

# Audit & Standards Committee

1 June 2017

## Agenda

The Audit and Standards Committee will meet in **Committee Room 2, Shire Hall, Warwick** on **1 June 2017** at **10:00a.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 or 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 Code of Conduct. These should be declared at the commencement of the meeting.

#### (3) Minutes of the Audit and Standards Committee meeting held on 6<sup>th</sup> March 2017 and Matters Arising

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

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

### 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’.

### 3. Internal Audit Progress Report

To consider the results of the internal audit work completed. This item is contained at the back of the agenda papers.

## ITEMS FOR DISCUSSION IN PUBLIC – The committee will return to public session.

### 4. Internal Audit Annual Report 2016/17

To consider the results of the internal audit work carried out during 2016/17.

### 5. Annual Governance Statement 2016/17

To consider the draft Annual Governance Statement and the results of the review of internal control.

### 6. External Auditors Report

To consider the contents of the external auditors update report.

### 7. Internal Audit Strategy 2017/18

To approve the updated Internal Audit Strategy and Audit Charter.

### 8. Whistleblowing Policy Review

To consider the outcome of the Whistleblowing Policy review.

### 9. External Audit Plan 2016/17

To consider the Warwickshire Pension Fund 2016/17 Audit Plan from the External Auditors.

### 10. Work Programme and Future Meeting Dates

To consider items for the committee’s work programme and future meeting dates to be held in Shire Hall at 10:00 a.m. as follows:

- Wednesday 6<sup>th</sup> September 2017
- Thursday 2<sup>nd</sup> November 2017
- Wednesday 7<sup>th</sup> February 2018

### 11. Any Other Business

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The public reports referred to are available on the Warwickshire Web

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

### **Membership of the Audit and Standards Committee**

**Councillors:** Parminder Singh Birdi, Mark Cargill, Andy Crump, Jill Simplson-Vince, John Holland, Bill Gifford.

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

For queries regarding this agenda, please contact:

Stefan Robinson, Senior Democratic Services Officer

Tel: 01926 418079, e-mail: [stefanrobinson@warwickshire.gov.uk](mailto:stefanrobinson@warwickshire.gov.uk)

**DAVID CARTER**  
**Joint Managing Director**  
**Warwickshire County Council**  
**May 2017**

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

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**Present**

**Members:**

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

**Independent Members:**

John Bridgeman CBE (Chair)

Bob Meacham OBE

**Officers:**

John Betts, Head of Finance

Sarah Duxbury, Head of Law and Governance

Virginia Rennie, Strategic Finance Manager

Garry Rollason, Chief Risk and Assurance Manager

Ben Patel-Sadler, Democratic Services Officer

Karen Smith, Customer Relations Manager

**External Representatives:**

Grant Patterson, Grant Thornton – Auditors

Andrew Reid, Grant Thornton – Auditors

**1. General**

**(1) Apologies**

Apologies were received from Councillor John Horner.

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

None

**(3) Minutes of the meeting of the Audit and Standards Committee held on 17 November 2016**

At page four of the minutes the Committee agreed to make an amendment to read 'Some members of the Committee expressed a view that there was scope to explore whether an external organisation could play a role'.

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

**REPORTS TO BE CONSIDERED IN PUBLIC**

## **2. External Auditors Report – Annual Audit Plan and Audit Fee Letter for the County Council 2016/17**

Grant Patterson, Grant Thornton – Auditors introduced the report and informed the Committee that the objection which had been received in relation to the 2015-16 accounts was still being considered. It was hoped that a final decision would be taken in readiness to report back at the June 2017 Committee meeting. Members noted that it was the role of the External Auditors to determine whether or not the sums involved in relation to the received objection justified further action being taken – i.e. whether or not it would be in the public interest to uphold the complaint. The Committee noted that members of the public could not raise objections to historical accounts which had been closed – this complaint would not have an impact on the production of the 2016/17 accounts.

The Committee noted that when the External Auditors received a complaint, they would usually advise the complainant to speak directly with the Council to seek a satisfactory outcome. Members noted that this particular individual had initially raised their concerns with the Council but had taken the decision to raise it formally with the External Auditors. John Betts, Head of Finance informed the Committee that this complaint was not related specifically to finance – it had been made in relation to some of the products which the Council had opted to use in the delivery of a service. The Council had taken what it believed to be all reasonable steps with regards to this complaint.

With regards to the Audit Plan, Grant Patterson informed the Committee that no significant risks had been identified as a result of the work undertaken on the interim audit. The developments section at page four summarised the key areas of financial risk which the authority would be facing in the future. Members noted that forthcoming challenges would present themselves in relation to the CIPFA/LASAAC requirements of recording highways as assets. Other potential identified risks were in relation to the authority's pension liabilities and revenue risks in relation to possible financial misstatements. The External Auditors assured the Committee that they would be undertaking further audit work to mitigate these perceived risks.

Andrew Reid, Grant Thornton – Auditors informed the Committee that work was already being undertaken by the Council with regards to the future presentation of the accounts. Members noted that the External Auditors would be undertaking further work in relation to the Council's financial plans and the One Organisational Plan, with the focus being on how the Council would continue to deliver services with reduced resources. The External Auditors had no concerns at the present time around fraud/mismanagement of finances.

The Committee queried whether or not a reference should be made by the External Auditors with regards to the pension pooling scheme. Grant Patterson informed members that the Council had made significant progress on their pooling arrangements – this would not have an impact on this year's accounts and so it was not referred to in the report as it was not deemed as a significant risk.

Members noted that MIFID II had not yet been formally ratified – decisions on this legislation would likely be taken in 2018. The External Auditors and the Council were aware of this, although it was not classified as a risk at the present time.

In relation to the proposed External Audit Fee, members noted that the fee was identical to that quoted last year. It was also noted that the Council had decided to make use of a database offered by Grant Thornton which enabled benchmarking exercises against other authorities.

**Resolved:**

The Committee agreed to note the report.

**3. Early Approval of the Statement of Accounts – An Assessment of Warwickshire’s Preparedness**

Virginia Rennie, Strategic Finance Manager introduced the report and informed the Committee that a dry run exercise was being undertaken during 2017 in readiness for the early approval of accounts for the 2017/18 financial year. Any areas of concern identified during the dry run exercise would form the basis of an action plan in advance of preparing the 2017/18 accounts.

The Committee raised a concern, specifically around how the Council may encounter difficulties when requesting financial information from outside organisations (such as schools) to meet their own financial reporting deadlines. Virginia Rennie informed the Committee that more estimation might be needed in future to mitigate against financial information arriving late from external organisations. Members noted that the External Auditors would be working with officers to ensure that their early approval of the Statement of Accounts could be achieved for the financial year 2017/18.

**Resolved:**

The Committee agreed to note the report.

**4. Self-Assessment**

Sarah Duxbury, Head of Law and Governance introduced the report and informed the Committee that it outlined the results of the self-assessment exercise undertaken by the Committee in November 2016. Members noted that the CIPFA Survey on Local Authority and Police Audit Committees was also appended to the report. This was the first time the Committee had undertaken such an exercise and paragraph 2.4 of the report outlined how the Committee believed it could strengthen its own effectiveness. These topics/areas and any others identified by the Committee could then be included in its future Work Programme. During the ensuing discussions, the following points were noted:

- The production of an annual report of the Audit and Standards Committee was seen as a positive step to take – this would be a report submitted for Council’s consideration on an annual basis.

- The Committee expressed a desire to consider significant external inspections which had been carried out on the Council (Ofsted inspections, etc).
- The Committee felt it would be helpful if the recommendations made by the External Auditors could be appropriately tracked and their progress reported at regular intervals.
- The Committee expressed a view that it would be helpful if the work of other County Council Audit Committees could be looked at. This would provide some comparative data and give members some perspective about what issues were being considered across the spectrum by other similar councils.

A discussion then took place around the possibility of the Committee undertaking an exercise to determine if value for money was being achieved in relation to a specific area of the Council – postage costs for example.

