Audit & Standards Committee

4 June 2015

Agenda

The Audit and Standards Committee will meet in **Committee Room 2, Shire Hall, Warwick** on **4 June 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 12 February 2015 and Matters Arising

2.   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).

3. **Consideration of the Exempt Minutes of the Audit and Standards Committee meeting held on 12th February 2015**

4. **Internal Audit Report 1 January 2015 – 31 March 2015**

REPORTS TO BE CONSIDERED IN PUBLIC

5. **Internal Audit Annual Report 2014/15**

6. **Annual Governance Statement 2014/15**

7. **Assurance Strategy 2015/16**

8. **Accounting for Local Authority Maintained Schools**

9. **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:

   - Wednesday 9th September 2015
   - Thursday 5th November 2015
   - Wednesday 3rd February 2016

10. **Any Other Business**

Membership of the Audit and Standards Committee

Councillors: John Beaumont, Bill Gifford, John Horner, Chris Saint, Bob Stevens and June Tandy.

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

The public reports referred to are available on the Warwickshire Web
www.warwickshire.gov.uk/cmis
00 Agenda A&S 15.06.04

For queries regarding this agenda, please contact:
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Jim Graham
Chief Executive
Warwickshire County Council
May 2015

**Minutes of the meeting of the Audit and Standards Committee
held on 12th February 2015**

Present

Members:

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

Independent Members:

        John Bridgeman CBE (Chair)

Officers:

        John Betts, Head of Finance
        Sarah Duxbury, Head of Law and Governance
        Ben Patel-Sadler, Democratic Services Officer
        Virginia Rennie, Group Accountant
        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
Bob Meacham OBE
Councillor Bob Stevens

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

Councillor Saint declared a non-pecuniary interest, the nature of
which being that Warwickshire County Council were responsible
for providing the internal audit service for Stratford-on-Avon

District Council. This declaration was made in relation to agenda item 7.

(3)   Minutes of the meeting of the Audit and Standards Committee held on 6th November 2014

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

2.   Financial Resilience of Local Authorities (Verbal Update)

The Committee received a verbal update provided by John Gregory (Grant Thornton – Auditors) on the 'Rising to the Challenge – Financial Resilience in Local Government 2013/14' report which had been published in late 2014.

The Chair of the Audit Committee, John Bridgeman CBE had specifically requested that the Committee be provided with this verbal update from the Council's External Auditors.

Following the delivery of the verbal update, the following points were noted by the Committee:

1. The 'Rising to the Challenge' report had been produced in collaboration with audit partners from across England and Wales – the data contained within the report had been drawn from around 130 local authorities.

2. On average, local authorities spending had reduced by 28% up to 2014/15. It was forecasted that local authorities would face a further 10% decrease in their central government funding during the year 2015/16. In contrast to local authority spending, the NHS spend had increased by 4%.

3. Restrictions in Council Tax rises, less than expected income from fees and charges, reduced welfare funding and the future of the 'new homes bonus' were all contributory factors to the financial pressures being faced by local authorities.

4. Many local authorities continued to be financially resilient. The impact of the financial cuts that had been forecasted two to three years ago had not been as severe as expected, although they still remained a threat to the future of local authorities in their current format and structure.

5. Heading into the future, challenges would mount for local authorities, although many authorities were already transforming the way in which

they operated, which meant that the majority were likely to overcome future challenges.

6. District councils had delivered significant savings via conducting their business in a different manner - because district councils were smaller organisations, they could adapt to new ways of working more quickly. Single tier authorities and county councils faced a different challenge. This was partly due to the inspection regimes facing single tier and county councils and the nature of the services they provided (education, social care, etc).

7. Unitary authorities were not comparable with district councils due to the sheer difference in size and types of services delivered between the organisations.

8. The Midlands and North England were generally seen as higher risk areas when compared with their Southern counterparts. A North/South divide was still present, although this could be partly explained due to the higher number of metropolitan authorities in the North of England.

9. There had been a significant improvement nationally in strategic financial planning, although it remained important for financial plans to be responsive to risks. Some authorities were still focusing too much on efficiency savings without taking into account how services would be delivered after financial cuts were made.

10. Some local authorities were pleading hardship to central government. This did not sit well, as central government could see that the reserves of some of these authorities were growing. There remained a growing uncertainty around the future of the NHS and how local authorities would deal with the huge increase in demand around adult social care services.

11. The 'Rising to the Challenge' report had not been used formally by the Council's finance team during the budget setting process. However, the External Auditors would be reviewing the Council's budget setting process and would update the Committee on their findings at a future meeting.

The Chair of the Committee believed that the Council was in a position where it could deal effectively with current stresses, would be able to deal with any future crisis and that at the present time it could operate effectively, despite the pressures on the Council's resources and workforce.

Members expressed the view that the verbal update had provided them with a flavour of the national picture in relation to local authorities. It provided some level of assurance to Warwickshire County Council, with the External Auditors' opinion being that overall the Council was in a good position to deal with any future challenges.

The Committee believed that overall, local authorities had generally coped well with the financial challenges they had been faced with.

Resolved:

That the Audit and Standards Committee noted the verbal update provided by the External Auditors

3.   **External Auditors Report – Audit and Standards Committee Update**

Andrew Reid (Grant Thornton – Auditors) introduced the report and informed the Committee that the External Auditors progress in delivering their responsibilities was on track and no issues or concerns had been raised throughout the course of the audit work.

Members noted the revised policy in relation to accounting for schools would be presented at the June 2015 meeting of the Committee. This was a challenging area of work, but the Committee was assured that the work was progressing as planned.

Members were informed of a significant challenge facing the authority and auditors in relation to the tightening of the closure of the accounts timetable for the 2017/18 accounts. Over the coming months, the Council's finance team would be planning how they would meet this deadline. Progress in this area would be reported back to the Audit and Standards Committee at a future date.

Resolved:

The Audit and Standards Committee agreed to note the update report and the Grant Certification Letter.

4.   **External Auditors Report – 2014/15 Warwickshire County Council Audit Plan**

Andrew Reid (Grant Thornton – Auditors) introduced the report and informed the Committee that an unqualified audit opinion had been given in relation to the 2014/15 Warwickshire County Council Audit Plan and Teachers pension return.

Members were informed by John Betts that Warwickshire County Council had no legal liabilities in relation to the teacher's pension scheme. The responsibility of the Council was to ensure that all pension contributions made by teachers employed by the organisation

were transferred to the teacher's pension scheme. The External Auditors had signed off the amount transferred by the Council to the teacher's pension fund as being correct.

Potential risks identified by the External Auditors included the work around schools accounting and the financial pressures being place upon Adult Social Care in Warwickshire.

Members expressed the view that they would like to closely monitor the Better Care Fund to ensure that the flow of finance between the county and district councils was effectively managed. The External Auditors would be considering whether the Better Care Fund was a risk in the context of their Value for Money (VfM) conclusion. Further work would be carried out if required.

John Betts informed the Committee that the Health and Wellbeing Board (HWBB) had to approve the distribution of the Better Care Fund. The HWBB was working well in monitoring the Better Care Fund.

Members queried what was meant by 'walkthrough testing'. The External Auditors explained that this was the terminology used by auditors when conducting testing to ensure that financial systems were operating in the correct manner.

The External Auditors explained to the Committee that any adverse or unexpected findings affecting the audit would be shared with the Council on a timely basis. The External Auditors were unaware of any significant issues at this time.

With regard to the Council's whistleblowing policy, the External Auditors informed members that they would inform the Council if they had any concerns about the process, for example, if large numbers of Council staff were contacting them to raise issues.

Sarah Duxbury, Head of Law and Governance, informed the Committee that there were named individuals within each business group who could be approached if staff felt they could not raise their concerns directly with a line manager. Warwickshire County Council encouraged an open culture and there were several options available to staff if they needed to raise specific concerns. Sarah Duxbury referred to the annual corporate governance week 'Do the Right Thing' which had been used to raise awareness of the whistleblowing policy as well as the role of the nominated corporate governance champions for each Group. The outcome of exit interviews could also be a useful tool in this context to understand clearly why an individual had chosen to leave the organisation.

Resolved:

The Audit and Standards Committee agreed to note the Warwickshire County Council 2014/15 Audit Plan from the External Auditors.

5.   **External Auditors Report – Annual Audit Fee for the County Council and the Warwickshire Pension Fund 2014/15**

The External Auditors introduced the report and informed the Committee that the audit fee for 2014/15 was the same figure as for the previous year (2013/14).

Members noted that there was a good level of cooperation in place between the Council and the External Auditors.

Resolved:

That the Audit and Standards Committee agreed to note the Annual Fee Letter from the External Auditors for 2014/15, for both the County Council and the Warwickshire Pension Fund.

6.   **Adult Social Care – Update on Case File Audits**

Mike Wood, Service Manager, Service Development and Assurance (Adults) introduced the report.

The Audit Committee expressed the view that it had held long standing concerns around this area of work. Members had previously requested the methodology around case file audits, what findings the audits had turned up and any examples of good practice.

Mike Wood informed members of the three objectives of Case File Audits which were outlined in paragraph 1.1 of the report. The Committee noted that the electronic Integrated Case File tool 'Survey Monkey' was being used at the present time, although it was not being widely used by teams. An estimated 99 Case File Audits were completed between January and December 2014. Because a single audit could take up to two hours to complete, some team leaders working in hospital and mental health teams did not have the capacity to complete the Case File Audits due to staffing levels and work pressures.

The Survey Monkey tool had been revised so that it was compliant with the Care Act. It was hoped that by using the revised tool, time would be saved, information would be easier to obtain and audits would be more robust to ensure a consistent approach.

Members were informed that the overall responsibility for the completion of Case File Audits lay with Heads of Service. The single Survey Monkey tool would start to forge links between all those involved in the Case File Audit process. A Head of Service could initiate a review of the Case File Audit process if he/she felt it was necessary to do so.

Mike Wood explained to the Committee that the revised Survey Monkey tool was due to be implemented in Adult Social Care from April 2015. Staff training on how to use the new tool had begun and the revised tool had been developed and tested in conjunction with operations managers. The tool would be much easier for staff to use and a report on its progress would be brought back to the Audit and Standards Committee in six months' time.

A Head of Service could initiate a review of the Case File Audit process if he/she felt it was necessary to do so.

The Committee raised the issue of collaborative working between Council officers and NHS staff. Members felt it imperative that effective data sharing protocols were in place to effectively manage case files between partner organisations. Mike Wood would provide a future update to the Committee on how partner organisations were sharing data.

Members questioned if management provided practitioners with guidance following a Case File Audit. In response, Mike Wood advised the new tool would be able to identify themes covering the entire spectrum of Adult Social Care issues. He added that the new tool would identify how case files were graded in terms of their risks and importance.

The Committee was reassured that the new tool would cover issues of safeguarding – this would ensure that after completing an audit, it could be determined if an adult was safe. This feature had been absent from the previous tool.

The Chair thanked Mike Wood for attending the meeting and for informing members around the new tool and how it should work in practice. The Committee would be provided with an update on this area of work at a future meeting.

Resolved:

That the Audit and Standards Committee agreed to note the report and requested an update for a future meeting.

7. **Proposal to Create a Shared Audit Service with Worcestershire County Council**

Garry Rollason, Chief Risk and Assurance Manager introduced the report and explained to the Committee that work was ongoing around the business case, potential costs and associated risks in relation to a proposal to create a shared internal audit service with Worcestershire County Council.

Garry Rollason informed members that a detailed report on the potential shared audit service would be submitted to full Council in March 2015. This verbal update was to ensure members were aware of the proposal and to inform members of the current progress on the business case to support the proposal.

The investigations into the potential shared audit service were rigorous and robust. The business case was being developed and significant work had been undertaken between the two councils to identify resource implications and agree how any risks would be managed under the new arrangements. Further work was required before officers were able to make a recommendation on the proposal to members.

If the proposal went ahead, staff would be based at County Hall, Worcester in addition to the two existing sites (Warwick and Stratford). The combined workforce would be employed by Warwickshire County Council but would be responsible for conducting internal audit work for both Warwickshire and Worcestershire County Councils and other clients.

The Committee highlighted a number of issues in relation to the potential risks involved in the process including how exactly the shared internal audit function would operate in practice and how any salary discrepancies between staff currently working for Warwickshire and Worcestershire would be addressed. However, members believed there were a number of potential advantages of a shared audit service, including:

1. Additional staff resource which would provide greater resilience and flexibility; and

2. Additional generation of income resulting from more audit work being undertaken; and

3. The additional skills and expertise available to all clients gained from employing a larger team.

John Betts informed members that Worcestershire County Council now outsourced a number of its services. Due process would be followed and a suitable business case produced which would identify any

potential risks associated with the proposed creation of a shared audit service and how any such risks would be mitigated or shared.

The Committee expressed the view that it was positive that Worcestershire County Council had approached Warwickshire with a view to undertaking their internal audit work. It was a good reflection on the work undertaken and produced by the Warwickshire County Council internal audit service.

Resolved:

That the Audit and Standards Committee noted the proposal to transfer the Worcestershire County Council Internal audit service to Warwickshire and requested that a Briefing Note be provided to the Committee outlining the principles underpinning the business case for a shared internal audit service.

8.   **Work Programme and Future Meeting Dates**

The Committee noted the Work Programme and future meeting dates of the Committee.

9.   **Any Other Business**

None

10.   **Reports Containing Confidential of Exempt Information**

Councillor Horner proposed (seconded by Councillor Bill Gifford) 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.

The Committee rose at 12.10pm

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Chair

Audit and Standards Committee

4th June 2015

Internal Audit Annual Report
2014 / 2015

Recommendation

That the Committee considers the results of internal audit work completed during 2014/2015.

1.0 Key Issues

1.1 This report summarises the results of internal audit work carried out in the year ended 31 March 2015 and provides an overall opinion on the Authority's control environment.

