with procedures by staff or contractors	Potential injury to staff \ users, potential loss of life, Insurance Claims, Loss of Reputation, Effects on - income, morale, & staff trauma	Normal Operating Procedures (NOP) Trained and qualified staff Risk Assessments, Staff training; AED in selected sites Industry Advice (S&L Contract Manager, S&L Contract Officer)		Sports & Leisure Contract Manager and Sports & Leisure Contract Officer	
23. Plant failure (pavilions only)	Poor maintenance, failure of components, Malfunction of equipment, Water/gas leak. Plant nearing end of life (EC Harris report and Property Service review)	Potential injury to staff/users, potential inability to maintain safe operating environment, Building Closure Revenue/reputation effects	Regular maintenance of equipment (contractors) Staff manual \procedures NOP	Revise and implement replacement programme based on 2013 Condition Survey, outcome of Options Appraisal report (November 2014),	Asset Manager and Energy Manager with Sports and Leisure Contract Officer	
24. Deleted						
25a. Deleted						
25b. Failure of leisure centre management contract	Failure of contract to manage the 6 leisure centres. 10 year contract from June 2017 with option for 5 year extension.	Financial impact on WDC due to loss of income from contract. Impact on operation of the leisure centres and the need to re-tender for new operator Loss of Council reputation	Robust procurement of selected operator in 2017 Client team established. Regular contract management controls in place Key performance indicators monitored and quarterly reports received. Review of first 12 months performance. Report received November 2018	Future Annual reports from Everyone Active – September each year.	Sports and Leisure Contract Manager DCE (AJ) and Head of Cultural Services	
26. Deleted						

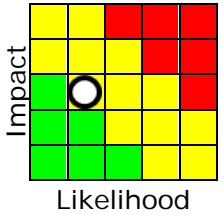
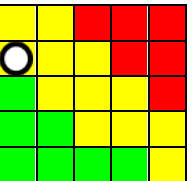
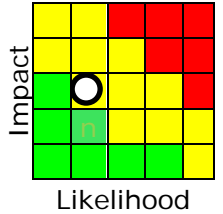
Risk description	Possible Triggers	Possible Consequences	Risk Mitigation/ Control	Required action	Responsible Officer	Residual Risk Rating
27. Deleted						
28. Deleted						
29. Deleted						
<p>31. Leisure Development Programme unable to hit milestones to deliver the Programme (investment and management strands)</p> <p>(Details see Programme Risk register)</p>	<p>Some work streams within the programme fail to be completed, resulting in projects not able to progress as per milestones in Programme.</p>	<p>Project costs increase</p> <p>Risk to commencement of the management contract</p> <p>Reputational damage and customer dissatisfaction.</p> <p>Impact on the concession paid by the external management contractor.</p>	<p>Programme Manager and Programme Board in place (posts now permanent). Clear roles and responsibilities within Programme team. Interim milestones agreed' critical actions identified.</p> <p>Separate Risk Register established for Programme for two work streams (investment and management)</p> <p>Key risks in Programme Risk Register. Ongoing monitoring by DCE (AJ) and Programme Board</p> <p>Phase II (Kenilworth) – milestones and governance to be agreed</p>		<p>Programme Manager and Programme Board</p>	 <p>Impact</p> <p>Likelihood</p>

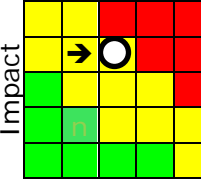
Risk description	Possible Triggers	Possible Consequences	Risk Mitigation/ Control	Required action	Responsible Officer	Residual Risk Rating
Arts (previously Arts & Heritage and Spa Centre and Town Hall)						
32. Flooding of areas of the Royal Pump Rooms	Heavy rainfall causes river flooding.	Reduction or loss of service until damage made good. Potential loss or damage to most of the Collection if flooding severe. Damage to M&E plant in the boiler room and impact on the building. This could impact on staff and customers depending on severity.	Early warning from National Flood Watch system ; flood barrier system to protect AG&M art store and temp exhibition gallery; maintain up-to-date Emergency Manual. Additional barrier added to boiler room (as part of works above). New sandbag system in place for Royal Pump Rooms from Autumn '18.		Arts Manager Asset Manager	
33. Leaks into RPR from roof	Heavy rainfall penetrates roof (condition survey by EC Harris identified extent of damaged areas).	Reduction of service until damage made good. Water damage to collections. Loss of WDC reputation and ability to receive items on loan in future.	Maintain roof in fair condition; AG&M staff inspect galleries and stores after heavy rainfall; maintain up-to-date catalogue of collections and insurance schedule. Condition survey to assess condition and inform repairs schedule Roof included in replacement programme based on Condition Survey (June 2013) Regular inspections of roof by contractor to clear debris and ensure drains are operational.	Identify timescale and work programme for roof replacement programme recommended in Condition Survey (June 2013) – Property Services	Arts Manager & Asset Manager	

Risk description	Possible Triggers	Possible Consequences	Risk Mitigation/ Control	Required action	Responsible Officer	Residual Risk Rating
<p>34. Theft or damage to exhibits / collections</p>	<p>Criminal activity by public or staff; water leaks from air-conditioning plant in store; failure of air-conditioning system; pest infestation in stores; leaks from pipes in upper floors and stores</p>	<p>Restricted service and / or loss of valuable items</p>	<p>Regular maintenance of intruder alarm system; trained staff invigilating galleries; maintain up-to-date catalogue of collections and insurance schedule; regular inspections of stores and on-going pest-management programme; regular maintenance of air-conditioning plant.</p> <p>Regular checks of storage of collection – safe and secure from damage.</p> <p>The floor of the staff area directly above the art store is now sealed and emergency shut off valve installed.</p>		<p>Arts Manager, Technical and Facilities Manager Asset Manager</p>	
<p>35. Loss of external grant funding</p>	<p>Change of policy or financial circumstances by grant awarding organisation/s</p>	<p>Reduction in quality and ambition of exhibitions and events programme; reduction in visitor numbers to AG&M</p>	<p>Ensure forward plan includes contingency for lower cost temporary exhibitions and events programme.</p> <p>Museum accreditation successfully re-attained in Oct 18.</p>	<p>Ongoing investigation of new sources of external funding and self generated income.</p> <p>Development of a new strategy from the new Arts team</p>	<p>Arts Manager</p>	

