

# Audit & Standards Committee

12 February 2015

## Agenda

The Audit and Standards Committee will meet in **Committee Room 2, Shire Hall, Warwick** on **12 February 2015** at **10.00 a.m.**

### 1. General

#### (1) Apologies

#### (2) Members' Disclosures of Pecuniary and Non-Pecuniary Interests.

Members are required to register their disclosable pecuniary interests within 28 days of their election of appointment to the Council. A member attending a meeting where a matter arises in which s/he has a disclosable pecuniary interest must (unless s/he has a dispensation):

- Declare the interest if s/he has not already registered it
- Not participate in any discussion or vote
- Must leave the meeting room until the matter has been dealt with.
- Give written notice of any unregistered interest to the Monitoring Officer within 28 days of the meeting

Non-pecuniary interests must still be declared in accordance with the new Code of Conduct. These should be declared at the commencement of the meeting.

#### (3) Minutes of the Audit and Standards Committee meeting held on 06 November 2014 and Matters Arising

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The public reports referred to are available on the Warwickshire Web  
[www.warwickshire.gov.uk/cmis](http://www.warwickshire.gov.uk/cmis)

## **REPORTS TO BE CONSIDERED IN PUBLIC**

- 2. Financial Resilience of Local Authorities (Verbal Update)**
- 3. External Auditors Report – Audit and Standards Committee Update**
- 4. External Auditors Report - 2014/15 Warwickshire County Council Audit Plan**
- 5. External Auditors Report - Annual Audit Fee for the County Council and the Warwickshire Pension Fund 2014/15**
- 6. Adult Social Care - Update on Case File Audits**
- 7. Proposal to create a shared audit service with Worcestershire County Council**
- 8. Work Programme and Future Meeting Dates**

To note the work programme and future meeting dates to be held in Shire Hall at 10:00 a.m. as follows:

- Thursday 4<sup>th</sup> June 2015
- Wednesday 9<sup>th</sup> September 2015
- Thursday 5<sup>th</sup> November 2015
- Wednesday 3<sup>rd</sup> February 2016

- 9. Any Other Business**
- 10. Reports Containing Confidential or Exempt Information**

To consider passing the following resolution:

‘That members of the public be excluded from the meeting for the items mentioned below on the grounds that their presence would involve the disclosure of exempt information as defined in paragraph 3 of Schedule 12A of Part 1 of the Local Government Act 1972’.

## **EXEMPT ITEMS FOR DISCUSSION IN PRIVATE (PURPLE PAPERS).**

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The public reports referred to are available on the Warwickshire Web  
[www.warwickshire.gov.uk/cmis](http://www.warwickshire.gov.uk/cmis)

**11. Internal Audit Report 1 April 2014 – 31 December 2014**

**Membership of the Audit and Standards Committee**

**Councillors:** Sara Doughty, Bill Gifford, John Horner, Chris Saint, Bob Stevens and Mary Webb.

**Independent Members:** John Bridgeman CBE, (Chair) and Bob Meacham OBE

For queries regarding this agenda, please contact:

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**Jim Graham**  
**Chief Executive**  
**Warwickshire County Council**  
**February 2015**

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The public reports referred to are available on the Warwickshire Web

[www.warwickshire.gov.uk/cmis](http://www.warwickshire.gov.uk/cmis)



**Minutes of the meeting of the Audit and Standards Committee  
held on 6<sup>th</sup> November 2014**

**Present**

**Members:**

Councillor Sara Doughty  
Councillor Bill Gifford  
Councillor John Horner  
Councillor Mary Webb  
Councillor Chris Saint  
Councillor Bob Stevens

**Independent Members:**

John Bridgeman CBE (Chair)

**Officers:**

John Betts, Head of Finance  
Ben Patel-Sadler, Democratic Services Officer  
Jane Pollard, Specialist Governance Advisor  
Garry Rollason, Chief Risk and Assurance Manager

**External Representatives:**

John Gregory, Grant Thornton - Auditors  
Andrew Reid, Grant Thornton - Auditors

**1. General**

**(1) Apologies**

Apologies for absence were received from:

David Carter, Strategic Director Resources Group  
Sarah Duxbury, Head of Law and Governance  
Bob Meacham OBE

**(2) Members' Disclosures of Pecuniary and Non-Pecuniary Interest**

None

**(3) Minutes of the meeting of the Audit and Standards Committee  
held on 11<sup>th</sup> September 2014**

It was agreed that the minutes be signed by the Chair as a true and accurate record of the meeting.

Under matters arising, the Committee requested that case management of Adult Social Care be added to the Work Programme for 2014/15.

## **2. External Auditors Annual Audit Letter 2013/14**

John Gregory of Grant Thornton (Auditors) introduced the report and explained to the Committee that the attached Audit Letter at Appendix A of the report summarised all of the work completed as part of the 2013/14 annual audit which had been reported to members at previous meetings of the Audit and Standards Committee. He informed members that there were no significant messages to bring to this meeting- the External Audit opinions given in September 2014 remained the same.

Members noted that the objection received by the External Auditors in relation to the Integrated Disability Service (IDS) was likely to be resolved towards the end of 2014 or in early 2015. The Committee was informed by Mr Gregory that the Council had provided the External Auditors with all of the required information in relation to the IDS complaint.

The Chair wished to place on record his thanks to the Warwickshire County Council staff for all of the work undertaken as part of the External Audit process. The correct procedures had been followed and this had been a satisfactory audit.

The Audit and Standards Committee considered the Annual Audit Letter of the External Auditors- no further action was required.

## **3. Work Programme 2014/15**

The Committee discussed the Work Programme for 2014/15

The Audit and Standards Committee requested that case management of Adult Social Care be added to the Work Programme for 2014/15.

## **4. Any other Business**

None

## **5. Reports Containing Confidential of Exempt Information**

Councillor Doughty proposed (seconded by Councillor Mary Webb) and it was resolved that members of the public be excluded from the meeting for the items mentioned below on the grounds that their presence would involve the disclosure of exempt information as defined in paragraph 3 of Schedule 12A of Part 1 of the Local Government Act 1972.





## Audit and Standards Committee

12<sup>th</sup> February 2015

### Financial Resilience of Local Authorities

#### Recommendation

That the Audit and Standards Committee notes the verbal update provided by the External Auditors on the Financial Resilience of Local Authorities and the Implications for Local Authority Audit Committee Meetings.

#### 1.0 Background

- 1.1 The Local Government Financial Resilience Review was published in December 2014.
- 1.2 The report assessed whether English Local Authorities had arrangements in place to ensure their sustainable financial future.

#### Background papers

None

	Name	Contact details
<b>Report Author</b>	Ben Patel-Sadler	<a href="mailto:benpatelsadler@warwickshire.gov.uk">benpatelsadler@warwickshire.gov.uk</a>



## Audit and Standards Committee

12<sup>th</sup> February 2015

### External Auditors Report – Audit and Standards Committee Update

#### Recommendation

The Audit and Standards Committee is asked to:

- Consider and make any comments on the Warwickshire County Council Audit and Standards Committee Update Report attached at **Appendix A**, and;
- Note the Grant Certification Letter from the External Auditors, attached at **Appendix B**.

#### 1.0 Purpose of the Report

- 1.1 The purpose of this report is for our external auditors to provide a report to inform the Council's Audit and Standards Committee of their progress in delivering our responsibilities as our external auditors. The report also includes a summary of emerging national issues and developments and a number of challenge questions in respect of these emerging issues which the Committee may wish to consider.
- 1.2 In preparation for the 2014-2015 accounts we have been working on the key project of accounting for schools as identified on page 10 of the report. The project, involving key staff, in the Finance and Physical Assets Business Units, are working with schools and with our external auditors to agree a proposal for any changes to our accounting policies and the associated accounting entries and disclosures for the 2014-2015 statement of accounts. We will report back to this Committee in June once that work has been completed and our approach and revised accounting policy has been agreed.
- 1.3 We will also be reviewing our accounting treatment of associated companies and joint arrangements in light of the changes to accounting standards identified on page 12 of the report. We will agree any assessments and/or changes to accounting treatment or disclosures with our external auditors.