1.2 Following consideration by the Committee the report will be placed on the Authority's web-site.

2.0 Background Papers

2.1 None

Appendices:

Appendix 1: Internal Audit Annual Report 2014/15

	Name	Contact Information
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

Warwickshire County Council

Internal Audit Annual Report 2014/15

"Providing assurance on the management of risks"

Warwickshire
County Council

Working for
Warwickshire

Internal Audit Annual Report 2014/15

"Providing assurance on the management of risks"

This document summarises the results of internal audit work during 2014/15 and as required by the Accounts and Audit (England) Regulations 2011 gives an overall opinion of the Authority's control environment.

Opinion

Based upon the results of work undertaken during the year my opinion is that the Authority's control environment provides substantial assurance that the significant risks facing the Authority are addressed.

Context

This report outlines the work undertaken by the internal audit between 1 April 2014 and 31 March 2015.

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.

Internal audit is required by professional standards to deliver an annual internal audit opinion and report to those charged with governance timed to support the Annual Governance Statement. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. The annual report must incorporate:
- the opinion;
- a summary of the work that supports the opinion; and
- a statement on conformance with the Public Sector Internal Audit Standards.

The primary role of audit to provide assurance to the organisation (managers, heads of services and the audit and standards committee) and ultimately the taxpayers that the authority maintains an effective control environment that enables it to manage its significant business risks. The service helps the Council achieve its objectives and provide assurance that effective and efficient operations are maintained. The assurance work culminates in an annual opinion on the adequacy of the Authority's control environment which feeds into the Annual Governance Statement.

Internal audit work during 2014/15

The underlying principle to the 2014/15 plan was risk and accordingly audits were only completed in areas that represent an *'in year risk'*.

The methodology adopted in preparing the 2014/15 audit plan, and the plan itself, were approved by the Audit and Standards Committee on 12 June 2014.

Since the original plan was approved a number of additional audits have proved necessary and some planned audits were no longer required. Variations to the plan during the year are inevitable if the plan is to adequately reflect changing circumstances and the changing organisation. After the plan was agreed the previous year's underspend was carried forward to fund extra work on investigations. The net effect is that although the work undertaken during the year was different to that anticipated 12 months ago, I am pleased to report that in terms of total number of days the target of completing 90% of the plan was achieved.

Summary of assurance work

The key outcome of each audit is an overall opinion on the level of assurance provided by the controls within the area audited. Audits will be given one of four levels depending on the strength of controls and the operation of those controls. The four categories ranging from the lowest to highest are Limited, Moderate, Substantial and Full. The opinion reflects both the design of the control environment and the operation of controls. The Audit and Standards Committee has received regular reports during the year summarising audits undertaken.

As shown in the following chart the results of this year's audits are positive with the majority having a moderate or substantial opinion. However, there were 4 audits where controls provided only Limited assurance that significant risks were being addressed. These tend to relate to specific areas rather than represent an across the board breakdown in controls. The key issues arising from these audits have been reported to the Audit & Standards Committee.

Opinions given during 2014/2015
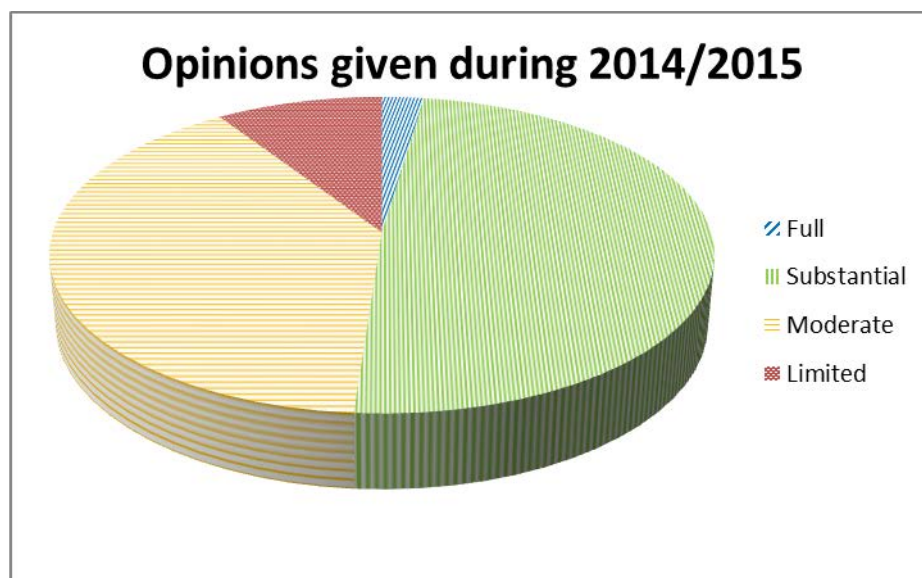
A full list of the assurance work completed during the year is given in Appendix A.

The outcome of this year's audits continues the trend of a reduction in the proportion of audits given the lower levels of opinion as shown in the following chart.
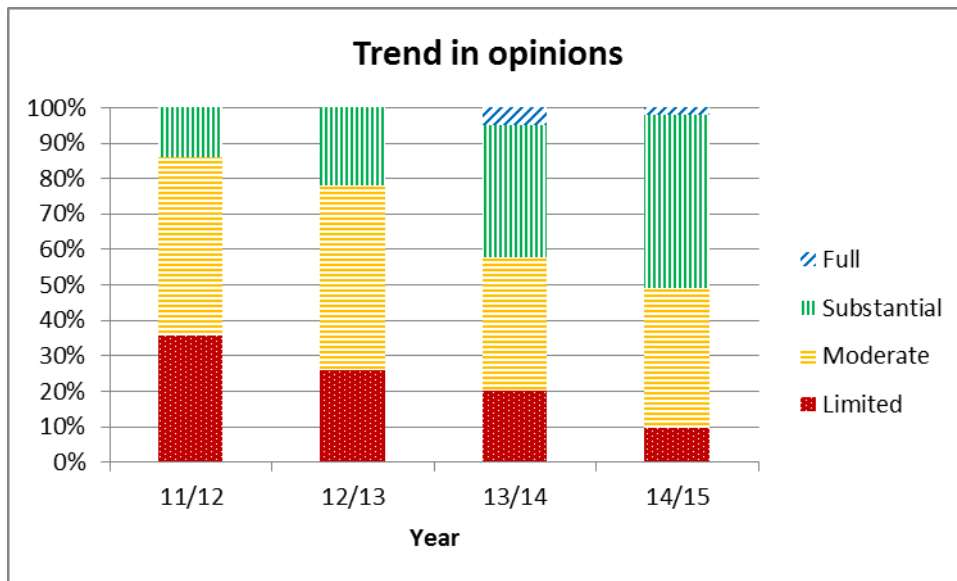
Of course the audit plan includes different topics each year.

Recommendations are categorised according to the risks they are intended to mitigate. Categorising recommendations also assists managers in prioritising improvement actions. The current categories used, in increasing order of importance are: Merits Attention, Significant and Fundamental.

During the year over 200 recommendations were made to address weaknesses in control which would otherwise not have been identified. As shown in the following chart significant progress has been made in implementing the recommendations made during the year. Progress on fundamental recommendations is particularly encouraging with only 4 in total outstanding at year end.
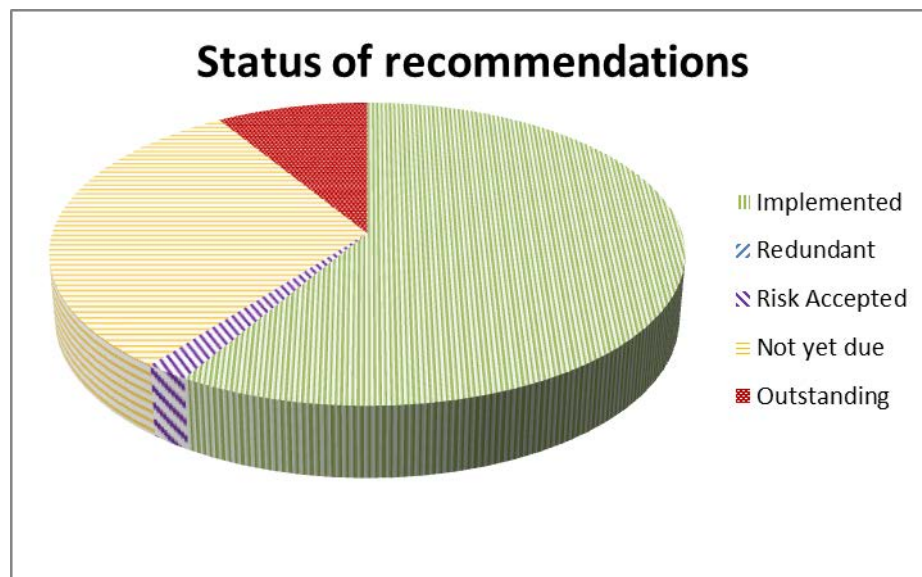
Summary of non-assurance work

Special investigations

The size and complexity of the County Council means that some irregularities are inevitable and therefore, in addition to planned assurance work, a small number of special investigations were needed during the year and the significant issues arising were reported to the Audit and Standards Committee during the year.

> Suspected frauds can be reported to our dedicated fraud hotline 01926 412052 or by email to tellusaboutfraud@warwickshire.gov.uk

Advice

Internal audit is most efficient when its advice is utilised to ensure that appropriate controls are incorporated at an early stage in the planning of policy or systems development. This work reduces the issues that will be raised in future audits and contributes to a stronger control environment. During the year therefore the service continued to provide consultancy input into a number of topics including:
- Financial processes
- Priority families
- Replacement of Social Care Client System
- Payroll Bureau
- Processing home care invoices through a new system

Certification

Audit has traditionally carried out a small amount of work in relation to the certification of accounts for miscellaneous County Council related funds and is required to certify a small number of grants. These were all cleared satisfactorily.

Effectiveness

This section of the report sets out information on the effectiveness of the service and focuses on compliance with the Public Sector Internal Auditing Standards (PSIAS) and customer feedback.

When the standards were first introduced a number of actions were identified to improve compliance. These actions have all been completed and a self-assessment against the standards, which has been shared with officers, was completed during the year which shows we fully comply with the standards. However, as required by the standards this will need to be confirmed by an external assessment in due course.

Internal audit processes are reviewed annually by external assessors as part of our ISO 9000 accreditation. This inspection provides independent assurance that processes outlined in the audit manual (which is based on PSIAS) are being followed. The last accreditation visit proved to be very successful with no non-conformances identified. Internal audit therefore continues to be registered under this exacting standard.

In accordance with best practice there is a rigorous internal review of all work undertaken by senior staff and the results feed into the staff appraisal process.

Following most audits a "post audit questionnaire" is issued to the relevant managers asking for their views on the conduct of the audit. The questionnaire includes a range of questions covering the audit approach, reporting format, etc. A key feature of the audit role is the need to sometimes be critical of existing or proposed arrangements. There is therefore an inherent tension that can make it difficult to interpret surveys.

The post audit questionnaire responses returned continue to be good with the average score from all surveys returned during 2014/15 being 4.5 out of a maximum of five, and a number of positive comments and compliments about the service provided have been received, including:

- Conducted well – good paperwork beforehand
- Auditor was very professional, thorough and fair. Her judgements were informed by the evidence and she arrived at an accurate conclusion.
- The time taken in preparing the audit to ensure there was understanding of business requirements or where to access information
- Supports our own work to improve the effectiveness of community grants.
- Auditor was very thorough and clear and added value to the process.
- Good engagement with us prior to and after the audit.
- The turnaround was very quick which would have enabled remedial action if required.
- Overall Auditor work very well with the staff, allowing full discussion on draft outcome and observations of the audit. Allowing further evidence to be provided to address some initial concerns
- Thorough, efficient and committed
- This has been a thorough and sensitive investigation where I was kept informed and involved at all levels.

It is clearly important for any audit service to keep abreast of best professional practice. The internal audit service is fortunate in having strong links with colleagues both within the midlands and nationally. The Service has a group membership to the Institute of Internal Auditors providing its staff with technical and professional support. The secretary of the Cipfa audit panel regularly briefs heads of audit on new developments in the profession. At a regional level there are networking opportunities for auditors specialising in adult social care, fraud and police. As well as good opportunities for continuing professional development and sharing best practice these activities provide advance information on new developments which can be reflected in the audit plan.

The Authority can be confident that a best practice quality internal audit service continues to be provided.

Opinion

It is the responsibility of the County Council to develop and maintain the internal control framework. In undertaking its work, Internal Audit has a responsibility under PSIAS to provide an annual internal audit opinion on the overall adequacy and effectiveness of the organisation's governance, risk and control framework (i.e. the control environment) and a summary of the audit work from which the opinion is derived.

No system of control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance. The work of internal audit is intended only to provide reasonable assurance on controls. In assessing the level of assurance to be given, I have taken into account:

- all audits completed during the year;
- any follow-up action taken in respect of audits from previous periods;
- any fundamental recommendations not accepted by management and the consequent risks;
- anticipated outcome from audits currently in draft;
- the effect of non-assurance work undertaken during the year;
- the effect of any significant changes in the Authority's systems; and
- matters arising from previous reports to members.

Some significant issues have arisen during the year but action plans have been agreed with the relevant managers to address the weaknesses identified. Where weaknesses have been identified they have tended to relate to specific parts of the organisation rather than an across the board breakdown in controls. Those audits involving major control weaknesses are in the minority and in general terms, controls are sufficient to prevent or detect serious breakdowns in systems and procedures. However, it is clearly important that issues identified during the year are addressed.

Based upon the results of work undertaken during the year my opinion is that the Authority's control environment provides substantial assurance that the significant risks facing the Authority are addressed.