Risk description	Possible Triggers	Possible Consequences	Risk Mitigation/ Control	Required action	Responsible Officer	Residual Risk Rating
36. Failure to achieve budget targets	Depressed economic climate; Deterioration in quality of service offered; Reduction in available product; Additional competition; Reduced attendances; Unforeseen expenditure; loss of key hires	Impact on corporate financial position and Medium Term Financial Strategy	Management systems in place to encourage increased attendances; control expenditure; monitor performance. New structure in place Feb 2017 with Marketing and Programming team and increased focus on income generation. New Electronic Point of Sale (EPOS) system procured to be installed in bars in 2018 – better control of stock and monitoring of sales Relocation of Box Office to Pump Rooms and combined with Tourist Information function – extra sales/income		Arts Manager; Marketing and Programming Manager	
37. Staffing gaps - inability to operate the venues.	Ill health, unexpected absences or leavers	Inability to present performances and events; Short term increase in staffing expenditure	Alternative staffing provision in place; new staff structure was put in place in Feb 2017; NOP and knowledge now shared widely amongst existing team Artifax system installed late 2013 – allows resource planning including staffing. Integrated Arts team are more resilient and greater flexibility with the team working across 3 sites (RPR, RSC & TH)		Arts Manager Customer Services Manager Technical and Facilities Manager	
38. Loss of ProVenue ticketing system	Technical failure Ticket.com ceases trading	Inability to sell tickets; Loss of income	Manual system in place/IT backup. Box Office system linked with Leamington VIC and upgraded – completed July 2017. Ticketing solution was moved to cloud based solution – no longer reliant on WDC network.		Arts Manager	

Risk description	Possible Triggers	Possible Consequences	Risk Mitigation/ Control	Required action	Responsible Officer	Residual Risk Rating
<p>39. Theatre Plant/lighting failure</p>	<p>Various</p>	<p>Loss of service and loss of income</p>	<p>Maintenance programme; New sound and lighting equipment purchased through ERR summer 2013; competent technical team established</p> <p>New dimmers and motors installed July/Aug 2016</p> <p>New staff structure implemented from Feb 2017</p> <p>New Apprentice Technician post appointed</p>		<p>Technical and Facilities Manager</p>	
<p>40. Act of violence / threats against staff / general public</p>	<p>Suspected drug dealers situated nearby; Lone working; Crime</p>	<p>Injury to staff / general public; Legal action, Loss of reputation; Loss of staff; Loss of income;</p>	<p>Lone working procedures and additional security measures in place; Working with Community Protection Officer</p> <p>Installation of CCTV internally at Spa Centre</p> <p>Staff attend corporate Lone Working awareness training</p>		<p>Arts Manager</p>	
<p>41. Lack of ability to effectively monitor the movement of the public around the Town Hall site may result in property damage, theft or violence against staff, tenants and other users.</p>	<p>Members of the public accessing building on a regular basis to visit tenants or with intent to cause damage/find shelter etc</p>	<p>Property damage or theft may result in financial loss. Injury to staff / general public; Legal action, Loss of reputation; Loss of staff; Loss of income;</p>	<p>Facility staff on the front desk at the Town Hall at all times.</p> <p>Back up support available during opening hrs from University security staff</p> <p>CCTV in some parts of the venue</p> <p>Specific Risk Assessments done on the move of the MP into Room 23 at the Town Hall. Home Office signed off control measures.</p>		<p>Arts Manager</p>	

Risk description	Possible Triggers	Possible Consequences	Risk Mitigation/ Control	Required action	Responsible Officer	Residual Risk Rating
<p>42. Potential for financial loss through cash handling and banking procedures</p>	<p>Weak procedures Incomplete staff training Dishonesty Inaccurate record keeping Ongoing issues with OLR2 (online reconciliation of income) processes</p>	<p>Financial loss Reputational loss Risks of threats to staff</p>	<p>Double-signing for staff cashing up (Building Managers) Contracts with G4S for banking and change supply Section Heads) Ongoing review of processes re G4S. Implementation of actions from 2016 audits. OLR2 withdrawn and revert back to manual processes permanently until Finance can procure a new system.</p>		<p>Arts Manager Head of Finance</p>	
<p>43, Credit card fraud</p>	<p>Dishonesty; lack of robust procedures</p>	<p>Loss of income; complaints re loss of public funds; Disciplinary action</p>	<p>PCI DSS controls for credit card transactions and review of processes; ICT training; clear nominated users of ICT systems New systems in place to comply with PCI DSS at all sites. New booking systems comply with PCI DSS</p>		<p>Section Heads with ICT</p>	
<p>44. Loss of Electronic Data</p>	<p>Sabotage Malfunctions Inadequate staff training Loss of skilled people</p>	<p>Loss of income Breakdown of Service Loss of Reputation Disruption to forward planning Financial cost of recovery</p>	<p>Back-up processes and software assurance (Arts Manager) Staff training (Arts Manager) IT Support (ICT) Maintenance agreements (Arts Manager) Copy of Licences (Arts Manager)</p>		<p>Arts Manager with ICT</p>	

Risk description	Possible Triggers	Possible Consequences	Risk Mitigation/ Control	Required action	Responsible Officer	Residual Risk Rating
<p>45. Failure of Catering & Events concessions contract at Royal Pump Rooms / Restaurant In The Park</p>	<p>New start up company takes on the operation from March 2019. Recession / financial downturn.</p>	<p>Loss of income Breakdown of Service Loss of Reputation Disruption to forward planning Financial cost of re-providing</p>	<p>WDC insulated from risk by sub-contracting through CDP. Contractual agreement has tight service level expectations</p>	<p>Ongoing effective Contract management</p>	<p>Arts Manager</p>	 <p>New caterer, less well established</p>