After a lengthy debate, the Committee expressed a view that it was the role of the Committee to ensure that the correct systems and processes were in place to control and mitigate risk, rather than investigating service specific issues.

#### **Resolved:**

The Committee agreed to note the report and agreed that officers would undertake further work in relation to the above bullet points to enable them to be included in the work programme at an appropriate time.

## **5. Complaints Process Update**

Karen Smith, Customer Relations Manager introduced the report and informed the Committee that the service that she led was responsible for putting together the framework which handled and managed complaints. The vast majority of complaints were resolved at a local level, however the service dealt with all complaints requiring formal investigation and was designed to ensure that all feedback given to customers is satisfactory.

Members noted that the service had recently adopted a new electronic system for recording and then monitoring the progress of complaints – it was known as the ‘contact us’ system. The adoption of this system had resulted in officers having to change the way they worked to ensure that the ‘contact us’ system was used correctly. The Committee noted that before the implementation of this new complaints handling system, the complaints process differed across the organisation. The new system ensured that a universal approach to handling and monitoring complaints had been implemented enabling more staff to input data at source and providing ‘real time’ data. The new system dealt with complaints and compliments and was extremely effective at recording, monitoring and then closing down complaints.

Members expressed concern that the system might be excluding some members of the public from complaining as it was primarily digitally based. Although the new system was a digital one, Karen Smith informed the Committee that existing



channels of communication had not been closed down and that members of the public were still able to telephone or write to the Council to complain – officers were then responsible for inputting this information onto the ‘contact us’ system and tracking the complaint appropriately.

Members queried what constituted a complaint. Karen Smith informed the Committee that a complaint was recorded if the individual explicitly stated ‘this is a complaint’ when contacting the Council. Members noted that officers were encouraged to be empathetic to customers – if an issue was not a complaint, officers were responsible for resolving the issue. Members noted that the standard for formally acknowledging a complaint is within three working days.

Members noted that the service did not deal with and manage complaints made against councillors. These complaints are referred to Law and Governance. Members noted that there have been no recent complaints against councillors which have resulted in a formal investigation.

### **Resolved:**

The Committee agreed to note the report

## **6. Work Programme and Future Meeting Dates**

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

- Thursday 1st June 2017
- Wednesday 6th September 2017
- Thursday 2<sup>nd</sup> November 2017

## **7. Any Other Business**

None

## **8. Reports Containing Confidential or Exempt Information**

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.

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

### **9. Consideration of the Exempt Minutes of the Audit and Standards Committee meeting held on 17<sup>th</sup> November 2016**

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

The Committee rose at 15.30 pm.

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Chair

## Audit & Standards Committee

1 June 2017

### Internal Audit Annual Report 2016 / 2017

#### Recommendation

That the Committee considers the results of internal audit work completed during 2016/2017.

#### 1 Key Issues

- 1.1 This report summarises the results of internal audit work carried out in the year ended 31 March 2016 and provides an overall opinion on the Authority's control environment.
- 1.2 This report will also be considered by Corporate Board on 24 May 2017.

#### 2.0 Options and Proposal

- 2.1 Not applicable

#### 3.0 Timescales associated with the decision and next steps

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

#### Background papers

1. None

|                    | 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        |

The report was circulated to the following members prior to publication:

Local Member(s): Not applicable

Other members: Not applicable

# Internal Audit Annual Report 2016/17

“Providing assurance on the management of risks”

# Internal Audit Annual Report 2016/17

## “Providing assurance on the management of risks”

This document summarises the results of internal audit work during 2016/17 and as required by the Accounts and Audit Regulations 2015 gives an overall opinion of the Authority’s control environment.

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### Opinion

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

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### Context

This report outlines the work undertaken by the internal audit between 1 April 2016 and 31 March 2017.

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.

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## Internal audit work during 2016/17

The underlying principle to the 2016/17 plan was risk and accordingly audits were only completed in areas that represent an *'in year risk'*.

The methodology adopted in preparing the 2016/17 audit plan, and the plan itself, were approved by the Audit and Standards Committee on 23 June 2016.

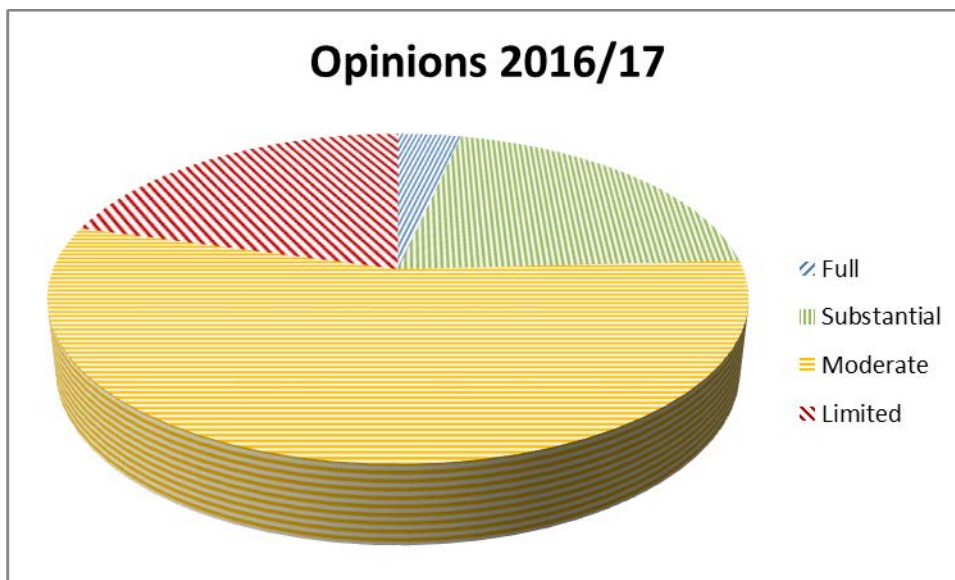
Since the original plan was approved a number of additional audits have proved necessary and some planned audits were no longer required. Variations to the plan during the year are inevitable if the plan is to adequately reflect changing circumstances and the changing organisation. The net effect is 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.

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## Summary of assurance work

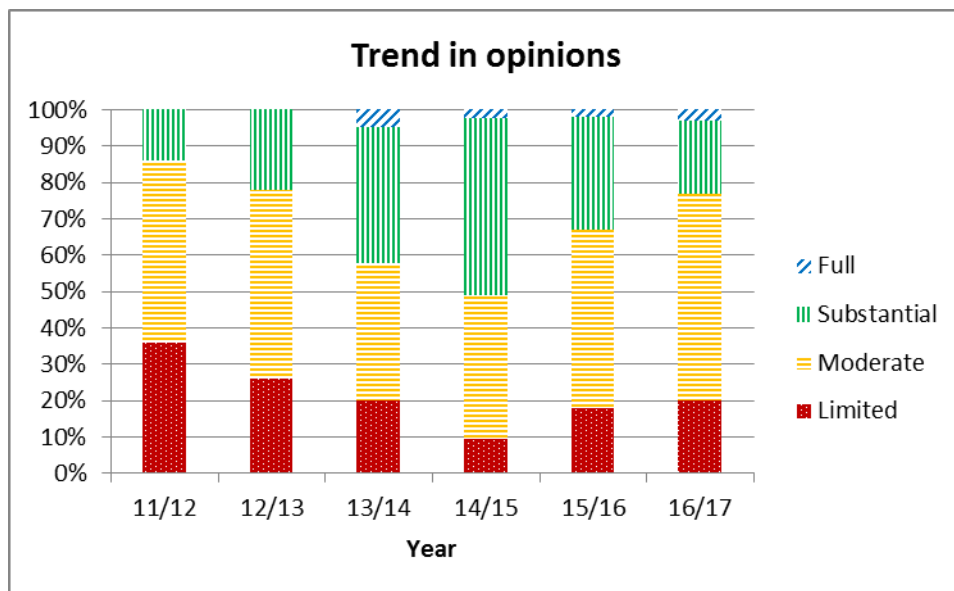
The key outcome of each audit is an overall opinion on the level of assurance provided by the controls within the area audited. Audits will be given one of four levels depending on the strength of controls and the operation of those controls. The four categories ranging from the lowest to highest are 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 6 audits where controls provided only Limited assurance that significant risks were being addressed. Most of these relate to specific areas rather than represent an across the board breakdown in controls but there are some topics which have a wider impact. The key issues arising from these audits have been reported to the Audit & Standards Committee.



