Audit and Standards Committee

Agenda

The Audit and Standards Committee will meet at the **SHIRE HALL, WARWICK on 28th May 2009 at 10:00 a.m.**

The agenda will be: -

1. General

(1) Apologies for absence

(2) Members' Disclosures of Personal and Prejudicial Interests

Members are reminded that they should declare the existence and nature of their personal interests at the commencement of the relevant item (or as soon as the interest becomes apparent). If that interest is a prejudicial interest the Member must withdraw from the room unless one of the exceptions applies.

(3) Minutes of the Audit and Standards Committee meeting held on 24th February 2009 and matters arising.

STANDARDS ITEMS

2. Standards Board for England – Bulletins No. 42 and 43

Report of the Strategic Director Customers, Workforce and Governance.

This report encloses the latest issues of the Standards Board Bulletins No. 42 and 43

Recommendation
That the Committee notes the latest Standards Board Bulletins

For further information please contact John Wright, Committee Manager, Tel: 01926 412320 e-mail johnwright@warwickshire.gov.uk.

AUDIT ITEMS

3.   Annual Audit and Inspection Letter

Report of the Chief Executive

The report presents the Audit Commission annual audit letter for consideration by the Committee.

Recommendation
That the report be noted

For further information please contact Tricia Morrison Corporate Planning and Performance Manager Tel: 01926 73(6319)
Email:triciamorrison@warwickshire.gov.uk

4.   Audit Opinion Plans 2008/09

Report of the Strategic Director Resources

To submit to the committee copies of the Audit Commission's Audit Opinion Plans 2008/09 for the County Council and the Warwickshire Pension Fund.

Recommendation
That the Committee consider the Audit Commission's Audit Opinion Plans for 2008/09 and seek any clarification from the Audit Commission.

For further information please contact Oliver Winters, Head of Finance Tel: 01926 412441 Email oliverwinters@warwickshire.gov.uk

5.   Annual Governance Statement

Report of the Strategic Director Customers, Workforce and Governance

This report sets out the conclusions of the review of internal control as part of the overall process that fulfills the Authority's statutory obligations to publish an Annual Governance Statement. It presents a draft Annual Governance Statement for scrutiny prior to submission to Cabinet.

Recommendation
That the Committee consider the results of the review of internal control and draft Annual Governance Statement and identify any matters they wish to bring to the attention of the Chief Executive and Leader of the Council who will be the signatories to the Statement.

For further information please contact Greta Needham, Head of Law and Governance Tel: 01926 412319 Email greatneedham@warwickshire.gov.uk Garry Rollason, Audit and Risk Manager Tel: 01926 412679 Email garryrollason@warwickshire.gov.uk

6.   Internal Audit Strategy 2009/10

Report of the Strategic Director Customers, Workforce and Governance

This report asks the Committee to endorse the 2009/10 internal audit plan

Recommendation
That the proposed internal audit strategy be approved

For further information please contact Greta Needham, Head of Law and Governance Tel: 01926 412319 Email greatneedham@warwickshire.gov.uk Garry Rollason, Audit and Risk Manager Tel: 01926 412679 Email garryrollason@warwickshire.gov.uk

7.   Strategy for Implementing International Reporting Standards

Report of the Strategic Director Resources

This report details plans for the implementation of International Financial Reporting Standards

Recommendation
That the report be noted

For further information please contact Andrew Lovegrove, Accounting Services Team Leader Tel: 01926 412242 Email andrewlovegrove@warwickshire.gov.uk

8.   Audit and Standards Work Programme

Report of the Strategic Director Performance and Development.

This report encloses the latest work programme for the Committee

Recommendation
That the Committee consider the latest work programme for the Committee

For further information please contact John Wright, Committee Manager, Tel: 01926 412320 e-mail johnwright@warwickshire.gov.uk.

9.   Any Other Business

Which the Chair decides is urgent.

10. Future Meeting Dates

To note future meeting dates to be held in Shire Hall at 10:00 a.m. as follows -
21 September 2009.
23 November 2009
22 February 2010

11. Report Containing Confidential or Exempt Information

To consider passing the following resolution:

'That members of the public be excluded from the meeting for items 12 and 13 below on the grounds that their presence would involve the disclosure of confidential or exempt information as defined in paragraph 7 of the Local Government Act 1972'.
(NB.   Copies of extracts describing exempt information are available in Warwickshire Libraries, the County Council Handbook and the Access to Information Register held in my office).

12   Exempt minutes of the meeting held on 24th February 2009

13. Internal Audit Annual Report

Report of the Strategic Director Customers, Workforce and Governance

This report summarises the results of internal audit work during 2008/9 for consideration by the committee

Recommendation
That the committee considers the annual report and recommends to Cabinet issues to be included in the Annual Governance Statement

For further information please contact Garry Rollason, Audit and Risk Manager Tel: 01926 412679 Email garryrollason@warwickshire.gov.uk

Jim Graham
Chief Executive

Shire Hall,
Warwick
May 2009

Membership

Councillors Sarah Boad, Les Caborn, Mick Jones, Tim Naylor, Bob Stevens and John Vereker CBE.

Independent Members: John Bridgeman CBE, (Chair), Rob Jeanes, Mark Magowan and Bob Meacham OBE

If you have any questions about this agenda please contact John Wright, Committee Manager, Member Services, Performance and Development Directorate, Tel. 01926 412320 or e-mail johnwright@warwickshire.gov.uk

The **AUDIT AND STANDARDS COMMITTEE** met at **WARWICK** on the **24th February 2008.**

Present: -

Independent Members

John Bridgeman CBE (Chair)
Rob Jeanes
Bob Meacham OBE
Mark Magowan

County Councillors

Sarah Boad
Les Caborn
Mick Jones
Tim Naylor
Bob Stevens
John Vereker CBE

Officers
David Carter Strategic Director Performance and Development
David Clarke, Strategic Director Resources
Dharmista Harkisan-Hall, Children's Partnership Manager
Greta Needham, Head of Law and Governance
Jane Pollard, Corporate Legal Services Manager.
Garry Rollason, Audit and Risk Manager
John Wright, Committee Manager

Also present:
David Rigg and Steve Welland, Audit Commission.

1. General

(1) Apologies for absence

No apologies for absence were received

(2) Members' Disclosures of Personal and Prejudicial Interests

Councillor Boad declared a personal interest in agenda item 7 "Contract Standing Orders for Schools" as she was a Governor at North Lean School and Lillington Nursery School.

Councillor Stevens declared a personal interest in agenda item 7 "Contract Standing Orders for Schools" as he was the Chair of Governors at Southam College.

Councillor Vereker declared a personal interest in any part of agenda item 14 "Internal Audit Report" relating to the Atherstone on Stour Fire as he was a member of the Police Authority.

(3)   Minutes of the Audit and Standards Committee meeting held on 18th November 2008.

Resolved that the minutes of the meeting held on 18th November 2008 be approved and signed by the Chair as a correct record subject to the references in Minute 11 "Internal Audit Report for the period 1 April 2008 to 30 September 2008" to a "Project Management Approach Officer" being amended to read "Project Management Officer".

(4)   Matters Arising.

Minute 11 "Internal Audit Report for the period 1 April 2008 to 30 September 2008"

Members were informed that the Project Management Officer post had been deleted as part of the budget.

2.   Standards Board for England – Bulletin No 41

The Committee considered the report of the Strategic Director of Performance and Development on the content of the Standards Board Bulletin No 41.

Members were informed that the Adjudication Panel now had the same level of sanctions available to it as were available to Standards Committees.

Members noted that six councils had been short listed for a Local Government Chronicle award and suggested that as those authorities had been picked out as examples of best practice officers should investigate what lessons, if any could be learnt from those Councils to improve this Council's performance.

Resolved that the content of the Standards Board Bulletin No 41 be noted.

3.   Mediation - Advice For Elected members

The Committee considered the report of the Strategic Director Performance and Development on a guidance note which had been prepared to advise members who were engaged as a mediator in a dispute between constituents.

Members considered the report in detail and made the following points
- When asked to act as a mediator Councillors should seek advice from the Council's legal team
- Mediation may not be an appropriate role for members. There were a number of professional mediation services available and constituents should be referred to them rather than Councillors risking getting involved in situations they were not equipped to deal with.
- The guidance note should include a warning for Councillors about becoming involved in mediation
- Councillors need to be able to demonstrate their independence
- In some cases local councillors play an important part in resolving local disputes but it is important for councillors to be aware of the scale of the issues they become involved in and when to step away

- Guidance on dealing with local disputes should be included in the induction process for new councillors.

In light of the comments made by members the Strategic Director undertook to review the guidance note and to decide whether it's contents should be provided to members as either formal or informal advice and how the issue of mediation could be included in the induction process for new councillors.

4. Annual Report of the Committee

The Committee considered the report of the Strategic Director Performance and Development on the annual report of the Committee.

Members made a number of comments on the contents of the report and suggested that
- The report should say that the committee has examined many areas of work in detail and the Council has stood up well to examination
- The biographies of Councillors should be removed
- There should be a separation of audit and standards functions
- More detail should be included on the audit function including coverage of improvements in service and identification of fraud resulting from audits

Resolved that a revised draft of the annual report be circulated to all members of the committee for their comments prior to submission to Council.

AUDIT ITEMS

5. Triennial Review of Internal Audit

The Committee considered the report of the Strategic Director Performance and Development on the outcome of the recent Audit Commission review of Internal Audit.

Members were informed that the outcome of the review was excellent and concluded that the service fully complied with the Cipfa Code and provided good service to the Council. Warwickshire was the only Council in the region to have achieved such a high rating. The Audit Commission stated that there were no areas for improvement.

The Audit Commission advised the Committee on the amount of time they spent each year carrying out audits of the Council and the cost of doing so.

Resolved that
(1) The report be noted; and
(2) The thanks and appreciation of the Committee for the work done by the Internal Audit team namely Jennifer Adams, Rachel Booton, Marie Chell, Claire Davies, Richard Hill, Graham Hobbis, Lynn Joyce, Chris Kenny, Tania Kiff, Dennis Ovard, Neil Ovard, Garry Rollason, Andrew Wood and Simone Wray, be recorded.

6. Contract Standing Orders

The Committee considered the report of the Strategic Director of Performance and Development on the findings of the 2008/9 contract standing orders compliance audit.

The audit involved meeting directorate contract co-ordinators to assess the arrangements they have to ensure compliance with Contract Standing Orders and to check that action had been taken to address the findings of the previous audit. Following this a sample of contracts let were reviewed against key requirements of Contract Standing Orders to assess compliance.

The audit had not identified any major areas of concern but had identified issues for each directorate to address. Each directorate would be asked to produce an action plan to demonstrate how they would remedy the issues that had been identified and progress against the action plan targets would be monitored.

Resolved that
(1)   The report be noted; and
(2)   If there are significant problems in any directorate in meeting their action plan targets a report be submitted to a future meeting of the Committee.

7.   **Contract Standing Orders for Schools**

The Committee considered the report of the Strategic Director of Performance and Development on key developments since the launch of the New Contract Standing Orders for Schools in September 2008.

A series of training events for all staff involved in contract standing orders for schools would be taking place in March 2009. The contracting staff, head teachers and governors of all schools had been invited to attend and there had been a good response to date.

Internal audit would be carrying out a series of random audits at schools to ensure that the Contract Standing Orders were being complied with.

The DCSF had recruited National Schools Procurement Officers across the region to support schools to improve their procurement of goods/services for at least 2 to 3 years and the dedicated officer for Warwickshire was already working in the Children, Young People and Families Directorate.

Resolved that the.
(1)   The report be noted; and
(2)   A report be submitted to a future meeting of the committee on the outcome of the audits of schools compliance with the new Contract Standing Orders for schools.

8.   **2007/08 Use of Resources Assessment**

The Committee considered the report of the Strategic Director Resources on the annual Use of Resources assessment which was carried out by the Council's internal auditors, as part of the CPA National framework. The

assessment evaluated how well the Council managed and used its resources. For 2007/08 the Council was assessed as being Level 4, the highest level.

Members welcomed the report and the fact that the Council had received such a high assessment. The Committee requested that reference to the assessment should be included in the Committee's annual report.

The Committee was informed the assessment criteria for the next year would be significantly different. The new assessment will cover a much wide range subjects. Members were concerned that the change of criteria could affect the rating awarded to the Council and therefore may have a negative effect on the public's perception of the effectiveness of the Council. Members requested that a press release be issued on behalf of the Committee explaining the new assessment criteria.

Resolved that
(1) The report be noted;
(2) Reference to the assessment should included in the Committee's annual report; and
(3) A press release be issued by the Chair on behalf of the Committee explaining the outcome of this year's assessment and the new assessment criteria for next year.

9. Data Quality Audit

The Committee considered the report of the Strategic Director of Performance and Development on a Data Quality Audit Summary report and action plan, resulting from an audit carried out by the Audit Commission in September - October 2008.

The Council had been assessed at level two which was the same level as many other Councils. Improvements had been made to both systems and process but performance had not improved enough to be assessed at level 3. The Level 2 assessment was felt to be fair. As a result of the assessment the auditor had produced an action plan outlining five recommendations for the council to address. Members were informed that it was proposed to raise accountability to Head of service level in order to strengthen the response to the action plan. A report would be submitted to Cabinet in March

Resolved that
(1) The report be noted; and
(2) The response to the recommendations made by the Audit Commission be endorsed.

10. Audit and Standards Work Programme

The Committee considered the report of the Strategic Director of Performance and Development on the work programme for the Committee.

Resolved that the report be noted.

11. Any Other Business

None.

12. Dates of Future meetings

28th May 2009
8 June 2009

13. Report Containing Confidential or Exempt Information

Resolved that members of the public be excluded from the meeting for item 14 and below on the grounds that their presence would involve the disclosure of confidential or exempt information as defined in paragraphs 1,2 and 7 of the Local Government Act 1972.

14. Internal Audit Report.

The Committee considered the report of the Strategic Director of Performance and Development which summarised on the results of internal audit work during the period 1 October to 31 December 2008.

Resolved that
(1)   the report be noted;
(2)   Members of the Committee be provided a briefing note on the administration of passenger transport consultation exercises including an assurance that the long term absence of the relevant officer was being managed; and
(2)   The above briefing note to include advice on whether it would be possible to seek compensation from Network Rail for the delays in the completion on the Rugby Western Relief Road.

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Chair of Committee

The Committee rose at 12:40 p.m.

AGENDA MANAGEMENT SHEET

Name of Committee	**Audit And Standards Committee**
Date of Committee	**28 May 2009**
Report Title	**Standards Board For England – Bulletins No.42 and 43**
Summary	The report encloses the latest issue of the Standards Board Bulletin
For further information please contact:	John Wright Committee Manager Tel: 01926 412320 johnwright@warwickshire.gov.uk
Would the recommended decision be contrary to the Budget and Policy Framework?	No.
Background papers	None

CONSULTATION ALREADY UNDERTAKEN:- Details to be specified

Other Committees	☐	....
Local Member(s)	☒	N/A
Other Elected Members	☐	....
Cabinet Member	☐	....
Chief Executive	☐	....
Legal	☒	David Carter and Greta Needham
Finance	☐	....
Other Chief Officers	☐	....
District Councils	☐	....
Health Authority	☐	....
Police	☐	....
Other Bodies/Individuals	☐	....

Warwickshire
County Council

FINAL DECISION   YES

SUGGESTED NEXT STEPS: Details to be specified

Further consideration by   ☐   ....
this Committee

To Council   ☐   ....

To Cabinet   ☐   ....

To an O & S Committee   ☐   ....

To an Area Committee   ☐   ....

Further Consultation   ☐   ....

Warwickshire
County Council

Audit And Standards Committee – 28 May 2009.
Standards Board For England - Bulletins No.42 and 43

Report of the Strategic Director Customers, Workforce and Governance

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Recommendation

That the Committee notes the contents of the latest Standards Board Bulletins.

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1.   Introduction

This report attaches the latest Standards Board Bulletins No. 42 and 43.

2.   Newsletter highlights.

2. 1   Newsletter No 42 highlights include:
- The Standards Committee (Further Provisions) Regulations 2009
- Quarterly returns: The story so far - performance reports on complaints
- Getting indemnification arrangements right
- Bias and the Code of Conduct
- Bringing standards into focus - next annual conference

2.2   Newsletter No 43 highlights include:
- Guidance on Other Action Details on forthcoming guidance on other action produced in response to a number of enquiries on this matter.
- Application of the Code to private capacity A clarification and summary of our position on this complicated issue.
- Review of online monitoring system – an update Results from the third part of the Standards Board's online monitoring system review.
- Annual return arrives! Information on our new annual return questionnaire, which was launched on 20 April.
- Conservative local government conference Feedback about the local standards framework from delegates who attended the conference .
- Rossendale council wins Standards and Ethics award Rossendale Borough Council wins in the Standards and Ethics category at the LGC Awards 2009

DAVID CARTER
Strategic Director of Customers, Workforce and Governance

Shire Hall Warwick 10th May 2009

Warwickshire
County Council

Welcome to Issue 42 of the Bulletin.

I am pleased to introduce this new-look electronic version of the Bulletin. You can now see at a glance which article you would like to read, choose to print individual articles or the whole issue, and search for any information contained in it on our website.

We have made these changes as part of our commitment to continually improving our communications with you, and as a result of feedback from some of you on the previous format. As always, we welcome your thoughts and ideas – you can contact us at bulletin@standardsboard.gov.uk.

At the start of 2009, we are building up a picture of your work through the online quarterly returns thanks to your continued help. In this Bulletin we summarise some of our findings from these returns and update you on our review of the returns system and our plans for the new annual return.

Many of you will be awaiting new regulations which will allow authorities to form joint standards committees. In this issue, we summarise these regulations, which will also provide the Standards Board with powers to suspend an authority's initial assessment functions and will add to rules governing member dispensations.