Contract Ref.	Procurement Procedure	Contract Title	Description	Contract Type	Supplier	Organisation Size	Start Date	End Date	Review Dates	Annual Budget	Annual Spend	Contract Value	Extension Option	Comments	Signed Hardcopy of Contract?	Electronic Copy of Contract?
CS72DA0718	Framework: Direct Award	Diary and Resource Management System	Diary and Resource Management System: located at Royal Spa Centre and Town	Services	Artifax Software Limited	SME	01/08/2018	31/07/2020	01/10/2019	£ 8,546.50	£0.00	£ 13,381.00	2 x 12months	Upgrade through Gcloud 10. £8546.50 for year 1, £4834 for subsequent years	No	Yes
CS66LV0618	Non-OJEU Tender	Replacement of Main House speakers	Replacement of main house speakers at Royal Spa Centre, including supply of equipment, full installation, testing and training of	Goods & Services	Autograph Sales Ltd	SME	23/04/2018	22/04/2021	23/04/2019	£ 25,643.00	£0.00	£ 76,927.05	12 months		Yes	
CS50DA0815	Framework: Direct Award	Beer, Wines and Spirits including servicing of associated equipment	Beer, Wines and Spirits including servicing of associated equipment	Goods	Carlsberg UK Ltd	Enterprise	26/08/2015	26/08/2019	01/02/2019	£ 48,500.00	£43,321.00	£ 194,000.00	1+1+1+1years	Prices subject to negotiated annual increase 1 April. 4 year maximum contract. 01.09.16 Option taken to roll on contract for a further year. Purchase prices re-negotiated. 10/02/17 extension option being taken, letters to be sent out. May 2017 - Letters sent and signed. June 2018 1 yr extension option taken. Letter signed.	Yes	
CS73DA0818	Framework: Direct Award	Ongoing professional advice	Professional advice on the optimal disposal of all the commercial parcels of land within the whole	Services	DTZ Debenham Tie Leung T/A Cushman & Wakefield	Enterprise	01/08/2018	30/08/2022	01/08/2019	£ 6,500.00	£0.00	£ 20,000.00	No	Direct award through Framework CCS RM3816	No	Yes
CS63OJ0218	OJEU	SUPPLY, installation and OPERATIONAL support of a Climbing FACILITY for Newbold Comyn Leisure Centre	SUPPLY, installation and OPERATIONAL support of a Climbing FACILITY for Newbold Comyn Leisure Centre	Goods & Services	Entre-prise	Enterprise	22/02/2018	24/07/2023	01/01/2019	£ 220,000.00	£0.00	£ 210,750.00	5 years in increments	Open: Published Invitation to Tender. Three way contract between WDC, SLM and Entre-prise. SLM to manage contract and pay servicing at £27650/ annum from year 2. Will remain on the contract register as WDC is still present on the contract.	Yes	
CS46TQ0515	Quotation (min 3 suppliers)	Luxury Ice Cream	Resale luxury ice cream for the Royal Spa Centre	Goods	First Service Frozen Foods LTD	SME	01/07/2015	30/06/2019	01/04/2019	£ 7,500.00	£8,849.88	£ 30,000.00	1+1+1+1years	Fixed price for duration of 4 year contract. 01.09.16 Option taken to roll on contract for a further year. Purchase prices re-negotiated. 10/02/17 extension option being taken, letters to be sent out. May 2017 - Letters sent and signed. 20/6/18 extension option letter signed.	Yes	


CS31LV0214	Non-OJEU Tender	Digital Screening Equipment	Conversion of Cinema to Digital Screening Equipment	Goods	Future Projections	SME	13/02/2014	12/02/2019	02/01/2019	£ 700.00	£1,500.00	£ 40,331.00	On-going Maintenance Programme from 2 years up to a maximum of 5 years	Open: Published Invitation to Tender. £786.96 per year maintenance contract. Year on year. Roll on until Feb 2019. Service Level Agreement updated May 2017 - copy of contract sent to contract store. Reviewed august 2018, Laura to decide what the plan is moving forward. Would be possible to direct award for maintenance for 5 years. Review in November 2018.	Yes	
CS47TQ0615	Quotation (min 1 supplier)	Dishwasher Repair and Maintenance at the Royal Spa Centre	Dishwasher Repair and Maintenance at the Royal Spa Centre	Services	Hoffs Catering & Coffee Equipment	SME	01/07/2015	31/07/2019	31/04/2019	£ 1,200.00	£1,000.00	£ 4,800.00	1+1+1+1years	Fixed price per machine for duration of 4 year contract, but annual figure may change depending on number of machines. 08.06.16 Option taken to roll on contract for a further year. 01/02/17 Intension to extend, letters to be sent. May 2017 - Letters sent and signed. Review date 01/05/18 met, looking to extend contract for another year, in discussion with provider and extension request form needs filling out	Yes	
CS54OJ0616	OJEU	Provision of Pantomime Production at Royal Spa Centre	The Provision of Pantomime Production Services for 2016 to 2021	Services	Imagine Theatre Limited	SME	01/11/2016	03/01/2021	03/01/2020		£0.00	£ 490,050.00	3 Years	Open: Published Invitation to Tender There is an option to extend the contract by further 3 years after the initial term	Yes	
CS68TQ0618	Quotation (min 3 suppliers)	Hot Drinks supplies	Assorted Teas, Coffees and associated supplies to the Royal Spa Centre	Services	Liquidline Limited	SME	17/08/2018	17/08/2022	17/08/2019	£ 5,000.00	£0.00	£ 20,000.00	No	Reprocured using 3 quotes.	No	Yes
CS39MC0714	Framework: Mini Competition	Vending Machines for Corporate buildings	Vending machines for a number of corporate venues throughout the Warwick District (using ESPO Framework 900)	Goods	LTT Vending Ltd	SME	01/07/2014	30/06/2019	01/02/2019	£ 10,000.00	£10,000.00	£ 50,000.00	Option to extend for a further 1 + 1	Projected sales for the duration of the contract. WDC will receive a % commission of overall sales. Will terminate in line with commencement of new leisure centre management contract. Leisure Centres and Town Hall Terminated. Spa Center x 2 remaining. Contract extended to June 2019, another year option is available, exemption to be signed.	Yes	