Appendix A: Summary of audits completed during the year.[1]

Audit		Opinion on level of assurance provided by controls
	Resources	
1	Procure to Pay	Moderate
2	HR Service Centre	Moderate
3	Social Fund	Substantial
4	Information Governance	Moderate
5	Document management system – social care records	Moderate
6	IT Data centres - Physical and Environmental Controls	Limited
7	Payment card industry standards	Substantial
8	Provision of email service	Substantial
9	Procurement Cards	Moderate
10	Honoraria Payments	Limited
11	Catering	Moderate
12	Infrastructure Security and Resilience	Moderate
13	Property Contractor site visits	Substantial
14	Business rate pooling	Substantial
15	Payroll Bureau	Substantial
16	Property Maintenance – Mechanical and Electrical Contract	Substantial
17	Capital expenditure	Substantial
	Communities	
18	Civil Parking Enforcement	Moderate
19	Shared Professional Services	Substantial
20	Flood Risk Management	Moderate
21	Business Continuity	Moderate
22	North Leamington School	Substantial
23	Exhall Grange School and Science College	Moderate
24	St Joseph's Primary School	Substantial
25	Waste Management	Limited
26	Wellesborne School	Substantial
27	School income	Moderate
28	Woodloes Primary School	Substantial
29	St Marie's Catholic Primary School & Nursery	Moderate
30	School Admissions	Full
31	County Fleet Maintenance	Limited
32	School Improvement	Moderate
33	Stratford Upon Avon Primary School	Substantial
34	Kenilworth School and Sports College	Substantial
35	Grants to voluntary organisations	Substantial

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[1] Note that some of these audits started in 2013/14

	Audit	Opinion on level of assurance provided by controls
	People	
36	Transition from children to adult services	Moderate
37	HR Management – People Group	Moderate
38	Direct Payments	Moderate
39	Continuing Healthcare	Substantial
40	Occupational Therapy	Substantial
41	People Group Change Management	Substantial
	Fire & Rescue	
42	Premises Risk Information	Substantial
43	Strategic Alliance Project Management	Substantial

G Rollason
Chief Risk and Assurance Manager

Audit and Standards Committee

4th June 2015

Annual Governance Statement 2014/2015

Recommendations

That the Committee endorse the:

1. results of the review of internal control and;
2. the draft annual governance statement for the County Council.

1.0   Background

1.1   The Accounts and Audit (England) Regulations 2011 require the authority to conduct a review, at least once in a year, of the effectiveness of its system of internal control and to prepare an Annual Governance Statement (AGS).

1.2   The draft AGS is reported to this meeting of the Committee as it is good practice for a draft annual governance statement to be considered by members as soon as possible after the end of the financial year and also so that an agreed draft can be made available to the external auditors for their review. Following consideration of the draft AGS by external auditors and completion of the audit of the accounts, the final AGS (incorporating any comments by external auditors) will be reported to the September meeting of this Committee. This will allow the committee to take into account the results of the external audit and the content of the Authority's accounts which will also be on the agenda for the Committee's September meeting. Following scrutiny by this Committee the draft AGS will be reported to Cabinet and then to Council for approval.

1.3   The annual governance statement recognises, records and publishes an authority's governance arrangements under the framework defined in CIPFA/SOLACE's publication 'Delivering Good Governance in Local Government: Framework'.

1.4   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;

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- 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; and
- engaging with local people and other stakeholders to ensure robust public accountability.

1.5 A key element of governance is the control environment, which CIPFA defines as comprising 'the systems of governance, risk management and internal control'. 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; and
- the performance management of the organisation and the reporting of performance management'.

2.0   The Assurance Gathering Process

2.1 **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 a Panel consisting of:

- Sarah Duxbury, Head of Law & Governance, Resources Group
- Garry Rollason, Chief Risk and Assurance Manager, Resources Group
- Graeme Fitton, Head of Transport and Highways, Communities Group
- Gary Phillips, Deputy Chief Fire Officer, Warwickshire Fire & Rescue Service

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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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- Tricia Morrison, Acting Head of Service Improvement and Change Management, Resources Group
- Marie Seaton, Interim Head of Professional Practice and Governance, People Group

2.2   In carrying out their review, the Panel scrutinised the strategic risk register prepared by senior managers and approved by Corporate Board and considered the following:

- the approach of the Authority to establishing its principal statutory obligations and organisational objectives;
- the approach of the authority to identifying principal risks to the achievement of those obligations and objectives;
- the key control frameworks that the authority has in place to manage its principal risks; and;
- any potential gaps in the governance and control frameworks.

2.3   In addition Heads of Service have completed assurance statements confirming that they have complied with the risk management framework throughout the year for the identification and management of risks within their Services. Consideration was also given to the results of reviews carried out by external agencies during the year.

2.4   The Internal Audit Annual Report for the year ended 31 March 2015 has to be considered at the same time as this statement. The Annual Report is also included on the agenda for this meeting.

3.0   Findings of the Review

3.1   As part of the annual governance statement process for 2014/15, the Panel considered the strategic risk register agreed by Corporate Board and 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.

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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   As a result of its work the panel has recommended a number of changes to the risk register which are reflected in the proposed AGS. Although the risks outlined are major challenges for the Authority the panel do not judge any of them to be significant governance issues. The Council has not experienced any significant governance failures during the last year.

3.4   A draft annual governance statement reflecting the panel's findings is attached in Appendix 2. The Committee is invited to scrutinise the draft annual governance statement.
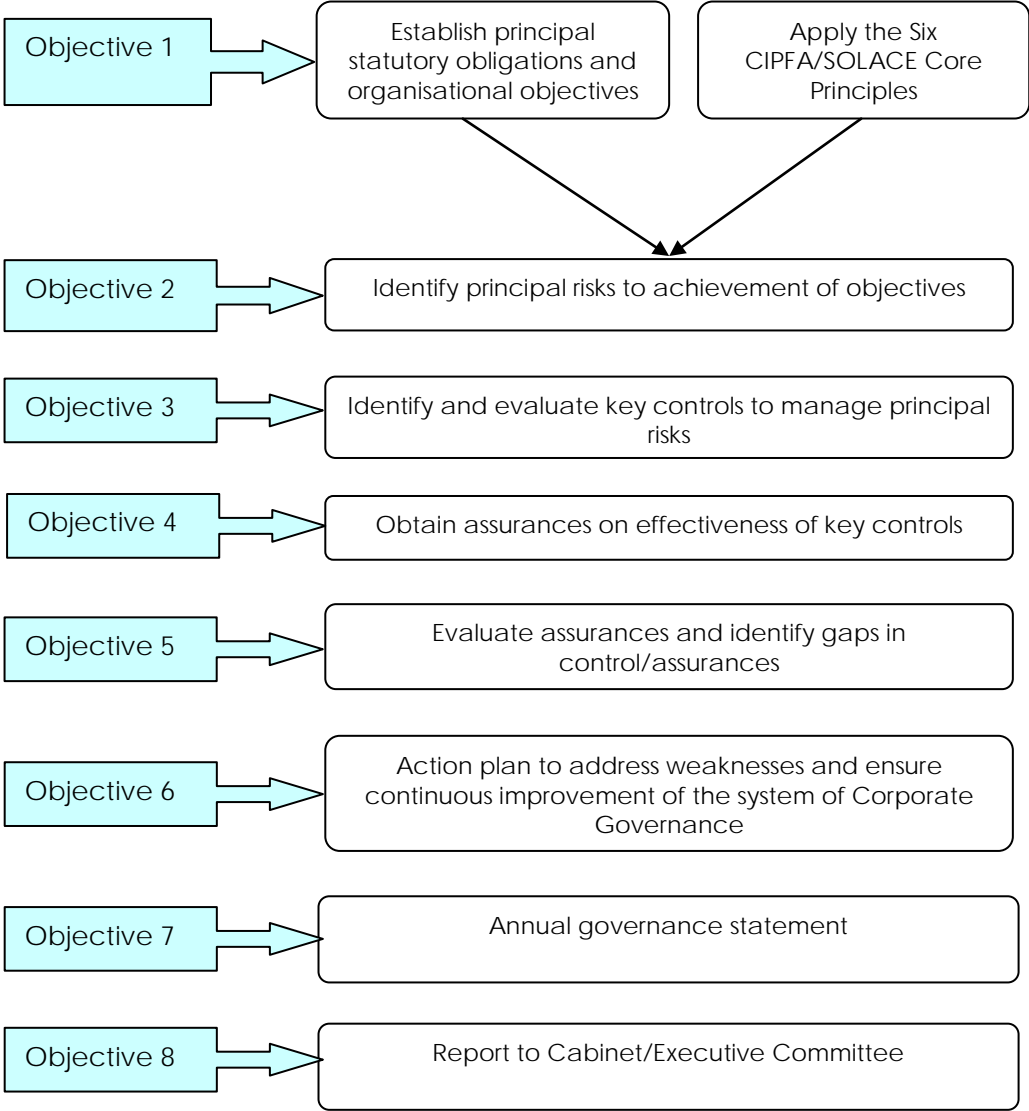

4.0   Background Papers

4.1   None

Appendices:

Appendix 1: Review of Annual governance statement and the Assurance Gathering Process

Appendix 2: Draft Annual Governance Statement

	Name	Contact Information
Report Author	Garry Rollason	01926 412679
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Strategic Director	David Carter	01926 412564
Portfolio Holder	Cllr Kam Kaur	01926 632679

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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

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Draft Annual Governance Statement

Year ended 31 March 2015

Warwickshire County Council

Working for Warwickshire

Annual Governance Statement 2014/2015

Contents

Annual Governance Statement 2014/2015

1.   What are we responsible for?

We are responsible for carrying out our business in line with the law and proper accounting standards, and for using public money economically, efficiently and effectively, and accounting for it properly. We also have a duty under the Local Government Act 1999 to continually review and improve the way we work, while at the same time offering value for money and an efficient and effective service.

To meet our responsibility, we have put in place proper governance arrangements for overseeing what we do. These arrangements are intended to make sure that we do the right things, in the right way, for the right people, in a timely, inclusive, open and accountable manner. These arrangements consist of all the systems, processes, culture and values which direct and control the way in which we work and through which we account to, engage with and lead our communities.

We have approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. You can obtain a copy of the Code from our website:
http://www.warwickshire.gov.uk/corporategovernance

This statement explains how the Council has complied with the code and also meets the requirements of the Accounts and Audit (England) Regulations 2011.

2.   The aim of the governance framework

The governance framework is basically the systems and processes, and the culture and values, by which we are controlled and how we account to, engage with and lead the community. The framework allows us to monitor how we are achieving our strategic aims and ambitions, and to consider whether they have helped us deliver appropriate services that demonstrate value for money.

The system of internal control is an important part of the framework

and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failing to achieve our policies, aims and objectives, so it can only offer reasonable assurance and not absolute assurance of effectiveness. The system of internal control is based on continuing processes designed to:

- identify and prioritise the risks that could prevent us from achieving our policies, aims and objectives;
- assess how likely it is that the identified risks will happen, and what will be the result if they did; and
- manage the risks efficiently, effectively and economically.

The framework underpins our Code and set out the commitments we have made about the way that we work. The governance framework has been in place at the Council for the year ended 31 March 2015 and up to the date of approval of the annual report and statement of accounts.

3   The Governance framework

Core Principle 1: Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area

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

Our core purpose is to 'develop and sustain a society that looks after its most vulnerable members, delivers appropriate, quality services at the right time, and seeks opportunities for economic growth and innovation'. This provides the overarching framework for the One Organisational Plan which sets out our values and the desired outcomes we want to achieve for the people of Warwickshire over the four year period 2014-18. The One Organisational Plan was approved by Council on 25th February 2014 and the business outcomes that support the delivery of the core purpose were agreed by Cabinet in March 2014. http://www.warwickshire.gov.uk/businessplan

The One Organisational Plan was informed by an extensive programme of consultation which was reported to Cabinet in December 2013 http://askwarks.wordpress.com/2014/01/07/feedback-from-the-lets-talk-public-engagement/.

Our annual Quality of Life Report provides a comprehensive assessment of a range of indicators and trends in local conditions experienced by the residents and communities of Warwickshire. The key messages identified in the analysis aid the decision making and priority setting processes; providing the context for our business planning and the evidence base for our policy development: http://www.warwickshireobservatory.org/quality-of-life-in-warwickshire-201415/

We have communicated the One Organisational Plan to citizens through a range of media including dedicated pages on our website and social media. http://oop.warwickshire.gov.uk/

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

We adopted a Corporate Governance Code of Conduct in October 2004. This was revised in 2007/08 to reflect new CIPFA/SOLACE guidance. The Code

identifies our commitment to corporate governance and supports our Vision and Aims and Ambitions. 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'. The Code can be found on our website: http://www.warwickshire.gov.uk/corporategovernance

Translating the vision into objectives for the authority and its partnerships

Our core purpose provides the overarching framework for the One Organisational Plan which sets out our values and the desired outcomes we want to achieve for the people of Warwickshire over the four year period. The One Organisational Plan fully integrates the corporate and financial planning processes and pulls together the key elements of a number of different existing corporate plans and documents to provide the focus for the delivery of our core purpose and key outcomes. http://www.warwickshire.gov.uk/strategicdirection

- The One Organisational Plan outlines our core purpose and the key outcomes we want to achieve for Warwickshire by 2018. http://www.warwickshire.gov.uk/businessplan
- The Medium Term Financial Plan supports the One Organisational Plan by setting out how we intend to use and raise the resources needed to deliver our services and priorities over the medium term. The 2015/16 Budget and a refresh of the Medium Term Financial Plan for 2015-18 were approved by the County Council on 5th February 2015.