- 1.4 A significant challenge lies ahead for the authority and for auditors in the tightening of the closure of the accounts timetable for the 2017/18 accounts. Seemingly a long way off, it will undoubtedly call for a radical review of the way the information is gathered and collated and the audit process. A detailed project team and plan will be drawn up in the coming months. Progress and any issues of concern will be reported to Members.
- 1.5 The audit work on the Teachers Pensions return for 2013/14 has now been completed and the external auditors certification letter for the year ended 31 March 2014 is attached at Appendix B. This reports that the external auditors are satisfied that recommendations raised in previous years have been addressed.

## 2.0 Background Papers

None

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# Audit & Standards Committee Update – Warwickshire County Council

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**Year ended 31 March 2015**

29 January 2015

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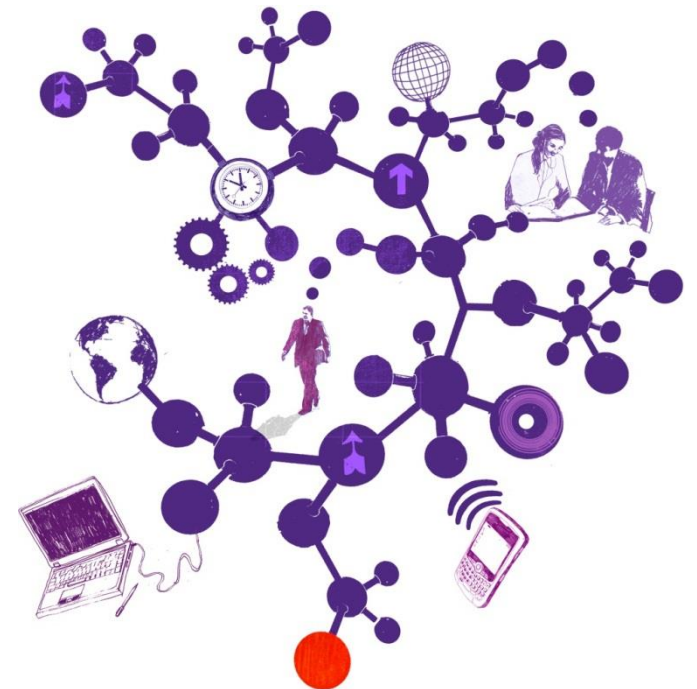
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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to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

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# Introduction

This paper provides the Audit Committee with a report on progress in delivering our responsibilities as your external auditors. The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you; and
- a number of challenge questions in respect of these emerging issues which the Committee may wish to consider.

Members of the Audit Committee can find further useful material on our website [www.grant-thornton.co.uk](http://www.grant-thornton.co.uk), where we have a section dedicated to our work in the public sector (<http://www.grant-thornton.co.uk/en/Services/Public-Sector/>). Here you can download copies of our publications including:

- Rising to the challenge: the evolution of local government, summary findings from our fourth year of financial health checks of English local authorities
- 2020 Vision, exploring finance and policy future for English local government
- Where growth happens, on the nature of growth and dynamism across England

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

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# Progress at 29 January 2015

Work	Planned date	Complete?	Comments
<p><b>2014-15 Accounts Audit Plan</b> We are required to issue a detailed accounts audit plan to the Authority setting out our proposed approach in order to give an opinion on the Authority's 's 2014-15 financial statements.</p>	February 2015	Y	Audit plan on agenda for February meeting of Audit & Standards Committee
<p><b>Interim accounts audit</b> Our interim fieldwork visit includes:</p> <ul style="list-style-type: none"> <li>• updating our review of the Council control environment</li> <li>• updating our understanding of financial systems</li> <li>• review of Internal Audit reports on core financial systems</li> <li>• early work on emerging accounting issues</li> <li>• early substantive testing</li> <li>• proposed Value for Money conclusion.</li> </ul>	January – March 2015	N	-
<p><b>2014-15 final accounts audit</b> Including:</p> <ul style="list-style-type: none"> <li>• audit of the 2014-15 financial statements</li> <li>• proposed opinion on the Authority's accounts</li> <li>• proposed Value for Money conclusion.</li> </ul>	June - September 2015	N	-

# Progress at 29 January 2015

Work	Planned date	Complete?	Comments
<b>Value for Money (VfM) conclusion</b> The scope of our work to inform the 2014/15 VfM conclusion comprises assessment against two specified criteria <ul style="list-style-type: none"><li>• The organisation has proper arrangements in place for securing financial resilience</li><li>• The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness</li></ul>	February – September 2015	N	-
<b>Objection to 2013/14 accounts</b> We are currently considering our response to the formal objection to the Council's 2013/14 accounts which we received on 7 September 2014.		N	

# Rising to the challenge

## Grant Thornton

Our national report, Rising to the Challenge, the Evolution of Local Government, was published in December and is available at: <http://www.grant-thornton.co.uk/en/Publications/2014/Rising-to-the-challenge---The-evolution-of-local-government/>

This is the fourth in our series of annual reports on the financial health of local government. Like previous reports, it covers key indicators of financial performance, strategic financial planning, financial governance and financial control. It also includes case studies of best practice and a comparison to the NHS. This year it has been extended to use benchmarking information on savings plans and budget performance.

The overall message is a positive one. What stands out is how well local authorities have navigated the first period of austerity in the face of ever increasing funding, demographic and other challenges. Many authorities are forecasting financial resilience confidently in their medium term financial strategy. This reflects an evolution in financial management that would have been difficult to envisage in 2010. However, there remains much to be achieved if the sector is to become sustainable in the long term, and authorities should consider if their:

- medium- to long-term strategy redefines the role of the authority creatively
- operational environment will adapt, working in partnership with other authorities and local organisations
- strategy looks beyond the traditional two- to three-year resource planning horizon
- organisational culture is aligned to where the authority needs to be in the medium to long term
- senior leadership teams – both officers and members – have the necessary skills and capacity to ensure delivery against the medium-term challenges
- corporate governance arrangements ensure effective oversight and scrutiny of the organisation as it adapts to the challenges it faces.

The importance of these actions will be magnified if local government devolves further, particularly in relation to fiscal devolution. The new-found confidence of local government in responding to the medium-term challenges will be tested significantly by the second phase of austerity.

Hard copies of our report are available from your Engagement Lead or Audit Manager.

# 2020 Vision

## Grant Thornton

Our national report '2020 Vision' is available at: <http://www.grant-thornton.co.uk/en/Publications/2014/2020-Vision-Exploring-finance-and-policy-futures-for-English-local-government-as-a-starting-point-for-discussion/>

In a time of unprecedented challenge for English local government, how can the sector develop towards 2020 if it is to have a sustainable future? Our latest report provides a thorough analysis of the current political and economic context, explores a range of potential policies and outcomes, and suggests several scenarios to facilitate an open debate on the future for the sector.

Produced in collaboration with the University of Birmingham's Institute for Local Government Studies (INLOGOV), our report suggests that fundamental changes to local government are both operationally necessary and constitutionally inevitable, for the sector to remain relevant by 2020. The report offers a thorough analysis of the current political and economic context and explores a range of potential future policies and outcomes that English local government will need to adopt and strive towards as they seek to adapt and overcome these challenges.

Placed in the context of enhanced devolution, following the Scottish independence referendum, 2020 Vision maintains a wary eye fixed on the 2015/16 Spending Round and looks ahead to the life time of the next government. It highlights that the economic and financial situation remains increasingly untenable, with an expanding North/South divide arising from the pattern of funding reductions and economic growth.

It highlights that English local authorities continue to face unprecedented challenges, relating to the pressures of austerity and central government funding reductions, and demographic and technological change. Our report highlights the vital role of a successful local government sector and encourages it to think hard about how it will cope in the future.

Informed by the views of a broad range of local authority leaders, chief executives and other sector stakeholders, the report offers a set of six forward-looking scenarios\* in which councils could be operating within by 2020. Though not mutually exclusive, we suggest that key stakeholders need to take urgent action to avoid a potential slow and painful demise for some councils by 2020.

Hard copies of our report are available from your Engagement Lead or Audit Manager.

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# Pulling together the Better Care Fund

## Grant Thornton

Our national report 'Pulling together the Better Care Fund' is available at: <http://www.grant-thornton.co.uk/en/Publications/2014/Pulling-together-the-Better-Care-Fund/>.

The reports asks 'Do local authorities and clinical commissioning groups (CCGs) have effective arrangements to develop joint Better Care Plans for agreement by the health and wellbeing boards (HWBs) and how ready are they for the pooled fund in April 2015?'