In addition, we use this issue to ask authorities to consider their indemnification policies, following concerns raised from members about their authority's current arrangements. We also comment on a recent case in the High Court involving bias in planning decisions and highlight the Adjudication Panel for England's merger with the Tribunal Service.

The Standards Committee (Further Provisions) Regulations 2009

Draft regulations are being prepared which will allow the Standards Board to suspend the initial assessment functions of an authority and will enable authorities to establish joint standards committees. They will also amend the powers of standards committees to grant dispensations to members who

would otherwise be unable to take part in authority business because of a prejudicial interest. We expect the regulations to come into force in May 2009.

Suspension of initial assessment functions

The circumstances in which the Standards Board will intervene are likely to include an authority's failure to have regard to our guidance or comply with our directions, or when the standard committee or monitoring officer fails to carry out their functions properly. The Standards Board might also be invited by the authority or the standards committee to intervene.

When the Standards Board intends to suspend the authority's initial assessment functions, we will notify the authority, give our reasons and ask for any observations. If a direction is made, the authority must publish details of it in a local newspaper and any other publication the Standards Board thinks is appropriate.

Once the reasons for the direction cease to exist, the Standards Board will revoke the direction.

Joint standards committees

Joint standards committees will be able to deal with all or any functions of a standards committee but there can be no concurrent functions. The Local Government Act 2000 and supporting regulations have effect in that any reference to a standards committee is a reference to a joint standards committee for the purposes of the functions delegated to it.

The terms of reference of the joint committee must include the following:

- the functions they are to have
- the administrative arrangements
- where written allegations should be received for each authority involved in the arrangements
- the number of members and their terms of office
- any allowances they will get
- how to withdraw from the joint arrangement

The finances are to be shared as agreed by the authorities involved and in default of agreement will be decided by an arbitrator appointed by them.

The Standards Board will be producing guidance on joint standards committees which will include a draft constitution or terms of reference incorporating a template for the information required by the regulations.

Dispensations

The ability to get a dispensation remains for instances when more than 50% of the members who would be able to vote are prevented from doing so by the Code of Conduct. A new provision clarifies that members can seek a

dispensation where the political balance of the meeting would be upset sufficiently to prejudice the outcome of voting on the issue. This is similar to a provision that has been in existence in Wales for some time.

Quarterly returns: The story so far

The new standards framework has now been in place for ten months. As you may know, the Standards Board collects information, on a quarterly basis, on case activity and the profile of standards committees. Since we are now well into the fourth quarter, we thought it might be a good opportunity to take stock and reflect on the data we have.

Back in *Bulletin 40* we ran an article expressing our gratitude to the **98%** of authorities that completed returns for the first quarter. Since then, quarterly reporting has gone from strength to strength, and we are delighted to report that we received returns from all **473** principal authorities for the second quarter. This perfect return rate almost continued through to quarter three, but fell just short at **99%**.

In the future, we will be naming on our website all of the authorities that do not complete returns. This is partly to encourage authorities to carry out the task, as we are unable to oversee the case-handling process without relevant data. It is also for transparency, as anyone using our quarterly statistics needs to be able to identify which authorities are excluded from the analysis.

What can we tell from data from the first three quarters?

Standards committees

Quarterly returns tell us that:

- a typical standards committee in an authority without parishes has **nine** members, including **four** independent members
- a typical standards committee in an authority with parishes is slightly larger with **11** members, including **four** independent members and **three** parish representatives
- on average, district and metropolitan councils have the largest standards committees and police authorities have the smallest
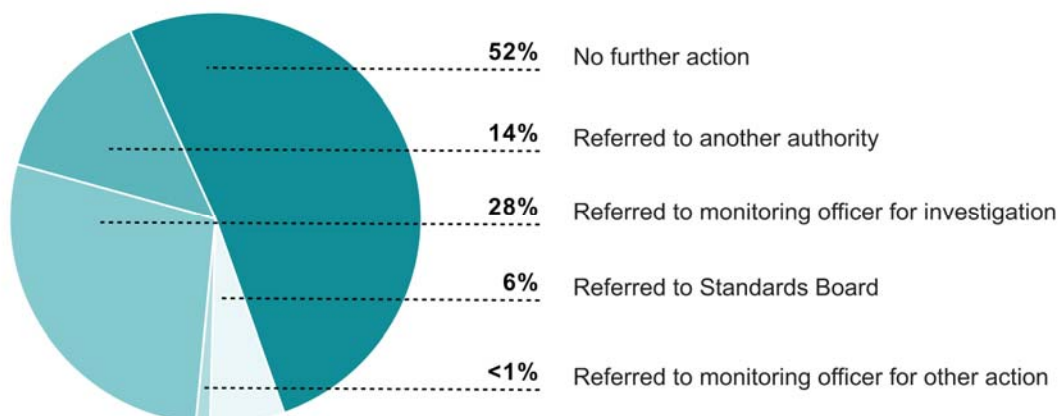
Case handling

A total of **2,030** cases have been recorded on quarterly returns so far. This covers the time period 8 May to 31 December 2008. Some **69%** of authorities have dealt with at least one case during the first three quarters. Of all the authorities with cases, the average recorded is **two** per quarter, a total of **six**. Generally there are fewer cases recorded now than under the old arrangements, but it is important to note that the first quarter started late due to the legislation not being introduced until 8 May 2008.

Of the complaints recorded, **56%** are from members of the public and **34%** are from council members. The remaining **10%** are from a combination of officers, parish or town clerks, MPs, monitoring officers, and those completing the form as 'other'.

Initial assessment

No further action is taken in **52%** of the cases recorded. The breakdown of initial assessment decisions is as follows:

52%	No further action
14%	Referred to another authority
28%	Referred to monitoring officer for investigation
6%	Referred to Standards Board
<1%	Referred to monitoring officer for other action

A total of **344** requests for a review of 'no further action' decisions are recorded through quarterly returns. Of the **264** of these that are completed, **95%** of decisions remain at 'no further action'. The other **6%** are either referred for investigation or referred to us here at the Standards Board.

As the local framework is becoming more established, we are starting to see some of the outcomes of investigations reported in quarterly returns. We have published statistics about the timeliness of investigations, the outcomes, and the parts of the Code that they refer to on our website.

Review of online monitoring system – an update

In November 2008, we conducted the second part of the Standards Board's online monitoring system review. This forms part of a programme of work to assess how well the new system is working.

We conducted telephone interviews with a random sample of monitoring officers/those nominated to make the online submission. A total of **22** out of a potential **50** interviews were successfully completed. We would like to thank all those who participated.

As with the first phase of the review, we found that the majority of comments received were positive – with respondents encountering minimal or no difficulty in submitting their quarterly return. There were plenty of useful suggestions from respondents about improvements we could make, and work is already underway to make further enhancements to the form.

For the third phase of the review, we will be conducting our research by emailing out surveys to local authorities to complete themselves. The survey will be sent out to **50** randomly selected authorities (excluding those who participated in the telephone interviews), and we look forward to receiving your responses as we look to make further improvements to the form.

If you have any questions about this review or future reviews of the system, please contact Cara Afzal, Deputy Research and Monitoring Manager: 0161 817 5414 or email cara.afzal@standardsboard.gov.uk.

Annual returns to start in April

The Standards Board will be collecting information from standards committees in the form of an annual return, from April 2009. This information will be on standards committees' activities and on their arrangements for supporting ethical conduct.

Since our last *Bulletin*, we have made much progress in developing the return with findings now collated from our pilot trial with local authorities.

Consultation and piloting

Development of the annual return has been informed by sound research throughout. The first stage was a review of information, including research on ethics and ethical governance, which informed an initial draft. Discussion groups were then held with monitoring officers and with chairs of standards committees to refine our findings from the review. This led to a second draft-version of the annual return, which we piloted with local authorities.

Feedback we have received suggests that local authorities are generally supportive of the annual return and its aims. Those that took part in the pilots have reported that they have found completing the return a useful learning process.

Setting the questions

We are in the process of refining the questions following the feedback. Broadly though, we will be asking about:

- protocols for member/officer relations
- the existence of any mechanisms for dealing with member/member and member/officer disputes
- the chair of the standards committee's relationship with the chief executive, the monitoring officer and the leader
- what the standards committee is doing to promote its work both within the authority and externally
- the general activities of the standards committee, for example providing training

We are also keen for local authorities to use the return to inform us of their achievements in supporting standards.

Next steps

The annual return will take the form of an online questionnaire, similar to the quarterly return. It will be located in the same area of our website as the quarterly return and monitoring officers will be able to access it using the same log in details they use for the quarterly return.

We are testing the online system during March with a view to launching it in late April, after we have collected quarterly returns for the period January to March 2009.

An email announcement containing detailed instructions about how to access and complete the annual return will be sent out to monitoring officers in the near future.

We are now developing an online system for completing the annual return which will be similar to the quarterly return system. We will be testing the online form following final refinement of the questions.

For further information about the return, please contact Hannah Pearson at 0161 817 5417 or hannah.pearson@standardsboard.gov.uk.

Getting indemnification arrangements right

We have recently heard concerns from standards committee members who feel that their authority's current indemnification arrangements are not sufficient. We have also heard that independent members of standards committees have not been included in indemnification arrangements. You may be aware that under the Local Authorities (Indemnities for Members and Officers) Order 2004, local authorities can choose whether to indemnify their members.

In our Role and make-up of standards committees guidance, we recommend that independent members of standards committees should be included in an authority's indemnification arrangements.

There are a number of potential risks that authorities may be exposing their members and themselves to, by not providing adequate indemnification. We would therefore urge authorities to consider whether the level of indemnification they currently provide to their members, including independent members of standards committees, is sufficient.

Good practice from the standards and ethics award

Six local authorities have been shortlisted for the *Standards and Ethics* category at the 2009 Local Government Chronicle (LGC) Awards, supported by the Standards Board. The winner will be announced at the awards event held at the Grosvenor House Hotel, London on 25 March.

A new section will be launched on the Standards Board website in March, highlighting the good practice ideas that worked for the shortlisted authorities. We hope that some of these innovative examples will be useful in helping your authority to achieve or maintain high standards.

Bias and the Code of Conduct

R (on the application of Gardner) v Harrogate Borough Council [2008] ALL ER (d) 310 (Nov)

A recent case in the High Court has brought attention to the common law test of bias and planning decisions. The Local Government Ombudsman (LGO) and the Standards Board for England both received complaints about a planning matter. An ethical standards officer from the Standards Board and the LGO both proceeded to investigate the case.

Each of the investigations were designed to draw out relevant evidence for the separate jurisdictions of maladministration (LGO) and of a breach of the Code of Conduct (the Standards Board). The case draws attention to matters which can cause concerns affecting both jurisdictions. However, it also highlights where they part company in practice and in the application of the relevant law. We recommend all monitoring officers and members refer to the concise court decision ([2008] ALL ER (D) 310) for an understanding of this area.

The ethical standards officer did not disagree with the findings of bias affecting maladministration which was the basis of the LGO decision, as he did not consider bias as part of his investigation. Rather the ethical standards officer's investigation was mainly concerned with personal and prejudicial interests and the evidence of close friendship. Conversely, the LGO's investigation was not designed to draw evidence of a breach of the Code.

In the case, Councillor A was granted planning permission on the casting vote of Councillor S. The permission was granted against strong officer advice and major planning policy reasons which did not support granting permission. There was a connection between both councillors and it was the nature of this connection which drew the distinction between the two jurisdictions, the investigations and the relevant law to be applied in both.

For the purposes of the ethical standards officer's investigation, the evidence did not suggest a "close friendship" and therefore no breach of the Code was found. However, the Court said that "It does not follow that that there will be no apparent bias if the relationship is less close" (see paragraph 16 of the judgment). So there was apparent bias acknowledging that both councillors were friendly acquaintances.

For more information on the respective roles of the Standards Board and the LGO, their jurisdiction and investigations of common interest, please see the memorandum of understanding with the LGO.

Bringing standards into focus

From 16 March, standards committee members, monitoring officers, council leaders and chief executives will receive their invitations to the **2009 Annual Assembly of Standards Committees - Bringing standards into focus**. You'll also be able to book online through our website. The event takes place on 12 and 13 October at the ICC, Birmingham.

In response to delegate feedback, this year's Assembly programme is more practical than ever. We're working with a forum of monitoring officers, independent chairs and standards committee members to develop a range of workshops, plenary sessions and advice clinics that give you the opportunity to focus on how you are delivering local standards and share good practice, ideas and innovations.

If you would like to fast-track your booking and receive your invoice before the end of the financial year, please contact Benedict Business Resources on 01483 205432 or email benedictbr@btinternet.com.

'Contribution of standards committees' research project begins

The Standards Board has commissioned new research into the responsibilities and contributions of standards committees.

Standards committees are at the heart of the new local standards framework. They educate and support members in following the highest standards of conduct and ensure that those standards are fully owned locally.

Previous Standards Board research has shown that there is a demand from standards committees for additional guidance on how to undertake some of these responsibilities and what they could be doing.

As a result, we are pleased to have commissioned the Universities of Hull and Teesside, who have entered a joint bid for this research. They will collect effective practice examples from standards committees on activities they undertake to ensure high ethical standards.

The researchers will conduct case studies in nine local authorities. These will collect examples of effective practice in the statutory function of standards committees, in their non-statutory roles, and in the wider organisational practices that support standards. We will then collate the effective practice examples into a resource for local authorities and disseminate this nationally.

Work began on this project in January 2009 and we hope to have findings to share in July 2009.

For further information, please contact Hannah Pearson at hannah.pearson@standardsboard.gov.uk or 0161 817 5417.

Standards Board responds to CSPL inquiry

The Standards Board will be responding to the Committee on Standards in Public Life's (CSPL) issues and questions paper titled: *Local Leadership and Public Trust: Openness and Accountability in Local and London Government*.

Our response will focus on a number of key themes raised in the paper. These include:

- accountability in partnerships
- the role of standards committees in ensuring openness and accountability
- trust in accountability frameworks
- the role of regulators

The deadline for submission was 25 February 2009 and our response will be posted on our website shortly.

APE merger to take place

The Tribunals Service and Communities and Local Government have given the go-ahead for the Adjudication Panel's integration into the new unified tribunals' structure.

The move will see the office relocate from Harrogate into serviced premises in Leeds that currently provide administrative support to other tribunals, including Social Security and Child Support.

Staff from the Adjudication Panel will transfer from being employees of the Standards Board to becoming part of the civil service. The President, the Adjudication Panel and its members are scheduled to join the General Regulatory Chamber of the first tier tribunal in January 2010.

Please note that the restructuring will not have an impact upon the service levels provided by the Adjudication Panel – only the contact information should change. Updated contact details will be provided on the Adjudication Panel's website in due course.

Standards Board supports NALC's 'Stepping Stones' conferences

The Standards Board is supporting the National Association of Local Councils' (NALC) one-day conferences. The conferences aim to share good practice and provide regional networking opportunities for councillors and officers in all tiers of local government.

We will be exhibiting at the conferences below, where policy advisers will be on hand to answer questions and provide guidance. You can find us on stand number two.

The dates for these events are:

Tuesday 10 March

The Council Chamber, Congress Centre, London

Wednesday 22 April*

The Oak Tree Conference Centre, Coventry

*Please note: NALC have changed the date of the event in Coventry from 11 February to 22 April.

Shirley Flint, independent councillor at North Kesteven District Council, chair of Skellingthorpe Parish Council and independent Board Member of the Standards Board will be present. Anne Rehill, Advice and Guidance Manager at the Standards Board will also attend.

Both Anne and Shirley will present a workshop called 'Understanding local assessment and the Code of Conduct' at the Coventry event. Shirley Flint will deliver a speech at the London conference entitled 'Local standards - making a difference' that will take place at 16.05.

Guidance on Other Action

We have received a number of enquiries highlighting several issues about 'other action' since local assessment began in May 2008.

Consequently, we have produced further guidance on the topic in order to clarify our position on when other action is appropriate and what other action might constitute.

We know this is an issue many monitoring officers feel strongly about and we hope our guidance clarifies our position further. The guidance has been developed with help from monitoring officers. We are grateful to all the monitoring officers who attended our recent seminar on other action – held in Camden Town Hall on 16 March 2009 – for their valuable contribution.

The guidance discusses what other action is, what it can involve, when it is appropriate, and what to do if it isn't successful. It also addresses the role of the monitoring officer, adjournment of assessment committee meetings, and explains why other action closes the opportunity to investigate. We intend to publish this guidance on our website in May and we will notify all monitoring officers when it is available.

Application of the Code to private capacity

We have recently received a number of queries on whether or not the application of the 2007 Code of Conduct is still affected by the decision of Collins J. in Ken Livingstone v Adjudication Panel for England [2006] EWHC 2533 (Admin).

The 2006 ruling decided that Section 52 of the Local Government Act 2000 required members to comply with the Code in their official capacity only, and that it did not extend to their private conduct.

In issuing his judgement in the Livingstone case, Collins J invited Parliament to be explicit about whether it wanted private conduct to be covered by the members' Code. Parliament took this opportunity and passed the Local Government and Public Involvement in Health Act 2007.

Section 183(4) of the 2007 Act, removes the words "in performing his functions" from Section 52(1)(a) of the 2000 Act, to enable the Code to cover some conduct in a private capacity.

At present, Section 183(4) of the 2007 Act is only in force in Wales; so in England, the Code still does not cover members at any time in their private capacity. We understand that the government's intention is that these amendments will become effective at the same time as the new Code becomes operative.

The Livingstone case is also still relevant to gaining an understanding of official capacity. When drafting the 2007 Code, Parliament incorporated some of the judge's reasoning in the Livingstone case. Official capacity in the Code is construed as

- conducting the business of your authority or office, or
- acting, claiming to act, or giving the impression that you are acting as a representative of your authority.

So, it is our view that the reasoning in Livingstone is still relevant to a proper interpretation and understanding of official capacity, because it helps to interpret what is meant by the two phrases above that define official capacity.