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

The performance monitoring and reporting arrangements for the One Organisational Plan were approved by Cabinet in June 2014 and includes the following mechanisms:

- Progress against the One Organisational Plan and the delivery of the savings is reported formally to Cabinet on a quarterly basis followed by Overview & Scrutiny.
- A dashboard has been rolled out to managers providing access to performance information for services. The dashboard provides access to real time HR, Finance and Performance data for their area of the business, and enables managers to interrogate information quickly and efficiently, making key indicators easier to monitor.
- Each Group has arrangements in place for reporting performance to its Group Leadership Team (GLT).

We produce a leaflet each year which details our services and outlines how we spend Council Tax income. The leaflet for the current and previous financial years can be viewed on our website: http://www.warwickshire.gov.uk/counciltaxspending

Core Principle 2: Members and officers working together to achieve a common purpose with clearly defined functions and roles

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 in respect of the authority and partnership arrangements

Elected members are collectively responsible for the governance of the Council. Decision making and scrutiny of member decisions has been separated through the executive arrangements introduced by the Local Government Act 2000. Responsibilities for decision-making, the role of individual members, the Council, Cabinet, and committees are defined in the Constitution

The roles and responsibilities of senior officers, delegation of statutory powers and executive functions, and Protocols on member / officer relations are defined and documented within our Constitution which can be found on our website: http://www.warwickshire.gov.uk/constitution.

Ensuring effective management of change and transformation

The One Organisational Plan sets the high level desired outcomes and is supported by projects and service plans. It provides the necessary framework to deliver change management and transformation and to ensure clear line of sight in the delivery of WCC's Core Purpose and Outcomes at strategic, group and business unit levels. The outcomes framework ensures that Members and Officers have a clear picture of how well the Organisation is progressing against the delivery of the outcomes set out in the One Organisational Plan as well as the key business outcomes that support and underpin it.

The One Organisational Plan is aligned to the medium term financial plan to ensure a joined up approach to delivering the organisational plan outcomes and the agreed 4 year savings plan. These are both reviewed as part of the annual budget setting process to identify future service and budgetary requirements and to respond to further requirements for change.

From attracting and retaining the right people, providing the development they need to allow them to grow and progress, managing the talent and planning for the future the way in which we lead and manage our people is key to the successful delivery of quality services for Warwickshire people. The Workforce Strategy outlines the current and future needs of our workforce, setting out our aspirations for our workforce and how we will lead, support and develop the people within our business. The Strategy sets the overarching principles which are embedded in detailed Workforce Plans developed at Group and business unit level. This ensures that Warwickshire has a fit for purpose workforce and staff resources are deployed most effectively in the delivery of the aims and ambitions as set out in the One Organisational Plan.

Ensuring the authority's financial management arrangements conform with the governance requirements of the *CIPFA Statement on the Role of the Chief Financial Officer in Local Government* and, where they do not, explain why and how they deliver the same impact

Arrangements are in place to ensure that we fully comply with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government. They include the following:

- The Head of Finance fulfils the role of Chief Finance Officer. He is actively involved in the financial implications of all material business decisions, leads on promoting good financial management, is professionally qualified and suitably experienced and leads and directs a finance function fit for purpose.
- He is entitled to attend at and offer advice to meetings of the Corporate Board and Cabinet/Corporate Board in relation to any item which he considers raises financial issues.
- Within the Financial Regulations of the Authority he has the responsibility to advise Strategic Directors as necessary on financial arrangements and has access to all documents concerned with finance.

Ensuring the authority's assurance arrangements conform with the governance arrangements of the *CIPFA Statement on the Role of Head of Internal Audit* and, where they do not, explain why and how they deliver the same impact

The Council has delegated responsibility for maintaining an adequate internal audit function to the Strategic Director for Resources. A programme of risk based audits is carried out by the Risk and Assurance 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 four times a year.

Arrangements are in place to ensure that we fully comply with the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit. In particular the Chief Risk and Assurance Manager is designated as the Head of Internal Audit. He has regular formal meetings with the Strategic Director for Resources, Head of Finance and Head of Law and Governance and does not take any part in any audit of risk management or insurance. A self-assessment against the Public Sector Internal Audit Standards (PSIAS) has been completed and compliance will be confirmed by an external assessment in due course. More information can be found on our website: http://www.warwickshire.gov.uk/audit

Ensuring effective arrangements are in place for the discharge of the monitoring officer function

The Strategic Director for Resources fulfils the responsibilities of the Monitoring Officer. The Strategic Director has arrangements in place to ensure that all reports to member bodies are checked by qualified lawyers within the Authority and to ensure compliance with legislation, corporate policies and procedures. All decision making member bodies are supported by a legal advisor who attends meetings. In addition, the Strategic Director receives weekly briefings from senior lawyers in 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
- 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 Strategic Director has responsibility for reviewing and investigating complaints about elected member conduct (including co-opted members).

Ensuring effective arrangements are in place for the discharge of the head of paid service function

The Chief Executive is designated as the Head of Paid Service and fulfils the responsibilities of the role. The functions of the Chief Executive and group structures that have been put in place are contained within the Constitution which can be found on our website: http://www.warwickshire.gov.uk/constitution

Undertaking the core functions of an audit committee, as identified in CIPFA's *Audit Committees: Practical Guidance for Local Authorities*

The Audit and Standards Committee operates to an agreed terms of reference which defines its core functions, roles and responsibilities. The terms of reference is contained within the Constitution which can be found on our website: http://www.warwickshire.gov.uk/constitution

Incorporating good governance arrangements in respect of partnerships and other joint 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 is in place. The purpose of the toolkit is to help the Council and other agencies involved in partnership working to identify the key governance issues that need to be addressed when considering new partnership arrangements or running existing partnerships. The toolkit contains a number of tools designed to help build a partnership framework including partnership objectives, structures, governance arrangements (including performance, financial and risk management arrangements, customer engagement protocols and exit strategies.

Core Principle 3: Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

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

Our Corporate Governance Framework is supported by a programme of governance training for officers and a range of internal audits. Online governance training for all staff was introduced during 2014.

The expectations for the behaviour of elected and co-opted members are published in the Member's Code of Conduct contained within the Constitution. This was revised and adopted by full Council in July 2012 to take into account changes arising from the Localism Act 2011. Standards of behaviour for staff are defined in the Officers Code of Conduct contained within the Constitution found on our website: http://www.warwickshire.gov.uk/constitution

New members of staff are made aware of codes of conduct as part of their induction. Staff codes of conduct are available through the HR pages on our website: http://www.warwickshire.gov.uk/conduct

Ensuring effective counter-fraud and anti-corruption arrangements are developed and maintained

We have a good record in preventing and identifying fraud but cannot afford to be complacent. We have an Anti-Fraud and Bribery Policy and Strategy outlining our commitment to creating an anti-fraud culture and maintaining high ethical standards in its administration of public funds. This was reviewed during 2012 to incorporate changes in best practice and legislation, including the Bribery Act 2010. These documents were reviewed and approved by the Audit and Standards Committee and Cabinet in December 2012 and published on our website: http://www.warwickshire.gov.uk/antifraud

We participate in the National fraud Initiative and counter-fraud activities take place throughout the year including articles published on the intranet to raise fraud awareness.

We are working alongside other local authorities in Warwickshire to establish a Counter-Fraud Partnership to deter and detect fraud.

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 Strategic Director for Resources, Head of Finance and the Head of Law and Governance.

Financial Regulations were approved by full Council on 26th September 2013 and work is underway to develop a supporting suite of procedures. http://www.warwickshire.gov.uk/financialregulations

A structured approach to contract management is set out in Contract Standing Orders (CSOs). These provide guidance on managing our finances, ensuring compliance with legislation and best value is considered in all purchasing activities. The current set of Contract Standing Orders was approved by full Council in September 2013 and is contained within the Constitution: http://www.warwickshire.gov.uk/constitution

In addition, external audit and external inspection agencies contribute to the review of the Authority's compliance with internal policies and procedures, and relevant laws and regulations. External reviews completed during 2014-15 include:

- A Local Government Association sponsored corporate peer review completed in September 2014. This provided an external 'health-check' of the organisation by considering the core components looked at by all corporate peer challenges.
- A peer review of adult social care was undertaken by West Midlands Association of Directors of Adult Social Care Services (WMDASS) in October 2014. This included Access arrangements with regard to Health and first point of contact, commissioning functions and Governance arrangements with regards to Better Care Fund (BCF), Care Act, People Group Transforms and Quality Assurance.
- A corporate Peer Review of the Health and Wellbeing Board undertaken in January 2015 which assessed our progress towards better integration of health and social care services. This is being followed up with partners and an action plan produced during summer 2015.

Findings and recommendations following these peer challenges (and also incorporating recommendations arising from an operational assessment peer review of the Fire Service completed in November 2013) are being taken forward by the County Council and partner bodies.

Whistleblowing, and receiving and investigating complaints from the public

The Whistleblowing Policy 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 (which is essentially all managers). The Strategic Director for Resources has overall responsibility for the maintenance and operation of this policy. A confidential register of concerns raised and the subsequent outcome of investigations is held by the Resources Group. Details of whistleblowing arrangements have been published on our website: http://www.warwickshire.gov.uk/whistleblowingreporting

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 the Customer Service business unit. Extensive guidance is available to staff through our intranet site, to the public on our website and through written publications: http://www.warwickshire.gov.uk/complaints

Core Principle 4: Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

Reviewing the effectiveness of the decision making framework, including delegation arrangements, decision making in partnerships and robustness of data quality

The Constitution sets out how the Council operates, how decisions are made, who makes decisions, how citizens, businesses and other organisations can participate, and the procedures which are followed to ensure that the Council is efficient, transparent and accountable to local people. Responsibilities for decision-making, the role of individual members, the Council, Cabinet, 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.

We have a forward plan which provides information about all of the decisions that the Council has scheduled. Formal agendas, reports and minutes for all committee meetings are published on our website. Where a report is considered in private, the reason for that is set out in the description of the decision: https://democratic.warwickshire.gov.uk/cmis5/

The Overview and Scrutiny Committees act as a critical friend and hold Cabinet to account for its decisions. The terms of reference for all O&S Committees are defined in the Constitution. Our governance arrangements will be kept under review in the coming year, with a particular focus on ensuring effective scrutiny . http://www.warwickshire.gov.uk/scrutiny

In compliance with the Freedom of Information Act 2000 procedures for requesting access to information are in place. Our publication scheme guide is available on our website: http://www.warwickshire.gov.uk/foi

Information security is a key issue for us. A robust process for investigating data losses is in place and the Authority continues to protect the data of its staff, customers and business activities and ensure that it is stored securely, legally and in accordance with Council policy. We have reviewed our information security guidance as a method of increasing overall awareness, and signposting staff to our array of more detailed advice and guidance in this arena. To improve awareness, and ensure that all members of staff understand their information security responsibilities, we have introduced mandatory training and

required staff to formally accept their responsibilities. http://www.warwickshire.gov.uk/informationsecurity

Reviewing the effectiveness of the framework for identifying and managing risks and demonstrating clear accountability

Risk management is an integral part of good management and corporate governance and is therefore at the heart of what we do. It is essential to our ability to deliver public services and as a custodian of public funds. Our approach to managing risk is explained in the Risk Management Strategy which has been approved by Cabinet and is available on our website: http://www.warwickshire.gov.uk/riskmanagementstrategy.

Core Principle 5: Developing the capacity and capability of members and officers to be effective

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 Business Unit. At the beginning of their term of office, each elected member undergoes an induction programme which includes corporate governance training. A member development programme is agreed each year to ensure core development needs of members aligned to their respective roles are met and to take account of new and emerging issues. Democratic Services maintain a database of the training received by and planned for members.

From attracting and retaining the right people, providing the development they need to allow them to grow and progress, managing the talent and planning for the future the way in which we lead and manage our people is key to the successful delivery of quality services for Warwickshire people. The Workforce Strategy outlines the current and future needs of our workforce, setting out our aspirations for our workforce and how we will lead, support and develop the people within our business. The Strategy sets the overarching principles which are embedded in detailed Workforce Plans developed at Group and business unit level. This ensures that Warwickshire has a fit for purpose workforce and staff resources are deployed most effectively in the delivery of the aims and ambitions as set out in the One Organisational Plan.

The Working for Warwickshire Framework details the knowledge, skills, and qualities we need from our staff. This was made available to all staff from April 2014. As part of this framework a self-assessment tool has been developed which all managers across the organisation use when reviewing performance and agreeing development needs as part of their appraisals and 1:1 sessions. http://www.warwickshire.gov.uk/w4w

The corporate staff appraisal process applies to staff across the organisation and is used as a tool to identify individual objectives and development needs. The process is cascaded down through all tiers of staffing to ensure the objectives of the Authority run through the appraisals of all staff. http://www.warwickshire.gov.uk/corporateappraisal

Core Principle 6: Engaging with local people and other stakeholders to ensure robust public accountability

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

We undertake consultation on a wide range of topics to help us engage with the public to inform decision making and to assess the quality of services we provide. Our Consultation and Engagement Framework provides staff with guidance and tools for planning and conducting consultation activities. As part of our approach to consultation the Ask Warwickshire website is a portal for consultation exercises taking place within Warwickshire. We use a variety of methods to undertake consultation including public meetings, public and staff roadshows, strategic meetings with partners and online consultation surveys. This enables us to engage with a greater number of citizens on a wide range of consultation topics and to provide results of completed consultation activities: http://askwarks.wordpress.com/

During the development of the One Organisational Plan we conducted an extensive programme of public and partner consultation. The public were invited to engage with members about what is important to them, and the leader embarked upon a programme of 'Let's talk' roadshows across the county. During the consultation we used MORI 'You Choose' budget simulation software to help gather the views of the local community to help shape the medium term financial plan for 2014-18. We are preparing for a further 'Let's Talk' exercise during 2015. http://askwarks.wordpress.com/2014/01/07/feedback-from-the-lets-talk-public-engagement/

The One Organisational Plan Delivery Group brings together a number of officers from both support functions and services across the organisation and at each meeting updates are given on current and upcoming consultations by officers involved (Legal, Warwickshire Observatory, Communications and Corporate Project Delivery). This allows further support to be given where appropriate, interdependencies to be identified and lessons to be learnt in a timely manner.