CS45DA0515	Framework: Direct Award	Technical and Professional Services - leisure centre investment proposals	Technical and Professional Services - leisure centre investment proposals	Services	Mace	Enterprise	01/05/2015	30/07/2019	01/03/2019	£ 663,675.00	£181,898.25	£ 663,675.00	No	Appointed via NHS Framework (Shared Business Services). Phase I completed; Phase II commenced following Exec approval in Nov 2015. Engaged through to RIBA Stage 7. Extensions request by exemption. To go to Executive.	Yes	Yes
CE08TQ0614	Quotation (min 3 suppliers)	Town Hall AV System: Maintenance	Maintenance of the Town Hall AV System	Services	Mustard Presentations	SME	04/09/2014	03/09/2018	01/10/2018	£ 2,400.00	£2,435.00	£ 7,200.00	To be reviewed on an annual basis	Maintenance cover reviewed annually and was renewed Sept 2016. 15/05/17: System either be replaced totally with a new system at the Town Hall which will eventually be transferred to the HQ or it will wait until the new HQ is ready and it will become part of that project. following executive decision by October, plan will be known moving forward to reprocur or extend etc	Yes	Yes
CS62TQ1017	Quotation (min 3 suppliers)	Spa Centre Till system	Purchase on new till system plus support	Goods & Services	Point One	SME	01/11/2017	31/10/2022	01/10/2019	£ 16,780.00	£11,166.00	£ 24,300.00	Annual rolling	Purchase cost of £14900 plus £1880 annual service charge. Will go above £25,000 at 5 years, so will need reviewing.	No	Yes
NS47OJ0916	OJEU	Cash Collection Contract Lot 1	The provision of cash collection, cash delivery and cash in transit services from corporate	Services	Security Plus limited	Enterprise	01/11/2016	31/10/2020	01/11/2019	£ 10,686.00	£5,030.40	£ 42,744.00	2Years	Open: Published Invitation to Tender	Yes	
CS57OJ1116	OJEU	Refurbishment of Leisure Centres	Construction Services for Newbold Comyn and St Nicholas Park Leisure Centres	Works	Speller Metcalfe (Malvern) Ltd	Enterprise	02/12/2016	10/10/2019	01/04/2019	£ 12,968,210.00	£9,348,160.00	£ 12,968,210.00	No	Restricted: Published Invitation to Tender. Extended until 10th October 2019 due to delays in construction programme, due to problems with the utilities provider. Contractual work now completed, Contract entry left on register as currently in the 'Defects Period'	Yes	
CS59OJ0417	OJEU	Leisure Services Provider 2017	Service Provider for Leisure Services across Leisure Centres	Services	Sports and Leisure Management Ltd	Enterprise	01/06/2017	31/03/2027	01/06/2019		£1,000,000.00	£ 7,673,471.00	option to extend by a period of up to 5 years	Restricted: Published Invitation to Tender. Concession contract. Various sums over the term of the contract. £8,673,471 total concession fee less £1,000,000 paid by the Council to the contractor in years 1 + 2.	Yes	

CS71DA0717	Exemption	Provenue Ticketing System	Ticketing system for Box Office	Services	Tickets.com	SME	04/07/2017	04/07/2020	01/03/2020	£ 3,840.00	£5,340.00	£ 13,020.00	1 year renewal option each year	Contract awarded via exemption, reviewed in 2018 . 3 year exemption to allow to continue for 3 years.	Yes	
CS41NK0711	Exemption	Licence to use Victoria Park Tennis Courts	Licence to use Victoria Park Tennis Courts	Services	VP Tennis	Third Sector	08/06/2016	07/06/2026	01/06/2019	£ 2,000.00	£2,000.00	£ 20,000.00	No	VP Tennis pay WDC £2,000 pa for first 3 years, subject to annual review in line with retail price index after this initial period. 10 year license agreement, with option to terminate early by either party at any time with 6	Yes	
CS64DA0318	Exemption	Golf Course Maintenance	Maintenance of newbold comyn golf course	Services	Warwick Golf Centre Limited	SME	15/02/2018	15/02/2020	August 2019	£ 61,000.00	58,000	£ 119,000.00	No	Exemption signed for the period of 1 year. Exemption granted by Executive Jan 2019 to extend the contract for a further 12months at £61,000. Advice given that a further extension by exemption cannot be granted as this would exceed OJEU thresholds.	Yes	

Cost Centr Description	2018/2019	2017/2018	2017/2018	Comments on major variations comparing current year to previous year
	to Period 9 (December) as at 5th Feb '19	to Period 9 (December)	Total Spend	
	Total Spend	Total Spend	Outturn	
	£	£	£	
S1261 Commonwealth Games	45,194	0	0	Project commenced May 2018
S1275 Golf Course	98,005	17,675	27,458	Golf course closed, therefore no income in 2018. Maintenance costs apply in 2018 which at the same year before had not been agreed yet.
S1280 Edmondscote Sports T	79,988	34,359	60,317	One off improvement works/repairs: Track clean £5k; toilets £10k; Hammer cage net £4k; collapsed drains and drainage £9k; track repair and relining £38K
S1288 Outdoor Recreation	69,118	30,581	71,414	Ground Maintenance costs and the purchase of goal post from section 106 monies
S1295 Lillington Comm Cent	15,860	4,439	6,878	Repairs and improvements incl new fire alarm system £11k; new tenant started Sept 2018 paying twice the amount of previous tenant.
S1297 Client Monitoring Tm	631,629	1,122,072	510,717	This code includes payment of Management Fee to EA of £1mill; accounting process to show £500k in each of the 2 years.
S1305 Youth Sport Develop.	26,992	20,811	34,828	
S1313 Head of Culture	61,339	60,161	-22,558	
S1330 Town Hall Facilities	158,980	208,422	-281,878	Improved trading performance
S1335 Royal Spa Centre	-46,857	49,382	313,359	Improved performance at Period 9 due to increased income due largely to successful Panto run
S1356 Catering Contract	24,596	-12,645	-51,053	Delay in billing at the point of this report due to final settlement with Kudos combined with accruals from 2017/18 overestimated
S1365 Sports Facil Admin	516	8,139	-67,064	2 months of KC salary in 17/18; small costs associated with transfer to EA still being investigated.
S1367 Sports & Leisure Opt	304,770	103,162	309,548	JG - is this the result of salaries for CB & TW - what else ?? £51k EMR for Phase II; Europa Way salaries, consultants and legal £63k; £52k loss of income payment to EA
S1370 St. Nicholas Park LC	600	34,946	57,594	Low levels of spend - transfer over to Everyone Active: 17/18 included 2 months of in house operations
S1375 Abbey Fields SP	746	24,079	33,606	Low levels of spend - transfer over to Everyone Active
S1380 Newbold Comyn LC	28	63,009	78,631	Low levels of spend - transfer over to Everyone Active
S1385 Castle Farm RC	1,834	13,577	23,109	Low levels of spend - transfer over to Everyone Active
S1390 Myton School Dual U.	-893	-1,852	-1,378	Now part of the EA contract; small spend on legal costs to get new Agreement drafted
S1400 Meadow Community SC	95	7,650	9,000	Now part of the EA contract; small spend on legal costs to get new Agreement drafted
S1405 Royal Pump Rooms	880,657	325,298	620,161	DG/JG £347k for refurbishment works - to be moved to Capital at year end; £11k refurbishment of Concourse area
S3550 Tourism	31,766	24,282	46,120	
Total Net Excluding Capital/Support Services	2,384,963	2,137,548	1,778,809	