Review of online monitoring system – an update

In February 2009, we conducted the third part of the Standards Board's online monitoring system review, and we promised those that participated that we would let you know the results. The review forms part of a programme of work to assess how well the new system is working.

We conducted an online survey with a random sample of monitoring officers, or those nominated to make the online submission. Once again, comments from respondents were positive about the online form.

There were several helpful suggestions made about how the form could be improved further. There were also suggestions offered on how we could improve the form user guide. All suggestions have been fed back to our internal development team. We would like to thank all those who participated.

For the fourth phase of the review, we will again be emailing out surveys to 50 randomly selected authorities (excluding those that have already participated in previous questionnaires) to hear about their experiences of the Quarter 4 submission. In addition to this, we will be surveying another sample about their experiences in completing the Standards Board's annual return form.

If you have any questions about this review or future reviews of the system, please contact Cara Afzal, Deputy Research and Monitoring Manager on 0161 817 5414 or email cara.afzal@standardsboard.gov.uk

Annual return arrives!

On 20 April we launched our online annual return questionnaire.

While the focus of the quarterly return is to collect case related data, the annual return provides standards committees with the opportunity to tell us about their activities and arrangements for promoting and supporting high standards of ethical conduct.

Introduced via email to monitoring officers of principal authorities, it works in a similar way to the quarterly return. Monitoring officers log onto the form using a secure password and are then guided through a series of questions about the following topics:

- activities of standards committees
- the role of leaders in promoting high standards training
- communicating the complaints process and outcomes
- member-officer relations
- communicating the register of member interests
- officer conduct

The sections can be completed in any order and answers can be saved for editing at a later stage. We have built in this function as we appreciate that monitoring officers may not have all the required information to hand when they begin completing the return.

The information we collect from annual returns will be used to improve performance, champion the work of standards committees, and to ensure that we have an effective overview of local standards frameworks. In particular we will:

- Collect notable practice examples of standards committee activities which we can then disseminate. These activities and the local authorities that provide them will be showcased in our Annual Review document in a section about the local standards framework.

- Identify gaps in the local standards framework. An overview of the local standards framework will enable us to identify strengths and weaknesses of local arrangements. In turn, this will allow us to mitigate some risks by prompting where we should be producing guidance or seeking policy changes in response to emerging national trends. It will also help us to identify those authorities who could be experiencing difficulties and may require support and advice.

The annual return is a larger questionnaire than the quarterly, so we have allocated a four-week submission window during which standards committees can submit their return. Feedback from our pilot of the return indicates that it should take around two hours to complete in full. The deadline for submitting completed returns is Friday 15 May.

Conservative local government conference

On 27 and 28 February, the Standards Board exhibited at the Conservative Councillors' Association Local Government Conference in Leeds. The conference was attended by council leaders, executive members, councillors and members of the shadow cabinet, as well as key stakeholders in local government, candidates and party activists.

The Conservative representative on our Board, Councillor Sir Ron Watson CBE, and policy advisers from the Standards Board were on hand to answer questions, and get feedback on our work and the work of local standards committees. Over 40 delegates visited our exhibition stand to ask questions, raise concerns, and to share information about how the assessment of complaints is working locally.

The Conservative Party published their Green Paper Control Shift shortly before the conference, so we were interested to hear delegates' views about the local standards framework. The vast majority of delegates who visited our exhibition stand supported the need for the Code of Conduct and for the Standards Board to continue to provide the national and independent oversight. We spoke to councillors and standards committee members from authorities across the country who told us that local arrangements were working well. Another popular comment made to us at the conference was support for an officers' code.

We will also be exhibiting at the Local Government Association (LGA) Annual Conference and Exhibition, 30 June – 2 July 2009, Liberal Democrats Annual Conference, 19 - 23 September 2009, Labour Annual Conference, 27 September – 1 October 2009 and the Conservative Annual Conference, 5 – 8 October 2009.

Rossendale council wins Standards and Ethics award

We are pleased to announce that Rossendale Borough Council won in the Standards and Ethics category at the LGC Awards 2009.

The Standards Board supports the award and we were impressed by the way Rossendale's standards agenda has made a real difference. A strong, visible standards campaign, with the strapline 'Serious About Standards', helped Rossendale to achieve a substantially improved rating in its corporate assessment. It has also seen resident satisfaction improve by 8% and an increased turn out at local elections.

Dr Robert Chilton, Chairman of the Standards Board, said: "We were very impressed with Rossendale Council's commitment to high ethical standards. The award gives credit to their hard work and innovation and for tackling some difficult challenges to strengthen public confidence in local democracy."

For examples of good practice and interviews from all six authorities, please click here.

AGENDA MANAGEMENT SHEET

Name of Committee	**Audit And Standards Committee**
Date of Committee	**28 May 2009**
Report Title	**Annual Audit and Inspection Letter**
Summary	To consider the Audit Commission's Annual Audit and Inspection Letter
For further information please contact:	Tricia Morrison Corporate Planning and Performance Manager Tel: 01926 73(6319) Email: triciamorrison@warwickshire.gov.uk
Would the recommended decision be contrary to the Budget and Policy Framework?	No.
Background papers	None

CONSULTATION ALREADY UNDERTAKEN:-   Details to be specified

Other Committees	☐	....
Local Member(s)	☒	N/A
Other Elected Members	☐	....
Cabinet Member	☐	....
Chief Executive	☐	....
Legal	☐	
Finance	☐	....
Other Chief Officers	☐	....
District Councils	☐	....
Health Authority	☐	....
Police	☐	....
Other Bodies/Individuals	☐	....

FINAL DECISION   YES

SUGGESTED NEXT STEPS: Details to be specified

Further consideration by   ☐   ....
this Committee

To Council   ☐   ....

To Cabinet   ☐   ....

To an O & S Committee   ☐   ....

To an Area Committee   ☐   ....

Further Consultation   ☐   ....

Annual Audit and Inspection Letter

Warwickshire County Council

Audit 2007-2008

March 2009

Contents

Key messages

1 Warwickshire County Council has continued its high levels of performance in the last 12 months. The Audit Commission's Comprehensive Performance Assessment for 2008 resulted in the Council retaining its three-star status and it has been classified as 'improving well' in the Direction of Travel assessment. A recent corporate assessment concluded that the Council was performing well, maintaining a three star rating against the 'harder test'.

2 The Council is continuing to deliver improving outcomes across priority areas. Modernisation in Adult Services is helping more people live independently. Housing support services for vulnerable people are delivering better value for money. Foster care services are 'outstanding', with more timely reviews and young people leaving care provided with good support to achieve economic wellbeing.

3 More people are using buses as a result of investment in transport services. There is sustained progress with improving road and community safety although fear of crime has risen for the first time. Access to services for diverse communities is improving. New waste arrangements are delivering higher recycling and diversion rates in some districts.

4 Plans have been strengthened around joint commissioning services and the Council is addressing gaps identified in the corporate assessment. Improvements in partnership working are targeting resources at the most needy areas but partnerships with health bodies are under-developed. There is a good level of partnership working at an operational level to address health inequalities. However, effective partnership working at an operational level takes place in spite of, rather than because of, any clear overall strategic framework.

5 Warwickshire is performing strongly in its use of resources and overall delivers good value for money across most of its services. The Council has moved quickly to evaluate the impact of the economic downturn and is taking action to adapt to rapidly changing circumstances. The Council is currently addressing potential overspends in 2008/09 and the financial consequences seem likely to impact further in 2009/10.

6 Warwickshire Fire and Rescue Authority (FRA) faced a challenging year but the Council and FRA are working to ensure they have a good understanding of the service's strengths and weaknesses. An organisational assessment of the FRA will be undertaken this year as part of the new Comprehensive Area Assessment (CAA) approach. Alongside this the Office of the Chief Fire and Rescue Advisor (OCFRA) is supporting the service in a pilot of a new operational assessment toolkit. These activities will provide a full assessment by the summer 2009 on which the service can develop further, with a view to the Acting Chief Fire Officer bringing forward recommendations for the future of the FRA.

Action needed by the Council

7   We recommend that the Council take the following actions.

- Develop local governance models with partners to better target activity across organisations.

- Enhance partnership working, especially with health bodies, ensuring that the Public Service Board takes a central role.

- Develop a strategic approach to addressing health inequalities that are clearly defined, owned, agreed and understood by all partners.

- Ensure a robust approach to working internally, and with external agencies, in implementing action plans to develop and improve the Fire and Rescue Service.

8   We have issued several reports during the year and we are satisfied that your officers are taking action to implement the recommendations contained in those documents. The Council may wish to monitor the progress made in implementing those recommendations.

Purpose, responsibilities and scope

9   This report provides an overall summary of the Audit Commission's assessment of the Council. It draws on the most recent Comprehensive Performance Assessment (CPA), the findings and conclusions from the audit of the Council for 2007/08 and from any inspections undertaken since the last Annual Audit and Inspection Letter. It also includes the results of the most recent corporate assessment.

10 We have addressed this letter to members as it is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business and that it safeguards and properly accounts for public money. We have made recommendations to assist the Council in meeting its responsibilities.

11 This letter also communicates the significant issues to key external stakeholders, including members of the public. We will publish this letter on the Audit Commission website at www.audit-commission.gov.uk. In addition the Council is planning to publish it on its website.

12 As your appointed auditors we are responsible for planning and carrying out an audit that meets the requirements of the Audit Commission's Code of Audit Practice (the Code). Under the Code, we review and report on:

- the Council's accounts;

- whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (value for money conclusion); and

- whether the Council's best value performance plan has been prepared and published in line with legislation and statutory guidance.

13 This letter includes the latest assessment on the Council's performance under the CPA framework, including our Direction of Travel report and the results of any inspections carried out by the Audit Commission under section 10 of the Local Government Act 1999. It summarises the key issues arising from the CPA and any such inspections. Inspection reports are issued in accordance with the Audit Commission's duty under section 13 of the 1999 Act.

14 We have listed the reports issued to the Council relating to 2007/08 audit and inspection work at the end of this letter.

How is Warwickshire County Council performing?

15 The Audit Commission's overall judgement is that Warwickshire County Council is improving well and we have classified Warwickshire County Council as three stars in its current level of performance under the Comprehensive Performance Assessment. These assessments have been completed in all single tier and county councils with the following results.

Figure 1   Overall performance of district councils in CPA

Source: Audit Commission (Percentage figures may not add up to 100% due to rounding)

Our overall assessment - the CPA scorecard

Table 1   CPA scorecard

Element	Assessment
Direction of Travel judgement	Improving well
Overall	3 stars
Corporate assessment/capacity to improve	3 out of 4
Previous corporate assessment/capacity to improve, as included in overall CPA judgement in 2007	3 out of 4
Current performance Children and young people* Social care (adults)* Use of resources* Environment Culture Fire (relevant County Councils only)	 3 out of 4 3 out of 4 4 out of 4 4 out of 4 2 out of 4 2 out of 4

(Note: * these aspects have a greater influence on the overall CPA score)
(1 = lowest, 4 = highest)

The improvement since last year - our Direction of Travel report

16 Services in Warwickshire County Council are 'improving well'.

What evidence is there of the Council improving outcomes?

17 Warwickshire County Council is a high performing council that is improving outcomes for local people. A recent corporate assessment concluded that the Council was performing well, maintaining a three star rating against the 'harder test'. It has clear ambitions, focused on improving the quality of life for all and narrowing inequality gaps. Progress is being made across the Council's priority areas with a noticeable acceleration in performance in some services in the first half of 2008/09. The Council's priorities for improvement were refreshed and expanded for the Corporate Plan 2008-11. These now include caring for older people; improving educational attainment; pursing a sustainable environment and economy; and protecting the community.

18 The overall rate of service improvement in the past three years compares very well, ranking 2nd of 150 county and unitary councils but slowed in 2007/08. In a basket of performance indicators 57 per cent improved, ranking 123rd of the 150 councils. For the most part, the slippage in performance was in corporate indicators and was not significant; public facing services continued to generally improve. The outcome of a public satisfaction survey conducted by the Council in the autumn of 2007 resulted in a significant improvement on the 2006 national survey results. This was in the order of 10 - 18 per cent in the Council's priority areas. The Council continues to perform better than most others with an above average percentage of indicators in the best 25 per cent nationally. As a low spending, high performing authority, the Council continues to deliver good value for money. Over the last 3 years, the council exceeded its efficiency target by 65 per cent delivering over £22 million cashable savings.

19 The Council continued to improve and modernise its social care services for adults, retaining, but building on its overall two-star rating in 2007/08. The Commission for Social Care Inspectorate (CSCI) recognised improvements which resulted in an improved grading for maintaining personal dignity and respect and improvements that are aimed to help more older people live independently. This is resulting in an increase in the use of services that prevent unnecessary admission to hospital, fewer delays with hospital discharges, more people receiving direct payments and shorter waiting times for adaptations and equipment. Housing support services for vulnerable people continued to improve and expand. The outcome of a re-inspection of the Supporting People Programme saw the service moving up from a 'poor' rating in 2007 to 'fair' in 2008. The move to modernise residential care provision is still some way off as the first phase of new extra care housing schemes will not be ready for occupation until 2009.

20 Outcomes for improving educational attainment in 2007/08 were mixed. Rates of improvement in English at key stage 2 and mathematics at key stage 3 exceeded the national average in 2007/08. After a period of sustained improvement to 2006/07, the number of pupils attaining five or more A*-C GCSE grades fell slightly in 2007, bucking the national trend and pushing Warwickshire to below the national average. As a result of prompt and targeted intervention this year, this was reversed in 2008 with this significant improvement. Outcomes for vulnerable children and young people are improving in most areas. The number of young people with learning disabilities who do not enter education or training has reduced and a recent inspection of foster care services judged all areas to be 'outstanding'. There has been significant improvements to the timeliness of reviews and young people leaving care receive good support to achieve economic well-being.

21 The Council is delivering good progress with the council's priority for a sustainable environment. The Council, with its district partners, is collecting less waste, recycling more and diverting more from landfill. New collection arrangements introduced in Warwick and Stratford upon Avon since April 2008 are successfully delivering significantly higher recycling and diversion rates in these districts. There is a better transport infrastructure as a result of the Nuneaton Development project, investment in quality bus initiatives and the completion of a new bus station at Warwick. More people are using public transport through schemes like the 'bus to work and back' scheme in Nuneaton and the flexibus scheme serving rural settlements.

How is Warwickshire County Council performing?

22 The Council is delivering good outcomes in community and road safety. The County's road safety record continued to improve with the rate of reduction in the number of people killed or seriously injured above the national average and exceeding target. Although crime remains above average overall, crime fell by 11.6 per cent in 2007/08 and the downward trend is continuing in 2008/09. There has been a reduction in anti social behaviour orders and targeted initiatives have reduced anti social behaviour incidents in specific hotspot areas such as Kenilworth. The number of young people entering the criminal justice system increased in 2007/08 but is now falling. However, the fear of crime has risen for the first time in 2007/08.

23 Access to services is continuing to improve and services are reaching more people with diverse needs. The Council has co-located a Post Office in its new One Stop Shop in Warwick and has deployed a new fleet of mobile libraries. Services supporting people who are the victims of domestic abuse were expanded and more pitches and better accommodation has been provided for the gypsy and traveller community. Access to mental health services for children and adolescents is improving although some young people with severe mental health needs experience long waiting times to access Council services. Although the council has improved its approaches to meeting diverse need of its communities it remained at Level 2 of the Local Government Equalities standard.

How much progress is being made to implement improvement plans to sustain future improvement?

24 The Council's Strategies and plans are good in many areas and work is progressing to address gaps identified in the recent Corporate Assessment. Children's' services are assessed as having 'good' capacity to improve and in adult social care continue to be 'promising'. CSCI recognised the work with Warwickshire Primary Care Trust on developing commissioning strategies since the last assessment. Work to address the development of a strategic approach to improving health and inequalities in Warwickshire is underway through the Local Area Agreement Public Service Board.

25 The Council has responded quickly to understand and evaluate the impact of the economic downturn and is taking swift action to adapt to rapidly changing circumstances. The Council is on track with its plans to achieve level three of the government Equality standard in 2009, but some projects have been put on hold and some targets, particularly relating to economic development will not be achievable. Plans are progressing with other councils for a waste to energy plant, but new waste composting facilities are three months behind schedule. This has cost implications and may delay the implementation of new food waste collections planned for the south of the county.

26 Organisational capacity is reasonably good but the demand for some services has significantly increased in recent months. Partnership working is strong in some areas, such as children and young people, and with the voluntary sector, but less well developed in others, such as health. The Local Area Agreement is driving improvement in partnership working. Partners have agreed a modest but significant geographical variation in resource allocation in 2008/09 aimed at narrowing the gap in the neediest part of the County. Effective partnership working will enable the council to deliver on the challenging long term aims for the area.

27 At the time of the Council's Direction of Travel Assessment an investigation was ongoing into the Atherstone on Stour Fire of November 2007. The Direction of Travel assessment includes no consideration of the Fire or related issues, or of the Council's responsibilities as a Fire and Rescue Authority.

The audit of the accounts and value for money

28 As your appointed auditors we have reported separately to the Audit and Standards Committee on the issues arising from our 2007/08 audit and have issued:

- our audit report, providing an unqualified opinion on your accounts and a conclusion on your vfm arrangements to say that these arrangements are adequate on 25 September 2008; and

- our report on the Best Value Performance Plan confirming that the Plan has been audited.

Use of Resources

29 The findings of the auditor are an important component of the CPA framework described above. In particular the Use of Resources score is derived from the assessments made by the auditor in the following areas.

- Financial reporting (including the preparation of the accounts of the Council and the way these are presented to the public).

- Financial management (including how the financial management is integrated with strategy to support council priorities).

- Financial standing (including the strength of the Council's financial position).

- Internal control (including how effectively the Council maintains proper stewardship and control of its finances).

- Value for money (including an assessment of how well the Council balances the costs and quality of its services).