Our report draws on our review of the introduction of draft Better Care Fund (BCF) plans for both the February and April submissions. It is based on a sample of our findings from 40 HWB localities. It considers the partnership arrangements across a HWB planning area and is supported by discussions with the sector, across the country. The result is a snap shot of progress as at 30 June 2014, prior to the issue of revised planning guidance by NHS England and the Local Government Association on 25 July 2014.

It provides you with:

- an understanding of how your approach to introducing BCF compares to others across the country
- assistance in identifying the key issues to delivering Better Care Fund plans effectively
- insight into current best practice
- practical areas for consideration for improving arrangements in the future.

Hard copies of our report are available from your Engagement Lead or Audit Manager.

# Accounting for schools

## Accounting and audit issues

### Accounting for schools

The debate about the recognition of school land and buildings on local authority balance sheets (which most commentators had thought settled) has been reignited. Grant Thornton is taking a leading role in trying to resolve this unexpected development.

In March, CIPFA/LASAAC Code concluded that under IFRS 10, maintained schools (but not free schools or academies) meet the definition of entities that need to be consolidated in group accounts. However, rather than requiring local authorities to prepare group accounts, the CIPFA/LASAAC Code requires local authorities to account for maintained schools within their single entity accounts. This includes school income and expenditure as well as assets and liabilities. The general expectation in the sector was that:

- the vast majority of voluntary aided, voluntary controlled and foundation schools would be recognised on local authority balance sheets
- a small number of school buildings that are provided at no charge by a religious body and where there was a realistic possibility that they could be taken back by their owners would be treated as assets of the religious body and so not recognised on the local authority balance sheet.

However, at the CIPFA conference in November, CIPFA clarified that it considers that most voluntary aided and voluntary controlled school buildings would **not** be recognised on the balance sheet. This view has been set out in more detail in LAAP 101 (Accounting for Non-Current Assets Used by Local Authority Maintained Schools). This is because the religious bodies have a legal right to take back these assets. Nor does CIPFA consider the position for foundation school buildings to be clear cut and local judgement would need to be applied. We are discussing issues with CIPFA in particular:

- how the treatment proposed by CIPFA complies with the Code
- the significant practical implications for the sector
- the potential for inconsistent accounting treatments depending on local judgement.

We are working with the Audit Commission, CIPFA and the other audit firms suppliers to try to seek a practical way forward as soon as possible.

Continued overleaf .....

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# Accounting for schools (continued)

## Accounting and audit issues

We will continue to share the latest developments with officers. In the mean time we would recommend that you continue your preparations for recognising school land and building including:

- identifying those schools where school buildings are owned by third parties (such as church dioceses) and determining under what circumstances the buildings could be taken back by the third party
- obtaining valuations for school land and buildings for each of the three balance sheet dates (1 April 2013, 31 March 2014, 31 March 2015)
- obtaining sufficient information to enable the authority to restate its revaluation reserve and capital adjustment account.

# Group accounting standards

## Accounting and audit issues

The CIPFA Code has adopted a new suite of standards for accounting for subsidiaries, associates and joint arrangements. These changes affect how local authorities account for services delivered through other entities and joint working with partners.

The key changes for 2014/15 are to:

- the definition of control over 'other entities'. The revised definition is set out in IFRS 10 and determines which entities are treated as subsidiaries
- the accounting for joint arrangements. This now follows IFRS 11 and includes changes to the definition of joint ventures and how joint ventures are consolidated in group accounts
- disclosures in relation to subsidiaries, joint arrangements, associates and unconsolidated entities as set out in IFRS 12.

### **Changes to the definition of control over 'other entities'**

Control was previously defined in terms of power to govern the financial and operating policies of an entity. IFRS 10 sets out three elements for an investor to be considered as controlling an investee (all of which must be met):

- the investor has the rights to direct the relevant activities of the investee (relevant activities being the ones that determine the return for the investors – the return could be in the form of a service rather than money)
- the investor has exposure, or rights, to variable returns from its involvement with the investee
- the investor has the ability to use its power over the investee to affect the amount of the investor's returns.

In the commercial sector, this is generally thought to have resulted in more entities being treated as subsidiaries. However, the change is in both directions: some subsidiaries have been redefined as associates. Local authorities with investments in 'other entities' will need to consider whether:

- they control any entities using the new definition. Local authorities will need to pay particular attention to special purpose vehicles and any other entities where there was a close judgement call under the old IAS 27
- there is a need for a prior period adjustment.



# Group accounting standards (continued)

## Accounting and audit issues

### Changes to accounting for joint arrangements

Joint arrangements are contractual arrangements between two or more parties where there is joint control. IFRS 11 makes three key changes from IAS 31:

- there are now only two types of joint arrangements: joint operations and joint ventures
- In a joint operation the investing parties have rights and obligations in relation to the arrangement's assets and liabilities, whereas in a joint venture the parties have rights to the arrangement's net assets. IFRS 11 bases its definition of joint ventures on the substance of the arrangement rather than legal status. It is for the entity to assess whether a joint arrangement is a joint operation or joint venture by considering its rights and obligations arising from the arrangement. To do this the entity needs to consider the structure and legal form of the arrangement, the terms agreed by the parties and any other relevant facts and circumstances. Appendix B to IFRS 11 provides further explanation and examples of joint operations and joint ventures.
- local authorities are still required to consolidate joint ventures in their group accounts but must now do so using the equity (single line) method. The option for proportionate (line-by-line) consolidation has been removed.

The key challenge for most local authorities will be determining whether their joint arrangements are joint ventures or joint operations. The difference should be clear from the contract but in some cases judgement may be required. Local authorities that have previously used the proportionate consolidation method will need to account for the move to equity accounting as a prior period adjustment.

### Disclosure of interests in other entities

IFRS 12 makes consistent the requirements for disclosures in relation to subsidiaries, joint arrangements, associates and unconsolidated entities. It includes the need for transparency about the risks to which the reporting entity is exposed as a consequence of its investment in such arrangements.

# Earlier closure and audit of accounts

## Accounting and audit issues

DCLG is consulting on proposals to bring forward the audit deadline for 2017/18 to the end of July 2018. Although July 2018 is almost 4 years away, both local authorities and their auditors will have to make real changes in how they work to ensure they are 'match-fit' to achieve this deadline. This will require leadership from members and senior management. Local government accountants and their auditors should start working on this now.

Top tips for local authorities:

- make preparation of the draft accounts and your audit a priority, investing appropriate resources to make it happen
- make the year end as close to 'normal' as possible by carrying out key steps each and every month
- discuss potential issues openly with auditors as they arise throughout the year
- agree key milestones, deadlines and response times with your auditor
- agree exactly what working papers are required.

# Financial sustainability of local government

## Local government guidance

In November the National Audit Office published their report on the [Financial Sustainability of Local Government](#).

The report concludes that Local authorities have coped well with reductions in government funding, but some groups of authorities are showing clear signs of financial stress. The Department for Communities and Local Government has a limited understanding of authorities' financial sustainability and the impacts of funding cuts on services, according to the National Audit Office.

The Government reduced its funding to local authorities by an estimated 28% in real terms between 2010-11 and 2014-15. Further planned cuts will bring the total reduction to 37% by 2015-16, excluding the Better Care Fund and public health grant. Although there have been no financial failures in local authorities in this period, a survey of local auditors shows that authorities are showing signs of financial pressure. Over a quarter of single tier and county councils had to make unplanned reductions in service spend to deliver their 2013-14 budgets. Auditors are increasingly concerned about local authorities' capacity to make further savings, with 52% of single tier and county councils not being well-placed to deliver their medium-term financial plans.

There are significant differences in the scale of funding reductions faced by different authorities. Authorities that depend most on government grant are the ones most affected by funding reductions and reforms. This was an outcome of policy decisions to tackle the fiscal deficit by reducing public spending, and for local authority funding to offer incentives for growth.

Local authorities have tried to protect spending on social care services. Other service areas such as housing services and culture and leisure services have seen larger reductions. While local authorities have tried to make savings through efficiencies rather than by reducing services, there is some evidence of reduction in service levels.

According to the NAO, however, the Department does not monitor in a coordinated way the impact of funding reductions on services, and relies on other departments and inspectorates to alert it to individual service failures. In consequence, the Department risks becoming aware of serious problems with the financial sustainability of local authorities only after they have occurred.