		2018/2019	2017/2018	2017/2018
		to Period 9	to Period 9	
		(December)	(December)	Total Spend
		Total Spend	Total Spend	Outturn
		£	£	£
		INCOME	INCOME	INCOME
S1275	Golf Course	-17,500	1,812	-15,688
S1280	Edmondscote Sports T	-16,086	-15,640	-19,973
S1288	Outdoor Recreation	-35,400	-34,657	-43,228
S1295	Lillington Comm Cent	-2,395	-1,884	-2,364
S1297	Client Monitoring Tm	0	0	-180,100
S1305	Youth Sport Develop.	0	-826	-826
S1313	Head of Culture	0	0	-117,598
S1330	Town Hall Facilities	-70,338	-63,539	-626,112
S1335	Royal Spa Centre	-1,208,646	-920,833	-1,169,994
S1356	Catering Contract	-4,476	-38,600	-86,321
S1365	Sports Facil Admin	0	0	-80,521
S1367	Sports & Leisure Opt	-2,647	513	-180
S1370	St. Nicholas Park LC	-107	-51,222	-47,055
S1375	Abbey Fields SP	0	-60,208	-60,208
S1380	Newbold Comyn LC	0	430	324
S1385	Castle Farm RC	0	-26,126	-26,126
S1390	Myton School Dual U.	0	-8,414	-8,414
S1400	Meadow Community SC	0	-7,288	-7,288
S1405	Royal Pump Rooms	-58,401	-64,456	-126,682
S3550	Tourism	-13,543	-6,599	-12,641
		-1,429,538	-1,297,537	-2,630,995

 Finance & Audit 5th March 2019		Agenda Item No. 8
Title	Update on Action Plan following Review of Closure of Accounts	
For further information about this report please contact	Andrew Jones (01926) 456830 Andrew.jones@warwickdc.gov.uk	
Wards of the District directly affected	All	
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?	No	
Date and meeting when issue was last considered and relevant minute number	5 th /6 th February 2019, F&A and Executive respectively	
Background Papers	Report as above	

Contrary to the policy framework:	No
Contrary to the budgetary framework:	No
Key Decision?	No
Included within the Forward Plan? (If yes include reference number)	No
Equality & Sustainability Impact Assessment Undertaken	No
Not applicable.	

Officer/Councillor Approval	Date	Name
Chief Executive	12/2/19	Chris Elliott
CMT	12/2/19	Chris Elliott, Bill Hunt, Andrew Jones
Section 151 Officer	12/2/19	Mike Snow
Monitoring Officer	12/2/19	Andrew Jones
Head of Service	12/2/19	Mike Snow
Portfolio Holder(s)	18/2/19	Councillor Peter Whiting
Consultation & Community Engagement		
Final Decision?	Yes, but some proposed actions will require further reports.	

1 SUMMARY

- 1.1 This is a monthly report which will set out the progress on the agreed action plan that was agreed in the report on the Review of the Closure of 2017/18 Accounts in October 2018.

2 RECOMMENDATION

- 2.1 That the Committee notes and provides any comments on the content of the action plan at Appendix 1.

3 REASONS FOR THE RECOMMENDATION

- 3.1 Appendix 1 sets out the monthly progress report on the action plan agreed following the Review of the Closure of the 2017/18 Accounts. Progress is to be noted and for the Executive and the Finance and Audit Scrutiny Committee to make any comments.

4 POLICY FRAMEWORK

- 4.1 Fit for the Future (FFF)

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

The FFF Strategy has 3 strands – People, Services and Money and each has an external and internal element to it. The Council's SAP's are the programme of work fundamental to the delivery of the strands described in the table below.

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
Not applicable	Not applicable	Not applicable
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	<u>Intended outcomes:</u> Focusing on our customers' needs Continuously improve our processes	<u>Intended outcomes:</u> Better return/use of our assets Full Cost accounting Continued cost

All staff are engaged, empowered and supported The right people are in the right job with the right skills and right behaviours	Increase the digital provision of services	management Maximise income earning opportunities Seek best value for money
The proposed action plan will help the Accountancy team and individual members of staff.	The proposed action plan implemented in full will enable a better financial service to be provided to the Council and the community it serves.	Not directly applicable though an improved service should enable the Council to deliver better outcomes on its finances.

4.2 **Supporting Strategies**

Each strand of the FFF Strategy has several supporting strategies. The People Strategy is the most relevant here but what is being proposed is directly in line with that Strategy.

4.3 **Changes to Existing Policies**

The action plan agrees a minor change to existing policies in relation to agency staff.

4.4 **Impact Assessments**

Not applicable.

5 BUDGETARY FRAMEWORK

5.1 The proposed action plan gives rise to increased costs. Further reports will be necessary and at that stage decisions can be made on costs and the benefits to be derived from them.

6 RISKS

6.1 The risk that arises relates to not implementing what is proposed; the risk being a repetition of events of this year and the subsequent harm to the Council's reputation.

7 ALTERNATIVE OPTIONS CONSIDERED

7.1 Various actions were considered in the development of the action plan but what is proposed is considered to be an appropriate response to the issues which have been identified.

8 BACKGROUND

8.1 The Background is set out in the report to the Executive of 31st October 2018.

Appendix 1: Action Plan Progress Report

This table sets out progress against the agreed actions. This is to be reviewed weekly by CMT with the Head of Finance and reported monthly to the Finance and Audit and Executive Committees until the 2018/19 set of accounts has been closed and at that time it should be reviewed as to whether this frequency remains necessary.

Strikethrough = Completed in cycle.

Highlighted = Change to text since last update.

Action	By When	Who	Progress	Priority and RAG
3. To report weekly in writing on progress on the project plan to CMT and monthly to Finance and Audit and to Executive	Weekly to CMT Monthly to F&A and Executive	Head of Finance	Update issued weekly to CMT and monthly to F&A/ Executive.	High/ Green
4. To review the requirement of point 3 following the successful closure of 2018/19 accounts	31 st August 2019	Finance and Audit/Executive Committees	Learning points from 2018/19 closure to be documented during and post 2018/19 closure.	High/ Green
7. To ask Project Manager to institute a whole team approach for closure of accounts for 2018/19.	From 31 st October 2018 until at least 31 st July 2019	Head of Finance	Project Manager taking a lead on meetings and discussions with all team members. Project plan shares the duties over whole team. All team have had 1 2 1 meetings to discuss and clarify what is being asked of them. Further training to be provided. Fortnightly team meetings.	High/ Green
10. To review the	From 31 st	Strategic Finance	Duties of team reviewed in	High/ Green