30 For the purposes of the CPA we have assessed the Council's arrangements for use of resources in these five areas as follows.

Table 2

Element	Assessment
Financial reporting	3 out of 4
Financial management	4 out of 4
Financial standing	4 out of 4
Internal control	3 out of 4
Value for money	3 out of 4
Overall assessment of the Audit Commission	**4 out of 4**

Note: 1 – lowest, 4 = highest

The key issues arising from the audit

31 Warwickshire has again achieved the highest level of performance in its Use of Resources assessment. The Council's Resources Directorate has continued to refine its arrangements to achieve these results which included some areas of good practice. The Council was performing strongly in the following areas:

- Medium-term financial strategy, budgets and capital programme are soundly based and designed to deliver its strategic priorities;

- Managing performance against budget; and

- Managing spending within the available resources.

32 Like all councils Warwickshire has had a number of unforeseen financial pressures due to the current economic climate. We are aware that additional energy costs and the increase demand for services during the recession are already impacting generally on the overall financial position. Warwickshire is currently addressing potential overspends in 2008/09 and the financial consequences seem likely to impact further in 2009/10.

33 The annual accounts were to a good standard and an unqualified audit opinion was given. The accounts were produced in accordance with the agreed timetable and there was generally a prompt response to queries raised. The supporting working papers were good. However, there is still scope to make further improvements to some supporting working papers, for example capital.

34 We issued an unqualified value for money conclusion on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources. During the year we have carried out a cross cutting review of Health Inequalities with Warwickshire Primary Care Trust, Nuneaton and Bedworth District Council and George Eliot Hospital NHS Trust.

35 Our cross cutting work concluded that there is a good level of partnership working at an operational level to address health inequalities in Nuneaton and Bedworth. However, effective partnership working at an operational level takes place in spite of, rather than because of, any clear overall strategic framework. The existing workforce is being used increasingly effectively to tackle the health inequalities agenda, although there is scope for developing a more structured and coordinated approach. Partners are all adopting a proactive approach in relation to promoting healthier lifestyles amongst the workforce.

36 We also found a lack of a clear strategic vision; health inequality targets are not driving service and financial planning; Overview and Scrutiny committees are not fully effective in challenging progress on tackling health inequalities; performance management arrangements are not yet fully effective; and arrangements for targeting, coordinating and monitoring the actions of partners to achieve health inequality objectives are not robust.

37 As our report covered a number of statutory authorities in Warwickshire it was agreed that the document should be considered by the Public Service Board to assist in agreeing a way forward and implementing the recommendations.

38 Our work on data quality concluded that the Council's overall management arrangements for ensuring good data quality are demonstrating adequate performance. The Council has reiterated its commitment to securing good quality data and work has been carried out to ensure that this is communicated internally. However awareness of the policy continues to vary. Progress has been made on establishing systems to record, analyse and report data used to manage performance although the Council acknowledges that more work remains to be done, for example ensuring that systems are in place to produce data that is right first time. The introduction of the corporate report card has given additional focus to the use of council and partner data to monitor and manage performance.

Audit and inspection fee update

39 We are required to provide an update on our audit and inspection fees and can report that our actual fees are in line with that set out in the Audit Plan presented to you on 4 June 2007.

40 Our 2007/08 grant certification fees amount to £21,000 compared with the estimate of £45,000. This is because we have been required to audit fewer grant claims than expected.

Looking ahead

41 The public service inspectorates have developed a new performance assessment framework, the Comprehensive Area Assessment (CAA). CAA will provide the first holistic independent assessment of the prospects for local areas and the quality of life for people living there. It will put the experience of citizens, people who use services and local tax payers at the centre of the new local assessment framework, with a particular focus on the needs of those whose circumstances make them vulnerable. It will recognise the importance of effective local partnership working, the enhanced role of Sustainable Communities Strategies and Local Area Agreements and the importance of councils in leading and shaping the communities they serve.

42 CAA will result in reduced levels of inspection and better coordination of inspection activity. The key components of CAA will be a joint inspectorate area assessment and reporting performance on the new national indicator set, together with an organisational assessment which will combine the external auditor's assessment of value for money in the use of resources with a joint inspectorate assessment of service performance.

43 The first results of our work on CAA will be published in the autumn of 2009. This will include the performance data from 2008/09, the first year of the new National Indicator Set and key aspect of each area's Local Area Agreement.

Closing remarks

44 This letter has been discussed and agreed with officers. A copy of the letter will be presented at the Audit & Standards Committee on 28 May 2009. Copies need to be provided to all Council members.

45 Further detailed findings, conclusions and recommendations on the areas covered by audit and inspection work are included in the reports issued to the Council during the year.

Table 3   Reports issued

Report	Date of issue
Audit and inspection plan	May 2007
Opinion audit plan	February 2008
Health inequalities	August 2008
Annual Governance Report	September 2008
Opinion on financial statements	September 2008
Value for money conclusion	September 2008
Interim audit memorandum	October 2008
Recommendations tracking report	October 2008
Final accounts memorandum	November 2008
Corporate assessment	November 2008
Data quality	December 2008
Use of resources	February 2009
Annual audit and inspection letter	March 2009

46 The Council has taken a positive and constructive approach to audit and inspection work, and I wish to thank the Council's staff for their support and cooperation during the audit.

Availability of this letter

47 This letter will be published on the Audit Commission's website at
www.audit-commission.gov.uk, and also on the Council's website.

Mary-Ann Bruce [do not sign]
Comprehensive Area Assessment Lead

Date

The Audit Commission

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

AGENDA MANAGEMENT SHEET

Name of Committee	**Audit & Standards Committee**
Date of Committee	**28th May 2009**
Report Title	**Audit Opinion Plans 2008/09**
Summary	Copies of the Audit Commission's Audit Opinion Plans 2008/09 for the County Council and the Warwickshire Pension Fund.
For further information please contact:	Oliver Winters Head of Finance Tel: 01926 412441 oliverwinters@warwickshire.gov.uk
Would the recommended decision be contrary to the Budget and Policy Framework?	No.
Background papers	None

CONSULTATION ALREADY UNDERTAKEN:-   Details to be specified

Other Committees	☐	....
Local Member(s)	☒	N/A
Other Elected Members	☐	....
Cabinet Member	☐	....
Chief Executive	☐	....
Legal	☐	....
Finance	☒	David Clarke - Strategic Director, Resources - reporting officer
Other Chief Officers	☐	....
District Councils	☐	....
Health Authority	☐	....
Police	☐	....

Warwickshire County Council

Other Bodies/Individuals ☐ ....

FINAL DECISION   YES

SUGGESTED NEXT STEPS: Details to be specified

Further consideration by   ☐ ....
this Committee

To Council   ☐ ....

To Cabinet   ☐ ....

To an O & S Committee   ☐ ....

To an Area Committee   ☐ ....

Further Consultation   ☐ ....

Warwickshire
County Council

Agenda No

Audit & Standards Committee - 28th May 2009.

Audit Opinion Plans 2008/09

Report of the Strategic Director, Resources

Recommendation

That the Committee consider the Audit Opinion Plans for 2008/09 and seek any clarification from the Audit Commission.

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1.   Purpose of the Report

1.1   On 16th June 2008 the Audit Commission issued to this Committee their initial Audit Plan for 2008/09 for the County Council and the Warwickshire Pension Fund. The Audit Commission are required by professional auditing standards to specify the detailed risks they need to consider as part of their opinion planning work.

1.2   The attached reports are the Audit Commission's Audit Opinion Plans for 2008/09 for both the County Council and the Warwickshire Pension Fund. Chris Leeland, Audit Manager, from the Audit Commission will be in attendance to answer any questions relating to these reports.

DAVID CLARKE
Strategic Director, Resources

Shire Hall
Warwick

18 May 2009

Warwickshire
County Council

Audit Opinion Plan

Warwickshire County Council

Audit 2008/09

May 2009

Contents

Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
- any third party.

Introduction

1   We issued our initial audit plan for 2008/09 to the Audit and Standards Committee on 16 June 2008, which set out the work that we proposed to undertake in order to satisfy our responsibilities under the Audit Commission's Code of Audit Practice. We are required by professional auditing standards to specify the detailed risks that we need to consider as part of our opinion planning work. As the initial audit plan was produced at the start of the financial year for fee purposes, it was not possible to specify these risks. We are now in a position to do this as the opinion work is about to commence. We are required to:

- identify the risk of material misstatements in your accounts;

- plan audit procedures to address these risks; and

- ensure that the audit complies with all relevant auditing standards.

2   We have therefore set out below our approach to identifying opinion audit risks and have considered the additional risks that are appropriate to the current opinion audit.

Identifying opinion audit risks

Organisation level risks

3   As part of our audit risk identification process we need to fully understand the audited body to identify any risk of material misstatement (whether due to fraud or error) in the financial statements. We do this by:

- establishing the nature of the Council's activities;

- identifying the business risks facing the Council, including assessing your own risk management arrangements;

- considering the financial performance of the Council; and

- assessing internal control - including reviewing the control environment, the IT control environment and internal audit.

Information system risks

4   To comply with ISA (UK&I) 315 we need to assess the risk of material misstatement arising from the activities and controls within the Council's information systems. To be able to assess these risks we need to identify and understand the material systems and document that understanding.

5   Material systems are those which produce material figures in the annual financial statements. We have identified that the Council has 12 material systems. For these systems we need to demonstrate our understanding by documenting the following.

- How transactions are initiated, recorded, processed and reported in the financial statements.

- The accounting records relevant to the transactions.

- How the Council identifies and captures events and conditions which are material to the financial statements eg depreciation.

- The financial reporting process used to prepare the financial statements.

Assertions

6   When considering the risk of material misstatement we consider what the Strategic Director - Resources is stating when he signs the financial statements. An audited body's management is responsible for the preparation and presentation of financial statements which give a true and fair view of the nature and activity of the Council for the period. In doing so, management are making statements regarding the recognition, measurement, presentation and disclosures of various elements of the financial statements and related disclosures.

7   These representations from management are referred to as assertions about financial statements in ISA (UK&I) 500. The ISA states that we have to ascertain that the financial statements are free from material misstatement at the assertion level. The ISA splits out the assertions and considers their applicability in respect of:

- operating cost statement items;

- balance sheet items; and

- disclosures and presentational elements of the financial statements.

8   The following table details the relevant assertions for these three categorisations, showing which assertions we need to consider by area of the financial statements.

Table 1   Assertions

Assertions that will be considered by area of financial statements

MEANS	INCOME AND EXPENDITURE ACCOUNT	BALANCE SHEET	DISCLOSURE
Is it recorded at the right amount and are the details right?	ACCURACY		ACCURACY
Is it in the right place in the accounts?	CLASSIFICATION		CLASSIFICATION
Is it all there?	COMPLETENESS	COMPLETENESS	COMPLETENESS
Is it in the right year?	CUT-OFF		
Is it real, does it exist?		EXISTENCE	
Has it happened?	OCCURRENCE		OCCURRENCE
Does it belong to the body? Are they entitled to use it?		RIGHTS AND OBLIGATIONS	RIGHTS AND OBLIGATIONS
Is it worth it?		VALUATION AND ALLOCATION	VALUATION AND ALLOCATION

Identification of specific risks

9 We have considered the additional risks that are appropriate to the current opinion audit and have set these out below. I have not yet completed my interim work and it is possible that this may identify further risks.

Table 2   Specific risks

Specific opinion risks identified

Risk Area	Assertions	Audit response
Fire fighter injury award	All	Request justification for proposed accounting treatment
Disclosure of impact of Atherstone on Stour Fire investigations	Accuracy Completeness Valuation	Liaise with officers and investigators
Warwickshire Care Services - bringing back into Council ownership	Completeness Valuation and allocation	Liaise with officers and independent evidence
Single status	Completeness Valuation and allocation	Liaise with officers and legal assumptions
Impairment The recession has had a negative impact on asset values. There is a risk that the Authority's assets may not have been appropriately impaired and are overvalued.	Valuation and allocation	We will review the Council's impairment calculations for fixed and current assets.
Budget deficits	Accuracy Completeness Cut-off	Targeted testing Liaison with officers

Testing strategy

10 On the basis of risks identified above we will produce a testing strategy which will consist of testing key controls and/or substantive tests of transaction streams and material account balances at year-end.

11 Our testing can be carried out both before and after the draft financial statements have been produced (pre and post-statement testing).

12 Where possible, we will complete some substantive testing earlier in the year before the financial statements are available for audit and this will be discussed with officers.

Key milestones and deadlines

13 The Council is required to prepare the financial statements by 30 June 2009. We are required to complete our audit and issue our opinion by 30 September 2009. The key stages in the process of producing and auditing the financial statements are shown in Table 3.

14 We have provided a schedule of working papers usually required to support the entries in the financial statements.

15 We will meet regularly with key officers and review the status of all queries.

Table 3   Proposed timetable

Task	Deadline
Control and early substantive testing	May 2009
Receipt of accounts	June 2009
Forwarding of audit working papers to the auditor	June 2009
Start of detailed testing	July 2009
Progress meetings after start of detailed testing	Weekly or as required
Present report to those charged with governance at the Audit and Standards Committee	21 September 2009
Issue of opinion	By 30 September 2009

Audit fees

16 In my original audit plan, the fee for the opinion audit was based on my best estimate at the time and agreed at £218,656. Having considered the risks identified so far, and given above, I remain satisfied that the original estimate was appropriate and no adjustment is therefore required to the fee at this stage. If my view on this changes I will first of all discuss it with the Strategic Director.

The Audit Commission

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

AGENDA MANAGEMENT SHEET

Name of Committee	**Audit and Standards Committee**
Date of Committee	**28 May 2009**
Report Title	**The Annual Governance Statement**
Summary	This report sets the conclusions of the review of internal control carried out as part of the overall process that fulfils the Authority's statutory obligations to publish an Annual Governance Statement. It presents a draft Annual Governance Statement for scrutiny prior to submission to Cabinet.

For further information please contact:	Greta Needham Head of Law and Governance Tel: 01926 412319 gretaneedham@warwickshire.gov.uk	Garry Rollason Audit and Risk Manager Tel: 01926 412679 garryrollason@warwickshire.gov.uk

Would the recommendation decision be contrary to the Budget and Policy Framework? *[please identify relevant plan/budget provision]*   No.

Background papers   The annual governance statement 2007/2008

CONSULTATION ALREADY UNDERTAKEN:-   Details to be specified

Other Committees	☐	
Local Member(s)	☐	
Other Elected Members	☒	Cllrs Farnell, Tandy and Roodhouse
Cabinet Member	☒	Cllr Timms
Chief Executive	☒	Jim Graham
Legal	☒	Reporting Officer
Finance	☒	Dave Clarke
Other Chief Officers	☒	All strategic directors
District Councils	☐	
Health Authority	☐	

Police ☐

Other Bodies/Individuals ☐

FINAL DECISION   NO

SUGGESTED NEXT STEPS: Details to be specified

Further consideration by ☐
this Committee

To Council ☒   23 June 2009

To Cabinet ☒   28 May 2009

To an O & S Committee ☐

To an Area Committee ☐

Further Consultation ☐

Audit and Standards Committee – 28 May 2009

The Annual Governance Statement

Joint Report of the Strategic Director for Customer, Workforce and Governance and Strategic Director of Resources

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Recommendation

That the Committee consider the results of the review of internal control and draft Annual Governance Statement and identify any matters they wish to bring to the attention of the Chief Executive and Leader of the Council who will be the signatories to the Statement.

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1   Background

1.1   The Accounts and Audit Regulations 2003, as amended, require the authority to conduct a review, at least once a year, of the effectiveness of internal control and publish the findings alongside the authority's financial statements. The Regulations specifically require that a relevant committee considers the findings of the review.

1.2   The need to produce a Statement on Internal Control has been superseded by the requirement to produce an Annual Governance Statement (AGS) that recognises, records and publishes an authority's governance arrangements under the framework defined in CIPFA/SOLACE's publication "Delivering Good Governance in Local Government: The Framework". For those authorities, like Warwickshire, that adopted a corporate approach to producing the Statement on Internal Control, the transition to the Annual Governance Statement is seamless.

1.3   This framework sets out six core principles of governance that underpin the AGS and upon which the AGS should report;
   - Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area
   - Members and officers working together to achieve a common purpose with clearly defined functions and roles

- Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour
- Taking informed and transparent decisions which are subject to effective scrutiny and managing risk
- Developing the capacity and capability of members and officers to be effective
- Engaging with local people and other stakeholders to ensure robust public accountability.

1.4 A key element of governance is the control environment, which CIPFA defines as comprising "the systems of governance, risk management and internal control. The key elements of the control environment include:

- establishing and monitoring the achievement of the organisation's objectives
- the facilitation of policy and decision-making ensuring compliance with established policies, procedures, laws and regulations – including how risk management is embedded in the activity of the organisation, how leadership is given to the risk management process, and how staff are trained or equipped to manage risk in a way appropriate to their authority and duties
- ensuring the economical, effective and efficient use of resources, and securing continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness
- the financial management of the organisation and the reporting of financial management
- the performance management of the organisation and the reporting of performance management."

2 The Assurance Gathering Process

2.1 The recommended steps for reviewing the authority's governance arrangements and gaining assurance on the control environment are broadly similar to those required to produce the Statement of Internal Control.