The Department's processes for assessing the capacity of authorities to absorb further funding reductions are also not sufficiently robust.

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# Local government financial reporting remains strong

## Local government guidance

The Audit Commission published its report, [Auditing the Accounts 2013/14: Local government bodies](#), on 11<sup>th</sup> December.

Financial reporting was consistently strong for most types of principal local authority in 2013/14 when compared to the previous financial year. This year the Commission has congratulated 16 bodies where auditors were able to issue an unqualified opinion and a VFM conclusion on the 2013/14 accounts by 31 July 2014, and the body published audited accounts promptly. Although, as only 21 principal bodies have managed to publish their audited accounts by 31 July since 2008/09, a move to bring the accounts publication date forward is likely to cause significant challenges for the majority of public bodies.

The Commission reports that auditors were able to issue the audit opinion by 30 September 2014 at 99 per cent of councils, 90 per cent of fire and rescue authorities, 97 per cent of police bodies, all other local government bodies and 99 per cent of both parish councils and internal drainage boards. This is consistent with last year for most groups, but an improvement for councils and small bodies compared to 2012/13.

Eight principal authorities were listed where the auditor was unable to issue an opinion by the 30<sup>th</sup> September deadline.



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John Betts  
Head of Finance  
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27 January 2015

Dear John

**Certification work for Warwickshire County Council for year ended 31 March 2014**

For 2013/14 we have certified the Teachers' Pensions return submitted by Warwickshire County Council (the Council). This certification typically takes place six to nine months after the claim period and represents a final but important part of the process to confirm the Council's entitlement to funding.

Arrangements for certification of this return are no longer prescribed by the Audit Commission, but for 2013/14 were instead set out in Terms of Engagement between Warwickshire County Council, Teachers' Pensions and Grant Thornton UK LLP.

Total value of pension contributions included on the certified 2013/14 return was £24.3m. We identified the following issues in relation to certification of the claim:

- The classification of contributions in part 3 of the return - analysis of contributions by tier did not fully agreed to the Council's working papers.
- We identified one employee from a sample of 20 tested for which the pension contributions had been included in the incorrect tier in part 3 of the return – analysis of contributions by tier.

The final certified return was amended to address all issues identified and we were able to confirm in our report that the return had been prepared, in all material respects, in accordance with the regulations underpinning the Teachers' Pension Scheme.

We are satisfied that recommendations raised in previous years have been addressed.

The agreed fee for certification of the 2013/14 claim was £4,200; the 2012/13 fee under the previous Audit Commission certification arrangements was £4,812.

Yours sincerely

For Grant Thornton UK LLP

**Appendix A - Details of claims and returns certified for 2013/14**

<b>Claim or return</b>	<b>Value</b>	<b>Amended?</b>	<b>Amendment (£)</b>	<b>Qualified?</b>	<b>Comments</b>
Teachers' Pensions Return	£24,258,684	Yes	net nil	No	Amendment was to classification of contributions by tier – no amendment to total value of contributions included on the return.

**Appendix B: Fees for 2013/14 certification work**

<b>Claim or return</b>	<b>2012/13 fee (£)</b>	<b>2013/14 indicative fee (£)</b>	<b>2013/14 actual fee (£)</b>	<b>Variance (£)</b>	<b>Explanation for variances</b>
Teachers' Pensions return	£4,812	£4,200	£4,200	0	-
Total	£4,812	£4,200	£4,200	0	



## Audit and Standards Committee

12<sup>th</sup> February 2015

### External Auditors Report - 2014/15 Warwickshire County Council Audit Plan

#### Recommendation

The Audit and Standards Committee is asked to consider and make any comments on the Warwickshire County Council 2014/15 Audit Plan from the External Auditors, attached at **Appendix A**.

#### 1.0 Purpose of the Report

- 1.1 The purpose of this report is to inform the Council's Audit and Standards Committee of the External Auditors plan of work in relation to the Council's 2014/15 accounts.
- 1.2 The Audit Plan for the Warwickshire Pension Fund will be part of the June Audit & Standards Committee agenda as changes to Pension Fund Auditing requirements are still being finalised.
- 1.3 The plan has been prepared by Grant Thornton UK LLP, our appointed external auditors, in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission.
- 1.4 Their annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the Audit Commission and includes nationally prescribed and locally determined work.
- 1.5 It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. In preparing the plan before the Committee today the Auditors have considered how the Council is fulfilling these responsibilities and the key risks it faces.
- 1.6 The Audit Engagement Lead will attend the meeting to present the report, attached at **Appendix A**.

#### 2.0 Background Papers

None

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# The Audit Plan for Warwickshire County Council

This version of the report is a draft. Its contents and subject matter remain under review and its contents may change and be expanded as part of the finalisation of the report.

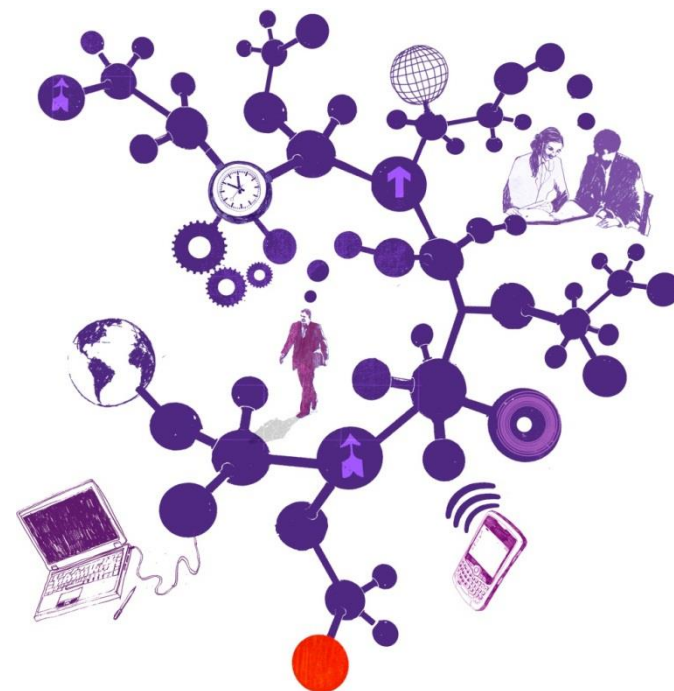
**Year ended 31 March 2015**

29 January 2015

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

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# Understanding your business

In planning our audit we need to understand the challenges and opportunities the Council is facing. We set out a summary of our understanding below.

## Challenges/opportunities

### 1. Shaping the Future

- Following the changes to central government funding, the council has set a 2014/15 revenue budget and medium term financial plan which includes a savings programme amounting to £92 million to be delivered by 2018. This is not just about savings, it is about service transformation



### 2. Adult Social Care

- The council is committed to the modernisation and transformation of adult social care; an area which represents the largest single area of expenditure and the most significant change agenda faced by the council
- In addition, new funding streams via the Better Care Fund are due to be implemented in 2014/15



### 3. Working with Partners and Communities

- The Council has identified that strengthening and building relationships with partners is key to the achievement of its wider financial and transformational objectives.
- Recent months have seen increased national focus on NHS emergency care overload and the re-emergence of bed-blocking linked to adult social care capacity.



### 4. LG Finance Settlement

- The local government spending settlement showed local authorities are facing a cash reduction in their spending power of 6% in 2015-16.
- At the same time local authorities are facing increasing demands for school places and adult social care services.



## Our response

- We will assess the Council's financial resilience and its financial plans as part of our value for money assessment and going concern assessment.
- We will report our findings to the Audit Committee in the Autumn

- Through discussions with key officers and document review, we will monitor progress in this area as part of our Value For Money (VFM) work
- We will consider whether the Better Care Fund is a risk in the context of our VFM conclusion and will carry out further work if required

- We will assess progress with the delivery of these plans as part of our Value for Money work. Specifically, considering progress and the impact on the Medium Term Financial Plan of any slippage
- We will consider evidence of progress made by the Council around increased collaboration with NHS bodies and in relation to Fire and Rescue services

- We will review your Medium Term Financial Plan and financial strategy as part of our work on your arrangements for financial resilience.

# Developments relevant to your business and the audit

In planning our audit we also consider the impact of key developments in the sector and take account of national audit requirements as set out in the Code of Audit Practice ('the code') and associated guidance.