A full list of the assurance work completed during the year is given in Appendix A.

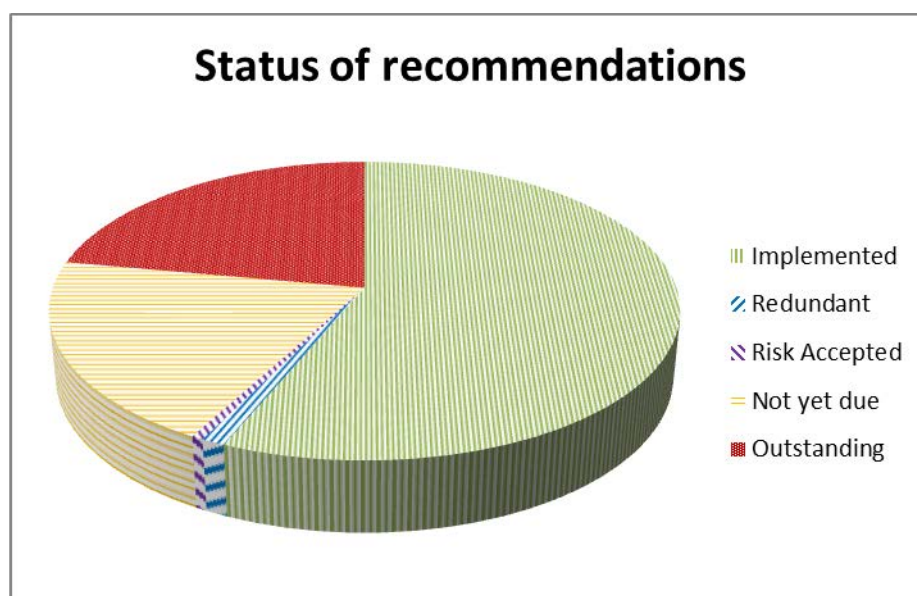
The outcome of this year's audits shows an increase in the proportion of audits given the lower levels of opinion as shown in the following chart.



Of course the audit plan includes different topics each year so caution is needed when interpreting this chart. A number of “limited” opinions are to be expected each year especially as the audit planning processes and our limited resources means that increasingly only those areas with a high degree of change or risk are included in the plan. The increasing pressures facing the Authority may also be a factor. This report will also be considered by Corporate Board.

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 nearly 180 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 these recommendations.



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## 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](mailto: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. The main contributions were on the replacement for the Authority's social care client record system which included work on the functional specification and process maps for key elements of the system and the replacement HR system. Advice was also provided on a range of financial processes.

### 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.

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## 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 2014/15 which shows we fully comply with the standards. Processes have not changed significantly since that was done but the self-assessment is currently being refreshed to reflect the creation of the shared service with Worcestershire and the introduction of revised standards from April 2017. As required by the standards



compliance will need to be confirmed by an external assessment which we are aiming to complete in the second half of this year.

Internal audit processes are reviewed annually by external assessors as part of our ISO 9001 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 2016/17 being 4.6 out of a maximum of five, and a number of positive comments and compliments about the service provided have been received, including:

- provided constructive and thoughtful challenge, whilst still being flexible and taking service knowledge and context into account.
- really helpful as the recommendations provide for a more robust agreement.
- report gives me a clear base line for moving forward with the team to address the issues that need to be improved.
- thanks for the speedy response with the report and I appreciate the time taken to audit us and the findings gathered which will assist us in developing our department.
- Your supportive approach to improve and reduce risk is a winner.

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.

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## 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 moderate assurance that the significant risks facing the Authority are addressed.

## Appendix A: Summary of audits completed during the year.<sup>1</sup>

| Audit |                                     | Opinion on level of assurance provided by controls |
|-------|-------------------------------------|--|
|       |                                     |  |
|       | <b>Communities</b>                  |  |
| 1     | Safeguarding in Schools             | Limited Assurance                                  |
| 2     | Pupil Premium                       | Moderate Assurance                                 |
| 3     | Home to School Transport            | Moderate Assurance                                 |
| 4     | Section 38 agreements               | Moderate Assurance                                 |
| 5     | Forestry                            | Limited Assurance                                  |
| 6     | Northlands Primary                  | Moderate Assurance                                 |
| 7     | Weddington Primary                  | Limited Assurance                                  |
|       | <b>People</b>                       |  |
| 8     | Personalisation                     | Moderate Assurance                                 |
| 9     | Deprivation of Liberties Safeguards | Moderate Assurance                                 |
| 10    | Financial Assessments               | Substantial Assurance                              |
| 11    | Priority Families Initiative        | Substantial Assurance                              |
| 12    | Missing Children's Process          | Limited Assurance                                  |
| 13    | MASH                                | Limited Assurance                                  |
|       | <b>Fire</b>                         |  |
| 14    | Financial Support Arrangements      | Full Assurance                                     |
| 15    | Human Resources Management          | Moderate Assurance                                 |
| 16    | Transport                           | Substantial Assurance                              |
|       | <b>Resources</b>                    |  |
| 17    | Programme and Project Management    | Moderate Assurance                                 |
| 18    | Performance Management              | Moderate Assurance                                 |
| 19    | Customer Service Centre             | Moderate Assurance                                 |
| 20    | Absence management                  | Moderate Assurance                                 |
| 21    | Pre-employment checks               | Limited Assurance                                  |
| 22    | Complaints                          | Moderate Assurance                                 |
| 23    | ICT Disaster recovery               | Moderate Assurance                                 |
| 24    | Software Licencing                  | Moderate Assurance                                 |
| 25    | Cyber Risk                          | Moderate Assurance                                 |
| 26    | Database Management and SQL Server  | Moderate Assurance                                 |
| 27    | Pension Fund Administration         | Substantial Assurance                              |
| 28    | HR Service Centre                   | Substantial Assurance                              |
| 29    | Zendesk                             | Substantial Assurance                              |
| 30    | Ransomware                          | Moderate Assurance                                 |

**G Rollason**  
**Chief Risk and Assurance Manager**

<sup>1</sup> Note that some of these audits started in 2015/16

## **Audit & Standards Committee**

**1 June 2017**

### **Annual Governance Statement 2016/2017**

#### **Recommendation(s)**

That the Committee endorse the:

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

#### **1.0 Key Issues**

- 1.1 The Accounts and Audit Regulations 2015 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.
- 1.3 The AGS enables the Authority to explain to the community, service users, tax payers and other stakeholders its governance arrangements and how the controls it has in place manage risks of failure in delivering its outcomes. It also reflects future challenges facing the Authority and how they will be managed.
- 1.4 The AGS has been produced in accordance with the CIPFA/SOLACE Delivering Good Governance in Local Government: Framework (2016). The framework sets out seven core principles of governance that underpin the AGS:
  - Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law;
  - Ensuring openness and comprehensive stakeholder engagement;
  - Delivering outcomes in terms of sustainable economic, social and environmental benefits;
  - Determining the interventions necessary to optimize the achievement of the intended outcomes;

- Developing the entity's capacity, including the capability of its leadership and the individuals within it;
- Managing risks and performance through robust internal control and strong public financial management; and
- Implementing good practices in transparency, reporting, and audit, to deliver effective 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;
- ensuring the economical, effective and efficient use of resources, and for securing continuous improvement;
- 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 steps 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. The review was carried out by a Panel consisting of:

- Jane Pollard, Legal Services Manager
- Phil Evans, Head of Community Services
- Rob Moyney, Deputy Chief Fire Officer
- Elizabeth Abbott, Business Partner - Planning, Performance & Improvement
- Garry Rollason, Chief Risk and Assurance Manager

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 2017 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 2016/17, the Panel considered the strategic risks agreed by the Customer Transformation 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 Chief Risk and Assurance Manager has reported on it as significant, for this purpose, in the annual opinion on the internal control environment
  - The issue, or impact, has attracted significant public interest or has seriously damaged the reputation of the organisation
  - The issue has resulted in formal action being taken by the Chief Financial Officer or the Monitoring Officer.
- 3.2 CIPFA guidance also states that ‘a ‘good’ governance statement should be ‘an open and honest self-assessment of the organisation’s performance across all of its activities [and] it is inevitable that, where the process of review has been rigorous and robust, issues will be identified that the organisation will need to address.’
- 3.3 As a result of its work the panel recommended a number of changes to the strategic risk register which have been further scrutinised by the Section 151 Officer, Monitoring Officer and Corporate Board, and are reflected in the proposed AGS. Although the risks outlined in the risk register and summarised in the draft AGS 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 Timescales associated with the decision and next steps**

- 4.1 Following consideration of the draft AGS by the Committee it will be presented to the external auditors for review. After 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.