2.2 Figure 1 in **Appendix 1** illustrates the recommended steps[1] for the process of reviewing the authority's governance arrangements and gathering assurance about the effectiveness of the system in order to produce the Annual Governance Statement. This approach was adopted for the review which was carried out by an Evaluation Team consisting of:

Greta Needham, Head of Law & Governance
Garry Rollason, Audit & Risk Manager

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[1] The Annual Governance Statement; Meeting the requirements of the Accounts and Audit Regulations 2003, *Incorporating Accounts and Audit (Amendment) (England) Regulations 2006* – Rough Guide for Practitioners; CIPFA Finance Advisory Network

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Ron Williamson, Head of Resources; Adult, Health & Community Services
Oliver Winters, Head of Finance
Balbir Singh, Head of Policy & Performance; Community Protection
Jonathan Simkins, Group Manager, Environment and Economy
John Betts, Head of Resources; Children, Young People & Families

2.3 In carrying out their review, the Evaluation Team;

- Considered the approach of the authority to establishing its principal statutory obligations and organisational objectives;
- Considered the approach of the authority to identifying principal risks to the achievement of those obligations and objectives;
- Identified the key control frameworks that the authority has in place to manage its principal risks;
- Obtained assurance from managers on the operation of key control frameworks and on the results of relevant external or internal inspection;
- Evaluated the assurances provided and identified gaps.

2.4 Having reviewed the strategic risks of the Authority identified in the Corporate Risk Register (agreed by Council 28.03.08), the Evaluation Team identified a set of corporate control frameworks on which to seek assurance.

2.5 In addition to the corporate control frameworks, the Evaluation Team sought assurance on a number of departmental control frameworks covering key front-line services. At this stage there was consideration regarding the need for relevance of existing statements and the need for new statements.

2.6 The full set of control frameworks is set out **Appendix 2** and the mapping of these control frameworks to the strategic risks of the authority is set out in **Appendix 3.**

2.7 Section 3 of this report sets out the main findings of the review. A draft Annual Governance Statement reflecting these findings is attached in **Appendix 4.**

2.8 The External Auditors have recommended that the Internal Audit Annual Report for the year ended 31 March 2008 is considered at the same time as this statement. The Annual Report is also included on the agenda for this meeting.

2.9 Members of the Audit and Standards Committee are invited to scrutinise the draft Annual Governance Statement and identify any matters they wish to bring to the attention of the Chief Executive and Leader of the Council who will be the signatories to the Statement. The Committee's views together with the draft statement will be presented to the Cabinet on 19 June 2008 along side the accounts.

3. **The Annual Governance Statement**

3.1 The guidance on the process for reviewing the Authority's governance arrangements allowed the Evaluation Panel a certain amount of discretion in recommending those items to be included in the Annual Governance Statement. However, the panel were mindful of the following factors in determining what constitutes a significant issue:

- The issue has severely prejudiced or prevented achievement of a principal objective
- The issue has resulted in a need to seek additional funding to allow it to be resolved, or has resulted in significant diversion of resources from another aspect of business
- The issue has led to a material impact on the accounts
- The Audit and Standards Committee has advised that it should be considered significant for this purpose
- The head of internal audit has reported on it as significant, for this purpose, in the annual opinion on the internal control environment
- The issue, or impact, has attracted significant public interest or has seriously damaged the reputation of the organisation
- The issue has resulted in formal action being taken by the Chief Financial Officer or the Monitoring Officer.

3.2 CIPFA guidance also states that "a 'good' governance statement should be "an open and honest self-assessment of the organisation's performance across all of its activities [and] it is inevitable that, where the process of review has been rigorous and robust, issues will be identified that the organisation will need to address."

3.3 The recommendation of the Evaluation Panel is that the issues highlighted in section 4 of this report should be included in the Annual Governance Statement as areas for ongoing improvement or future review. However, the Panel's view is that none of these constitutes a "significant governance issue" in accordance with the CIPFA guidance. Action plans to address all of the issues highlighted have already been incorporated into the Corporate & Directorate Business Plans and the Council's revised New Ways of Working Programme.

4   Findings of the Review

4.1 The Annual Governance Statement 2007/2008 identified 8 areas of concern. As part of the Annual Governance Statement process for 2008/2009, the Panel considered progress against areas that were raised in the 2007/2008 review. Risk management is an area that has made considerable progress over the last year and accordingly has not been included in the draft Annual Governance Statement for 2008/2009.

4.2 The following are ongoing issues where, despite progress there remains scope for improvement:

- Adult Social care – Care & Choice

Warwickshire
County Council

- Strategic planning and workforce development

- Partnership governance

- Governance arrangements including schools governance and information management

- Waste Management

4.2   As a result of this year's review of the systems of internal control and governance arrangements of the Authority, the Panel identified the following areas where the Authority must to continue to improve our controls and performance, although we do not judge any of these to be significant governance issues:

- Flu Pandemic

- Safeguarding Children

- Economic Conditions

These issues are set out in detail in the attached draft AGS.

DAVID CARTER   DAVID CLARKE
Strategic Director for   Strategic Director of
Customers, Workforce and   Resources
Governance

Shire Hall
Warwick

28 May 2009

Warwickshire
County Council

Appendix 1: Review of Annual Governance Statement and the Assurance Gathering Process

Objective 1 →	Establish principal statutory obligations and organisational objectives	Apply the Six CIPFA/SOLACE Core Principles

Objective 2 → Identify principal risks to achievement of objectives

Objective 3 → Identify and evaluate key controls to manage principal risks

Objective 4 → Obtain assurances on effectiveness of key controls

Objective 5 → Evaluate assurances and identify gaps in control/assurances

Objective 6 → Action plan to address weaknesses and ensure continuous improvement of the system of Corporate Governance

Objective 7 → Annual Governance Statement

Objective 8 → Report to Cabinet/Executive Committee

Warwickshire County Council

Appendix 2: Key Control Frameworks

Corporate Control Frameworks

	Statement	Lead
1	New Ways of Working	Monica Fogarty
2	Business Strategy and Planning	Monica Fogarty
3	Budget Strategy and Planning	Oliver Winters
4	HR & Organisational Development	Bob Perks
5	Procurement	Paul White
6	Financial Management	Oliver Winters
7	Asset Management	Steve Smith
8	Risk Management	Simone Wray
9	Performance Management	Monica Fogarty
10	Project Management	Monica Fogarty
11	Information Management	Andrew Morrall
12	ICT	Tonino Ciuffini
13	Partnerships	Nick Gower-Johnson
14	Governance	Sarah Duxbury

Service Specific Frameworks

	Statement	Lead
1	Adult Social Care	Ron Williamson
2	Children in Need	Chris Hallett
3	Education and Schools	Geoff King
4	External Funding	John Scouller
5	Sustainability	Martin Stott
6	Waste	Martin Stott
7	Engineering	Graeme Fitton
8	Community Protection and Fire Investigation	William Brown
9	Customer Service and Access	Kushal Birla
10	Trading Standards	Mark Ryder

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Appendix 3: Mapping of strategic risks to control frameworks

Strategic Risk (as agreed by Cabinet)	Assurance Statement
The role of WCC is to provide Community Leadership to the County of Warwickshire through a democratically elected process. The risk would be that the Council fails to offer the community and political leadership required.	New Ways of Working Governance
WCC is a large, complex and diverse organisation with a variety of disparate services, skills and departments. The risk would be that the Council does not realised the enhanced performance benefits of collective working across services and a culture change of "oneness" reflecting a positive, high performing organisation.	New Ways of Working HR & Organisational Development
There are economic and social divisions within the county. For example, there are pockets of severe deprivation in the North and it is the Council's policy to achieve the fastest improvement for the most deprived. The risk would be that the differences between areas and groups in the County are not managed effectively.	Business Strategy and Planning Budget Strategy and Planning
The delivery of Warwickshire County Council's agenda is dependent on the availability of a wide range of appropriate staff, both now and in the future. The risk would be that the Council does not have the right skills in the right places at the right time.	HR & Organisational Development
WCC has constraints on the funding available to deliver services. Key issues include: Capping and affordability, The need to achieve efficiency savings and savings through procurement, the impact of single status. The risk would be that the Council has insufficient resources to deliver its statutory service provision and to achieve its vision for One Warwickshire.	Budget Strategy and Planning Asset Management Procurement Financial Management
ICT sits at the heart of the delivery of priorities and services from WCC. The risk would be that the ICT infrastructure is not sufficiently robust or embedded.	ICT Management Customer Access
In order to deliver on key priorities the Council is required to create partnerships and work constructively with its public service partners. The risk would be that the Council does not work effectively in partnership.	Governance Business Strategy and Planning Performance Management Partnerships

Warwickshire County Council

The Council provides high risk/high profile services and service failure could have very serious effects. The risk would be that there is a high profile incident/serious service failure.	Business Strategy and Planning Performance Management Project Management Risk Management
Warwickshire County Council is subject to continuous change and improvement agendas set by national government priorities and is required to deliver. The risk would be that the Council fails to respond effectively to change driven by central government.	Business Strategy and Planning New Ways of Working Budget Strategy and Planning
WCC is bound by strict codes of corporate governance and probity and is required to work within the law. The risk would be that the Council fails to comply with appropriate standards of governance and probity.	Governance
Advice from the Department of Health is that the expected absence rate following an outbreak could be between 33%-50% over a 15 week period. This presents the Council with a number of issues relating to its responsibilities for the provision of an external emergency response and internally the continued provision of priority services. The risk is the failure to maintain adequate staffing levels to respond effectively.	Risk Management Community Protection
The Council has a statutory duty to promote high standards and to secure high levels of achievement and attainment for all children and young people in Warwickshire. The risk is that levels of achievement and attainment do not rise to meet national targets and in line with national expectations and the gap between high and low achieving areas of the County is widened and not narrowed.	Education and Schools
In accordance with the White Paper "Our Health, Our Care, Our Say", there is an expectation that the Council will increase the numbers of people helped to live at home and improve the health and well-being of those who live in the community. This is to be funded through increased efficiencies and the redirections of resources from more traditional forms of adult social care. The risk is that the Council's performance in this area do not improve.	Adult Social Care

Warwickshire County Council

There is a fast moving agenda on environmental issues. National environmental issues particularly related to Climate Change and Sustainable Development are becoming increasingly high profile. In order to deliver on key priorities, the Council is required to create partnerships and work constructively with many partners. The risks would be that changes in the legislative or fiscal requirements will make delivery of objectives more difficult across a partnership.	Sustainability Waste

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Appendix 4: Annual Governance Statement for 2008/2009

Warwickshire
County Council

Warwickshire County Council - Annual Governance Statement

Scope of responsibility

Warwickshire County Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Warwickshire County Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Warwickshire County Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

Warwickshire County Council has approved and adopted a code of corporate governance, which is consistent with the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government.* A copy of the code can be obtained from the Strategic Director for Customers, Workforce and Governance[1]. This statement explains how Warwickshire County Council has complied with the code and also meets the requirements of Regulation 4(2) of the Accounts and Audit Regulations 2003, as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

The purpose of the governance framework

The governance framework comprises the systems and processes and culture and values, by which the Authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Authority to monitor the achievement of its strategic priorities and to consider whether those priorities have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Warwickshire County Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

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[1] From 1 April 2009 the Strategic Director of Performance and Development will be known as the Strategic Director for Customers, Workforce and Governance.

The governance framework has been in place at Warwickshire County Council for the year ended 31 March 2009 and up to the date of approval of the annual report and statement of accounts.

The governance framework

- **Identifying and communicating the authority's vision of its purpose and its intended outcomes for citizens and service users**

   The Authority's Vision, which is reviewed annually as part of the Council's corporate business planning process, provides strategic direction to the Council; it is the centre piece to its key plans and sets out its direction and aspirations. The Vision encapsulates what the Authority stands for, what it wants to achieve, how it wants to be regarded by the public, how it wants staff to identify with their council and how it wants to work with and influence other agencies and partners.

   The Vision is informed by an extensive programme of consultation with the public and is based on 'State of Warwickshire' and 'Quality of Life' publications which identify the socio-economic drivers for Warwickshire. The 'Quality of Life' report focuses on both quantitative and qualitative outcome indicators which reflect objective measures such as unemployment and subjective measures such as fear of crime.

   The Council's priorities are developed and reviewed as part of the integrated business and financial planning process. The Corporate Business Plan provides the context for the County Council's main priorities and provides greater detail for the actions and outcomes which the Authority is aiming to achieve.

   The Vision and intended outcomes are communicated to citizens through a range of media including the Authority's website and the quarterly 'Warwickshire View' publication.

- **Reviewing the authority's vision and its implications for the authority's governance arrangements**

   Warwickshire County Council adopted a Corporate Governance Code of Practice in October 2004 which was revised in 2007/2008 to reflect new CIPFA/SOLACE guidance. This code identifies the Council's commitment to corporate governance and makes explicit links to the Authority's Vision and objectives, explaining the relationship between the two. The code underlines the critical role governance has in the delivery of objectives, stating that "good governance is essential for the Authority to improve the quality of its services and has a significant impact on the public's level of trust in the services that the Authority delivers."

- **Measuring the quality of services for users, for ensuring they are delivered in accordance with the authority's objectives and for ensuring they represent the best use of resources**

Warwickshire County Council's approach to performance management is set out in its Performance Management Framework. The Authority has an explicit vision underpinned by a set of strategic priorities and cross-cutting themes. The Authority's Corporate Business Plan addresses both national and local priorities and is supported by a suite of Directorate Business Plans, which in turn shape the work of Services, Divisions, Teams and Individuals within the Organisation. The achievement of targets at all levels within the organisation is regularly monitored by a range of methods. Corporate performance is considered by Cabinet and Directorate performance by the respective Overview and Scrutiny Committees.

Each Overview and Scrutiny Committee agrees an annual programme of scrutiny reviews which have performance improvement at their core and are supported by a dedicated scrutiny team. The Overview and Scrutiny Coordinating Group agreed a five year strategy for overview and scrutiny on 30 January 2008.

The Authority has a Medium Term Financial Plan which sets out how budget decisions are made. The budget process establishes the resources required to deliver the Authority's service priorities and involves a review of the overall use of resources. Services are required to deliver improvements in cost effectiveness on an annual basis. Relevant prudential indicators are approved by Council as part of the budget resolution.

- **Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication**

  The roles and responsibilities of the executive, non-executive, scrutiny and officer functions, along with the delegation of statutory powers are defined and documented within the Authority's Constitution.

- **Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff**

  The Authority's Corporate Governance Code of Practice is supported by a programme of governance training for officers and a biennial Corporate Governance Audit. The results of this audit and an action plan to address areas for improvement are agreed by members. The last governance review took place in 2007/2008.

  Standards of behaviour for the council's staff are defined in the 'Roles and Responsibilities' document which is provided to all staff on joining the authority and available through the corporate intranet.

  The expectations for the behaviour of elected members are published in the member's Code of Conduct.

- **Reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes/manuals which clearly define how decisions are taken and the processes and controls required to manage risks**

    The Constitution sets out how the Council operates, how decisions are made and the procedures followed to ensure that these are efficient, transparent and accountable to local people. Responsibilities for decision-making, the role of individual members, the Council, the Executive, Committees and the process for determining the Authority's Key Decisions are defined in the Constitution. Delegations are detailed so that the functions of full Council, Cabinet, Cabinet Members, Committees and Officers are specified. The Forward Plan of key decisions is published on the Council's website.

    A structured approach to procurement and contract letting is set out in Financial Standing Orders and Contract Standing Orders. A Procurement Code of Practice provides further guidance to managers to ensure value for money is considered in all purchasing activity. The content of contract standing orders was reviewed during 2007/2008 to ensure it remains relevant and represents best practice.

    A risk management framework has been developed including a corporate implementation strategy. Strategic risks are reviewed annually and incorporated in the Corporate Business Planning process. A process for reporting those risks to Cabinet on a more regular basis will be developed during 2009/10. All departments have risk registers. The Council's insurances are reviewed annually.

- **Undertaking the core functions of an audit committee as defined in CIPFA's *Audit Committees – Practical Guidance for Local Authorities***

    The Authority's Audit and Standards Committee operates to an agreed terms of reference which defines its core functions, roles and responsibilities. The terms of reference are published as part of the Constitution.

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

    Key roles in relation to ensuring compliance with policies, procedures, laws and regulations are performed by the Authority's Monitoring Officer and the Section 151 Officer.

    The Monitoring Officer has put in place arrangements to ensure that all reports to member bodies are checked by qualified lawyers within the Authority to ensure compliance with legislation and corporate policies and procedures. All member bodies are supported by a legal advisor to ensure there is appropriate advice at meetings of the Authority. In addition, the Monitoring Officer receives weekly briefings from the senior lawyers of the Authority highlighting if there are any:

- cases or potential cases where questions arise as to the Council's power to take action;
- cases or potential cases of breaches of law or internal regulations (especially standing orders, contract standing orders or financial regulations);
- departmental proposals to act contrary to corporate policy or legal advice;
- New legislation, statutory instruments or government proposals affecting areas of work carried out by the Authority.

The Monitoring Officer with the Section 151 Officer also commissions the biennial Corporate Governance and annual Contract Standing Orders compliance audits.

The Strategic Director of Resources, as the nominated Section 151 Officer, has the delegated responsibility for ensuring there are arrangements in place for proper administration of financial affairs.

The Council has delegated responsibility for maintaining an adequate internal audit function to the Strategic Director for Performance & Development. A programme of risk based audits is carried out by the Internal Audit and Risk Management Service. A summary of audit work is reported to the Audit and Standards Committee which has responsibility for oversight of probity and audit issues and meets regularly. In addition, external audit and external inspection agencies such as Ofsted contribute to the review of the Authority's compliance with its policies, laws and regulations.

- **Whistle-blowing and for receiving and investigating complaints from the public**

  The 'Public Interest Reporting Code' outlines procedures for staff members wishing to raise a concern, the response they can expect from the Authority and the officers responsible for maintaining and operating the code. A confidential register of concerns raised and the subsequent outcomes of investigations is held by the Strategic Director for Performance & Development.

  Complaints from members of the public are addressed according to the 'Corporate Complaints Procedure' (Making sure positive or negative customer feedback is valued and used to improve services') and managed corporately by a Customer Relations Officer. Extensive guidance is available to staff through the Authority's Intranet site and to the public on the Council's website and written publications.