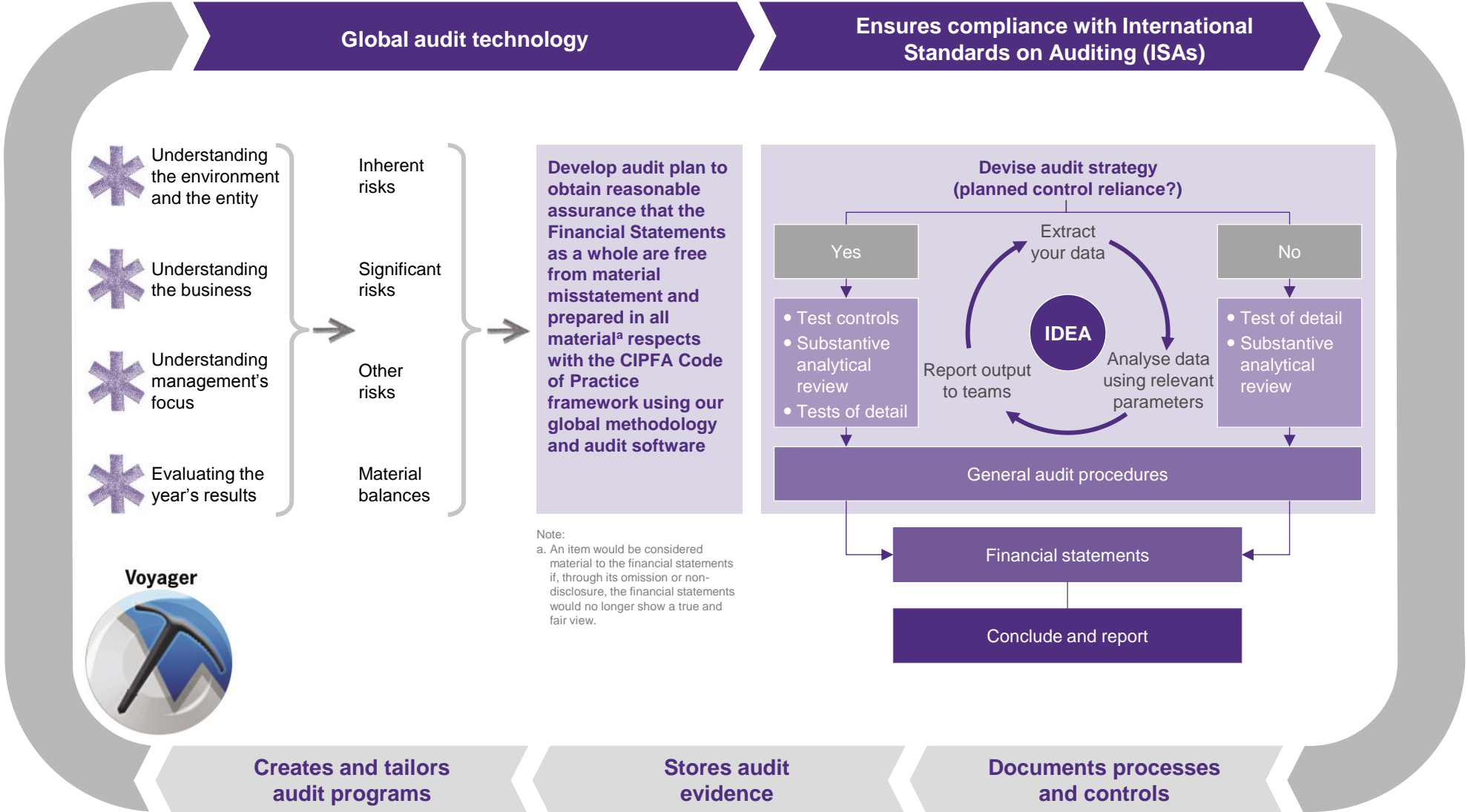
## Developments and other requirements

<p><b>1. Financial reporting</b></p> <ul style="list-style-type: none"> <li>• Changes to the CIPFA Code of Practice</li> <li>• Changes to the recognition of school land and buildings on local authority balance sheets</li> <li>• Adoption of new group accounting standards (IFRS 10,11 and 12)</li> </ul>	<p><b>2. Legislation</b></p> <ul style="list-style-type: none"> <li>• Local Government Finance settlement</li> </ul>	<p><b>3. Corporate governance</b></p> <ul style="list-style-type: none"> <li>• Annual Governance Statement (AGS)</li> <li>• Explanatory foreword</li> </ul>	<p><b>4. Better Care Fund</b></p> <ul style="list-style-type: none"> <li>• Better Care Fund (BCF) plans and the associated pooled budgets will be operational from 1 April 2015</li> </ul>	<p><b>5. Financial Pressures</b></p> <ul style="list-style-type: none"> <li>• Managing service provision with less resource</li> <li>• Progress against savings plans</li> </ul>	<p><b>6. Other requirements</b></p> <ul style="list-style-type: none"> <li>• The Council is required to submit a Whole of Government accounts pack on which we provide an audit opinion</li> </ul>
---	--	---	--	--	--

## Our response

<p>We will ensure that</p> <ul style="list-style-type: none"> <li>• the Council complies with the requirements of the CIPFA Code of Practice through discussions with management and our substantive testing</li> <li>• schools are accounted for correctly and in line with the latest guidance</li> </ul>	<ul style="list-style-type: none"> <li>• We will discuss the impact of the legislative changes with the Council through our regular meetings with senior management and those charged with governance, providing a view where appropriate</li> </ul>	<ul style="list-style-type: none"> <li>• We will review the arrangements the Council has in place for the production of the AGS</li> <li>• We will review the AGS and the explanatory foreword to consider whether they are consistent with our knowledge</li> </ul>	<ul style="list-style-type: none"> <li>• We will consider whether the BCF is a risk in the context of our VfM conclusion and will carry out further work if required</li> </ul>	<ul style="list-style-type: none"> <li>• We will review the Council's performance against the 2014/15 budget, including consideration of performance against the savings plan</li> <li>• We will undertake a review of Financial Resilience as part of our VfM conclusion</li> </ul>	<ul style="list-style-type: none"> <li>• We will carry out work on the WGA pack in accordance with requirements</li> </ul>
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# Our audit approach





# Significant risks identified

'Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty' (ISA 315).

In this section we outline the significant risks of material misstatement which we have identified. There are two presumed significant risks which are applicable to all audits under auditing standards (International Standards on Auditing – ISAs) which are listed below:

Significant risk	Description	Substantive audit procedures
The revenue cycle includes fraudulent transactions	<p>Under ISA 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Warwickshire County Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"><li>• there is little incentive to manipulate revenue recognition</li><li>• opportunities to manipulate revenue recognition are very limited</li><li>• the culture and ethical frameworks of local authorities, including Warwickshire County Council, mean that all forms of fraud are seen as unacceptable.</li></ul>
Management over-ride of controls	<p>Under ISA 240 the presumption that the risk of management over-ride of controls is present in all entities.</p>	<p><b>Work planned:</b></p> <ul style="list-style-type: none"><li>• Review of accounting estimates, judgments and decisions made by management</li><li>• Testing of journal entries</li><li>• Review of unusual significant transactions.</li></ul>

# Other risks identified

The auditor should evaluate the design and determine the implementation of the entity's controls, including relevant control activities, over those risks for which, in the auditor's judgment, it is not possible or practicable to reduce the risks of material misstatement at the assertion level to an acceptably low level with audit evidence obtained only from substantive procedures (ISA 315).

In this section we outline the other risks of material misstatement which we have identified as a result of our planning.

Other risks	Description	Audit Approach
Operating expenses	Creditors understated or not recorded in the correct period (Operating expenses understated)	We will carry out testing including: <ul style="list-style-type: none"><li>• the completeness of the subsidiary system interfaces and control account reconciliations</li><li>• cut off testing of purchase orders and goods received notes(both before and after year end)</li><li>• a review of the accruals process</li><li>• a sample of creditor balances at 31/3/15</li></ul>
Employee remuneration	Employee remuneration accruals understated (Remuneration expenses not correct)	We will carry out testing including: <ul style="list-style-type: none"><li>• payroll reconciliation to ensure that information from the payroll system can be agreed to the ledger and financial statements.</li><li>• a sample of payments made in April and May to ensure payroll expenditure is recorded in the correct year.</li><li>• reviewing monthly trend analysis of total payroll.</li></ul>

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# Value for money

## Value for money

The Code requires us to issue a conclusion on whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion.