#### **Background papers**

None

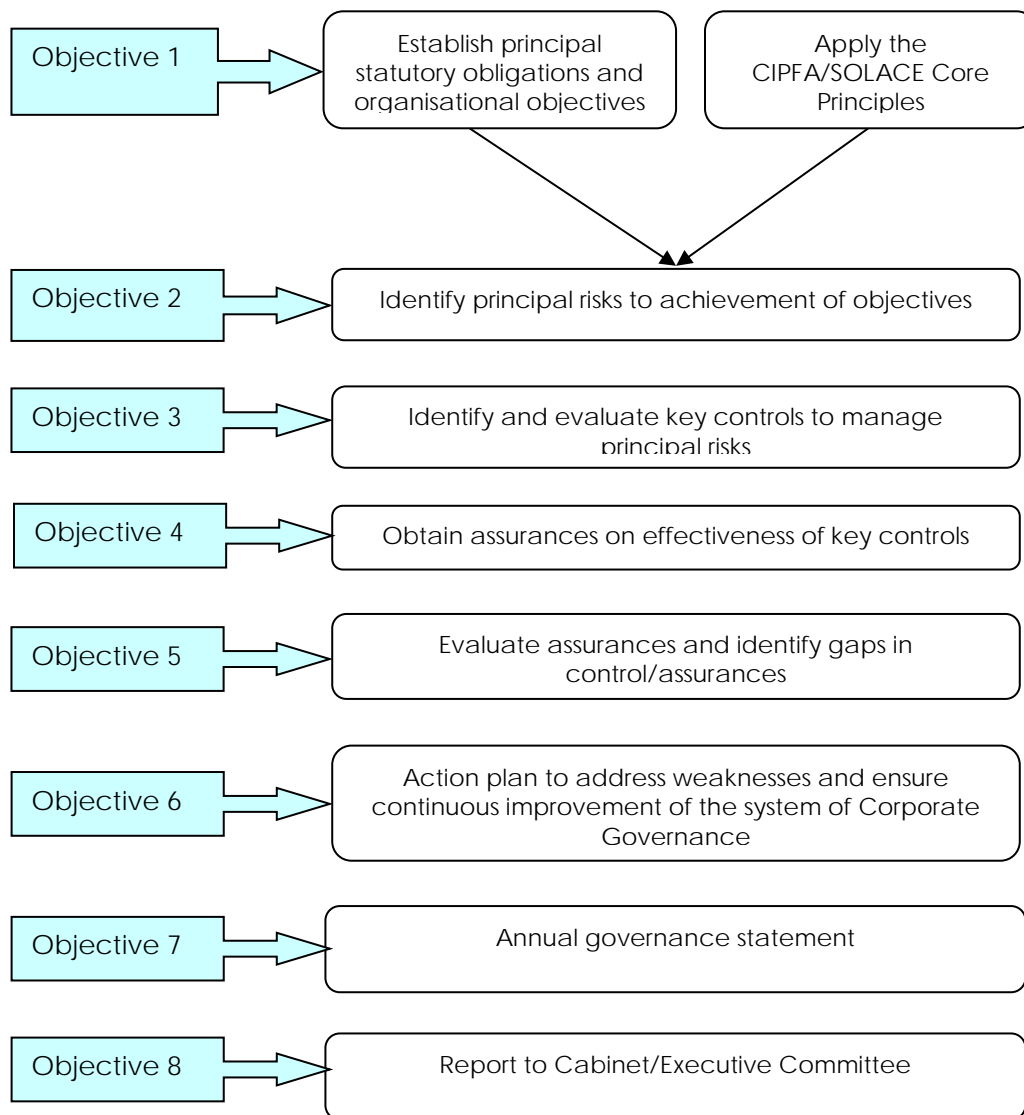
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The report was circulated to the following members prior to publication:

Local Member(s): Not applicable

Other members: None

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





# Draft Annual Governance Statement

## Year ended 31 March 2017

# Annual Governance Statement 2016/2017

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## 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 (2016)*. Further information is on 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 Regulations 2015.

## 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

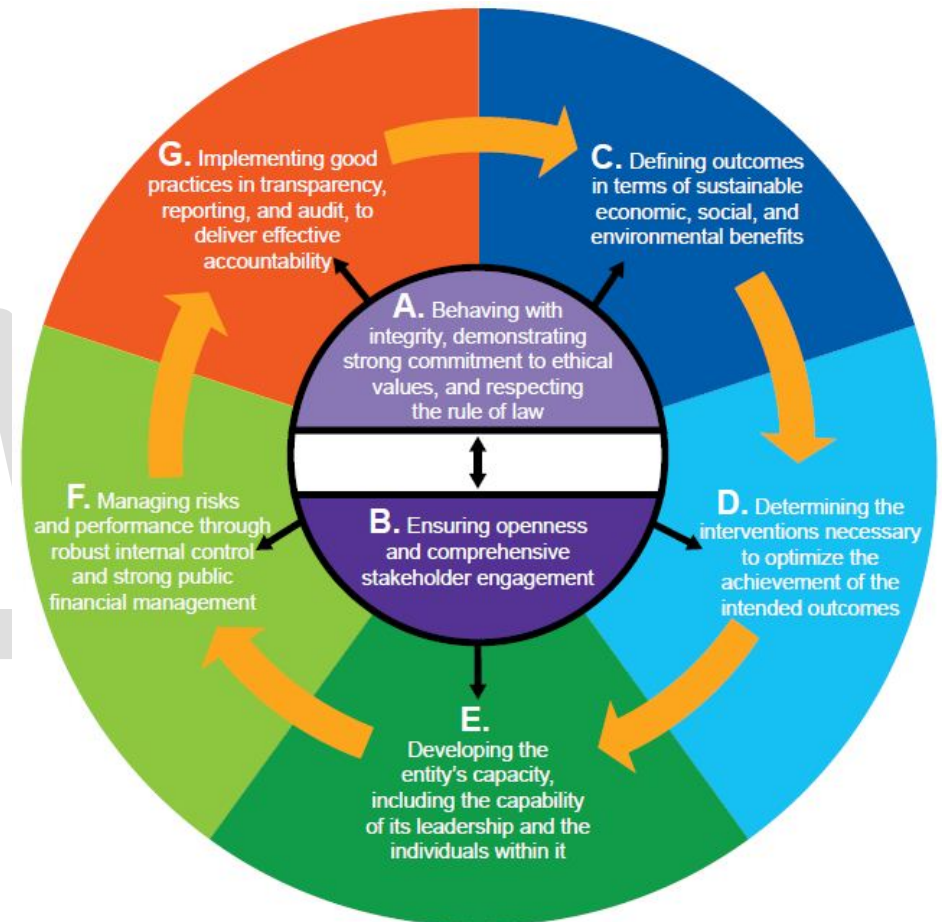


Figure 1 CIPFA's Principles of Good Governance

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 and our commitment to acting in the public interest. The governance framework has been in place at the Council for the year ended 31 March 2017 and up to the date of approval of the annual report and statement of accounts.