Action	By When	Who	Progress	Priority and RAG
policies, working practices and procedures of the Accountancy team and document them.	October 2018 to end of March 2019	Manager	detail, and reflected in closedown plan. Discussions held with all team members.	
11. To progress the feasibility stage of a new Finance IT system to report to Executive stage including project management support and training	1 st December 2019	Head of Finance	Business Case, high level plan and draft report for Employment Committee report being prepared for CMT consideration.	Medium/ Green
12. To review the Accountancy team in terms of structure, skills, capabilities and capacity.	30 th September 2019	Strategic Finance Manager	Advanced Excel training arranged for team in late February. Team briefing/training on working papers 21/2/19. Further 1 2 1 training being provided. Structure to be considered further following closure of 2018/19 Accounts.	High/ Green
15. To implement new performance management arrangements.	From 1 st April 2019	Chief Executive with support from the rest of the Senior Management Team	Report to March Employment Committee for permission to recruit the necessary staff resource.	Medium/ Amber
16. To review the Council's organisational arrangements for strategic finance and report to Executive and Employment Committee.	31 st August 2019	Chief Executive with support from the rest of the Senior Management Team	Corporate Management Team discussed approach with Human Resources and further discussions will shortly take place with full Senior Management Team. This review sits alongside and is	Medium/ Amber

Action	By When	Who	Progress	Priority and RAG
			strongly linked to the proposal for a Business Plan.	
18. To implement appropriate testing mechanism of organisational culture.	From 1 st April 2019	Chief Executive with support from the rest of the Senior Management Team	Reports will follow the above decision.	Medium/ Green
19. To undertake a lessons learned review after the closure of the 2018/19 accounts and report to Finance and Audit and Executive Committees and thereafter annually.	30 th September 2019	Head of Finance/Strategic Finance Manager	Links to action 4.	High/ Green
20. To agree that if recruitment fails via Commensura after 2/3 attempts managers can approach other agencies but must agree rates and terms/conditions (and that they are equivalent to Commensura). Manager must inform HR of agreement. Ensure when managers have recruited outside of Commensura, HR receives a copy of the agreement and costs.	31st December 2018 1 st April 2019	HR Manager	Working with Comensura to update our candidate/supplier profile. Updated guidelines to be presented to Workforce Steering Group March 2019 and Managers Forum April 2019. Work continues to progress with the Action Plan for Comensura and the Key Account Manager to prepare guidelines to be presented to WSG March 19/Managers Forum April 19.	Medium/ Green
21. To ensure for	31st December	HR Manager	Planned for Quarter 1	Medium/ Green

Action	By When	Who	Progress	Priority and RAG
monitoring purposes the costs are highlighted in Management Information as non Commensura agency costs.	2018 1 st April 2019		Management Information reporting as Point 20 14.12.18.	
22. Provide guidelines for managers regarding the process for recruiting via Commensura and the parameters of our contract arrangements plus benefits versus the costs incurred with direct agency recruitment.	31st December 2018 1 st April 2019	HR Manager	As Point 20.	Medium/ Green
23. Ensure managers understand the implications of recruiting outside of Commensura and where their responsibilities lie and HR's.	21st December 2018 1 st April 2019	HR Manager	As Point 20.	Medium/ Green
24 (AFR). The evidence base to demonstrate that assets are investment properties should be improved, with clear links to the asset management strategy of authority.	1 st September 2019	DCE (BH)	The necessary resources are now in place to ensure an Asset Management Strategy is brought to members for approval during 2019/20. It is planned that an initial draft will be circulated in May 2019 for refinement by internal	High/ Green

Action	By When	Who	Progress	Priority and RAG
			stakeholders and the final draft brought to the September 2019 Executive meeting. As part of the preparatory work a review of all current leases is underway and scheduled for completion by the end of the current financial year. Assets Manager is preparing a detailed timetable of actions required for review by CMT.	
25 (AFR). The Council needs to ensure that it formally documents the process for valuations, and that the valuer is provided with detailed instructions for the annual valuation exercise. There should be clear working papers demonstrating that the Council has provided the valuer with all of the appropriate information and that it has considered whether the information provided back from the valuer is complete and reasonable. The	1st January 2019 1 st March 2019 (milestone is agreement of instructions)	Principal Accountant TM	The information to be sought from the valuer, and timing thereof, will be considered by the Head of Finance, Accountants and Estates Manager in early January 2019 ahead of a formal instruction to the valuer being issued. The valuation process will be pro-actively monitored and shared with the Accountancy Team and the Estates Manager. Approach discussed and agreed with valuers. Letter being drafted by Project Manager to be shared with rest of relevant team members. Draft letter sent to valuers following scrutiny by team,	High/ Amber

Action	By When	Who	Progress	Priority and RAG
Council may also wish to review the timing of these valuations, because at present valuations are undertaken at varying points in the year, making the process more complicated than we see at other similar Councils			and shared with external auditors. It has been agreed with the valuers for them to review the draft ahead of the formal instruction being issued. Valuations have commenced their work.	
27 (AFR). The report of the Chief Executive includes a detailed action plan to ensure that the issues that have occurred this year are not repeated. It is key that this action plan is implemented and considered in light of the recommendations we have made as part of this AFR to ensure that all issues are addressed as part of the production of the financial statements in future years.	Ongoing	Head of Finance and others	See earlier responses. Alongside the Action Plan within the Chief Executive's report, the Accountancy Team have a more detailed plan that that was reported to Executive in January 2019 and is being kept up to date. Any dates at risk of being missed are being scrutinised.	High/ Green
28 (AFR). The Head of Finance should ensure that an appropriate	1st January 2019 1 st April	Final Accounts Project Manager	Training on the production of quality working papers for all the Accountancy Team will be	High/ Green

Action	By When	Who	Progress	Priority and RAG
<p>training programme is in place for all officers that produce working papers to support the financial statements. The training should include the features of a good working paper and a reminder that a good working paper should enable another suitably qualified professional with no prior knowledge of the authority the means upon which to re-perform the work.</p>	<p>(milestone is for all training to have been completed)</p>		<p>provided by the Final Accounts Project Manager early in the New Year. Also see 12 above. Following the dissemination and discussion of closure plan (shared 4/1/19 with team), training will be provided by KJ and others. Also see above. Working paper training on Project Manager plan for February. Standard working papers examples (good and bad) being prepared for a short training session for the team 21/2/2019. Slipped slightly due to other more critical tasks.</p>	
<p>29 (AFR) A working paper should be provided at year end which demonstrates how the Council has considered the work of the actuary and its reasonableness.</p>	<p>1st May 2019</p>	<p>Principal Accountant (Revenues)</p>	<p>This has been discussed with the Pension Fund Actuaries. An approach is planned that will enable variances to be identified, challenged, and explained. Now also discussed with valuers to agree the approach to be followed.</p>	<p>High/ Green</p>
<p>30 (AFR) Greater considerations should be given to whether more areas of the accounts would benefit from an increased</p>	<p>1st January 2019</p>	<p>Final Accounts Project Manager</p>	<p>The accruals process will be reviewed early in 2019, ensuring all parties are clear about their responsibilities, timings, and relevant de minimis levels. Initial</p>	