Our VfM conclusion is based on the following criteria specified by the Audit Commission:

VfM criteria	Focus of the criteria
The organisation has proper arrangements in place for securing financial resilience	The organisation has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future
The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness	The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity

We will undertake a risk assessment to identify areas of risk to our VfM conclusion. We anticipate that we will undertake reviews of the:

- reasonableness of the approach adopted for 2014/15 budget setting
- adequacy of in year financial reporting and monitoring arrangements both for the 2014/15 budget and future service redesign requirements
- progress made in delivering the Medium Term Financial Strategy.
- level of reserves and the Council's reserves strategy
- Council's performance against key performance targets.

The results of our VfM audit work and the key messages arising will be reported in our Audit Findings report and in the Annual Audit Letter.

# Results of interim audit work

The findings of our interim audit work, and the impact of our findings on the accounts audit approach, are summarised in the table below:

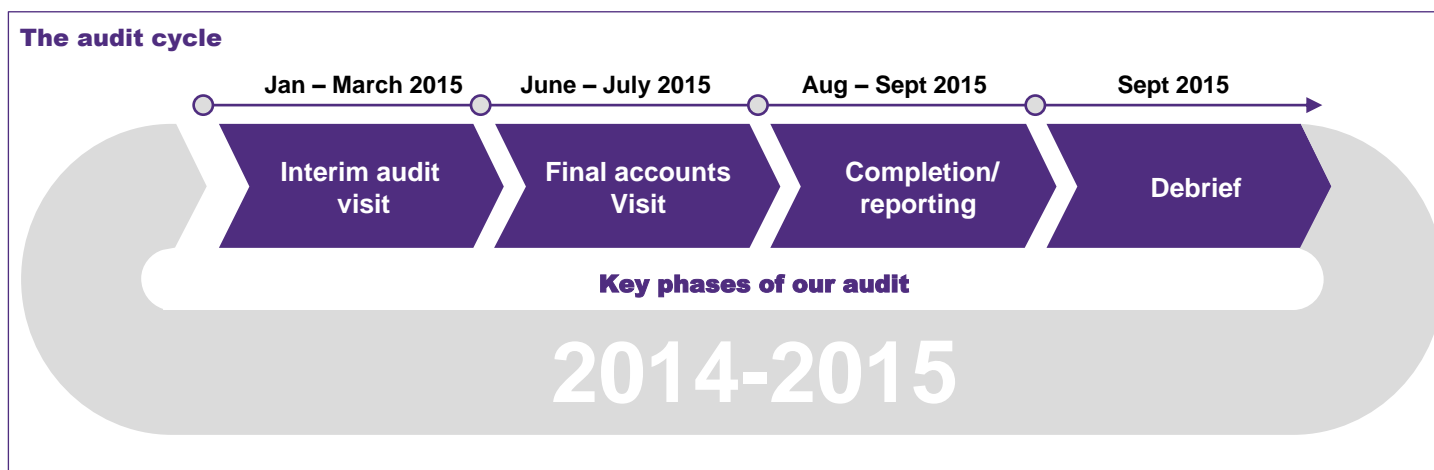
	Work performed and findings	Conclusion
<b>Internal audit</b>	We have not yet completed our review of internal audit's overall arrangements in accordance with auditing standards, or internal audit's work on the Council's key financial systems to date.	<p>We will complete our assessment of internal audit as part of our interim audit work and will report our findings to the Audit and Standards Committee in due course.</p> <p>In our 2013/14 Audit Plan we noted that internal audit had still to produce a formal self assessment against the requirements of the new Public Sector Internal Audit Standards. We will follow up progress in this area with internal audit as part of our interim audit work.</p>
<b>Walkthrough testing</b>	<p>We have completed walkthrough tests of controls operating in areas where we consider that there is a risk of material misstatement to the financial statements.</p> <p>Our work has not identified any issues which we wish to bring to your attention. Internal controls have been implemented in accordance with our documented understanding.</p>	Our work has not identified any weaknesses which impact on our audit approach.
<b>Entity level controls</b>	<p>We have obtained an understanding of the overall control environment relevant to the preparation of the financial statements including:</p> <ul style="list-style-type: none"> <li>• Communication and enforcement of integrity and ethical values</li> <li>• Commitment to competence</li> <li>• Participation by those charged with governance</li> <li>• Management's philosophy and operating style</li> <li>• Organisational structure</li> <li>• Assignment of authority and responsibility</li> <li>• Human resource policies and practices</li> </ul>	Our work has identified no material weaknesses which are likely to adversely impact on the Council's financial statements.

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## Results of interim audit work cont'd

	<b>Work performed</b>	<b>Conclusion</b>
<b>Journal entry controls</b>	We have reviewed the Council's journal entry policies and procedures as part of determining our journal entry testing strategy and have not identified any material weaknesses which are likely to adversely impact on the Council's control environment or financial statements.	No issues identified based on work undertaken to date. We will complete detailed testing on journal transactions during our interim and year end audit visits.

# Key dates



<b>Date</b>	<b>Activity</b>
<b>January 2015</b>	Planning
<b>January - March 2015</b>	Interim site visit
<b>12 February 2015</b>	Presentation of audit plan to Audit & Standards Committee
<b>June - July 2015</b>	Year end fieldwork
<b>August 2015 (tbc)</b>	Audit findings clearance meeting with Head of Finance
<b>9 September 2015</b>	Report audit findings to Audit & Standards Committee
<b>By 30 September 2015</b>	Sign financial statements opinion

# Fees and independence

## Fees

	£
Council audit	126,052
<b>Total fees (excluding VAT)</b>	<b>126,052</b>

### Our fee assumptions include:

- Supporting schedules to all figures in the accounts are supplied by the agreed dates and in accordance with the agreed upon information request list
- The scope of the audit, and the Council and its activities, have not changed significantly
- The Council will make available management and accounting staff to help us locate information and to provide explanations

## Fees for other services

Service	Fees £
Certification of Teachers' Pension return	4,200

### Fees for other services

Fees for other services reflect those agreed at the time of issuing our Audit Plan. Any changes will be reported in our Audit Findings Report and Annual Audit Letter.

### Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

Full details of all fees charged for audit and non-audit services will be included in our Audit Findings report at the conclusion of the audit.

We confirm that we have implemented policies and procedures to meet the requirement of the Auditing Practices Board's Ethical Standards.

# Communication of audit matters with those charged with governance

International Standards on Auditing (ISA) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

This document, The Audit Plan, outlines our audit strategy and plan to deliver the audit, while The Audit Findings will be issued prior to approval of the financial statements and will present key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via a report to the Council.

## Respective responsibilities

This plan has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission ([www.audit-commission.gov.uk](http://www.audit-commission.gov.uk)).

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

	Audit plan	Audit findings
<b>Our communication plan</b>		
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issue arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence.	✓	✓
Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged.		
Details of safeguards applied to threats to independence		
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to the auditor's report, or emphasis of matter		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓



# Communication of audit matters with those charged with governance (cont)

In addition to the areas covered on the previous page, we are required to consider the following in our discussions with those charged with governance (the Audit and Standards Committee)

Area of consideration	Current understanding based on planning and interim work to date
<b>Awareness of fraud or suspected fraud</b>	There are no material instances of fraud that have been identified during the year. Any significant suspected or alleged fraud are investigated by Internal Audit and reported to the Audit and Standards Committee on a regular basis.
<b>Views about the risks of fraud</b>	Although there is an ongoing risk of fraud being committed against the Council arrangements are in place to both prevent and detect fraud. These include the regular review of arrangements and work carried out by Internal Audit as part of their annual plan. The risk of material misstatement of the accounts due to undetected fraud is low and this is consistent with the risk management processes that are in place within the Council.
<b>Awareness of whistleblower tips or complaints</b>	Internal Audit are involved in the investigation of whistleblower referrals or complaints with a potential financial impact. There are no material instances of fraud that have been identified during the year arising from whistleblower tips or complaints.
<b>How the Audit &amp; Standards Committee provide oversight of management's fraud risk assessment process</b>	The Annual Governance Statement and Head of Internal Audit Opinion are formally presented to the Audit and Standards Committee on an annual basis.  The system of internal control is reviewed annually as part of the annual governance statement. The work plan of Internal Audit includes reviewing the operation of internal controls and appropriate segregation of duties. Internal Audit include fraud risk in their planning process.