A Public Engagement in Overview and Scrutiny Toolkit has been developed to support Members with engaging and involving the public in scrutiny activity. The Toolkit was approved by the Corporate Services Overview and Scrutiny Committee in October 2013: http://warksdemocracy.wordpress.com/2013/10/28/greater-public-involvement-in-overview-and-scrutiny/

Equality and Diversity is an integral part of consultation. Equality Impact Assessments are used as a tool to identify the potential impact of strategies, policies, services and functions on customers and staff: http://www.warwickshire.gov.uk/staffequalityanddiversity

The Petitions Scheme enables citizens to raise and formally present petitions to members and committees. Petitions can be submitted by post or online: http://www.warwickshire.gov.uk/petitions

Our Locality Working Strategy outlines the objectives and working arrangements for engaging with the community alongside our partners and improving working with locality groups. This can be found on our website. http://www.warwickshire.gov.uk/localityworkingstrategy

We operate a network of thirty Community Forums across the county, each of which meets on a minimum of four occasions per year. These are run in partnership with the District/Borough Councils, Warwickshire Police, and Health Service and provide the opportunity for the public to engage with Councillors and public service providers about their concerns and priorities. Agendas and minutes of community forum meetings are available on our website: http://www.warwickshire.gov.uk/communityforums

We have commissioned Healthwatch Warwickshire to undertake an independent role in the provision of information on local health and social care services to the public and also to enable public engagement with health providers. Healthwatch launched in April 2013 and a Memorandum of Understanding has been agreed setting out the framework for the working relationship between Warwickshire Health and Wellbeing Board, Healthwatch Warwickshire, Children and Young People Overview & Scrutiny Committee and Adult Social Care and Health Overview & Scrutiny Committee. http://www.healthwatchwarwickshire.co.uk/

Enhancing the accountability for service delivery and effectiveness of other public service providers

We actively contribute to partnerships including the Coventry and Warwickshire Local Enterprise Partnership (CWLEP) and collaborate with partners to promote good governance and delivery of outcomes. We are members of a number of sub-regional partnerships and groups which have member and / or officer representation. Each partnership has its own governance arrangements in place. http://www.warwickshire.gov.uk/partnerships

The Police Reform and Social Responsibility Act 2011 established the arrangements for Police and Crime Commissioners (PCCs) and for Police and Crime Panels. The Police and Crime Panel is a joint committee of the County Council and the five district and borough councils. The Panel's role is to scrutinise the decisions and actions of the PCC but in a way that supports the effective exercise of the functions of the PCC. http://www.warwickshire.gov.uk/policeandcrimepanel

Governance arrangements are in place for scrutinising health services. The Health and Wellbeing Board is an executive function that has statutory responsibility for developing joint health and wellbeing strategies. It brings together colleagues from the county council, district and borough councils, and the NHS to provide leadership and direction for the health and social care economy in the county.

4. Review of effectiveness

We have responsibility for conducting, at least annually, a review of the effectiveness of our governance framework including the system of internal control. The review of effectiveness is informed by the work of managers within the Authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by external auditors and other review agencies and inspectorates.

The review of effectiveness was co-ordinated by an evaluation panel consisting of representatives from each group, the Chief Risk and Assurance Manager (Head of Internal Audit) and chaired by the Head of Law and Governance. In carrying out their review, the evaluation panel:

- 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; and
- evaluated the assurances provided and identified gaps.

The evaluation panel scrutinised the strategic risk register prepared by executive managers and approved by Corporate Board. In addition Heads of Service have confirmed that they have complied with the risk management framework throughout the year. Consideration was also given to the results of reviews carried out by external agencies during the year including the external audit of the accounts. The work of the evaluation panel was scrutinised by the Strategic Director of Resources (Monitoring Officer) and the Head of Finance (Section 151 Officer) before being submitted to the Audit and Standards Committee for further scrutiny and reported to Cabinet and Council.

The Authority's governance arrangements have been reviewed throughout 2014/15 in a number of ways including:

- LGA Corporate Peer Review
- LGA Health and Wellbeing Peer Review
- Review of County Council electoral boundaries by the Local Government Boundary Committee for England (LGBCE)
- WMDASS Peer Review of adult social care services
- scrutiny reviews undertaken by task groups commissioned by Overview and Scrutiny Committees; and
- risk based reviews by Internal Audit.

The results of the Internal Audit work were reported to the Audit and Standards Committee throughout the year and the individual reviews feed into the overall Internal Audit Annual Report. This 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.

5.   Governance issues

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. The arrangements continue to be regarded as fit for purpose in accordance with the governance framework.

We have not experienced any significant governance failures during the last year. However the following have been identified as major challenges for the Authority going forward, each carrying significant risks for the County Council. The governance challenges recorded in this statement are reflected in the organisation's Strategic Risk Register and have accompanying actions. The Risk Register highlights the actions taken and successes achieved in addressing the challenges of the past 12 months. A prime purpose of the governance framework is to minimise the occurrence of strategic risks and to ensure that any such risks arising are highlighted so that appropriate mitigating action can be taken. We are satisfied that the challenges identified are addressed by service business plans and that the actions identified in those plans will address the issues highlighted in our review of effectiveness. The

table below summarises the risks contained in the Strategic Risk Register and the planned actions that will help us manage the risks to reduce the likelihood of them occurring or potential impact.

Risk	Further action to be taken
Government policies, new legislation, internal uncertainties and sustained austerity measures present immediate challenges and further significant imposed savings over the medium term. **Causes** • Projected savings of £92m over 4 years threaten existing levels of service provision. • Further uncertainty over post 2015 local and general election financial landscape. • The growing devolution agenda which is already influencing local authority strategic thinking • An accelerated pace of change to respond to new policy timeframes and changes in service expectations. • School financial deficits outside the scope of the one organisational plan impact on the ability to deliver corporate savings. • IT investment is insufficient to fully support transformation process. • Uncertainty in resource and cost implications of implementing Stage 1 of the Care Act from 2015/16. • Legal challenge to decisions made by the Authority. **Effects** • The Council is unable to achieve its key aims and objectives, to meet customer expectations and maintain an effective regulatory framework. • The pace of change and uncertainty about future local government structures stretches and challenges our governance and project management structures. • There is more pressure on expanding traded activity and income generation to protect the organisation's interests and core activities. • Impact on staff morale and productivity arising from transformational change. • Failure to deliver desired outcomes for the Council. Pace and scale of	• As part of an oversight of Transformation, continue to provide clarity about our priorities based on an analysis of need and budget plans which match our resources accordingly. This includes a corporate focus on expanding the commercial awareness of internal services. • On-going and effective communication of change and the reasons for change to all stakeholders and staff. • Clear guidance on consultation processes to be provided to Service Managers together with appropriate legal oversight. • Continue to explore and engage in the debate around greater devolution for England. • Findings and recommendations following the peer challenges to be collated and taken forward • Continue to build relationships with key partners and ensure that governance arrangements are robust. • Continue to monitor the implementation of savings plans.

Risk	Further action to be taken
change could result in reputational risk, increased cost in services and failure to meet the legal requirements of the Care Act. • Actions to implement change and deliver savings are delayed.	
Continuing pressure on Adult Social Services and Health. **Causes** • Demographic trends and a huge national change agenda. • Winter pressures on key services. • Large scale and complex changes arising from the Care Act and Better Care Plan and a delay in co-ordinating and implementing those changes which fails to meet imposed timescales. • Commercial or contractual failure of private or independent care providers leads to disruption to care provision. • Poor quality of data and analysis may result in poor evidence based service planning, or failure to achieve value for money. • The Health and Wellbeing Board is continuing to develop relationships. • Changes in government policy towards adult social care and the NHS. **Effects** • Failing to achieve efficiencies and respond to increasing demand using a commissioned approach to adult services (includes risk of contract failure). • Failing to secure services for people who the Care Act determine that the Local Authority must or should support. • Failing to meet statutory minimum levels of services would result in fines or intervention in services. • Failing to accurately predict the potential demand resulting from the Care Act and increased pressure on existing budgets. • Failure to maintain agreement on use of Better Care Funds and protection of social care, would lead to additional cost pressures through reduced funding support from health partners.	• Strategic Commissioning Unit lead on actions to progress the commissioning approach and respond to concerns about contractor performance and market failures. • Ensure the 5 priority areas in the Reablement Strategy are progressed within a project plan. • Seek potential wider integration opportunities across the health and social care economy to meet the requirements of the Better Care Fund. • Continue to monitor and manage change plans and budgets to ensure sustainability of service. • Implementation Plan for the Care Act Phase 2 taking place during 2015/16.

Risk	Further action to be taken
Safeguarding Children and Vulnerable Adults in our community - inability to take action to avoid abuse, injury or death **Causes** • An increasing volume of referrals and decreasing internal resources. • An increasing national focus on the threat of Child Sexual Exploitation and on historical cases of abuse. • Local pressures such as staff shortages and extreme demand. **Effects** • Failing to deliver one of the Council's key aims to protect vulnerable members of our community. • Severe negative publicity and impact on key staff and future recruitment. • Inspections and possible intervention from regulators.	• To constantly review the controls in place to actively manage down the risk of a Safeguarding incident occurring. • Development of the Multi Agency Safeguarding Hub with partners in Warwickshire • An Integrated Case File Audit tool is being introduced in Adult Social Care from April 2015. This is part of developing a consistent quality assurance framework for People Group based on 5 key standards, including Standard 1 – "People Group Services safeguard their customers and promote their welfare". • Introduction of case file audit tool in Child Safeguarding.
Loss or corruption of personal or protected data held by the Council **Causes** • A breach in our statutory information governance duties. **Effects** • Serious breaches may lead to Information Commissioner investigation, potential for a significant fine and reputational damage. • More minor breaches still require internal investigation and reporting and negative media which damages the Council's reputation	• Exploring options for cloud based information sharing with external parties to reduce paper exchanges and associated risks. • The Information Governance Steering Group to develop pro-active training across the Council..
C&W LEP and regional partnership working fail to deliver optimum economic benefits. **Causes** • Any potential weaknesses in partnership and governance arrangements including the allocation of growth funding. • Potential conflicts of interest protecting strategic and financial interests. • Uncertainty about longer term commitments of all partners given the	• Evidence-based research to inform discussions with all Local Authority Leaders in the area on options around a Combined Authority, and the implications of moving forward on this agenda. • The European Structural & Investment Funds Programme will be launched in 2015/16, providing significant resources to support economic growth activity. Projects, programmes and match funding need to be secured to take advantage of this opportunity. • Successful implementation of and delivery of Growth Fund projects,

Risk	Further action to be taken
early stages of proposals for a West Midlands Combined Authority which may include Coventry City Council. • Changes to central government policy following the 2015 general election. **Effects** • Unable to sustain essential income and resources to support growth in the Warwickshire economy and protect strategic and financial interests in LEP arrangements • Failing to maximise any economic benefits from HS2 proposals either from the infrastructure project itself or subsequent economic drivers.	demonstrating and impact on the local economy. • Engagement with partners to consider and evaluate models of governance which would best enhance the economic prosperity of the County and give greater local control over resources and decision-making.
Inability to sustain risk critical fire and rescue functions. **Causes** • Projected savings agreed by Council and One Council approach to delivering an effective and safe fire and rescue service. **Effects** • Weakening operational support to fire crews through a reduced ability to provide, maintain and review safe systems of work - impacting plant & equipment, operational guidance, effective training and mobilising capability. • The unique nature of fire and rescue is left vulnerable as a result of an inability to recognise the emergency nature of core business and that services need to be maintained 24/7 throughout the year.	• Operational assurance is strengthened through the development of a Command Assurance Team. Its purpose is to seek and improve areas where systemic failure could occur. • Performance measures refined and owned at all managerial levels and reported to Brigade Team level on a monthly basis. • Continue to explore partnership and collaboration opportunities with other fire authorities. • Implementation of new response model and emergency response standards from April 2015.
Inability to maintain critical services during disruptions. **Causes** • Business Continuity Plan and framework are under review but progress with confirming continuity plans and implementing improvements is slow and some current service BCPs may still not be fit for purpose	• Complete the development of business continuity plans and develop a robust testing and maintenance programme.

Risk	Further action to be taken
Effects • Avoidable service interruption and gaps in civil contingency responses. • Reduces staff confidence and engagement in the continuity planning process.	
Ensuring sufficient provision of school places across the County **Causes** • Demographic changes and pressures in some areas of the County. • Changes in our relationship with schools and academies and the impact of significantly reduced capital and revenue resources. • Lack of appropriate in-county placements in particular for areas of growing need including Autism and Emotional Social and Behavioural Difficulties. **Effects** • Provision may not improve quickly enough to ensure that every child in Warwickshire has the opportunity to attend a good or outstanding school. • Potential for negative feedback following an authority wide Ofsted inspection. • Increased numbers of vulnerable children and those with SEND (Special Educational Needs and Disabilities) educated in out of county provision.	• Use the Sufficiency Strategy to address areas of under provision of school places. • Develop SEND capacity and capability within the County including the opening of a new Additional Educational Needs (AEN) school, developing models of partnership between special and mainstream schools and developing designated resourced SEN provision on school sites or satellite provision elsewhere.
Meeting statutory requirements to drive improvement across all schools in the County. **Causes** • Demographic changes and pressures in some areas of the County. • Increasing pressures on centrally managed Dedicated School Grant (DSG) budgets, and in particular, those arising in the High Needs block from Mainstream and Special School top-ups and Independent / Out of Authority placements.	• Commission the development of a medium term recovery plan to bring the centrally managed DSG back into balance. • Development and implementation of Vulnerable Learners Strategy to improve outcomes for our most vulnerable and disadvantaged groups. • Continue to engage with school governors and disseminate good governance practice through training, forums and published guidance.