### 3 The Governance framework

Our Code of Corporate Governance sets out our framework for corporate governance and is aligned to the CIPFA/SOLACE Framework Delivering Good Governance in Local Government (2016). A description of the arrangements which we have put in place to secure robust corporate governance are summarised below. The full detail of these arrangements can be found in the Code of Corporate Governance.

#### Core Principle A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

As part of our governance framework we have introduced during the course of the last year six key behaviours which provide a clear framework on what behaviours we should be demonstrating on a day to day basis to support the cultural change and transformation of the organisation. The behaviours are integral to 1:1s and appraisal conversations as well as key to the way we recruit and develop our colleagues. <http://www.warwickshire.gov.uk/ourbehaviours>

We have arrangements in place to provide assurance that our values are being upheld and that members and officers demonstrate high standards of conduct and behaviour. These include:

## Our Behaviours



Figure 2 Warwickshire's Six Key Behaviours

- codes of conduct for officers and members (including gifts and hospitality, registering interests, anti-fraud and whistleblowing); and
- the inclusion of ethical values in policies and procedures for all areas including procurement and partnership working. <http://www.warwickshire.gov.uk/conduct>

Complaints and compliments can help us improve the services we provide to all customers. We have a corporate complaints and feedback procedure to ensure that all complaints are investigated properly and are responded to as quickly as possible. <http://www.warwickshire.gov.uk/complaints>

We appreciate the diversity of our customers, workforce and the wider Warwickshire community and are committed to Equality and Diversity. This is integral to everything thing we do including policy development, service delivery and partnership working to ensure we meet the Public Sector Duty as set out in the Equality Act 2010 and that we do not unlawfully discriminate with services we deliver. <http://www.warwickshire.gov.uk/equality>

Our Constitution sets out the conditions to ensure that all officers, key post holders and Members are able to fulfil their responsibilities in accordance with legislative requirements so that we are efficient, transparent, accountable to our citizens and compliant with the law. Roles and responsibilities for individual Members, the Council, Cabinet and senior officers, along with the delegation of statutory powers and executive functions, and protocols on member / officer relations are documented. <http://www.warwickshire.gov.uk/constitution>

### **Core Principle B. Ensuring openness and comprehensive stakeholder engagement**

We have a Consultation and Engagement Framework in place which 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. <http://askwarks.wordpress.com/>

We value the contribution from our employees and have an Employee Engagement Strategy in place which sets out how we ensure employees have a voice, managers and leaders are focusing, coaching and stretching their people and there is clear communication about where our authority is going. This is supported by the annual staff survey and pulse surveys which measure progress against actions or views on topical issues. <https://www.warwickshire.gov.uk/employeeengagement>

We actively contribute to 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>

We are registered as a data controller under the Data Protection Act as we collect and process personal information. We have procedures in place that explains how we use and share information and arrangements for members of the public to access information. We have also adopted the model publication scheme produced by the Information Commissioner's Office (ICO), in accordance with the Freedom of Information Act 2000. <http://www.warwickshire.gov.uk/lists-data-and-information>

### **Core Principle C. Defining outcomes in terms of sustainable economic, social, and environmental benefits**

Our core purpose for the period 2014-18 was 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 provided the overarching framework for the One Organisational Plan for the period 2014-18 (OOP 2014-18) which set out our values and the desired outcomes we aimed to achieve for the people of Warwickshire over this period. <http://oop.warwickshire.gov.uk/>



On 26<sup>th</sup> January 2016, Cabinet endorsed the proposal to start preparing a Corporate Plan and Medium Term Financial Plan covering the period 2017 – 2020 in response to the Local Finance Settlement and the longer term implications for the authority.

The new One Organisational Plan (OOP 2020) was approved at Full Council on 2<sup>nd</sup> February 2017 and focuses on the redesign of the organisation and the role of local government and public services going forward. It sets out our vision for Warwickshire and the journey the authority will take to deliver this vision and outcomes over the life of the plan.

Our core purpose: **'We want to make Warwickshire the best it can be'**

This is supported by two outcomes which will form the focus of our work moving forward:



**Warwickshire's Communities and Individuals are supported to be safe, healthy and independent**



**Warwickshire's economy is vibrant and supported by the right jobs, training, skills and infrastructure**

Figure 3 WCC's Core Purpose and Key Outcomes (OOP-2020)

The development of OOP-2020 was informed by an extensive programme of public consultation which included press, radio and online advertising to increase public awareness and engagement. Let's Talk Roadshows at venues across the county and a web based budget simulator were used to engage with citizens and seek views on what service priorities are. <http://warwickshire.gov.uk/letstalk>

Our business planning is supported by the Warwickshire Observatory who provides a comprehensive assessment of a range of indicators and trends in local conditions experienced by the residents and communities

of Warwickshire. The results of analysis undertaken by the Insight Service and key messages identified contribute to the evidence base supporting our decision making, policy development, creation of OOP-2020, medium term financial plan and detailed business plans. <http://www.warwickshireobservatory.org>

All Business Units have plans in place which correlate with the budget approved by the Council and the key outcomes contained in the One Organisational Plan. Each service plan has Key performance Indicators which are monitored and included in quarterly performance reports to Service Management Teams, Overview and Scrutiny committees and Cabinet.

### **Core Principle D. Determining the interventions necessary to optimise the achievement of the intended outcomes**

The One Organisational Plan and the Council's medium term financial plan are aligned to ensure a joined up approach to delivering the organisational plan outcomes and agreed savings plans. This 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 so 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. Our outcomes framework includes the following mechanisms:

- Progress against the One Organisational Plan and the delivery of savings is reported to Overview & Scrutiny and Cabinet on a quarterly basis. This information is also available electronically via a Member Dashboard.
- A management information dashboard is in place which provides HR, finance and performance data to Strategic Directors, Heads of Service and third tier managers for their areas of responsibility. This 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).

- The Project Hub, a new on-line system for monitoring and reporting progress with projects and programmes has been rolled out which improves the delivery and performance of projects and programmes delivered across the Council against corporate objectives.

### **Core Principle E. Developing the entity’s capacity, including the capability of its leadership and the individuals within it**

Our Workforce Strategy 2014-18 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 we have a fit for purpose workforce and that staff resources are deployed most effectively in the delivery of the aims and ambitions as set out in the One Organisational Plan.

To enable our employees to be the best they can be we have a corporate process for annual appraisals, supported by regular 1:1 conversations. This provides the necessary clarity on expectations and behaviour, direction, support and opportunities for growth and development and allows employees and managers to have constructive discussions on performance, progress against outcomes, wellbeing and development. During the last year we have reviewed these arrangements and from April 2017 our corporate appraisal process is aligned to the Behaviours Framework. <http://www.warwickshire.gov.uk/gatewaytolearning>

At the beginning of their term of office, all elected members undertake 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.

### **Core Principle F. Managing risks and performance through robust internal control and strong public financial management**

The One Organisational Plan 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. The outcomes framework ensures that Members and Officers have a clear picture of how well the Organisation is progressing against the outcomes set out in the Plan as well as the key business outcomes that support and underpin it. These processes are continuing for the delivery of OOP-2020.

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. <http://www.warwickshire.gov.uk/riskmanagementstrategy>.