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## Audit and Standards Committee

12<sup>th</sup> February 2015

### External Auditors Report - Annual Audit Fee for the County Council and the Warwickshire Pension Fund 2014/15

#### Recommendation

The Audit and Standards Committee is asked to consider the Annual Fee Letter from the External Auditors for 2014/15, attached at **Appendix A**, for both the County Council and the Warwickshire Pension Fund.

#### 1.0 Purpose of the Report

- 1.1 Our external auditors, Grant Thornton, have written to the Chief Executive, identifying the audit fees for the County Council and the Warwickshire Pension Fund, together with the rationale and scope for those fees.
- 1.2 The Audit Engagement Lead will attend the meeting to present the report attached at **Appendix A**.

#### 2.0 Background papers

None

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An instinct for growth™

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8 April 2014

Dear Jim

## **Planned audit fee for 2014/15**

The Audit Commission has set its proposed work programme and scales of fees for 2014/15. In this letter we set out details of the audit fee for the Council along with the scope and timing of our work and details of our team.

### **Scale fee**

The Audit Commission defines the scale audit fee as “the fee required by auditors to carry out the work necessary to meet their statutory responsibilities in accordance with the Code of Audit Practice. It represents the best estimate of the fee required to complete an audit where the audited body has no significant audit risks and it has in place a sound control environment that ensures the auditor is provided with complete and materially accurate financial statements with supporting working papers within agreed timeframes.”

The Council's scale fee for 2014/15 has been set by the Audit Commission at £126,052, which compares to the audit fee of £126,052 for 2013/14.

Further details of the work programme and individual scale fees for all audited bodies are set out on the Audit Commission's website at: [www.audit-commission.gov.uk/audit-regime/audit-fees/proposed-work-programme-and-scales-of-fees-201415](http://www.audit-commission.gov.uk/audit-regime/audit-fees/proposed-work-programme-and-scales-of-fees-201415)

The audit planning process for 2014/15, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary as our work progresses.

### **Scope of the audit fee**

The scale fee covers:

- our audit of your financial statements
- our work to reach a conclusion on the economy, efficiency and effectiveness in your use of resources (the value for money conclusion)
- our work on your whole of government accounts return.

#### **Chartered Accountants**

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### **Value for Money conclusion**

Under the Audit Commission Act, we must be satisfied that the Council has adequate arrangements in place to secure economy, efficiency and effectiveness in its use of resources, focusing on the arrangements for:

- securing financial resilience; and
- prioritising resources within tighter budgets.

We undertake a risk assessment to identify any significant risks which we will need to address before reaching our value for money conclusion. We will assess the Council's financial resilience as part of our work on the VfM conclusion and a separate report of our findings will be provided.

### **Certification of grant claims and returns**

The Council composite indicative grant certification fee has been set by the Audit Commission at £0 for 2014/15, compared to £3,200 for 2013/14, as there are no grant claims which will fall within the Audit Commission's grants certification regime for 2014/15.

### **Pension Fund audit**

The Audit Commission has established a scale of fees for pension fund audits based on a fixed element with uplift based on the percentage of net assets. The scale fee for the audit of the pension fund is £23,892. Our work on the pension fund will be undertaken in July 2015 by our specialist pension fund audit team, of which I am a member.

### **Billing schedule**

Fees will be billed as follows:

<b>Main Audit fee</b>	<b>£</b>
September 2014	31,513
December 2014	31,513
March 2015	31,513
June 2015	31,513
<b>Total</b>	<b>126,052</b>
<hr/>	
<b>Pension Fund audit</b>	
September 2014	23,892

### **Outline audit timetable**

We will undertake our audit planning and interim audit procedures in early 2015. Upon completion of this phase of our work we will issue a detailed audit plan setting out our findings and details of our audit approach. Our final accounts audit and work on the VfM conclusion will be completed in September 2015, alongside the work on the whole of government accounts return.

<b>Phase of work</b>	<b>Timing</b>	<b>Outputs</b>	<b>Comments</b>
Audit planning and interim audit	January to March 2015	Audit plan	The plan summarises the findings of our audit planning and our approach to the audit of the Council's accounts and VfM.
Final accounts audit	July to Sept 2015	Audit Findings (Report to those charged with governance)	This report sets out the findings of our accounts audit and VfM work for the consideration of those charged with governance.
VfM conclusion	Jan to Sept 2015	Audit Findings (Report to those charged with governance)	As above
Financial resilience	Jan to Sept 2015	Financial resilience report	Report summarising the outcome of our work.
Whole of government accounts	September 2015	Opinion on the WGA return	This work will be completed alongside the accounts audit.
Annual audit letter	October 2015	Annual audit letter to the Council.	The letter will summarise the findings of all aspects of our work.

### **Our team**

The key members of the audit team for 2014/15 are:

	<b>Name</b>	<b>Phone Number</b>	<b>E-mail</b>
Engagement Lead	John Gregory	0121 232 5333	<a href="mailto:john.gregory@uk.gt.com">john.gregory@uk.gt.com</a>
Engagement Manager – Council audit	Andrew Reid	0121 232 5289	<a href="mailto:andrew.s.reid@uk.gt.com">andrew.s.reid@uk.gt.com</a>
Engagement Manager – Pension Fund	Helen Lillington	0121 232 5312	<a href="mailto:helen.m.lillington@uk.gt.com">helen.m.lillington@uk.gt.com</a>
Audit Executive	Ellena Grant-Pearce	0121 232 5397	<a href="mailto:ellena.grant-pearce@uk.gt.com">ellena.grant-pearce@uk.gt.com</a>

**Additional work**

The scale fee excludes any work requested by the Council that we may agree to undertake outside of our Code audit. Each additional piece of work will be separately agreed and a detailed project specification and fee agreed with the Council.

**Quality assurance**

We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me in the first instance. Alternatively you may wish to contact Jon Roberts, our Public Sector Assurance regional lead partner ([jon.roberts@uk.gt.com](mailto:jon.roberts@uk.gt.com))

Yours sincerely

A handwritten signature in black ink, appearing to read 'John Gregory', written in a cursive style.

John Gregory  
For Grant Thornton UK LLP





## Audit and Standards Committee

12<sup>th</sup> February 2015

### Adult Social Care - Update on Case File Audits

#### Recommendation(s)

That the Audit and Standards Committee consider and comment on:

1. The outcomes and presenting themes from the case file audit analysis within Adult Social Care.
2. The implementation of the revised electronic Integrated Case File Audit tool for implementation in Adult Social Care in April 2015 and the proposal for this to be a single audit tool replacing others currently used.
3. The proposal for guidance on case file audit in the People Group including principles and a process for promoting a consistent approach to audit.

#### 1.0 Key Issues

- 1.1 Case file audit is part of the quality assurance framework within Adult Social Care. Case file audits have three objectives. First, they can improve social care practice through enabling constructive conversations between practitioners and their Managers. They can recognise good practice which can be shared to support individual and team learning. They can also identify areas for improvement so action is taken to address them. Second, they ensure customers are supported appropriately. This includes identifying if there are risks that have not otherwise been highlighted to prevent customers from 'falling through the net.' Third, they provide assurance of the quality of Adult Social Care practice including identifying key themes on strengths and areas for improvement to support organisational learning and development.
- 1.2 The quality assurance framework will be implemented in April 2015 and has five standards:
  - Standard 1: People Group services safeguard their customers and promote their welfare;
  - Standard 2: Customers have a positive experience of services;
  - Standard 3: Staff are valued and supported;

- Standard 4: Equality and Diversity is integral to services;
- Standard 5: Services make efficient and effective use of resources.

1.3 Adult Social Care has an electronic Integrated Case File Audit tool which uses 'Survey Monkey'. However, this is not yet widely used by teams. Case file audits have continued to be largely completed by Managers (Team Leaders, Lead Practitioners and Operations Managers) and the outcomes and action plans to improve quality and performance held locally within each team. The Professional Practice and Governance Business Unit is currently leading a number of improvements to the electronic tool. This includes strengthening the link between the tool and the standards in the Quality Assurance Framework, ensuring Care Act compliance, developing questions on quality and customer experience of People Group services, improving the scoring against standards in the tool and ensuring all questions are clear. This will enable the Business Intelligence Team to produce reliable data and reports to identify good practice and areas for development.