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

  The development and training of elected members is managed by the Law & Governance Division of the Directorate for Performance & Development. Each member undergoes an induction programme which

includes training on Corporate Governance. The Authority conducts regular Member Development Seminars which cover a broad range of topics both on matters internal to the Council and on relevant external subjects. Each member has an individual development plan which is reviewed and updated annually. The Member Services Section of the Law & Governance Division also maintains an electronic database of the training received by and planned for members.

The Chief Executive conducts appraisals of each of the six Strategic Directors and they in turn appraise their respective Service heads. The appraisal framework applies throughout the organisation. Each appraisal results in a plan of development objectives which are supported by training as appropriate.

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

The Corporate Communications Strategy defines Warwickshire County Council's approach to managing effective communication with the community and other stakeholders. The strategy defines the roles and responsibilities within the Authority for managing communication, the people and entities with whom the Authority needs and aspires to communicate and the methods, channels and media by which that communication is achieved. Corporate Communications are managed within the Performance and Development Directorate.

A Corporate Consultation Strategy was first developed in 2001 and was revised in 2003. The strategy was revised again in 2008 and is now the 'Consultation and Engagement Strategy'. The key elements of this strategy are to ensure that:

➤ The people of Warwickshire are satisfied with the opportunities available to them to contribute to policy-making, service design and service improvement
➤ The Authority shares effort and resources effectively and with its partners to gain value for money from consultation activities, avoiding duplication of effort and an overload of consultation activity on certain groups in the community
➤ Policies and services are improved to reflect the needs and aspirations of the people of Warwickshire

There are also a number of consultation groups working within Warwickshire consisting of representatives from the Authority, from District and Borough Councils, the Police and Primary Care Trusts. The Council's Equality and Diversity Policy and Consultation and Community Engagement Strategy ensure that all people have an equal chance of having their voice and views heard and of influencing their futures. Therefore, a group of specialist officers has been set up to advise staff who want to undertake consultation with particular groups of residents e.g. Black and Minority Ethnic groups, Older People groups.

The results of all public consultations are publicised on the Authority's website. A forward plan of key decisions is also publicly available, allowing interested parties to lodge their views prior to the decision being made.

- **Incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the authority's overall governance arrangements**

  A Partnership Governance toolkit has been developed for use when establishing partnerships. Within the suite of documents is a tool which enables the assessment of a partnership's contribution to the Council's strategic objectives. There is an approved list of the Council's significant partnerships.

  A 'Partnerships Protocol' is available to staff which "identifies the different types of partnership that can be established and aims to set out the arrangements needed to facilitate their smooth running and effectiveness. It also sets out the standards expected to ensure that the Council is protected in the partnership arrangements that it is involved in." Partnership governance forms part of the responsibility of a Cabinet member

Review of effectiveness

Warwickshire County Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the Authority who have responsibility for the development and maintenance of the governance environment, the head of internal audit's annual report, and also by comments made by the external auditor and other review agencies and inspectorates.

The review of effectiveness was co-ordinated by an evaluation team consisting of representatives of all directorates and chaired by the Head of Law and Governance. In carrying out their review, the evaluation team:

- Considered the approach of the Authority to establishing its principal statutory obligations and organisational objectives;
- Considered the approach of the Authority to identifying principal risks to the achievement of those obligations and objectives;
- Identified the key control frameworks that the Authority has in place to manage its principal risks;
- Obtained assurance from managers on the operation of key control frameworks and on the results of relevant external or internal inspection;
- Evaluated the assurances provided and identified gaps.

The evaluation team scrutinised a series of assurance statements prepared by executive managers. These statements describe and provide evidence of

the control frameworks and, where appropriate, referred to the results of reviews carried out by external agencies during the year including the:

- Comprehensive Performance Assessment
- External audit of the accounts
- The outcome of the Joint Area Review of children services

The work of the evaluation team was scrutinised by the Audit and Standards Committee and reported to Cabinet and Council.

The Authority's governance arrangements have also been reviewed throughout 2008/2009 in a number of ways including:

- Overview and Scrutiny Committees have carried out a programme of reviews.
- Internal Audit has undertaken risk based reviews across all directorates and a range of functions across the Authority. The results of this work were reported to the Audit and Standards Committee throughout the year and the individual reviews fed into the overall Annual Internal Audit Report. That report concludes that the Authority's control environment provides substantial assurance that the significant risks facing the Authority are addressed. The internal audit findings were duly considered in the preparation of this statement by the evaluation team and the Audit and Standards Committee.

We have been advised on the implications of the result of the review of effectiveness of the governance framework by Cabinet and the Audit and Standards Committee and plan to address weakness and ensure continuous improvement of the system is in place.

Governance issues

As part of the review process for 2008/2009, the Authority considered progress against the areas that were highlighted in the 2007/2008 Annual Governance Statement. Risk management is an area that has made considerable progress and has accordingly not been included as an issue to be raised within this Annual Governance Statement. Subsequently, the following are ongoing issues where, despite progress there remains scope for continued improvement:

- **Adult Social Care**

  Adult Social Care are undertaking a number of major projects, including Care and Choice and Personalisation, to reshape and modernise its services. Delivery of these programmes continue to embody complex legal, financial, commercial, property, IT and contractual issues, and these remain a significant challenge for the Authority. Constant monitoring within its agreed project management arrangements is required to drive delivery of its objectives within budget and timescale.

In light of current economic conditions, the pace of change in some aspects of the adult social care change agenda is now affected by the recession which particularly impacts on capital property transactions. This requires the Authority to continue to monitor progress through regular reporting to Cabinet and the Adult & Community Services O&S Committee.

- **Workforce planning and development**

  The Council remains committed to fundamentally restructuring and changing its approach to the management of human resources, learning and development, organisational development and payroll processes. Progress on these issues is carefully monitored through regular reports to SDLT to ensure that timescales are achieved and benefits realised.

  A strategy for Phase 2 of the Pay & Conditions review has been agreed and approved. Implementation of the strategy will present the Authority with a significant challenge over the next 12 months in achieving a smooth transition to new pay structures.

  Whilst progress has been made on the implementation of the new Business Partner Model (which includes a mixture of directorate linked and specialist business partners who have expertise in particular areas), further development is required, to embrace HR, Learning and Development and Organisational Development if it is to deliver the strategic change and benefits that it promises.

  The continuing development of the HR Advisory centre is integral to the improvement agenda. The centre consists of a team of co-located HR professionals providing expertise and support on HR casework such as grievance, disciplinary performance, absence management and change management.

- **Partnership governance**

  From April 2009 the Comprehensive Area Assessment framework will replace the current Comprehensive Performance Assessment framework. Reflecting the way local services are increasingly provided by a range of agencies working together, public bodies (including councils, health organisations, the police, fire and rescue services and other agencies) will for the first time, be held collectively to account for their performance. The Comprehensive Area Assessment will change the way inspectorates engage locally - moving from rolling programmes of on-site inspection to an on-going relationship with local areas. This places a clear emphasis on outcomes and improvements for local people.

  The County Council has been focusing its attention on a more corporate and rigorous performance management approach during the last three years. The County Council will also, as host to the Local Area Agreement, be held to account for leading the performance of partners in

Warwickshire and has subsequently developed complementary approaches to the management of corporate and partner performance.

In order to bring together the management of performance, both corporate and partnership, to meet the incoming Comprehensive Area Assessment regulatory regime, the council created, from 1 April 2009, a Partnership & Performance Unit to work with the Public Service Board as well as the County Council under the guidance of the Assistant Chief Executive.

The Public Service Board for Warwickshire has been established with county level themed partnerships across the 6 LAA themed blocks. An Advisory Forum is tasked with ensuring delivery against LAA targets. The leader of Warwickshire County Council is responsible for chairing the Board where the key challenge, for all partners, is the development of a strategic approach to the identification and delivery of Warwickshire's key priorities through effective partnership working.

- **Member training and development**

    Member training and development has been highlighted as a governance issue in the Authority's latest CPA assessment. In a council with no overall control, strong political leadership is required to develop our vision for the future, to develop strategy and to continue the drive for excellence. A number of initiatives are being pursued to support elected members and to develop their skills to meet the changing environment facing the council.

    Training and guidance for members remains a key issue. The Authority continues to provide a support programme for members which has the aim of ensuring all councillors understand their role of strategic and community leadership and that they have the skills and confidence to undertake these roles. The "Leading for Warwickshire" induction programme underpinning these development areas will be provided to all new and existing members following the June 2009 elections.

- **School governance and transforming education**

    The council's relationship with schools requires continuous oversight and management. The importance of maintaining strong relationships between the Authority and schools remains an area where constant effort and energy is required particularly in relation to the development of the localities agenda.

    The Authority is embarking on a number of major projects to provide an improved foundation for raising the educational attainment of children and young people in Warwickshire. The "Machinery of Government" agenda will see all educational provision for young people up to the age of 19 provided via the local authority, and the "Transforming Education" project will be key to wholesale improvements in teaching and learning across Warwickshire including the environment in which this happens.

There need to be robust management controls in place to manage the risks associated with these developments and continuing emphasis on a proactive and close working relationship with schools to ensure that the expected benefits are delivered on time and to budget.

- **Waste management**

  The management of waste continues to have a fast moving agenda with environmental concerns being a high priority issue for local residents. Warwickshire's 'Corporate Waste Minimisation Strategy' seeks to reduce growth in our corporate waste, minimise resources used and reduce the hazardous contents of our waste. This agenda presents one of the most significant challenges for the future.

  The Authority remains committed to reducing its dependence on landfill and moving towards more sustainable methods of managing waste and resources. The Waste Minimisation strategy aims to reduce waste produced by all activities across the County's services.

  Project Transform is a joint project with Coventry City Council and Solihull Metropolitan Borough Council to develop effective and sustainable solutions to manage residual waste in the sub-region. This project requires clear leadership and vision, which will be achieved through the appointment of Director for the Project.

  There are emerging risks associated with the financial crisis and the impact that this will have on the Governments ability to deliver PFI funding. There need to be robust management controls in place to manage these risks to give assurance on the future delivery of this agenda

- **Atherstone on Stour fire investigation**

  The police and the HSE investigations into the circumstances of the deaths of four fire fighters at Atherstone on Stour on 2nd November 2007 are continuing and we have no indication of when they will be completed or findings published. This continues to have a significant impact for the foreseeable future which will need continuous and careful management. Whilst dealing with the on-going investigation, the Council continues to face the challenging task of managing the continuing provision of fire and rescue services

As a result of this year's review of the systems of internal control and governance arrangements of the Authority, we have identified three further areas where we plan to continue to improve our controls and performance, although we do not judge any of these to be significant governance issues:

- **Flu Pandemic**

  Advice from the Department of Health is that the expected absence rate following a flu pandemic could be between 33% - 50% over a 15 week

period. The recent outbreak of swine flu has caused the World Health Organisation to raise its threat level to 5 (one short of a full pandemic). The possibility of a pandemic, and the associated implications for the provision of an external emergency response and continuation of priority services, requires ongoing management and planning. The Authority will revisit business continuity plans to ensure they remain appropriate and work is also underway to ensure that emergency response plans are sound.

- **Economic Conditions**

  Underlying many of the areas above is concern over the current economic conditions and the implications these may have on services. Pension Fund and general financial management across the authority needs to be robust enough to deal with the problems resulting from issues such as falling property prices, rising energy prices and less available credit. Strong financial leadership is required to ensure that resources continue to provide value for money for the residents of Warwickshire, whist still providing the quality of service that residents expect. In addition, the Authority is streamlining its management structures and moving to a commissioning role. These developments will require new skills and bring different risks. Good governance and standards of control need to be maintained during the change process.

- **Safeguarding Children**

  In light of recent high profile safeguarding children cases it is clear that the Authority cannot be complacent about protecting children from harm and providing appropriate services for children in need. External assessments have recognised that the service consistently delivers above the minimum requirements for users. However, there needs to be a review of child protection processes in a response to the Laming Report. The Authority needs to carefully consider these issues and effectively use the additional resources allocated in 2009/10 by the Council.

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

Chief Executive   **Leader**

Date: **Date:**

AGENDA MANAGEMENT SHEET

Name of Committee	**Audit and Standards Committee**
Date of Committee	**28 May 2009**
Report Title	**Internal Audit Strategy 2009/2010.**
Summary	This report asks the Committee to endorse the internal audit plan for 2009/2010

For further information please contact:	G Needham Head of Law and Governance Tel: 01926 41 gretaneedham@warwickshire.gov.uk	G. Rollason Audit and Risk Services Manager Tel: 01926 412679 garryrollason@warwickshire.gov.uk
***Would the recommended decision be contrary to the Budget and Policy Framework?** [please identify relevant plan/budget provision]*	No.	
Background papers	None	

CONSULTATION ALREADY UNDERTAKEN:-   Details to be specified

Other Committees	☐	…………………...........................
Local Member(s)	☒	Not applicable...........................
Other Elected Members	☐	…………………...........................
Cabinet Member	☒	Cllr. Timms
Chief Executive	☐	....
Legal	☒	Reporting Officer
Finance	☒	Dave Clarke
Other Chief Officers	☐	…………………...........................
District Councils	☐	....
Health Authority	☐	....
Police	☐	....

Other Bodies/Individuals ☐ ....

FINAL DECISION   YES

SUGGESTED NEXT STEPS: Details to be specified

Further consideration by   ☐ ....
this Committee

To Council   ☐ ....

To Cabinet   ☐ ....

To an O & S Committee   ☐ ....

To an Area Committee   ☐ ....

Further Consultation   ☐ ....

Warwickshire
County Council

Agenda No

Audit and Standards Committee – 28 May 2009

Internal Audit Strategy
2009/2010

Report of the Strategic Director of Customers, Workforce and Governance

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Recommendation

That the proposed internal audit strategy is approved.

The overall objective of internal audit is to provide an opinion on the overall adequacy and effectiveness of the council's 'internal control environment'. To do this, audit work during the year needs to be planned to cover the significant risks facing the Council. The attached strategy outlines the audit work to be undertaken during 2009/10 for approval by the Committee.

DAVID CARTER
Strategic Director of
Customers, Workforce and
Governance

Shire Hall
Warwick

1 April 2009

Warwickshire
County Council

Internal Audit Strategy
2009/2010

"Providing assurance on internal controls"

Warwickshire
County Council

Working for Warwickshire

1   Introduction

1.1   Management is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements i.e. the control environment. Internal audit plays a vital part in advising the organisation that these arrangements are in place and operating properly. On behalf of the Authority, internal audit review, appraise and report on the efficiency, effectiveness and economy of these arrangements. This report outlines the internal audit work plan for 2009/10 which will culminate in an opinion on the adequacy of the Authority's control environment.

2   Regulatory background

2.1   The requirement for an internal audit function is contained in The Accounts and Audit Regulations 2003 (as amended) which require the Authority to:
          "maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control".

       In Warwickshire the County Council has delegated its responsibilities to the Strategic Director of Customers, Workforce and Governance. Guidance on the regulations indicates that proper internal control practices are those contained in various Cipfa publications but particularly the Code of Practice for Internal Audit in Local Government in the United Kingdom 2006. The Regulations therefore effectively make compliance with the Cipfa Code mandatory.

2.2   The internal audit service also assists the Strategic Director of Resources in discharging his delegated responsibilities under Section 151 of the Local Government Act 1972 which requires that authorities:

          "make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs".

       In addition, internal audit makes a key contribution to the Authority's CAA assessment particularly the risk and internal control element (Key Lines of Enquiry 2.4) of the Use of Resources block.

2.3   The regulations, and related guidance, also lay down far-reaching requirements regarding systems of internal control. They require the Authority to:

       • Have "a sound system of internal control …. which includes arrangements for the management of risk";

- "Conduct a review at least once a year of the effectiveness of its system of internal control"; and
- Prepare and publish an Annual Governance Statement.

The regulations and Code require a much wider role for internal audit compared to the historical focus on financial systems. The scope of internal audit therefore encompasses virtually every management control system, covering every risk in corporate and departmental risk registers. These requirements bring local government practices into line with the private sector and others parts of the public sector.

2.4   It is best practice to regularly review the overall terms of reference for the internal audit service. This document, which was approved by the Audit and Standards Committee in June 2008, has been reviewed and we have concluded that, apart from minor typographical changes, it remains relevant and no changes are required at this time. For reference the updated document is attached as Appendix A. It also applies to work undertaken for the Pension Fund.

3   Definition of internal audit

3.1   The Code defines internal audit as:

"an assurance function that primarily provides an independent and objective opinion to the organisation on the control environment, by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources."

Whilst audit's main role is to provide an opinion on the control environment, the Code states that internal audit may also undertake non-assurance work at the request of the organisation, subject to there being no impact on the core assurance work and the availability of skills and resources. This can include advice, training, facilitation and fraud / irregularity related work.

3.2   The Code defines the control environment as comprising the systems of governance, risk management and internal control. The key elements of the control environment include:

- "establishing and monitoring the achievement of the organisation's objectives
- the facilitation of policy and decision-making ensuring compliance with established policies, procedures, laws and regulations – including how risk management is embedded in the activity of the organisation, how leadership is given to the risk management process, and how staff are trained or equipped to manage risk in a way appropriate to their authority and duties

- ensuring the economical, effective and efficient use of resources, and for securing continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness
- the financial management of the organisation and the reporting of financial management
- the performance management of the organisation and the reporting of performance management."

4   Our vision, purpose and values

4.1   Our overall purpose is:

"To provide assurance on internal controls by providing an effective and professional internal audit service."

A secondary objective is to improve the overall level of internal control and management of risk within the County Council. Hence we assist management to achieve the council's objectives.