Action	By When	Who	Progress	Priority and RAG
reliance on estimation techniques to aid faster close.			discussions held with auditors, notably over accruals. Work to be undertaken by KJ/VB to determine appropriate thresholds. Accruals policy discussed with Accountants and Auditors, with proposed de-minimis levels agreed. Incorporated into Closedown plan for Budget Managers (circulated 11/2/19), with supporting forms.	
31 (AFR) There are a number of areas highlighted throughout the AFR where we have agreed with officers that disclosure omissions will be corrected in future years. The Head of Finance should ensure that the identified areas are actioned in future years.	1 st February 2019 31 st March 2019 (milestone is for approach to be agreed by the end of the financial year)	Final Accounts Project Manager	The disclosure omissions will be reviewed as part of the preparation for closedown. It should be noted that some disclosures were previously removed with the support of the auditors as part of the "de-cluttering" of the accounts. Being considered by Project Manager.	Medium/ Amber
32 (AFR) Controls around journals should be improved, particularly in relation to those prepared by contract staff.	1 st January 2019	Head of Finance & Principal Accountants	New controls on journals in place from 1 st January 2019. Have been discussed with whole team. Initial review of implementation has raised some issues which will be addressed.	

Action	By When	Who	Progress	Priority and RAG
			New process in place and being formally reviewed by SFM and PA(Revenue). Benefits of new approach being recognised.	
33 (AR) In future years officers should keep a full list of any proposed changes to the draft financial statements presented for audit. This list should be reviewed by the Head of Finance, in discussion with the auditors prior to any changes being made to the ledger and final set of financial statements.	1 st June 2019	Final Accounts Project Manager	Full controls will be implemented to ensure all proposed changes to the Statements are fully documented for discussion and agreement with the auditors.	Medium/ Green

Completed Actions in previous cycles

1. To present the completed 2017/18 accounts to Finance and Audit and Executive Committees at the November round of meetings	November 27 th — F&A November 28 th — Executive	Head of Finance	Completed	
2. To prepare a detailed project plan for the closure of 2018/19 accounts for approval by the Finance and Audit and Executive Committees at the December round of meetings, building upon the action plan developed by staff	January 2019— F&A January 2019— Executive	Head of Finance	Completed	
5. To recruit for the Strategic Finance Manager (SFM) post	From 31 st October 2018	Head of Finance with assistance from HR	Completed	
6. To reach agreement to maintain in post the current CIPFA Agency member of staff as project lead for closure of accounts until at least new SFM in post or the end of the closure of the 2018/19 accounts	31 st October 2018	Head of Finance with assistance from HR	Completed	

8. To appoint an Interim SFM until a permanent recruit is in place to lead the team and to institute normal management practices re team meetings 1-2-1s, appraisals, etc.	From 31 st October 2018 until at least 31 st July 2019	Head of Finance	Completed	
9. To retain the services of the 2 former members of staff at least on a part time basis until the closure of the 2018/19 accounts.	From 31 st October 2018 until at least 31 st July 2019	Head of Finance	Completed	
13. To provide a package of support to enable the delivery of improved performance management.	From 31 st October 2018	Deputy Chief Executive (AJ)/HR Manager	In place and ongoing.	
14. To review and report on proposals for the Council's performance management system.	31 st January 2019	Chief Executive with support from the rest of the Senior Management Team	A report elsewhere on the February Executive agenda sets out the proposal to establish a Business Plan for the Council and if agreed it will then be subject to a more detailed report in March 2019.	
17. To devise appropriate testing mechanism of organisational culture and to seek approval from the Executive.	31 st January 2019	Chief Executive with support from the rest of the Senior Management Team	It is proposed that in conjunction with the response to the 2018 IIP assessment that a staff PULSE survey be undertaken on a quarterly basis. The outcomes will be	

			reported regularly.	
26 (AFR). The arrangements for an impairment review should be considered and documented. These arrangements should be implemented as part of the 2018/19 closedown process.	1 st January 2019	Principal Accountant <u>TM</u>	The approach to the impairment review will be reviewed ahead of seeking information from the valuer (above). This will involve the full team and the Council's Estates Manager, and is in accordance with the Code of Practice. Valuation meeting scheduled for 16/1/19 with all stakeholders. Approach discussed and agreed with valuers.	

	Finance & Audit Scrutiny Committee 5 March 2019	Agenda Item No. 9
Title	Work Programme & Forward Plan	
For further information about this report please contact	Graham Leach 01926 456114 or committee@warwickdc.gov.uk	
Wards of the District directly affected	N/A	
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?	No	
Date and meeting when issue was last considered and relevant minute number	5 February 2019 – Minute Number 112	
Background Papers	N/A	
<p style="text-align: center;">This report is produced for Scrutiny meetings for governance purposes. It is part of the process for ensuring that the Council is held to account for the decisions it makes or may make.</p>		

1. Summary

- 1.1 This report informs the Committee of its work programme for 2019 (Appendix 1) and of the current [Forward Plan](#).

2. Recommendation

- 2.1 Members consider the work programme (Appendix 1) and agree any changes as appropriate.
- 2.2 The Committee to:
- identify any Executive items on the Forward Plan which it wishes to have an input before the Executive makes its decision; and
 - to nominate a Member to investigate that future decision and report back to the Committee.
- 2.3 The Committee notes the comments made by the Executive in response to the Committee's comments on Executive reports, as set out at Appendix 2.

3. Reasons for the Recommendation

- 3.1 The work programme should be updated at each meeting to accurately reflect the workload of the Committee.
- 3.2 Two of the five main roles of overview and scrutiny in local government are to undertake pre-decision scrutiny of Executive decisions and to feed into policy development.
- 3.3 If the Committee has an interest in a future decision to be made by the Executive, or policy to be implemented, it is within the Committee's remit to feed into the process.

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

3.5 Appendix 2, Comments from Executive, is produced to create a dialogue between the Executive and the Overview and Scrutiny Committee. It ensures that the Overview and Scrutiny Committee are formally made aware of the Executive's responses.