Financial Regulations sets out our financial management framework for ensuring we make the best use of the money we have available to spend. It outlines the financial roles and responsibilities for staff and Members and provides a framework for financial decision-making. Where there are specific statutory powers and duties the Financial Regulations seek to ensure these are duly complied with, as well as reflecting best professional practice and decision-making. <https://www.warwickshire.gov.uk/standingorders>

We have adopted the CIPFA Code of Practice for Managing the Risk of fraud and corruption and this is being built into an updated anti-fraud policy. <http://www.warwickshire.gov.uk/antifraud>

### **Core Principle G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability**

We endeavour to always be open and transparent. 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 which ensures that people know what decisions the Council is planning to take, and the decisions taken. <http://www.warwickshire.gov.uk/democracy>

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. <http://www.warwickshire.gov.uk/scrutiny>

The Audit and Standards Committee has oversight of internal and external audit matters, the council's arrangements for corporate governance and risk management and any other arrangements for the maintenance of probity. During the last year the Committee has undertaken a self-assessment of its own effectiveness against the evaluation framework contained in the CIPFA publication Audit Committees: Practical Guidance for Local Authorities

Each year we publish information on our website outlining how we spend Council Tax income. <http://www.warwickshire.gov.uk/counciltaxspending>

Arrangements are in place to ensure that we fully comply with the requirements of the Public Sector Internal Audit Standards and CIPFA Statement on the Role of the Head of Internal Audit. The Chief Risk and Assurance Manager is designated as the Head of Internal Audit and 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. <http://www.warwickshire.gov.uk/audit>

#### 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, Internal Audit and chaired by the Chief Risk and Assurance Manager. 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 took into account 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 Head of Law and Governance (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 2016/17 in a number of ways including:

- A review of the Council's governance framework to reflect the updated CIPFA/SOLACE Framework Delivering Good Governance in Local Government (2016). The revised framework was considered by



the Audit and Standards Committee before approval by Cabinet in December 2016.

- The Audit and Standards Committee has undertaken a self-assessment of its own effectiveness against the evaluation framework contained in the CIPFA publication Audit Committees: Practical Guidance for Local Authorities, and has identified a number of areas where the Committee can strengthen its own effectiveness.
- We have undertaken reviews of our whistleblowing and anti-fraud arrangements and updated policies are being presented to Committee for consideration during the next year.
- A Member led review of local governance arrangements covering the role of community forums and area committees, local Member delegated decision making and community engagement. The results of the Working Group were reported to Council in March 2017 and the issues raised will be fully considered by Council after the County Council elections in May 2017.
- Scrutiny reviews undertaken by task and finish groups commissioned by Overview and Scrutiny Committees.
- External assessments and inspections. This includes an inspection of Reablement Services in August 2016 by the Care Qualities Commission which rated the service as good.
- Peer Reviews have been completed for Warwickshire Fire and Rescue Service Adult Services, Children's Services and the Health and Wellbeing Board.
- Risk based reviews completed 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. The committee has also considered in greater detail areas where limited assurance opinions have been provided in the past including case file audits, Section 106 agreements and pre-employment checks. This report concludes that the Authority's control environment provides moderate assurance that the significant risks facing the Authority are addressed. The internal audit findings, including those with a limited assurance opinion, were duly considered in the preparation of this statement.

## 5. Governance issues

We have not experienced any significant governance failures during the last year and our arrangements continue to be regarded as fit for purpose in accordance with the governance framework.

However the following have been identified as major challenges for the Authority. 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 twelve 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 corporate business plans and that the actions identified in those plans will address the issues highlighted in our review of effectiveness. The following paragraphs summarises the risks contained in the strategic risk register.

### **Government policies, new legislation, austerity measures and demographic pressures present challenges on service delivery.**

The outlook for Local Government remains demanding with a number of central government policies combined with the national economic situation presenting significant challenges to us. Statements from the Treasury continue to reiterate that the period of austerity for public services will continue for some years and we need to maintain a watching brief of government statements to identify potential policies which may have a significant impact for local government. Planned changes to Local Government funding including proposed arrangements for the retention of business rates is also an area of risk for us as it increases uncertainty on future funding. There is also a large amount of uncertainty arising from the United Kingdom withdrawing from the European Union, and 2017 general and county council elections. We do not yet know what impact these will have on changes to laws, budgets, grants and devolution agenda.

We have produced a new One Organisational Plan for the period 2017-2020 which identifies savings of £67m over the next three years. These financial pressures mean that the organisation faces a significant challenge to meet its aims and objectives. The savings and transformation plans that are being put in place are challenging and will result in a significant impact on services that we provide to the public. The major focus for us in the coming year is to:

- As part of the transformation programme, continue to provide clarity about our priorities based on an analysis of need and budget plans.
- Introduce a £5m Transformation Fund to support delivery of OOP-2020 and help manage the impact of changes to services that we provide to the public and the effect this may have on partners, other authorities and the voluntary sector.
- Continue to monitor the implementation of savings plans and ensure that budgets are managed in a clear and prudent manner.
- Continue to ensure that good governance, sound project and partnership management and standards of control are in place and adhered to during the transformation process to ensure that risks are managed and we achieve the best outcomes.
- Participate in national and sub-regional working groups to support and influence the development of the 100% Business Rates Retention system.
- continue to explore and engage in the debate around the implication of national policy direction on local public service delivery and what it may mean for Warwickshire.
- work with our key partners to engage pro-actively with the UK Government as discussions surrounding Brexit continue.

### **Continuing pressure on Adult Social Services and Health.**

There continue to be a number of pressures that have a fundamental impact on the funding and provision of adult social care services in Warwickshire. Inflation and demographic pressures, combined with the impact of the national living wage, means that demand and costs for providing adult social care continue to rise. In addition market pressures

on providers increases the risk that they either leave the market or that services provided fail to meet minimum statutory requirements.

We have taken action to address pressures and increasing demand on adults social care services by utilising the 2% Adult Social Care Levy as part of our budget setting. We have also been allocated over £17 million extra for adult social care over the next 3 years - £8.3m in 2017/18, £6.3m in 2018/19 and £3.1m in 2019/20.

During the next year we will continue to shape and commission our services and will have a focus on the following:

- Progress our review of the “customer journey” for child and adult services. This will review services from the customer perspective and improve processes with the customer in mind.
- Continue to progress our approach to commissioning and improve our approach to managing contractor performance and reducing the risk of market failures.
- Review the assessment model for Social Care and Support customers to identify how assessments can be most effectively delivered in future.

### **Safeguarding Children and Vulnerable Adults in our community - inability to take action to avoid abuse, injury or death.**

In light of high profile safeguarding cases at a national level, we cannot be complacent about protecting children and vulnerable adults from harm. Responding to ever increasing levels of referrals against the backdrop of financial austerity requires careful judgements to be made both in terms of managing our exposure to risk and the associated increase in costs.

During the last year we have established a Multi-Agency Safeguarding Hub (MASH) in partnership with Warwickshire Police, NHS and other key partner agencies. This allows us to work more closely with our partners to provide a more co-ordinated and consistent response to safeguarding concerns about children, young people and adults.

We continue to develop our safeguarding arrangements and over the next year have the following planned actions:

- Implement a new case file audit tool in April 2017 to align with the implementation of the new People Group Case File Audit Procedure.
- The Warwickshire Safeguarding Adults Board (WSAB) will implement a programme of regular multi-agency audits.
- Recruit an additional 40 Social Workers to reduce caseloads and enable us to work more effectively with families in the community and reduce the number of looked after children.
- We recognise the significance of childrens safeguarding services and following a peer review of Childrens Services have developed an action plan to address suggested improvements.

### **Failure to maintain the security of personal or protected data.**

Information security is a key issue for all public sector organisations in the light of well publicised data losses and cyber security incidents affecting many public bodies. A robust process for investigating incidents is in place and we continue to protect our systems and data of our staff and customers. We ensure that data 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 required staff to undertake e-learning and formally accept their responsibilities. We will also continue review and improve our information governance processes and are preparing for the General Data Protection Regulation (GDPR) ahead of its introduction in 2018.

### **The security and integrity of our systems are disrupted as a result of cybercrime.**

There is an increased escalation in potential fraudulent and criminal activity. Along with all other organisations we have seen a major increase in the number of attacks on Warwickshire websites and

systems arising from hacking, denial of service, ransomware and phishing. We will continue to review and develop our network and information security arrangements during the course of the next year in response to the increased threat.