4.2   As a modern effective internal audit service our aspirations are to:
- Act as a catalyst for improvement at the heart of the organisation
- Influence and promote the ethics, behaviour and standards of the organisation
- Provide an independent and objective opinion on the adequacy of each customers' arrangements to manage risk
- Develop a risk aware culture that enables customers to make informed decisions
- Understand and respond to our customers' needs, working with them to develop effective ways of managing risk
- Be forward thinking – knowing where the organisation wishes to be and the internal and external factors that may affect the achievement of its objectives
- Continually improve the quality of our services
- Develop, promote and share best practice

4.3   A key driver of this strategy is the need to meet our customers needs. Our customers will continue to be affected by a variety of local and national issues:

- Increased growth in partnerships, for example with health and the private sector, and particularly the local area agreement;
- Ever increasing use of technology to deliver services;
- Flexible working arrangements to make more effective use of accommodation;
- The introduction of new ways for customers and the public to access services (one stop shops etc); and

- Pressure to reduce the cost of administrative / support functions while improving quality / effectiveness.

These, and other developments, will mean increased pressure on the audit service to review existing systems and provide advice on new and complex initiatives within reducing resources.

4.4 To deliver on our vision we will:
- Continue to develop our staff to ensure we are fully equipped to respond to our customer's demands,
- Continue to invest in modern technology to improve efficiency and effectiveness.
- Add value and make best use of our resources by focussing on key risks facing our customers.
- Increasingly work in partnership with clients to improve controls and performance generally. We must add value and help deliver innovations in service delivery.
- Continue to work with colleagues in districts to achieve economies of scale and improve effectiveness.
- Continue to buy in specialist help – particularly in IT and contract audit. A contract for IT audit, which was let competitively in conjunction with the Warwickshire districts, commenced on 1 April 2006. Specialist contract audit services are also bought in, from the acknowledged leader in the field. Whilst an internal audit service can best be provided by an in-house unit the use of external specialists to supplement in-house results in a more effective service.

4.5 If we can embrace the challenges set out above we will be a vital component of Warwickshire's success.

5   Audit approach

5.1 In accordance with the Code, most individual assignments are undertaken using the risk based systems audit approach. This approach:

    a)   "identifies and records the objectives, risks and controls
    b)   establishes the extent to which the objectives of the system are consistent with higher level corporate objectives
    c)   evaluates the controls in principle to decide whether or not they are appropriate and can be reasonably relied upon to achieve their purpose;
    d)   identifies any instances of over- and under-control;
    e)   determine an appropriate strategy to test the effectiveness of controls, i.e. through compliance and/or substantive testing;
    f)   arrives at conclusions and produces a report, leading to management actions as necessary and providing an opinion on the effectiveness of the control environment."

This approach requires a broader review focusing on key corporate objectives and risks rather than an audit of solely financial issues. For example a review of school trips might review health and safety issues whilst historically the audit would have focussed on collection and banking of cash. Our role is to provide an opinion on whether risks and opportunities relating to the corporate objectives are being managed effectively. This opinion feeds into the authority's annual governance statement. To reduce duplication of effort we will work in partnership and place assurance on work done by other review bodies.

5.2   The use of a computerised audit management and working papers system is an essential element of our streamlined working practices which are based upon best professional practice as contained in the Cipfa Model Audit Manual.

6   Risk Assessment Methodology

6.1   The methodology adopted in preparing the audit plan is essentially to calculate the total number of days available, deduct commitments and an allowance for non-assurance work leaving the bulk of time for risk based audits and advice.

6.2   A risk assessment is prepared which is used to determine which topics should be reviewed during the coming year. This assessment is primarily based on discussions with senior officers that highlight key local and national issues. These discussions are supplemented by reviewing entries in the corporate and departmental risk registers. In addition, the head of audit regularly attends various professional networking meetings which highlight wider the issues affecting local government internal audit which need to be reflected in the programme of work.

6.3   Topics are prioritised based upon a number of factors, including:
- Materiality
- Business Risk
- Time elapsed since previous audit
- Cumulative audit knowledge
- Experience of past irregularities

6.4   To maximise the benefits of limited audit resources and avoid duplication the service liaises closely with the Authority's external auditors. Our objective is for external auditors to fully rely on our work and to agree a split of work on financial systems that is acceptable to both parties.

6.5   The process adopted is consistent with that advocated in the Cipfa Model Audit Manual and ensures that the audit plan addresses the key risks facing the Authority.

6.6   A key role of internal audit is to review and support the risk management process. Considerable progress has been made in embedding risk management. As risk management becomes more embedded the audit plan

will increasingly be based upon the authority's own assessment of risk as contained in the corporate and departmental risk registers. The audit management system has been upgraded to make it compatible with the Authority's risk management system.

7   Audit Plan 2009/2010

7.1   The plan is split into a number of elements each of which is described in the following paragraphs:

(a)   Assurance Work

The bulk of audit work is devoted to reviewing and providing an opinion on the Authority's control environment and covers the significant business risks facing the Authority.

Included within this block are audits of the material financial systems and work at schools. The work proposed on the material financial systems (HR Transactional Unit, etc) has been discussed with the Authority's external auditors and to avoid duplication they will seek to place reliance on the internal work. The plan continues the approach to school audits used in previous years of undertaking risk based themed audits instead of the more traditional cyclical school visits whereby each school was audited over a period of 3 – 5 years. The resources required for the traditional approach were significant and bearing in mind that similar issues arise at most schools, the themed audit approach is a more effective use of audit resources.

Priority audits from 2008/9 that could not be started in that year are rolled over into 2009/10. There will also be some 2008/9 audits partly completed as at 31 March 2009. The plan allows for this eventuality.

There are a small number of topics that the Authority has decided should be done to a defined frequency. These are usually key corporate processes. Contract Standing Orders require an annual review of compliance and a biennial corporate governance audit is also due in 2009/2010. Also included in this category is the work arising from the Authority's mandatory participation in the National Fraud Initiative run by the Audit Commission – work on checking the output from the 2008/9 exercise will continue in 2009/2010.

(b)   Non-assurance work

The Code explains that whilst internal audit "primarily" provides an independent and objective opinion on the control environment, it may also undertake non-assurance work at the request of the organisation, subject to there being no impact on the core assurance work and the availability of skills and resources. Given the limited resources available

we have to strike a balance between the requests for non-assurance work and the primary need to do sufficient assurance work to enable a sound opinion to be provided at year end on the control environment.

(i)   Fraud

Warwickshire is fortunate in not having a large number of irregularities. Specific provision has been included in the plan for investigating irregularities based on past experience of the number and complexity of cases. Additional training in fraud investigation techniques will be provided during the year to improve the effectiveness and efficiency of investigations.

(ii)   Certification

At Warwickshire, audit have historically audited the financial statements of a variety of miscellaneous county council funds including:
- Lord Lieutenant
- Members Club
- Staff Club

This work will continue. However, increasingly we are being required by grant conditions to certify the accuracy of a variety of grant claims and / or undertake an audit and / or provide an opinion on governance arrangements. Certification work that we are required to undertake during 2009/10 includes:
- Local Area Agreement
- Supporting people

This work conflicts with the requirement to produce a risk based plan and the Code – an issue that is being addressed nationally by the Cipfa Audit Panel

In some cases grant conditions simply require that the head of audit considers the need for an audit in the general risk assessment. This has been done and, where appropriate, an audit has been included in the work plan.

(iii) Advice on managing risk and design of controls

It is more constructive for auditors to advise on risk management and design of controls at the outset of a project (and during its currency) rather than to make critical comments after the event when often it is too late to make a difference - timely advice adds more value than untimely criticism.

The County Council is continuing to undergo significant changes and discussions with senior officers have identified a continuing

high demand for this type of work. The service has been restructured to facilitate a more pro-active approach and strengthen the links with the risk management function. In overall terms this allows us to make the best use of our limited resources and deliver a more effective service.

Key projects and developments on which it is anticipated advice will be required during the year include:

- Procurement and implementation of replacement financial systems
- Developments in Adult Social Care including Putting People First, Care and Choice and individualised budgets
- Building schools for the future
- Reconfiguration of home care services
- Waste management projects
- Support to HR initiatives particularly Phase 2 of the Pay and Conditions Review and the review / strengthening of processes in the HR Service Centre.
- Learning and Skills Council transfer
- Improvements to general partnership governance

Although responsibility for operating sound controls and for the detection of fraud is the responsibility of management we have a key supporting role. In particular, we will continue to publicise the Council's anti-fraud policy.

(iv) Value for Money

Although internal auditors consider value for money issues where relevant during risk based audits, specific value for money audits have not been undertaken for many years. Undertaking such work would adversely impact the core assurance and advice work, consequently specific VFM reviews have not been included in the plan. However, auditors will continue to highlight any VFM issues that arise during general audits. In line with the Council's objectives auditors will pay particular attention to identifying opportunities to reduce over-control, and streamline processes.

The work programme is summarised in Appendix B.

7.2   Finally, the plan is intended to be flexible. There will inevitably be circumstances where the head of audit will have to amend the programme, e.g. when a major irregularity investigation is required, risks change or a specific project becomes a matter of priority. The plan includes a reasonable amount of contingency time to cope with the usual level of demand but there may be cases where individual lower priority audits have to be rescheduled because of competing priorities. Throughout the year the plan will be updated to ensure it remains relevant. In year changes to the plan to reflect such changes are accepted as best practice.

7.3   This audit plan, therefore, is not set in stone. It will need revising as circumstances change. The Audit and Standards Committee will be kept informed of any significant changes to and progress against the plan through regular progress reports.

G Rollason
Audit and Risk Manager

31 March 2009

TERMS OF REFERENCE
For the
INTERNAL AUDIT SERVICE
Of
WARWICKSHIRE COUNTY COUNCIL
June 2009

1 INTRODUCTION

1.1 The requirement for an internal audit function is contained in The Accounts and Audit Regulations 2003 (as amended) which require the Authority to:
"maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control".

Proper internal audit practices are those contained in various Cipfa publications but primarily the Cipfa Code of Practice for Internal Audit in Local Government in the United Kingdom 2006.

1.2 The internal audit service also assists the Strategic Director of Resources in discharging his delegated responsibilities under Section 151 of the Local Government Act 1972 which requires that authorities:

"make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs".

1.3 These Regulations and Code require a much wider role for internal audit compared with the historical focus on financial systems. Recognising this wider role the Authority has formally delegated its responsibility for internal audit to the Strategic Director of Customers, Workforce and Governance, who is the designated monitoring officer.

1.4 The purpose of this document is to set out the nature, role, responsibilities and authority of the internal audit service within Warwickshire County Council.

2 ROLE

2.1 Internal audit is an assurance function that primarily provides an independent and objective opinion to the organisation on the control environment, by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.

3   OBJECTIVES

3.1   Internal audit's objective is to give assurance to the County Council, through the Audit and Standards Committee, on the adequacy and reliability of the Authority's control environment.

3.2   This assurance will be provided by an annual report that will give an opinion of the control environment. This opinion will feed into the Authority's Annual Governance Statement.

4   RESPONSIBILITIES OF INTERNAL AUDIT

4.1   Internal audit is responsible for providing assurance across all the Authority's activities, including:
- schools
- services provided on behalf of other organisations by the Authority, and
- services provided by other organisations on behalf of the Authority.

4.2   Internal audit provides assurance on the organisation's entire control environment. The key elements of the control environment include:

- "establishing and monitoring the achievement of the organisation's objectives
- the facilitation of policy and decision-making ensuring compliance with established policies, procedures, laws and regulations – including how risk management is embedded in the activity of the organisation, how leadership is given to the risk management process, and how staff are trained or equipped to mange risk in a way appropriate to their authority and duties
- ensuring the economical, effective and efficient use of resources, and for securing continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness
- the financial management of the organisation and the reporting of financial management
- the performance management of the organisation and the reporting of performance management."

Audits are undertaken using the risk based approach as outlined in the Cipfa Code.

Internal audit is responsible for reviewing the Authority's response to fraudulent activity in order to ensure that appropriate action has been taken. Once an investigation is concluded, internal audit will undertake a review to determine whether controls should be strengthened.

4.3   Whilst internal audit primarily provides an independent and objective opinion on the control environment, the Code states that internal audit may also undertake non-assurance work (consultancy) at the request of the

organisation, subject to there being no impact on the core assurance work and the availability of skills and resources. This can include advice, training, facilitation and fraud / irregularity related work.

4.3.1 Policy and Systems Development

Internal audit is most efficient when its advice is utilised to ensure that risks are identified and appropriate controls are incorporated at an early stage in the planning of policy or systems development. As such, managers are required to consult internal audit at the start of such processes. Internal audit must be informed and consulted about plans for major or complex changes to systems. Internal audit will advise / comment on proposed changes and the controls to be incorporated in new and revised systems but the final decision on whether to accept the audit advice rests with the relevant manager.

The provision of such advice does not prejudice internal audit's right to evaluate the established systems and controls at a later date.

4.3.2 Fraud

All managers are responsible for the prevention and detection of fraud, corruption and other irregularities. However, internal audit assists with these responsibilities. Internal auditors when conducting audit assignments are alert to opportunities, such as control weaknesses that could allow fraud. If internal audit discovers evidence of a fraud or other irregularity the relevant line manager will be informed.

Subject to the availability of resources, internal audit will also investigate suspected fraud and other irregularities. It is the responsibility of the relevant line manager to determine what action to take as a result of the investigation.

Managers should immediately inform the Audit and Risk Manager if a fraud or other irregularity is suspected who will then inform the strategic directors of Customers, Workforce and Governance and Resources. Managers should also ensure that:
- any supporting documentation or other evidence is secured; and
- confidentiality is maintained so as not to prejudice any subsequent investigation.

The Audit and Risk Manager is responsible for reporting frauds and subsequent liaison with the Police and other investigative agencies.

4.3.3 Best value and value for money

Internal audit will assist managers by examining and evaluating the extent that value for money is achieved as part of routine internal audit reviews.

At the request of the Chief Executive, a Strategic Director or other senior manager, and subject to the availability of resources, internal audit will also:

- undertake or participate in specific value for money / service reviews;
- facilitate the introduction of best practices across the Authority.

The scope of a value for money / service review will not normally overlap with the scope of an audit. However, internal audit will take account of the timing and scope of such reviews when planning its work.

Where a review team is actively looking at options that have a material impact on risks and controls the Audit and Risk Manager must be informed at an early stage.

Where requested, and subject to the agreement of the relevant manager, internal audit will assist reviewers by supplying information and knowledge gained during audits where this is relevant to the scope of the review.

4.3.4 Other investigations

The Audit and Risk Manager may, at the request of senior managers or the County Council or any of its committees, carry out investigations into issues where the Authority's strategic, corporate or financial interests are at stake.

5 INDEPENDENCE

5.1 The internal audit of Warwickshire County Council is provided by the Internal Audit and Risk Management Service of the Customers, Workforce and Governance Directorate. The service is managed by the Audit and Risk Manager who is professionally qualified. Although the Audit and Risk Manager's direct reporting line on audit matters is to the Head of Law and Governance he also reports to the County Council through its Audit and Standards Committee which has responsibility for overseeing audit arrangements. The Audit and Risk Manager also has a professional responsibility to the Strategic Director of Resources in his capacity as chief financial officer.

5.2 The service has responsibility for co-ordinating work on risk management and business continuity but individual service heads are responsible for managing risk and preparing business continuity plans for their areas of responsibility. A clear separation of work is maintained within the service to ensure that no conflict of interest arises and to maintain objectivity. Apart from these areas of work internal audit does not have any executive responsibilities and is independent of the activities that it audits. This enables it to provide impartial and unbiased professional opinions and recommendations. Internal audit is free to plan, undertake and report on its work, as the Audit and Risk Manager deems appropriate, in consultation with relevant managers and the Audit and Standards Committee.

5.3   Line managers are fully responsible for the quality of internal control within their area of responsibility. They should ensure that appropriate and adequate control and risk management arrangements exist without depending on internal audit activity.

5.4   Internal audit provides advice and assistance to managers and provides assurance that their control responsibilities are being properly fulfilled. Line managers are accountable for accepting internal audit advice and implementing their recommendations.

6   AUDIT AND STANDARDS COMMITTEE

6.1   The Audit and Standards Committee's responsibilities are detailed in the Constitution but in summary include the overview of internal audit and risk management matters and arrangements for the maintenance of probity.

6.2   The role of the Committee complies with relevant Cipfa guidance on audit committees and includes:
   • formally approving (but not directing) the overall internal audit strategy to ensure that it meets the council's overall strategic direction;
   • approving the annual programme of audits (paying particular attention to whether there is sufficient and appropriate coverage);
   • monitoring progress against the plan and assesses whether adequate skills and resources are available to provide an effective audit function;
   • considering summaries of work done, key findings, issues of concern and action in hand as a result of audit work; and
   • receiving and reviewing the annual report from the Audit and Risk Manager in order to reach an overall opinion on the internal control environment and the quality of internal audit coverage.

6.3   The Audit and Risk Manager provides independent assurance to the committee, and by doing so, helps support the chief financial officer's Section 151 responsibilities.

6.4   As required by the Cipfa guidance the Audit and Risk Manager has the right to meet privately with the Committee.

7   OVERVIEW AND SCRUTINY

7.1   The responsibilities of overview and scrutiny committees are detailed in the Constitution but include, in summary, the review and scrutiny of decisions made or actions taken in connection with the discharge of the Council's functions.

7.2   Internal audit will assist in this role by undertaking or participating in any specific reviews as requested by an overview and scrutiny committee or the Scrutiny Services Manager.

8 RIGHT OF ACCESS

8.1 To undertake their work internal auditors have unrestricted access to all the Authority's personnel, premises, documents, records, information and assets including those of partner organisations. Internal auditors have authority to access all computer data as part of their work, including that registered under the Data Protection Act.

8.2 Internal auditors are authorised to obtain the information and explanations they consider necessary from any employees, partners or agents of the Authority to fulfil their objectives and responsibilities. Managers must ensure that internal audit access is considered when preparing partnership agreements or contracts for the purchase or supply of goods and services.

8.3 Internal auditors have rights of access to any data required for their work that is owned by the Authority, but is processed or held elsewhere by third parties.

8.4 The Audit and Risk Manager has the right of direct access to the strategic directors of Customers, Workforce & Governance and Resources, Chief Executive and the Chair of the Audit and Standards Committee.