Risk	Further action to be taken
Effects • Failure to close the gap between the performance of Vulnerable Groups and other children • Provision may not improve quickly enough to ensure that every child in Warwickshire has the opportunity to attend a good or outstanding school. • Potential for negative feedback following an authority wide Ofsted inspection.	
Inability to manage the impact of HS2 on Warwickshire **Causes** • Limited ability to maintain positive relationships with all parties that have an interest in or are affected by HS2 • WCC does not have the capacity or expertise to manage sustained multiple extensive technical consultations or to participate in the legislative processes for the Bill. • Impacts to WCC, communities and businesses are not identified. **Effects** • Loss of public amenities and failure to secure mitigations, enhancements, incentives or benefits. • Impact on delivery of county council services and communities if the scheme progresses.	• Monitor progress with the second reading of the Hybrid Bill and respond accordingly. • WCC needs to hold HS2 Ltd to account for the delivery of the promised mitigation measures.

6.   Certification

We propose over the coming year to take steps to address each of the above matters to further enhance our governance arrangements. We are satisfied that the issues we have identified are addressed by the detailed action plans included in each of the service business plans across the Council and the corporate risk register, and that the actions identified will address the need for improvements that were highlighted in our review of effectiveness. These are monitored and reported to members and Corporate Board as part of the corporate performance management framework. We will monitor their implementation and operation as part of our next annual review.

Signed: ……………………………………………   ……………………………………………
                Jim Graham   **Councillor Izzi Seccombe**
                Chief Executive   **Leader of the Council**

Date:

DRAFT

Item 7

Audit and Standards Committee

4th June 2015

Assurance Strategy 2015/16

Recommendation

That the Committee approves the proposed assurance strategy and Audit Charter.

1.0 Key Issues

1.1 The overall objective of internal audit is to provide an opinion on the overall adequacy and effectiveness of the council's control systems. To do this, audit work during the year needs to be planned to cover the significant risks facing the Council. Professional standards require this strategy/plan to be considered by the Audit & Standards Committee. Following extensive discussions with senior officers, a new one year plan has been prepared and is attached (**Appendix A)** for endorsement by the Committee.

1.2 As explained at previous meetings an Audit Charter is a requirement of the Public Sector Internal Audit Standards and sets out the purpose, authority and responsibility of internal audit. It has to be formally agreed and approved by the organisation and periodically reviewed. The Charter establishes the internal audit activity's position within the organisation, including the nature of the service's functional reporting relationship; authorises access to records, personnel and physical properties relevant to the performance of engagements and defines the scope of internal audit activities. In accordance with best practice the Audit Charter has been reviewed to ensure it remains appropriate and an updated version is attached (**Appendix B**); the main change being to reflect changes in regulatory requirements.

2.0 Background Papers

2.1 None

Appendices:

Appendix A: Assurance Strategy 2015/2016

Appendix B: Audit Charter

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Warwickshire
County Council

Appendix A

Assurance Strategy
2015 / 2016

"Providing assurance on the management of risks"

Assurance Strategy

"Providing assurance on the management of risks"

This document sets outs the Assurance Strategy 2015/2016 for Warwickshire County Council[1]. These services are provided by the Risk and Assurance Service of the Resources Group. This document complements the Audit Charter and the Council's Risk Management Framework.
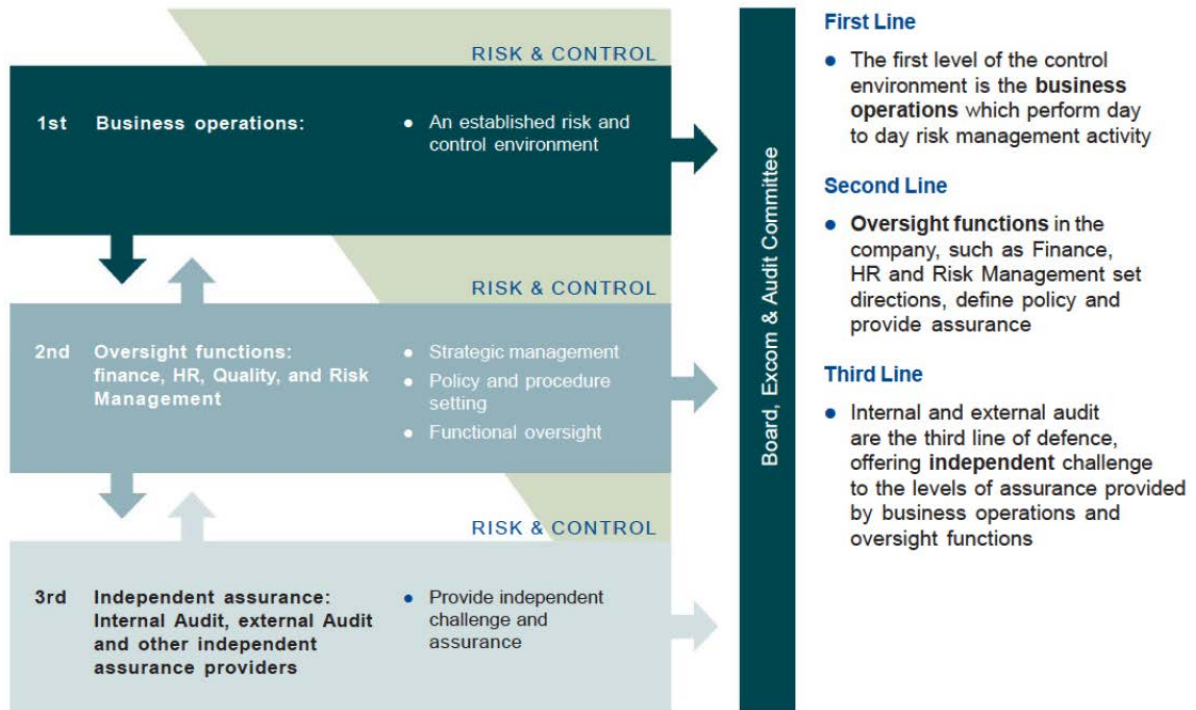

Services

All organisations face risks in every aspect of their work: policy making, decision taking, action and implementation, regulation and spending, and making the most of their opportunities. The different types of risk are varied and commonly include financial risks, IT risks, supply chain failure, physical risks to people, and damage to the organisation's reputation.

The key to the Council's success is to manage these risks effectively. Risk management is the continuous process of planning, organising, leading and overseeing the activities of the Council to effectively manage the potential opportunities and threats that flow from uncertainty. It is an integral part of good management and is therefore at the heart of what all managers do. It is essential to the Council's ability to deliver good quality, cost effective services.

Different parts and levels of an organisation play different roles in managing risk, and the interplay between them determines how effective the organisation as a whole is in dealing with risk. The Institute of Internal Auditors uses a three lines of defence model to explain internal audit's unique role in providing assurance about the controls in place to manage risk:

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[1] Historically assurance services have been known as internal audit services

RISK & CONTROL

| 1st | Business operations: | • An established risk and control environment |

RISK & CONTROL

| 2nd | Oversight functions: finance, HR, Quality, and Risk Management | • Strategic management
• Policy and procedure setting
• Functional oversight |

RISK & CONTROL

| 3rd | Independent assurance: Internal Audit, external Audit and other independent assurance providers | • Provide independent challenge and assurance |

Board, Excom & Audit Committee

First Line
• The first level of the control environment is the **business operations** which perform day to day risk management activity

Second Line
• **Oversight functions** in the company, such as Finance, HR and Risk Management set directions, define policy and provide assurance

Third Line
• Internal and external audit are the third line of defence, offering **independent** challenge to the levels of assurance provided by business operations and oversight functions

The management of risks is the responsibility of every manager. Sitting outside the processes of the first two lines of defence, audit's main roles are to ensure that the first two lines of defence are operating effectively and advise how they could be improved. Blurring audits role by undertaking roles that are properly the responsibility of the first or second line of defence should be avoided.

The role of the Assurance Service is therefore to support managers by providing the following services:

Assurance

We develop and then deliver a programme of internal audits to provide independent assurance to senior management and members that significant risks are being addressed. To do this, we will evaluate the quality of risk management processes, systems of financial and management control and governance processes and report this directly and independently to the most senior level of management. In accordance with regulatory requirements most individual assurance assignments are undertaken using the risk based systems audit approach and are not usually designed to identify potential frauds.

We give an opinion on how much assurance systems give that significant risks are addressed. We use four categories of opinion: Full, Substantial, Moderate and Limited assurance.

A report, incorporating an agreed action plan, will usually be issued for every audit. The results of audits are also reported to the Council's Audit and Standards Committee. To assist managers in addressing areas for improvement,

recommendations are classified as: Fundamental, Significant and Merits Attention.

Advice

The Council will face major changes in systems and procedures over the coming years and we are able to provide advice on the control implications of these changes. The service will act as a critical friend. Particular emphasis is put on project governance and process design.

Our knowledge of the management of risk enables us to *challenge* current practice, *champion* best practice and be a *catalyst* for improvement, so that the Council as a whole achieves its strategic objectives.

So, for example if a line manager is concerned about a particular area of his responsibility, working with us could help to identify improvements. Or perhaps a major new project is being undertaken - we can help to ensure that project risks are clearly identified and that controls are put in place to manage them.

Challenge

Champion

Catalyst for improvement

It is more constructive for us to advise on design of processes during the currency of a change project rather than identify problems after the event when often it is too late to make a difference - timely advice adds more value than untimely criticism.

Irregularities

As a publicly funded organisation the Council must be able to demonstrate the proper use of public funds. It is the responsibility of every manager to have systems in place to prevent and detect irregularities. However, if an irregularity is identified or suspected managers are required to notify the Service and will need professional support to investigate the matter.

All significant investigations will be undertaken by the Service but more minor matters will be referred back to the service manager to progress with support from the audit team. The decision on which cases will be investigated will be made by the Chief Risk and Assurance Manager.

Counter fraud

Although responsibility for operating sound controls and detecting fraud is the responsibility of management the Service has a key supporting role. In particular, we are responsible for maintaining and publicising the Council's anti-fraud policy and managing the roll out of the Council's fraud e-awareness package. The Service also manages the Council's participation in the National Fraud Initiative run by the Audit Commission.

Context

The Council has a statutory responsibility to have in place arrangements for managing risks; The Accounts and Audit Regulations 2015 state that a local authority is responsible for ensuring that its financial and operational management is effective and that it has a sound system of internal control which facilitates the effective exercise of its functions and includes arrangements for the management of risk. The Regulations require accounting systems to include measures to ensure that risk is appropriately managed.

The requirement for an internal audit function is also contained in the Regulations which require the Authority to:

> "undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance."

The Council has delegated its responsibilities for internal audit to the Strategic Director of Resources.

Definition of Internal Auditing

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

The key word in the definition is assurance, the role of audit is not to identify or investigate alleged irregularities it is to provide assurance to the organisation (managers, heads of services and the Audit and Standards committee) and ultimately the taxpayers that the authority maintains an effective control environment that enables it to manage its significant business risks. We help the Council achieve its objectives by providing assurance that effective and efficient operations are maintained. The assurance work culminates in an annual opinion on the adequacy of the Authority's control environment which feeds into the Annual Governance Statement.

Vision, purpose and values

A professional, independent and objective internal audit service is one of the key elements of good governance in local government.

As a modern effective risk and assurance service we
- Act as a catalyst for improvement at the heart of the organisation
- Influence and promote the ethics, behaviour and standards of the organisation

- Develop a risk aware culture that enables customers to make informed decisions
- Are forward looking
- Continually improve the quality of our services

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

- Funding pressures faced by local government;
- Increased growth in partnerships, for example with health and the private sector;
- 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; and
- Pressure to reduce the cost of administrative / support functions while improving quality / effectiveness.

These, and other developments, will mean increased pressure on the service to review existing systems and provide advice on new and complex initiatives within reducing resources. To respond to the demands on us we will:
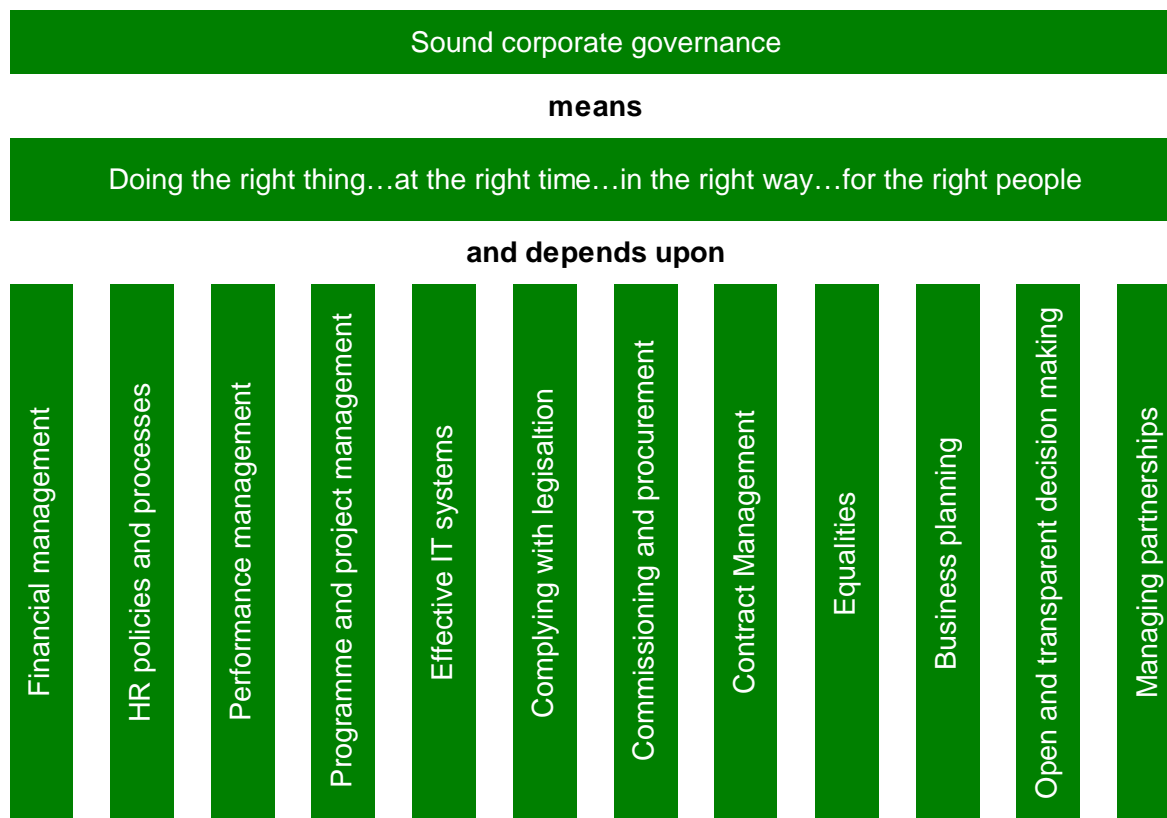
- Continue to develop our staff to ensure we are fully equipped to respond to our customer's demands.
- Continue to invest in modern technology to improve efficiency and effectiveness.
- Add value and make best use of our resources by focussing on key risks facing our customers.
- Increasingly work in partnership with clients to improve controls and performance generally. We must add value and help deliver innovations in service delivery.
- Continue to buy in specialist help – particularly in IT and contract audit.