### **The ability to secure economic growth in Warwickshire.**

We are a member of The Coventry and Warwickshire Local Enterprise Partnership (CWLEP) which is a key driver for creating a successful, thriving economy within Coventry and Warwickshire. CWLEP has secured funding from the Governments Local Growth Fund for a number of projects and we will continue to undertake work in this area to identify and submit further projects in order to seek future funding and monitor the delivery of existing projects to review the benefits on our local economy. We will continue to:

- Support the CWLEP Growth Hub in assisting SMEs and work to help the Hub become self-financing.
- Contribute to CWLEP sub-group work looking at the impact of Brexit on skills, employment and infrastructure in Coventry and Warwickshire.
- Continue to work with our partners to develop the Skills for Employment programme to improve the employability skills and attributes of young people.
- Continue to develop and promote the new 'Warwickshire Together'; crowd-funding portal and Warwickshire Placemaking Fund - a capital fund available for town centre projects.

At a wider, regional level the West Midlands Combined Authority (WMCA) has been established with the challenge to create jobs, enhance skills, develop prosperity and drive economic growth. The Council has joined WMCA as a non-constituent member and continues to play a full part in the development of the Authority.

## **Inability to keep our communities safe from harm.**

There are many challenges on the horizon nationally and locally for the services we provide that keep our communities safe. This particularly includes the Fire and Rescue Service, highways maintenance and corporate arrangements for business continuity, and we recognise that we need to become even more flexible if we are to meet our current and emerging challenges. During the course of the next year we will have a focus on the following areas:

- Develop and deliver an annual action plan as part of the Integrated Risk Management Plan (2017 - 2020) for the Fire Service
- Deliver an improvement plan as a result of the Fire and Rescue Service Peer Review 2017
- Continue to review and test our business continuity and emergency plans.

## **6. Certification**

We propose over the coming year to continue to manage the risks attached above and further enhance our governance arrangements. We are satisfied that the risks we have identified are addressed by the detailed action plans included in corporate business plans 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.

.....  
David Carter  
Joint Managing Director (Resources)  
Head of Paid Service

.....  
Councillor Izzy Seccombe  
Leader of the Council

## Audit and Standards Committee

1 June 2017

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

#### Recommendation

The Audit and Standards Committee is asked to consider and make any comments on the attached External Auditors Update Report (**Appendix A**).

#### 1. Purpose of the Report

- 1.1. The purpose of this report is for our external auditors to provide a report to inform the Council's Audit and Standards Committee of their progress in delivering our responsibilities as our external auditors. The report also includes a summary of emerging national issues and developments and a number of challenge questions in respect of these emerging issues which the Committee may wish to consider.

#### 2. Background Papers

- 2.1. None

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#### Local Members consulted

Not applicable

#### Other Members consulted

None

Audit & Standards Committee  
Warwickshire County Council  
*Progress Report and Update*  
*Year ended 31 March 2017*

June 2017

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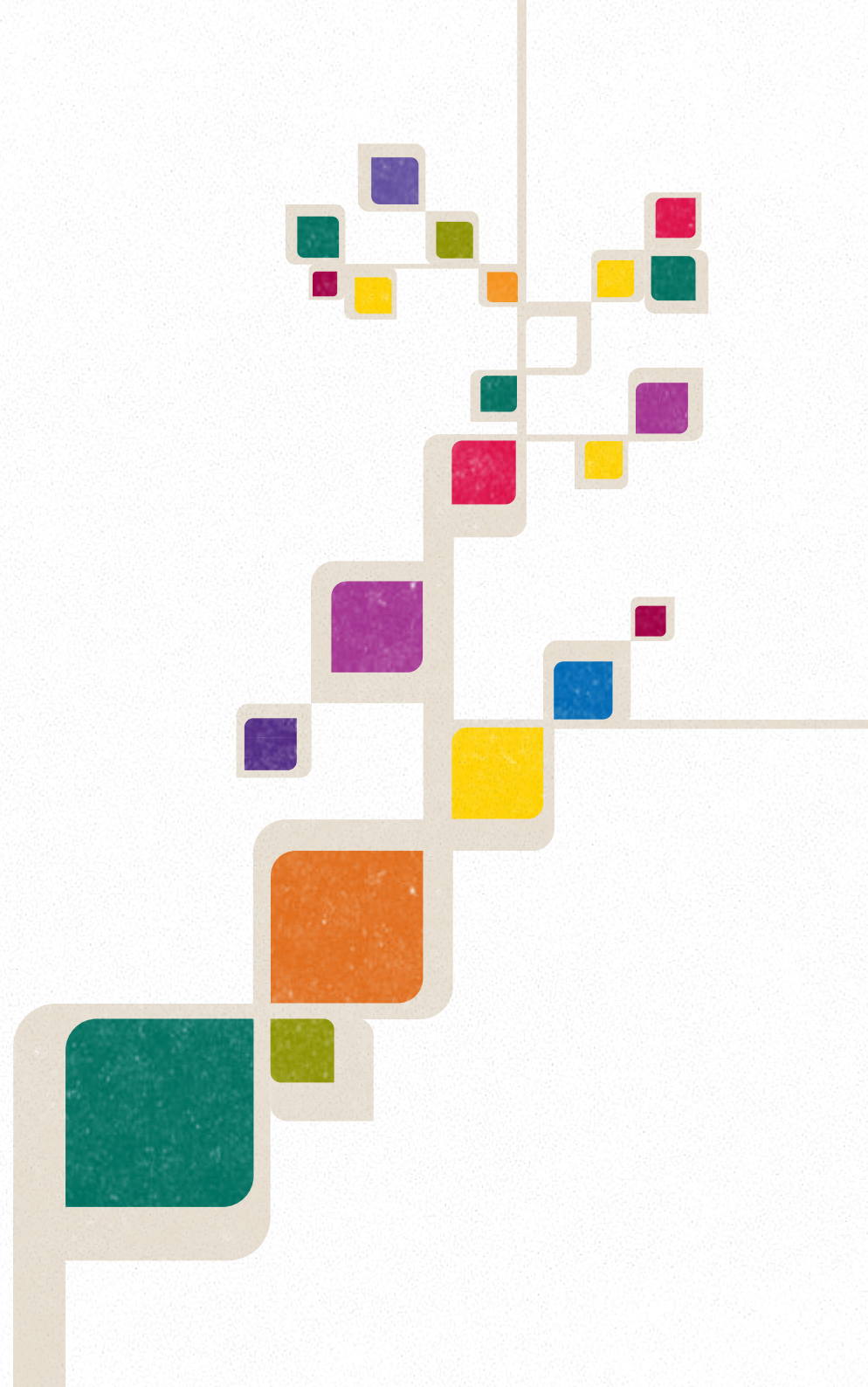
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Executive

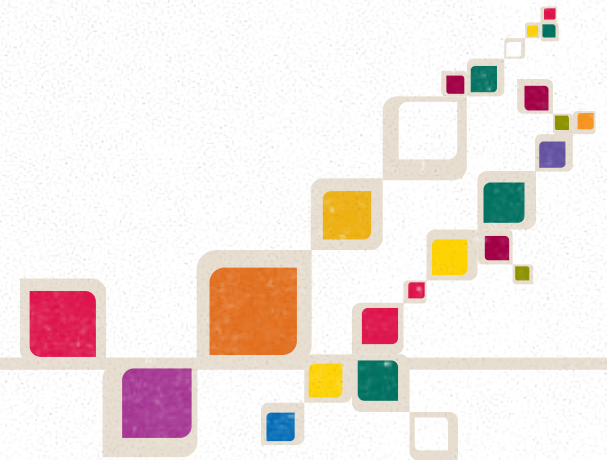
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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to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

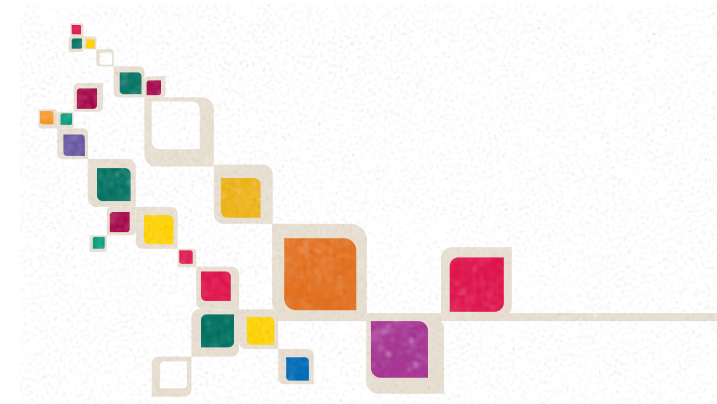


# Introduction

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

Members of the Audit Committee can find further useful material on our website [www.grant-thornton.co.uk](http://www.grant-thornton.co.uk), where we have a section dedicated to our work in the public sector.