## **2.0 Case File Audit in Adult Social Care**

- 2.1 Case file audits were launched within Adult Social Care following the introduction and implementation of the SDS Assessment and Support Planning procedures during 2011/2012 and in recognition of the requirement to produce comprehensive audits for Adult Safeguarding Case Files. There are three main methods for carrying out case file audits in Adult Social Care. First, the auditors are Team Leaders who do not manage the practitioner involved in the case, but who are in the same service. Second, Team Leaders who manage the practitioner involved in the case. Third, Operations managers who are responsible for the team involved in the case.
- 2.2 National guidelines on good practice from the Care Quality Commission (CQC) on auditing of case files within Adult Safeguarding require a minimum of 10% of all cases open to Adult Social Care where a new assessment or review has been undertaken within a period of three months to be audited. This includes 10% of cases that have been through the Adult Safeguarding Assessment procedures locally estimated to be 80 cases per year. Therefore, the total number of audits to be completed is estimated to be around 400 cases per year (which equates to approximately 100 cases per quarter). The selection of case files should ensure that all workers have at least one of their case files audited during the year. Each Manager (Team Leader, Operations Manager and Service Manager) within Adult Social Care has approximately 4 cases to audit each quarter (which is a total of 16 cases per Manager per year). An estimated total of at least 99 case file audits were completed between January and December 2014. Some Team Leaders did not have capacity to undertake more case file audits particularly as a single audit takes up to two hours to complete. However, the estimated total does not include information from the Hospital Social Care, Mental Health and Reablement Teams.

- 2.3 Other Adult Social Care quality assurance activities in addition to case file audits include Quality Assurance Panels chaired by Senior Managers. The panels assess the quality and standards of case recording and practice on a weekly basis. The 'Back to the Floor' programme involves Managers to spend time on the front-line and look at 'what is happening in practice'. The visits are conducted quarterly and reports are generated from each visit and subsequently shared with the Senior Management Group. This means good practice and areas for development can be evidenced and action taken to improve practice and quality.

### **3.0 Key themes from Case File Audit**

- 3.1 Older People's Teams have completed one Self-Directed Support (SDS) case file audit for each practitioner per month using the SDS Case File Audit Tool. A spreadsheet is held which details the outcomes/actions from each audit and each case file audit is fed back to the Team Leader who line manages the practitioner. The audit document is shared with the practitioner in their 1:1 sessions. This exercise has highlighted good practice including evidence of person centred recording in many assessments and support plans, clear recording of carers' needs and risks are mainly evidenced. It has also identified areas for development including Team Leaders who sometimes sign off poor quality or incomplete assessments and support plans. The customers 'top three' outcomes are not always identified by the practitioners, how risks will be mitigated or reduced is not always apparent.
- 3.2 The Quality in Care team is responsible for carrying out review of customers' care and support. Quality in Care Team Leaders complete one SDS case file audit each month in 1:1 meetings with practitioners. These are taken to monthly management meetings to compare themes and for the Operations Manager to have an overview of team themes and consistency in practice between Team Leaders. Good practice includes the completion of a more robust annual review and provider concerns are being recorded. Improvements are needed in the recording of outcomes and provider concerns; actions taken and actions outstanding; and sharing information between the Quality in Care team and the CMT data base and Safeguarding Adults Short Term (SAST).
- 3.3 The Physical Disability and Sensory Services and Learning Disability Teams audit quality and ensure accountability in terms of quality monitoring through Quality Assurance Panels (QAP). All assessments, reassessments and reviews are presented to the QAP, thereby providing opportunity for feedback and discussion regarding the quality of assessment and support planning. A recent review of the QAP has resulted in changes to current processes including Team Leaders attending alongside their supervisees. It provides greater scope to address feedback and to monitor development trends particularly raising quality within the service and avoiding unnecessary delay.
- 3.4 The SAST conducts a management review of records by a Lead Practitioner for adults who have three or more safeguarding alerts, or two or more

safeguarding enquiries in a rolling 12 month period. Reviews are carried out if there are patterns of vulnerability arising from multiple referrals and to review if appropriate actions were taken. Each audit is signed off by the Operations Manager (Safeguarding Adults).

- 3.5 The areas for development and improvement are addressed in a number of ways. They include producing and implementing action plans. For example, the Learning and Physical Disabilities Service has an action plan to improve transition to adulthood which is informed part by case file audits. Performance management training is being provided to staff in Adult Social Care to help address areas for improvement. Good practice is shared between teams to encourage consistency.

#### **4.0 Timescales associated with the decision and next steps**

- 4.1 Professional Practice and Governance will complete work on the revised electronic Integrated Case File Audit tool for implementation in Adult Social Care in April 2015. This will ensure the tool is Care Act compliant and has robust links with the standards in the Quality Assurance Framework.
- 4.2 Adult Social Care will use only the single electronic Integrated Case File Audit tool from April 2015. It will replace those currently used and take less time. The Business Intelligence Team will have a key role in identifying cases for audit in each team and compiling data from audit.
- 4.3 Professional Practice and Governance will produce guidance on case file audit for the People Group in May 2015. This will include principles to underpin case file audits and a process for promoting a consistent approach to audit. This will provide assurance in Adult Social Care that case file audits are timely and carried out to a consistently high standard.

#### **Background papers**

None

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## **Audit and Standards Committee**

**12<sup>th</sup> February 2015**

### **Proposal to create a shared audit service with Worcestershire County Council**

#### **Recommendation**

That the Committee notes and comments on the proposal to transfer the Worcestershire County Council internal audit service to Warwickshire.

#### **1.0 Key Issues**

- 1.1 This report informs the Committee of an approach from Worcestershire County Council to create a shared audit service.
- 1.2 The proposal involves those internal auditors currently employed by Worcestershire County Council transferring to Warwickshire from a date to be agreed in early 2015. The combined team would provide audit services to both County Councils and to their existing external clients.
- 1.3 Following the initial approach from Worcestershire preliminary discussions have taken place from which it is clear that this proposal offers opportunities to reduce costs, add value, and increase resilience and efficiency for both authorities whilst providing a good foundation for greater collaboration with other local authorities and the wider public sector.
- 1.4 It has therefore been agreed that both Councils will continue to investigate this proposal and any issues arising with a view to preparing a business case. If the outcome of the investigations is positive the likely timescale is for the proposal to be considered by full Council on 24<sup>th</sup> March.
- 1.5 A verbal update on developments will be provided at the meeting and members will be kept informed of subsequent developments.

#### **2.0 Background Papers**

None

	<b>Name</b>	<b>Contact Information</b>
Report Author	Garry Rollason	01926 412679
Head of Service	Sarah Duxbury	01926 412090
Strategic Director	David Carter	01926 412564
Portfolio Holder	Cllr Kam Kaur	01926 632679

**Audit and Standards Committee  
Work Programme 2014/15**

Item	Lead Officer	Date of next report
(Exempt) Internal Audit Progress Report Qtr 1 & 2	Garry Rollason	6 <sup>th</sup> November 2014
(Exempt) Internal Audit Progress Report Qtr 3	Garry Rollason	12 <sup>th</sup> February 2015
Financial Resilience of Local Authorities (Verbal Update)	Garry Rollason	12th February 2015
External Auditors Report – Audit and Standards Committee Update	Garry Rollason	12th February 2015
External Auditors Report - 2014/15 Warwickshire County Council Audit Plan	Garry Rollason	12th February 2015
External Auditors Report - Annual Audit Fee for the County Council and the Warwickshire Pension Fund 2014/15	Garry Rollason	12th February 2015
Adult Social Care - Update on Case File Audits	Mike Wood	12th February 2015
Proposal to create a shared audit service with Worcestershire County Council	Garry Rollason	12th February 2015
(Exempt) Internal Audit Annual Report 2013/14	Garry Rollason	June 2015
Annual Governance Statement 2013/14	Garry Rollason	June 2015
Internal Audit Plan 2014/15	Garry Rollason	June 2015
Annual Governance Statement 2013/14	Garry Rollason	September 2015
(Exempt) Internal Audit Progress Report Qtr 1 & 2	Garry Rollason	November 2015
(Exempt) Internal Audit Progress Report Qtr 3	Garry Rollason	February 2016