4. **Background**

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

4.2 The pre-decision scrutiny of Executive decisions falls within the role of 'holding to account'. To feed into the pre-decision scrutiny of Executive decisions, the Committee needs to examine the Council's Forward Plan and identify items which it would like to have an impact upon.

4.3 The Council's Forward Plan is published on a monthly basis and sets out the key decisions to be taken by the Council in the next twelve months. The Council only has a statutory duty to publish key decisions to be taken in the next four months. However, the Forward Plan was expanded to a twelve-month period to give a clearer picture of how and when the Council will be making important decisions.

4.4 A key decision is a decision which has a significant impact or effect on two or more wards and/or a budgetary effect of £50,000 or more.

4.5 The Forward Plan also identifies non-key decisions to be made by the Council in the next twelve months, and the Committee, if it wishes, may also pre-scrutinise these decisions.

4.6 There may also be policies identified on the Forward Plan, either as key or non-key decisions, which the Committee could pre-scrutinise and have an impact upon how these are formulated.

4.7 The Committee should be mindful that any work it wishes to undertake would need to be undertaken without the need to change the timescales as set out within the Forward Plan.

4.8 At each meeting, the Committee will consider their work programme and make amendments where necessary, and also make comments on specific Executive items, where notice has been given by 9am on the day of the Finance & Audit Scrutiny Committee meeting. The Committee will also receive a report detailing the response from the Executive, on the comments the Committee made on the Executive agenda in the previous cycle.

4.9 The Forward Plan is considered at each meeting and allows the Committee to look at future items and become involved in those Executive decisions to be taken, if members so wish.

- 4.10 As part of the new scrutiny process, the Committee is no longer considering the whole of the Executive agenda.
- 4.11 On the day of publication of the Executive agenda, all Councillors are sent an e-mail asking them to contact Committee Services, by 09.00am on the day of the Overview and Scrutiny Committee meeting to advise which Executive items they would like the Committee to consider.
- 4.12 As a result, the Committee considered the items detailed in Appendix 2. The response the Executive gave on each item is also shown.
- 4.13 In reviewing these responses, Committee can identify any issues for which they would like a progress report. A future report, for example on how the decision has been implemented, would then be submitted to the Committee at an agreed date which would then be incorporated within the Work Programme.

Finance and Audit Scrutiny Committee WORK PROGRAMME 2018/19

5 March 2019

Title	Audit Item or Scrutiny Item	Format	Lead Officer/ Councillor	Next report date if applicable	Completion date
Internal Audit Quarter 3 Progress Report	Audit	Written report followed by Q&A	Richard Barr		Quarterly
Internal Audit Strategic Plan (2019/20 to 2021/22)	Audit	Written report followed by Q&A	Richard Barr		
External Audit – 2017/18 Audit	Audit	Written report followed by Q&A	Mike Snow / Grant Thornton		Annually
Scrutiny of Service Area Performance – Culture	Scrutiny	Written report followed by Q&A	Rose Winship / Cllr Coker		As per rota below
Annual Governance Statement Quarter 3 Action Plan Report incorporating Review of Closure of Accounts	Scrutiny	Written report	Andy Jones / Cllr Whiting		Ongoing

2 April 2019

Title	Audit Item or Scrutiny Item	Format	Lead Officer/ Councillor	Next report date if applicable	Completion date
External Audit – 2018/19 Audit Plan	Audit	Written report followed by Q&A	Mike Snow / Grant Thornton		Annually
Procurement Strategy Annual Review	Scrutiny	Written report followed by Q&A	Mike Snow / Becky Reading / Cllr Whiting		Annually
Financial update on Covent Garden Car Park	Scrutiny	Written report followed by Q&A	Paul Garrison / Bill Hunt / Cllr Grainger		
Update on financial implications of delaying HQ move	Scrutiny	Written report followed by Q&A	Chris Elliott / Cllr Mobbs		
Update on costings of Phase I of Leisure Centre Project	Scrutiny	Written report followed by Q&A	Paddy Herlihy / Cllr Coker		

30 April 2019

Title	Audit Item or Scrutiny Item	Format	Lead Officer/ Councillor	Next report date if applicable	Completion date
Scrutiny of Service Area Performance – Health & Community Protection	Scrutiny	Written report followed by Q&A	Marianne Rolfe / Cllr Thompson		As per rota below

First meeting of the new Municipal year in 2019

Title	Audit Item or Scrutiny Item	Format	Lead Officer/ Councillor	Next report date if applicable	Completion date
Internal Audit Annual Report	Audit	Written report followed by Q&A	Richard Barr		Annually
Internal Audit Quarter 4 Progress Report	Audit	Written report followed by Q&A	Richard Barr		Quarterly
Annual Governance Statement	Audit	Written report followed by Q&A	Richard Barr		
Annual Governance Statement Quarter 4 Action Plan Report	Audit	Written report followed by Q&A	Richard Barr		Quarterly

Service area review rota
Finance
Housing
Neighbourhood Services
Development
Chief Executives
Cultural Services
Health & Community Protection

**Response from the meeting of the Executive on this Committee's Comments
6 February 2019**

Items no.	4	Title	2019/2020 General Fund Budget & Council Tax
Scrutiny Comment	<p>The Finance & Audit Scrutiny Committee supported the recommendations in the report but raised a number of concerns about the strategic overview of Reserves and the manner in which they are reported to Members.</p> <p>Members also noted that recommendation 2.4 should read £99,000</p>		
Executive Response	The Executive noted the comments from scrutiny and recommendation 2.4 was amended to read £99,000.		

Items no.	5	Title	Housing Revenue Account (HRA) Budget 2019/20 and Housing Rents
Scrutiny Comment	The Finance & Audit Scrutiny Committee supported the recommendations in the report.		
Executive Response	No response required.		

Items no.	6	Title	Treasury Management Strategy 2019/20
Scrutiny Comment	The Finance & Audit Scrutiny Committee supported the recommendations in the report.		
Executive Response	No response required.		

Items no.	9	Title	Delivery of St Mary's Lands Masterplan for 2019/20 and beyond, Warwick
Scrutiny Comment	The Finance & Audit Scrutiny Committee supported the recommendations in the report.		
Executive Response	No response required.		

Items no.	14	Title	Update on Action Plan following Review of Closure of Accounts
Scrutiny Comment	<p>The Finance & Audit Scrutiny Committee supported the recommendations in the report and requested that Officers highlight for Members those actions which are critical to the timely closure of accounts for 18/19, and, especially, any risks to that objective being met, for example from slippage in their target completion dates.</p> <p>In addition, the Committee agreed that this item would be added to their own work programme.</p>		
Executive Response	No response required.		