8.5 Any unresolved dispute over access to information will be referred to the Monitoring Officer.

9 INTERNAL AUDIT STANDARDS

9.1 Internal audit operates in accordance with the best practice standards and guidance in the "Code of Practice for Internal Audit in Local Government in the United Kingdom" issued by Cipfa.

9.2 Individual auditors are required to comply with the Cipfa Code, all relevant ethical and technical standards issued by their professional bodies and with all relevant codes of conduct issued by the Authority.

9.3 The Audit and Risk Manager, in conjunction with the Strategic Director of Customers, Workforce and Governance, is responsible for ensuring that the internal audit service is appropriately staffed in terms of numbers, grades and experience. Internal auditors will be properly trained to fulfil their responsibilities.

9.4 Internal auditors are expected to:
- exercise due professional care based upon appropriate experience, training, ability, integrity and objectivity;
- maintain and keep up to date their professional knowledge and skills and to participate in any continuing professional development scheme (CPD) operated by their professional body;
- participate in the Authority's staff appraisal scheme;
- comply with the Authority's rules about declaring interests; and

- obtain and record sufficient audit evidence to support their findings and recommendations.

9.5   Internal audit will safeguard the information obtained in carrying out its duties. Information obtained will not be use for personal gain or disclosed unless there is a legal or professional requirement to do so (for example under the Freedom of Information Act).

10   INTERNAL AUDIT PLANNING

10.1   Internal audit work is planned at all levels of operation in order to establish priorities, achieve objectives and ensure the efficient and effective use of audit resources.

10.2   The Audit and Risk Manager produces annual plans. These plans are developed in consultation with senior managers and take account of the Authority's risk management process. The Audit and Standards Committee approves each year's plan. These plans include an element of contingency to allow internal audit to be responsive to changing conditions and requests for assistance from managers. It is the responsibility of the Strategic Director of Customers, Workforce and Governance to ensure that the budget and resources allocated to internal audit are sufficient to ensure that these plans can be delivered. This is assessed as part of the business planning process.

10.3   The Audit and Risk Manager is authorised to amend the plan during the year as necessary in conjunction with the strategic directors of Customers, Workforce and Governance and Resources to reflect changes to systems or processes or in the risks facing the Authority. All managers are expected to notify internal audit of such changes immediately they become aware of them.

10.4   Terms of reference are prepared for each routine internal audit assignment and usually discussed with relevant line managers before the work is started.

10.5   Internal audit will usually give reasonable notice to the relevant manager of the start of an audit and will minimise any disruption to the smooth running of the unit under review. However, internal audit reserves the right for unannounced visits where the Audit and Risk Manager considers it necessary.

11   INTERNAL AUDIT REPORTING

11.1   Internal audit reports all findings to appropriate managers. Significant issues are reported in writing. The reports include an opinion on the area reviewed, make recommendations for improvement and specify the officer responsible for implementation. Opinions on individual assignments feed into the overall opinion given in the annual report. Recommendations are prioritised.

11.2   The Audit and Risk Manager is responsible for monitoring and reporting on the extent of implementation of agreed internal audit recommendations. The Audit and Risk Manager reports to the strategic directors of Customers, Workforce & Governance and the Audit and Standards Committee, as appropriate, where significant internal audit recommendations do not receive adequate attention.

11.3   The Audit and Risk Manager submits regular reports to the Audit and Standards Committee outlining the results of audits. An annual report will be provided giving an opinion on the Authority's control environment and which feeds into the Authority's Annual Governance Statement.

12   CO-OPERATION

12.1   The Audit and Risk Manager co-ordinates internal audit plans and activities with external auditors to ensure the most efficient use of the total resources devoted to audit and review.

12.2   The Audit and Risk Manager is authorised to share information with external auditors.

12.3   Internal audit will work in partnership with other services on such matters as corporate governance, data protection, contracting and risk management. Internal audit will work closely with the Strategic Director of Resources in his capacity as chief financial officer.

12.4   Line managers are expected to be open, frank and honest about any risks, concerns or problems that may exist.

12.5   Where services are provided by or to other organisations the Audit and Risk Manager is authorised to agree the responsibility for internal audit of those services with the internal auditors of those organisations.

13   QUALITY OF SERVICE

13.1   The Audit and Risk Manager manages a quality assurance programme to ensure that internal audit work complies with professional standards and achieves its objectives.

13.2   Internal audit takes the following action to provide a quality service:

- adopts a flexible risk driven approach;
- works in partnership with managers and staff to develop and maintain adequate and reliable systems of internal control;
- continually seeks to improve the efficiency of its services in consultation with managers from across the Authority;
- regularly reviews its procedures to ensure that they remain appropriate; and

- develops a set of performance indicators and targets to help the Strategic Director of Customers, Workforce and Governance monitor its success;

13.3 The internal audit quality assurance programme will include:

- suitable guidance, support and review of all internal audit work;
- seeking feedback from line managers on the quality of internal audit work; and
- periodic internal quality audits to monitor services provided by all internal auditors.

13.4 The quality and scope of internal audit work is also regularly reviewed by the Authority's external auditors.

13.5 The Audit and Risk Manager will investigate and respond promptly to all complaints about internal auditors or the service provided.

2009/2010 Risk and Assurance Plan

Client	Topic	Certification	Risk / advice	Assurance
AHCS	Supporting People	✓		✓
	Direct payments			✓
	Care First			✓
	Direct payments			✓
	Putting people first incl personalisation and CAF demo		✓	✓
	Safeguarding			✓
	Information governance			✓
	External home care			✓
	One stop shops / CSC			✓
	Mental health transfer		✓	
	Care and choice		✓	
	Library transformation programme		✓	
	Reconfiguration of home care		✓	
	Learning disability budget transfer		✓	
CWG	Equal pay		✓	
	School governance			✓
	HR service centre			✓
	Interpreting			✓
	Lord Lieutenant Fund	✓		
	Justices Wine and Plate Fund	✓		
CYPF	Transforming education incl building schools for the future		✓	
	Trust and Academy status			✓
	Financial Management Standard in Schools			✓
	LSC transfer		✓	
	14 - 19 changes		✓	
	Education social work			✓
	Direct payments in Integrated Disability Service			✓
	Bus passes			✓
	Childrens Centres			✓
	Youth Offending Team			✓
	Schools - procurement			✓
	SIMS			✓
	Schools - financial management			✓
	ICSS			✓
	Safeguarding		✓	
	Case file recording			✓
	Safer recruitment			✓
	Kineton School	✓		
	Etone			✓
	Ash Green			✓
	Chetwynd			✓
	Early years			✓

Client	Topic	Certification	Risk / advice	Assurance
	Contact Point			✓
EE	Civil Parking Enforcement			✓
	Highways Maintenance Contract - retendering		✓	
	Waste projects		✓	
	Bus Operators Grant	✓		
	Programme and project management			✓
	Smallholdings		✓	
	Occupational road risk		✓	
FR	Atherstone Fire		✓	
	Firefighters Fund	✓		
	Transport management			✓
PP	Partnerships		✓	
	Project management		✓	
	Local area agreement	✓	✓	✓
	LPSA2	✓		
RE	Cash and treasury management			✓
	Financial systems development		✓	✓
	Property - asbestos and water hygiene			✓
	Information security		✓	
	Procurement		✓	
	ICT Network security			✓
	ICT Installation			✓
	ICT Service Management			✓
	ICT Strategy			✓
	Payroll		✓	✓
	BACS			✓
	Staff Club	✓		
Corporate	Corporate Governance			✓
	Compliance with contract standing orders			✓
	Preparation of Annual Governance Statement			✓
	General advice		✓	
	Risk management		✓	
	Business continuity		✓	
	Counter fraud publicity			
	National Fraud Initiative			

Counter Fraud

Counter Fraud
✓
✓

AGENDA MANAGEMENT SHEET

Name of Committee	**Audit & Standards Committee**
Date of Committee	**28th May 2009**
Report Title	**Strategy for Implementing International Financial Reporting Standards (IFRS)**
Summary	This report is to update the committee on Warwickshire County Council's progress in preparing for the implementation of international Financial Reporting Standards (IFRS).

For further information please contact:

Oliver Winters
Head of Finance
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Andrew Lovegrove
Group Accountant
Financial Accounting Team
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andrewlovegrove@warwickshire.gov.uk

Would the recommended decision be contrary to the Budget and Policy Framework?   No.

Background papers   None

CONSULTATION ALREADY UNDERTAKEN:-   Details to be specified

Other Committees	☐	....
Local Member(s)	☒	N/A
Other Elected Members	☐	....
Cabinet Member	☐	....
Chief Executive	☐	....
Legal	☐	....
Finance	☒	David Clarke - Strategic Director, Resources (reporting officer)
Other Chief Officers	☐	....
District Councils	☐	....

Warwickshire
County Council

Health Authority ☐ ....

Police ☐ ....

Other Bodies/Individuals ☐ ....

FINAL DECISION   YES

SUGGESTED NEXT STEPS: Details to be specified

Further consideration by ☐ ....
this Committee

To Council ☐ ....

To Cabinet ☐ ....

To an O & S Committee ☐ ....

To an Area Committee ☐ ....

Further Consultation ☐ ....

Warwickshire
County Council

Audit & Standards Committee - 28th May 2009.

Strategy for Implementing International Financial Reporting Standards (IFRS)

Report of the Strategic Director, Resources

Recommendation

That the progress on the implementation of the International Financial Reporting Standards is noted.

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1   Purpose of Report

1.1   To update the committee on Warwickshire County Council's progress in preparing for the implementation of international Financial Reporting Standards (IFRS).

1.2   From 2010/11 local authority financial statements will have to be prepared in line with International Financial Reporting Standards (IFRS) rather than the current arrangements which are in line with UK General Accepted Accounting Principles (GAAP).

2   Brief History/Introduction

2.1   The annual financial statements for Warwickshire County Council and all other local authority entities are currently prepared using accounting policies based on UK Generally Accepted Accounting Practice (GAAP). From 2010/11 local authority financial statements will have to be prepared in line with International Financial Reporting Standards (IFRS).

2.2   In order to bring benefits in consistency and comparability between financial reports in the global economy and to follow private sector best practice, local government bodies are to move to preparing their financial statements using International Financial Reporting Standards (IFRS). These standards will be adapted as necessary for the public sector.

2.3   One year ahead of local government is the introduction of IFRS to Central Government, Probation Boards and NHS Foundation Trusts. It is envisaged that it will be possible to learn valuable lessons from these bodies, as well as from the experiences of the private sector.

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2.4 At the current time the full details of the impact IFRS will have on the council is not fully known. CIPFA anticipates that the 2009 Statement of Recommended Practice will be issued in September 2009. Consultation on the first IFRS-based Code of Practice on Local Authority Accounting is expected to begin in summer 2009.

2.5 There are a number of unique features to local authority accounting such as Council Tax setting rules and accounting for capital transactions that are driven by UK Primary legislation that does not align with IFRS. This is one of the primary drivers in the delay by CIPFA issuing guidance on how to implement IFRS for local authorities.

2.6 Below is a high level impact assessment for Warwickshire County Council of the transition to IFRS.

3 Impact assessment

3.1 **PFI -** One of the key differences under IFRS is the accounting treatment of Private Finance Initiatives (PFI) accounting. This is an area that requires significant restatement especially where land and buildings are involved. Warwickshire County Council only currently has one PFI arrangement. The scheme is currently being evaluated in light of the IFRS rules, however as the scheme does not involve any land, buildings or large residual values the consequences of re-statement are unlikely to have a material impact on the council's accounts.

3.2 **Fixed Assets** – IFRS requires fixed assets to be held at 'fair value' as opposed to the current requirements for 'current value'. Fair value is deemed to be the amount at which an asset or liability could be exchanged in an arm's length transaction between two parties. Current value expresses assets value in terms of their current or replacement cost. Current value methods we use are existing use value, depreciated replacement costs (where there is no active market for the asset being valued) and market value. Given the volume of assets held by Warwickshire County Council this transition will create a significant volume of work.

3.3 **Leases** – IFRS requires that the leases of land and buildings are to be accounted for and disclosed separately. This will also require reassessment as to whether leases are finance or operating leases (the basis has changed) so that some assets may be added to our balance sheet and some may be removed.

3.4 **Joint ventures and associates** – under IFRS a local authority only needs the power to influence another entity (rather than to actually exercise it) for it to be treated as part of the group. This may require us to re-consider consolidation into our financial statements of some of the entities in which we have an interest where we are currently not required to do so.

Warwickshire
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3.5 **Financial Instruments** – local government has introduced revised financial reporting standards on these early. They are quite complex and cover a large part of the balance sheet e.g. loans and investments. There are a number of new and extensive disclosures which Warwickshire County Council will comply with in the 2008/09 financial statements.

3.6 **Investment Property** – the IFRS based Financial Reporting Manual (I-FReM) interpretation states that these are properties held only for the purpose of earning rentals or for capital appreciation or both. We will need to reassess our portfolio to ensure that they comply with this definition. Specifically, assets that are held for the purposes of a policy objective, such as regeneration or economic development, are excluded from the classification of being an investment property, even if those properties generate rental income.

3.7 **Employee Benefits** – under IFRS the council must account for untaken annual leave and lieu time on the balance sheet. For Warwickshire County Council it is not feasible to canvas all 18,000 staff and we are in the process of agreeing an acceptable estimating technique with the external auditors. CIPFA and the Department for Children, Schools and Families (DCSF) are investigating the complex issues surrounding the treatment of teachers pay in relation to this item. In addition the reporting requirements for pension assets and liabilities are also changed slightly.

4 Warwickshire County Council response

4.1 A dedicated project team has been created to manage the transition to full compliance with IFRS for Warwickshire County Council.

4.2 Although the council's 2010/11 accounts will be the first to be prepared on an IFRS basis, there will be a number of key tasks to be undertaken prior to that time. These include:-

- Restating the 2009/10 accounts on an IFRS basis. This will be completed in the Autumn. In addition this process will also need to provide the opening balances at 1 April 2009 on an IFRS basis, and

- The preparation of the Whole of Government Accounts (WGA) will be on an IFRS basis from 2009/10.

4.3 It is recognised that in the private sector, introduction of IFRS was most successful where functions other than finance were also involved at an early stage, such as estates, procurement and IT. A dedicated multi- disciplinary team has been coordinated to manage the Warwickshire County Council's transition to full compliance with IFRS.

4.4 Over the last two years a number of training events have been organised for the finance community of the County Council, the District and Borough Councils and the Warwickshire Police Authority to ensure that the finance community have fully engaged in the transition to IFRS compliance.

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4.5 Warwickshire County Council will continue to contribute to the consultation process being carried out by CIPFA.

5 Conclusion

5.1 The Introduction of IFRS is a major change to public sector accounting and due to the nature and complexity of the conversion to IFRS adopting a structured approach to its implementation should ensure a smooth transition for Warwickshire County Council.

5.2 The preparation to date and the creation of the dedicated project team will ensure that Warwickshire County Council will comply fully with the requirements of IFRS.

DAVID CLARKE
Strategic Director, Resources

Shire Hall
Warwick

18 May 2009

Warwickshire
County Council

AGENDA MANAGEMENT SHEET

Name of Committee	**Audit And Standards Committee**
Date of Committee	**28 May 2009**
Report Title	**Work Programme**
Summary	To consider the work programme for the Committee
For further information please contact:	John Wright Committee Manager Tel: 01926 412320 johnwright@warwickshire.gov.uk
Would the recommended decision be contrary to the Budget and Policy Framework?	No.
Background papers	None

CONSULTATION ALREADY UNDERTAKEN:-   Details to be specified

Other Committees	☐	....
Local Member(s)	☒	N/A
Other Elected Members	☐	....
Cabinet Member	☐	....
Chief Executive	☐	....
Legal	☐	
Finance	☐	....
Other Chief Officers	☐	....
District Councils	☐	....
Health Authority	☐	....
Police	☐	....
Other Bodies/Individuals	☐	....

FINAL DECISION   YES

SUGGESTED NEXT STEPS: Details to be specified

Further consideration by   ☐   ....
this Committee

To Council   ☐   ....

To Cabinet   ☐   ....

To an O & S Committee   ☐   ....

To an Area Committee   ☐   ....

Further Consultation   ☐   ....

ITEMS FOR FUTURE MEETINGS
RELEVANT TO THE WORK OF AUDIT AND STANDARDS COMMITTEE

MEETING DATE	ITEM AND RESPONSIBLE OFFICER	Minute Reference	REPORT TYPE				CORPORATE PRIORITIES/LAA			
			Member Requested Item	Performance Management	Policy Review/ Development	Overview	Raising Levels of Educational Attainment	Caring for Older People	Pursuing a Stable Environment and	Protecting the Community and
28/05/09	Annual Governance Statement (Garry Rollason)			X		X				
	Internal Audit Annual Report (EXEMPT) (Garry Rollason)			X						
	Audit Commission - Recommendations Tracking Report (Garry Rollason)			X						
	Annual Audit Letter (Tricia Morrison)			X						
	Strategy for Implementing International Financial Reporting Standards (Hayley Green)			X		X				

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MEETING DATE	ITEM AND RESPONSIBLE OFFICER	Minute Reference	REPORT TYPE				CORPORATE PRIORITIES/LAA			
			Member Requested	Performance Management	Policy Review/ Development	Overview	Raising Levels of Educational	Caring for Older People	Pursuing a Stable	Protecting the
Dates not set	Contract Standing Orders - Directorates ability to meet action plan targets (Garry Rollason)	Minute 6 24/03/09								
	Contract Standing Orders for Schools - Compliance by schools (Dharmista Harkisan-Hall)	Minute 7 24/03/09								
On going Issues to be monitored	Arrangement of training for members on the Comprehensive Area Assessment			X	X					
	Cabinet approval of the updated anti fraud and corruption policy and supporting strategy			X	X					
	Update of Case File Recording			X	X					