By embracing these challenges we will be a vital component of the Council's success.

Our approach for 2015 / 2016

As in previous years the plan covers one year. This is now accepted best professional practice. The focus of our work continues to be primarily on the high risk areas and change programmes and key corporate processes. Audits of this nature are a more effective use of limited resources and are key to providing the appropriate assurance to the Council that its overall governance arrangements remain effective.

Figure 1: Key corporate processes

Sound corporate governance

means

Doing the right thing…at the right time…in the right way…for the right people

and depends upon

Financial management	HR policies and processes	Performance management	Programme and project management	Effective IT systems	Complying with legisaltion	Commissioning and procurement	Contract Management	Equalities	Business planning	Open and transparent decision making	Managing partnerships

The Council is facing unprecedented financial pressures and the Risk and Assurance Service has had to play its part in making savings. The nature of the service means that savings can realistically only be achieved by cutting staff especially as we have already invested in IT systems to improve quality and consistency and achieve efficiencies. The resource available for county council work in 2015/16 is expected to be the equivalent of about 7 staff which means that we have to focus on the really key issues.

To make the best use of our limited resources we have sought to align our work with the Council's risk base again this year, by liaising extensively with senior management to identify areas for review where management require assurance that systems of internal control are adequate and operating effectively. The results of these discussions are supplemented by reviewing entries in the corporate risk register, work on key financial systems and audits of topics not previously audited or audited some time ago. 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.

To minimise duplication and make the best use of limited resources we aim to rely on work undertaken by other assurance providers rather than undertake our own detailed checks. For example if the health and safety function undertakes compliance checks we will evaluate their approach and if it is sound then future audit work on the topics covered can be limited. The internal audit service therefore builds upon the work on other assurance providers.

Similarly, although our roles and responsibilities are different the service continues to liaise closely with the Authority's external auditors.

The majority of assurance services will be provided directly by the Risk and Assurance Service. External parties may be employed to provide support in specialist areas for example the provision of contract and IT audit expertise. External support may also be called upon to cope with peaks in demand.

There will inevitably be circumstances where the Chief Risk and Assurance Manager will have to amend the programme, e.g. when risks change or a specific project becomes a matter of priority. 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. This plan, therefore, is not set in stone. It will need revising as circumstances change.

A detailed list of topics is shown in Figure 2 and key points to note are:

- **Advice**

  The Council is continuing to undergo significant changes and discussions with senior officers have identified a demand for advice work so provision has been included to allow us to respond to requests for advice during the year. It is anticipated that the major project requiring an audit input will be the project to implement a new social care client record system. In addition to the specific tasks outlined an allocation of time has been reserved for providing advice on general issues that might arise during the year.

- **Delivery of one organisational plan savings**

  A key risk on the Strategic Risk Register and a common theme arising from discussions with senior managers are the challenges presented by the savings targets. Financial and performance management will therefore feature in many of this year's audits.

- **Value for money**

  Although internal auditors consider value for money issues where relevant during risk based audits, specific value for money audits are not usually undertaken because such work would adversely impact the core assurance and advice work. However, auditors will continue to highlight any VFM issues that arise during general audits and will pay particular attention to identifying opportunities to reduce over-control, and streamline processes.

- **Counter fraud**

  The Council is fortunate in not having a large number of irregularities but provision has been included in the plan for any investigations that are required based on past experience of the number and complexity of cases. We will continue to publicise the Council's anti-fraud policy. Also included in this

category is the work arising from the Authority's mandatory participation in the National Fraud Initiative which is now run by the Cabinet Office.

Figure 2: Workplan 2015/2016

Business group	Topic	Assurance	Advice	Counter Fraud	Certification
Fire & Rescue	Training	✓			
	Transport	✓			
	Capital grant certification				✓
People	People Group IT systems		✓		
	Better Care Fund	✓			
	Fostering and adoption	✓			
	Section 17 payments	✓			
	Financial assessment	✓			
	Mental health / s75 agreement	✓			
	Deprivation of liberties	✓			
	Learning disabilities	✓			
	Care Act		✓		
	Transforming care				✓
	Autism				✓
	Home care invoicing (HIPI)	✓			
	Reablement services	✓			
	IDS	✓			
	County Music Service	✓			
	Case file recording – Adults	✓			
	Case file recording - Children	✓			
Resources	Financial management - Fire	✓			
	Agresso user access	✓			

Business group	Topic	Assurance	Advice	Counter Fraud	Certification
Communities	Complaints	✓			
	Customer service centre / Firmstep / Warwickshire Direct	✓			
	Library / one front door	✓			
	Registration	✓			
	Marketing and communications	✓			
	HR management – Fire	✓			
	IT audit	✓			
	HR service centre	✓			
	Vetting	✓			
	Streetworks	✓			
	Pothole Fund				✓
	Local transport capital grant				✓
	Parking	✓			
	Bus operators grant				✓
	Pinch point funding grant				✓
	Business support	✓			
	Rural growth network				✓
	Business centres	✓			
	Health and well-being	✓			
	Priority families	✓			✓
	Flood damaged roads				✓
	SEN / Schools - themed review of SEN	✓			
	Schools - themed review of safeguarding	✓			
	Schools - themed review of pupil premium	✓			

Business group	Topic	Assurance	Advice	Counter Fraud	Certification
Corporate	Individual school audits	✓			
	NFI			✓	
	Use of consultants	✓			
	Counter fraud			✓	
	Procurement cards	✓			
	Annual governance statement	✓			
Miscellaneous	Justices Wine and Plate Fund				✓
	Lord Lieutenants Fund				✓
	Staff Club				✓
	Members Club				✓

G Rollason
Chief Risk and Assurance Manager
1 April 2015

Appendix B

Audit Charter

"Providing assurance on the management of risks"

Audit Charter

"Providing assurance on the management of risks"

An Audit Charter is a mandatory requirement of the Public Sector Internal Audit Standards and the associated Local Government Application Note (PSIAS) and sets out the purpose, responsibilities and authority of the assurance service[1] within Warwickshire County Council.

This document was approved by the Internal Audit Board on 6 May 2015 and endorsed by the Audit and Standards Committee on 4 June 2015 and applies until amended.

Context

The Council has a statutory responsibility to have in place arrangements for managing risks; The Accounts and Audit Regulations 2015 state that a local authority is responsible for ensuring that its financial and operational management is effective and that it has a sound system of internal control which facilitates the effective exercise of its functions and includes arrangements for the management of risk. The Regulations require accounting systems to include measures to ensure that risk is appropriately managed.

Furthermore, the CIPFA/SOLACE governance framework "Delivering Good Governance in Local Government" outlines the need for risk management to be embedded into the culture of the organisation, with members and officers recognising that risk management is part of their jobs.

The requirement for an internal audit function is also contained in the Regulations which require the Authority to:

> "undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance".

The PSIAS also includes a mandatory Code of Ethics and all auditors in the public sector must also have regard to the Committee on Standards of Public Life's Seven Principles of Public Life – the Nolan principles.

Internal Audit Services for the County Council are provided by the Risk and Assurance Service of the Resources Group.

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[1] Historically these services have been known as internal audit

Definitions

The role of the "Board" outlined in the PSIAS is fulfilled by the Internal Audit Board which comprises the Monitoring Officer, Section 151 Officer and Head of Law and Governance. The role of senior management is fulfilled by Corporate Board. The role of the Chief Audit Executive is fulfilled by the Chief Risk and Assurance Manager.

Purpose

The Council has to comply with the PSIAS which define internal audit as:

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

The key word in the definition is assurance; the role of audit is primarily to provide assurance to the organisation (the Board, managers, heads of services and the Audit and Standards Committee) and ultimately the taxpayers that the Authority maintains an effective control environment that enables it to manage its significant business risks. We help the Council achieve its objectives and provide assurance that effective and efficient operations are maintained.

The service also assists the Head of Finance in discharging his 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".

Scope and Responsibility

The service is responsible for providing assurance in accordance with all relevant professional standards and guidance across the council's entire control environment and across all activities, including:

- services provided on behalf of other organisations by the Authority, and
- services provided by other organisations on behalf of the Authority.

In addition to core assurance work the service also provides the following work:

Consultancy

The service also undertakes consultancy work designed to improve the effectiveness of risk management, control and governance processes at the request of the organisation, subject to the availability of skills and resources.

Due to its detailed knowledge of systems and processes the Service is well placed to provide advice and support to managers on the implications of changes to policy or processes. As such, the service must be informed and consulted about plans for major or complex changes to systems. The service 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(s). However, where appropriate the Chief Risk and Assurance Manager may escalate the issue to more senior management. The provision of such advice does not prejudice the service's right to evaluate the established systems and controls at a later date.

Fraud

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

Smaller, less complicated investigations will be undertaken by the relevant managers but the service will investigate the more complicated or large cases of 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 Chief Risk and Assurance Manager if a fraud or other irregularity is suspected who will then inform the Internal Audit Board. 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 service 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, the service will undertake a review to determine whether controls should be strengthened.

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

Value for money

The service will assist managers by identifying any instances of over control but will not specifically examine or evaluate the extent that value for money is achieved as part of routine reviews.

At the request of the Board, Chief Executive, a Head of Service or other senior manager the service will, subject to availability of resources, also:
- undertake or participate in specific value for money / service reviews; and
- 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, the service 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 Chief Risk and Assurance Manager must be informed at an early stage. Where requested, and subject to the agreement of the relevant manager, the service will assist reviewers by supplying information and knowledge gained during audits where this is relevant to the scope of the review.

Other

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

Any significant unplanned non-assurance work that would impact delivery of the core assurance work will require the prior approval of the Board.

Independence

The service is managed by the Chief Risk and Assurance Manager who is professionally qualified as required by PSIAS. Although the Chief Risk and Assurance Manager's direct reporting line is to the Head of Law and Governance he also reports functionally to the Internal Audit Board. The Service also provides regular reports to the Council through its Audit and Standards Committee which has responsibility for overseeing audit arrangements.

The Service has responsibility for co-ordinating work on risk management but individual managers are responsible for managing risk for their areas of responsibility. Wherever possible staff responsible for providing consultancy on a particular topic will not undertake assurance work on that topic for at least 12 months. Where this is unavoidable management supervision will ensure that no conflict of interest arises and objectivity is maintained. The Chief Risk and Assurance Manager also manages the insurance function. Any audits of the risk management and insurance functions will be overseen by the Head of Law and Governance. Apart from these areas of work the Service 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.

The Service is free to plan, undertake and report on its work, as the Chief Risk and Assurance Manager deems appropriate, in consultation with relevant managers and the Board.

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.

The service provides advice and assistance to managers and provides assurance that their control responsibilities are being properly fulfilled. Line managers are accountable for accepting the Service's advice and implementing their recommendations.

Audit and Standards Committee

The Council is responsible for maintaining an audit committee which complies with all relevant guidance. The committee's responsibilities include reviewing and commenting upon:
- the audit charter;
- the overall internal audit strategy and programme of audits to ensure that it meets the council's overall strategic direction (paying particular attention to whether there is sufficient and appropriate coverage);
- 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 Chief Risk and Assurance Manager in order to reach an overall opinion on the internal control environment and the quality of internal audit coverage.

Right of access

To undertake their work the Service has unrestricted access to all the Authority's personnel, premises, documents, records, information and assets including those of partner organisations[2]. The Service has authority to access all relevant computer data as part of their work, including that registered under the Data Protection Act.

The Service is 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.

The Service has the right of access to any data required for their work that is owned by the Authority, but is processed or held elsewhere by third parties.

The Chief Risk and Assurance Manager has the right of direct access to the Leader, Chief Executive, Strategic Directors, Chair of the Audit and Standards Committee and heads of service.

Standards

The service operates in accordance with the best practice standards and guidance in the PSIAS.

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[2] Regulation 5 Accounts and Audit Regulations 2015

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

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 Warwickshire County Council'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.

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

Planning

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.

The Chief Risk and Assurance Manager produces annual plans. These plans are developed in consultation with senior managers and take account of the Authority's risk management process. The Board agrees each year's plan which are endorsed by the Audit and Standards Committee. 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 Board 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.

The Chief Risk and Assurance Manager is authorised to amend the plan during the year as necessary to reflect changes to systems or processes or in the risks facing the Authority. All managers are expected to notify the service of such changes immediately they become aware of them.

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

Reasonable notice will usually be given to the relevant manager of the start of an audit and the Service will minimise any disruption to the smooth running of the unit under review. However, the Service reserves the right for unannounced visits where the Chief Risk and Assurance Manager considers it necessary.

Reporting

All findings are reported to appropriate managers. Significant issues are reported in writing. The reports include an opinion on the adequacy of controls in 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.

Reports will usually be agreed with the relevant manager and the final agreed report will be copied to the relevant head of service and strategic director. Reports identifying significant financial issues will also be copied to the Head of Finance.

The Chief Risk and Assurance Manager is responsible for monitoring and reporting to the Board on the extent of implementation of agreed internal audit recommendations.

The Chief Risk and Assurance Manager submits regular reports to the Audit and Standards Committee summarising the results of audits and progress in implementing audit recommendations. An annual report will be provided giving an opinion on the Authority's control environment and which feeds into the annual review of the effectiveness of the Authority's system of internal control and the Annual Governance Statement.

Co-operation

The Chief Risk and Assurance Manager co-ordinates internal audit plans and activities with other internal and external providers of assurance, to ensure the most efficient use of the total resources devoted to audit. The Chief Risk and Assurance Manager is authorised to share information with external auditors and the Audit Commission.

The service will work in partnership with other parts of the organisation on such matters as corporate governance, data protection, contracting and risk management.

It is the responsibility of every manager to be open, frank and honest at all times about any risks, concerns or problems that may exist.

Where services are provided by or to other organisations the Chief Risk and Assurance Manager is authorised to agree the responsibility for internal audit of those services with the internal auditors of those organisations and to share relevant information. Managers setting up a shared service / partnership must consider the requirement for internal audit and include appropriate access rights in any agreement.

Quality of service

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

The service takes the following steps 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; and
- regularly reviews its procedures to ensure that they remain appropriate.

The quality assurance programme includes:
- suitable guidance, support and review of all internal audit work;
- seeking feedback from line managers on the quality of internal audit work;
- periodic internal quality audits to monitor services provided by all internal auditors; and
- regular internal and external assessments in accordance with the PSIAS

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

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

G Rollason
Chief Risk and Assurance Manager

Audit and Standards Committee

4th June 2015

Accounting for Local Authority Maintained Schools

Recommendation

The Audit and Standards Committee is recommended to:

- Agree that the accounting policy for school assets outlined in paragraph 4.2 as the basis for the preparation of the 2014/15 Warwickshire County Council Statement of Accounts.

- Note the amendments to the presentation of the statement of accounts in paragraphs 4.3 and Section 5 that will result from the change in accounting policy.

1.0   Purpose of the Report

1.1.   As a local authority we are required to comply with the CIPFA[1] Code of Practice on Local Authority Accounting (the Code) when preparing our annual accounts. The 2014/15 Code includes new accounting requirements for schools in local authorities in England and Wales with which we are required to comply.

1.2.   As part of their remit, in recommending the annual Statement of Accounts to Council for approval, the Audit and Standards Committee are required to approve accounting policies on which the financial statements are based and the approach adopted by the authority in complying with accounting requirements. It is therefore best practice where there has been a potentially material change in accounting policy the Audit and Standards Committee are able to consider and approve this change before it is implemented as part of the year end accounts production process (CIPFA's publication "Audit Committee: Practical Guidance for Local Authorities" (2013)).

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[1] CIPFA: Chartered Institute of Public Finance and Accountancy

1.3. Also under Auditing Standards (ISA 260[2]) the external auditors will report to the Audit and Standards Committee their views on the acceptability of our accounting policies and, as there has been a change, they will comment on it in their formal Audit Findings Report that will come to the Committee in September. This reinforces why it is recommended practice that the Audit and Standards Committee would be aware of and approve any changes to accounting policies prior to the external auditors commenting on them as part of their reporting to Audit and Standards Committee.

1.4. Consequently, this report outlines our proposed approach to meeting the new accounting requirements for schools, why we have come to this conclusion and seeks the agreement of the Audit and Standards Committee to the accounting policy we will use as the basis for the preparation of the Warwickshire County Council Statement of Accounts for 2014/15 and future years.

1.5. The Committee should note that we have fully engaged with the external auditors as the approach outlined in the report was developed and also in how we intended to provide assurance about this impact of the change on our financial statements. The external auditors have indicated they are content with the approach outlined in the report.

2. Determination of Our Accounting Policy

2.1. Schools as Entities
Appendix E of the 2014/15 Code states that, under IFRS 10[3], maintained schools (but not free schools and academies) should be treated as 'entities' controlled by local authorities and that the local authority is required to account for these schools within their financial statements.

'Entity' means the management of the school i.e. the governing body, including the head teacher, and the resources it controls. Therefore where the governing body/head teacher controls the use of Dedicated Schools Grant, staffing, school buildings etc. the elements must be included as part of our accounts.

It is how we meet this requirement that has resulted in the need to change our accounting policies.

2.2. Running Expenses

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[2] ISA 260: International Standard on Auditing - Communication to those charged with governance
[3] IFRS 10: International Financial Reporting Standard – Consolidated financial statements

For day-to-day running expenses determining 'control' is a relatively straightforward exercise as the allocation of Dedicated Schools Grant is agreed by the local authority, in consultation with the Schools Forum, and the governing body is responsible for how that funding is used. We already consolidate this expenditure, income, accruals, reserves and balances as part of our financial statements and therefore the changes made to the 2014/15 Code do not change our accounting policies.

2.3. Land and Buildings

However, for the assets used by the school i.e. the land and buildings the issue is more complex. For community schools, ownership of the assets rests with the local authority and the assets are already included as part of our financial statements. Therefore the new requirements will not change our accounting policy. For the other categories of maintained schools (voluntary aided, voluntary controlled and foundation schools) deciding whether the assets should be recognised in our financial statements is a more nuanced judgement.

Whether the school, as an entity, includes the premises and land that the school operates from will depend on whether those assets are controlled by the school management. This judgement has to be made using the relevant recognition tests contained in the Code and the International Accounting Standards (IAS) on which it is based.

Both the Code and IAS 16 [4]require that the cost of an item of property, plant and equipment "shall be recognised (and hence capitalised) as an asset on a Local Authority Balance Sheet if, and only if:

- It is probable that the future economic benefits or service potential associated with that item will flow to the authority, and
- The cost of the item can be measured reliably."

Paragraph 4.12 of the IASB[5] "Conceptual Framework on Local Authority Reporting" confirms that in determining the existence of an asset the right of ownership is not essential. If the entity controls the benefits/service potential this may satisfy the definition of an asset even when there is no legal control.

We already have agreed policies as to how we value community schools. Extending this valuation to voluntary aided, voluntary controlled and foundation schools is simply a matter of resourcing the additional valuations. The critical judgement is whether it is probable that "future economic benefits

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[4] IAS 16: International Accounting Standard – Property, plant and equipment
[5] ISAB: International Accounting Standards Board

or service potential" will flow to the local authority and/or by extension to the school governing body.

Section 13 of the Education Act 1996 states:

> *"A local authority shall (in so far as their powers enable them to do so) contribute towards the spiritual, moral, mental and physical development of the community by securing that efficient primary education, secondary education and further education are available to meet the needs of their area."*

This can be read as determining that all maintained schools contribute to meeting our service objectives and should form part of our accounts. This position is further supported by academies and free schools deemed to be moving out of local authority control and that in doing so they are required to produce their own audited accounts which are consolidated into the Whole of Government Accounts.

The final part of the judgement is in relation to the word "future". Where ownership sits with the school governors then, as these are part of the 'single entity', the existence of control of future economic benefits and service provision is clear and the assets should be consolidated. This is the position for the foundation schools.

Where legal title rests with the diocese, or other third party, then the potential to dispose of the assets and preclude the local authority earning any potential future service benefits exists and further tests are required.

Section 30(11) of the School Standards and Frameworks Act 1998 provides that a reasonable period of notice is given to allow for any termination of the right to use the site as a school i.e. a period of not less than two years where termination of occupation would have the result that it is not reasonably practicable for the school to continue to be conducted in its existing site. We determine that this provision provides evidence of probable future service provision and the assets should be included in our accounts unless:

- We have received notice that the school, as an entity, will no longer be operating from the site within two years and/or
- We have received evidence from the owners of the site that they can withdraw occupation at any time.

Such an approach is also consistent with the objective of government policy to include all publicly funded assets in the Whole of Government Accounts. The exclusion/inconsistent treatment of the assets of voluntary aided, voluntary controlled and foundation schools assets in the Whole of Government

Accounts is one of the reasons why these accounts have been qualified in previous years.

The paragraphs above provide the background to explain why it is our intention to recognise these assets in our financial statements. As we do not currently consolidate the land and buildings of all maintained school assets in our accounts and this represents a change in accounting policy.

2.4. Donated Assets

There is a second element of the inclusion of all maintained schools as part of our single entity accounts. This is recognition of donated assets. School PTAs and Trusts are separate entities in their own right and any funds they hold under these charitable status arrangements are deemed not to be under the control of the school entity and hence should not be included in our accounts.

However, any assets provided by a third party and consumed in the provision of the education service within schools or donated to the school should now be included, subject to our prescribed de minimis levels. This is also a change in accounting policy.

3. Providing Assurance

3.1. Having determined the accounting policy the next step is to assure ourselves, the authority and the external auditors that there is a robust basis for the figures in the accounts. To ensure we met the recognition tests in the Code that the future economic benefits or service potential associated with each school will flow to the authority:

- We wrote to all voluntary controlled, voluntary aided and foundation schools, via their trustees/diocesan body, seeking confirmation (with evidence) of where the operation of the school from the site is terminable at any time without causal action.
- We used our legal archives, where such information was available, to determine the ownership of the assets and any rights of occupation as a school.
- We undertook a sample of land registry searches for each of the categories of school to provide supplementary evidence of ownership.
- We sought clarification from all voluntary controlled, voluntary aided and foundation schools, via their trustees/diocesan body, that our plans of the school site are up-to date. Where no response is received we will use our existing school plans as the basis of the valuation.
- We required all local authority maintained schools to provide details of any assets provided by a third party and consumed in the provision of the

education service within schools or donated to the school as part of their suite of returns at the end of the financial year. Where returns are not made we will assume a nil response.

3.2.   We believe this approach provides a robust basis to support the figures in the accounts. Of the 87 voluntary aided, voluntary controlled and foundation schools in Warwickshire the change in accounting policy means the land and buildings valued at approximately £333 million will be considered for inclusion in our financial statements for the first time. To date no donated assets have been identified.

4.   Impact on the Financial Statements

4.1.   The financial statements of the County Council will be presented to the next meeting of the Committee, in September, for recommendation onto full Council for formal approval. This section highlights how/where the impact of the change in the accounting policy for schools will impact on our financial statements.

4.2.   Accounting Policies
We will include a new policy on accounting for school assets as part of the statement of accounting policies. The proposed policy is:

School Assets (new)
The balance of control for local authority maintained schools is deemed to lie with the local authority. We therefore recognise schools' assets, liabilities, reserves and cash flows in our financial statements as if they were transactions, cashflows and balances of the authority. Any asset provided by a third party and consumed in the provision of education service within schools or donated to the school will be treated as a donated asset.

4.3.   Notes to the Accounts
We will include a new note to the accounts on school property plant and equipment. The proposed format of the note is:

School Property Plant and Equipment (new)
The value of our school property, plant and equipment is £x.x million (2013/14 - £x.x million and 2012/13 - £x.x million). The table below shows a breakdown across the various types of school.

School Property, Plant and Equipment as at 31 March 2015					
Type of School	Land £ million	Buildings £ million	Other Assets £ million	Donated Assets £ million	Total £ million
Community					
Voluntary Aided					
Voluntary Controlled					
Foundation					
Total					

Whilst we recognise the assets of voluntary aided, voluntary controlled and foundation schools in our accounts we do not have the right to access or dispose of these assets to settle any liabilities.

4.4. There are a number of other notes to the accounts where we have a choice as to whether we show the information for each of the different types of school separately. These notes are: employee benefits, remuneration and termination disclosures and segmental reporting. In all of these notes we have always included the figures for voluntary aided, voluntary controlled and foundation schools as part of our accounts. We do not propose to begin showing these items separately.

5. Restatement of Previous Year's Figures

5.1. As the recognition of the assets of all maintained schools represents a change in accounting policies we are required to restate our accounts, as appropriate, as at 31 March 2014 and 31 March 2013 as if it had always applied.

5.2. We only intend to restate 2012/13 accounts and the position as at 31 March 2013 where the figure is material. The only material changes will be to the Balance Sheet and the notes to the accounts on property, plant and equipment and the Capital Adjustment Account. Therefore the figures for these elements will be recalculated and shown in the statements themselves as the recalculated figures. We will also disclose, as text or a table under each of the relevant parts of the financial statements, the nature of the change in accounting policy and the amount of the adjustment for each year presented.

6. Background Papers

6.1. Code of Practice on Local Authority Accounting in the United Kingdom – Guidance Notes for Practitioners 2014/15 Accounts – CIPFA December 2014

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Audit and Standards Committee
Work Programme 2014/15

Item	Lead Officer	Date of next report
Internal Audit Annual Report 2014/15	Garry Rollason	June 2015
Annual Governance Statement 2014/15	Garry Rollason	June 2015
Internal Audit Progress Report January 2015 – March 2015	Garry Rollason	June 2015
Assurance Strategy 2015/16	Garry Rollason	June 2015
Changes in Accounting Policy – Accounting for Schools	Virginia Rennie	June 2015
(Exempt) Internal Audit Progress Report Qtr 1 & 2	Garry Rollason	November 2015
(Exempt) Internal Audit Progress Report Qtr 3	Garry Rollason	February 2016

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