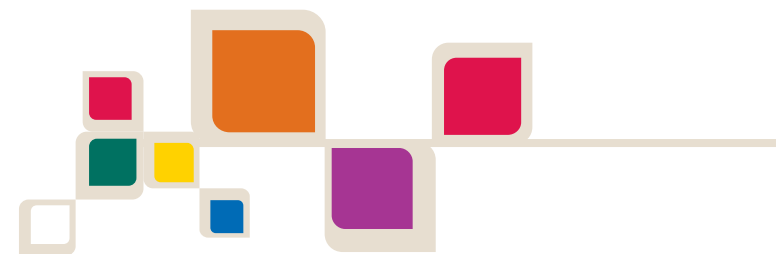
If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.





# Progress at May 2016

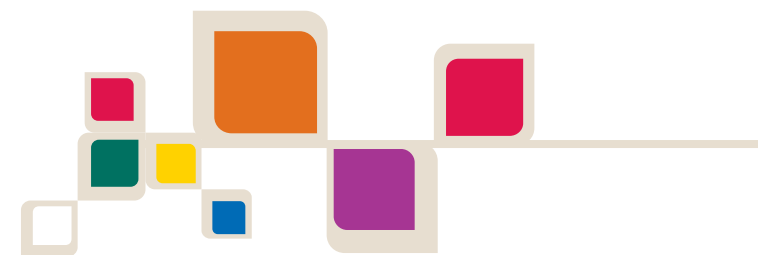
## – 2015/16 audit



| 2015/16 work   | Completed    | Comments   |
|--|--------------|--|
| <p><b>Overall position on the 2015/16 audit</b></p> <p>As at November 2016 we have completed all work in relation to our 2015/16 audit with the exception of:</p> <ul style="list-style-type: none"><li>• Objection to the 2015/16 financial statements – consideration currently in underway.</li></ul> | October 2016 | <p>We issued our 2015/16 opinion in September 2016 and our Annual Audit Letter in November 2016.</p> <p>Grant Patterson provided an update on our response to the objection to the 2015/16 financial statements to the Head of Finance on 12 May 2017.</p> |

# Progress at May 2016

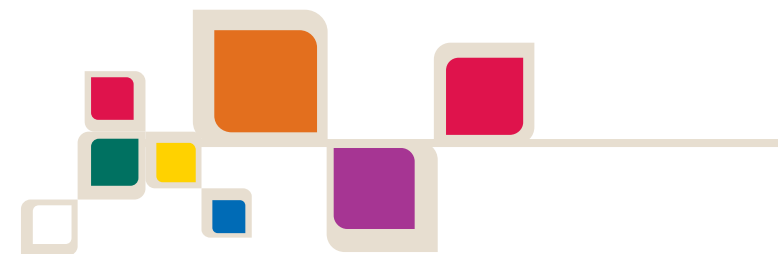
## – 2016/17 audit



| 2016/17 work   | Planned Date | Comments   |
|--|--------------|--|
| <p><b>Fee Letter</b></p> <p>We are required to issue a 'Planned fee letter for 2016/17' by the end of April 2016</p>   | March 2017   | The 2016/17 fee letter was presented to the Audit and Standards Committee in March 2017.   |
| <p><b>Accounts Audit Plan</b></p> <p>We are required to issue a detailed accounts audit plan to the Council setting out our proposed approach in order to give an opinion on the Council's 2016/17 financial statements.</p>   | March 2017   | The 2016/17 Audit Plan was presented to the Audit and Standards Committee in March 2017.   |
| <p><b>Interim accounts audit</b></p> <p>Our interim fieldwork visit plan will include:</p> <ul style="list-style-type: none"> <li>• updated review of the Council's control environment</li> <li>• updated understanding of financial systems</li> <li>• review of Internal Audit reports on core financial systems</li> <li>• early work on emerging accounting issues</li> <li>• early substantive testing</li> <li>• Value for Money conclusion risk assessment.</li> </ul> | March 2017   | We completed our interim accounts audit work between November and March 2017. No significant issues arose which we wish to bring to the attention of the Audit and Standards Committee.                  |
| <p><b>Final accounts audit</b></p> <p>Including:</p> <ul style="list-style-type: none"> <li>• audit of the 2016/17 financial statements</li> <li>• proposed opinion on the Council's accounts</li> <li>• proposed Value for Money conclusion</li> <li>• review of the Council's disclosures in the consolidated accounts against the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17</li> </ul>   | July 2017    | We have now agreed with the Council's finance team that we will undertake the majority of our 2016/17 audit work in June 2017, and plan to complete our 2016/17 audit fieldwork by the end of July 2017. |

# Progress at May 2016

## – 2016/17 audit



| 2016/17 work  | Planned Date | Comments   |
|---|--------------|--|
| <p><b>Value for Money (VfM) conclusion</b></p> <p>The National Audit Office Code of Audit Practice requires auditors to satisfy themselves that; "the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources".</p> <p>The overall criterion applied is that; "in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people".</p> <p>The three sub criteria for assessment to be able to give a conclusion overall are:</p> <ul style="list-style-type: none"><li>• Informed decision making</li><li>• Sustainable resource deployment</li><li>• Working with partners and other third parties</li></ul> | July 2017    | <p>We plan to complete our 2016/17 assessment fieldwork by the end of July 2017.</p> <p>To date we have not identified any significant issues which we consider are likely to give rise to a qualified conclusion for 2016/17.</p> |



# Grant Thornton Technical update



## Highways network asset

At its meeting on March 8th, the CIPFA/LASAAC Code Board decided not to proceed with the introduction of the Highways Network Asset Code into the financial reporting requirements for local authorities.

The Board decided that, currently and in particular in the absence of central support for key elements of the valuation, the benefits are outweighed by the costs of implementation for local authorities. The Board determined that it will give further consideration to this issue only if provided with clear evidence that benefits outweigh costs for local authorities.

The Board recognises the work undertaken by accounts preparers, auditors and highways engineers in preparing for the planned changes and would encourage continued improvement of the management of the highways network asset through better inventory and cost information.

## Delivering Good Governance

In April, CIPFA and SOLACE published 'Delivering Good Governance in Local Government: Framework (2016)' and this applies to annual governance statements prepared for the 2016/17 financial year. The key focus of the framework is on sustainability – economic, social and environmental – and the need to focus on the longer term and the impact actions may have on future generations.

Local authorities should be:

- reviewing existing governance arrangements against the principles set out in the Framework
- developing and maintaining an up-to-date local code of governance, including arrangements for ensuring on-going effectiveness
- reporting publicly on compliance with their own code on an annual basis and on how they have monitored the effectiveness of their governance arrangements in the year and on planned changes.

The framework applies to all parts of local government and its partnerships and should be applied using the spirit and ethos of the Framework rather than just rules and procedures

## Telling the story – Changes in 2016/17 CIPFA Code

CIPFA has been working on the 'Telling the Story' project, which aims to streamline the financial statements and improve accessibility to the user. This has resulted in changes to CIPFA's 2016/17 Code of Practice on Local Authority Accounting in the United Kingdom ('the Code').

The main changes affect the presentation of the Comprehensive Income and Expenditure Statement ('CIES'), the Movement in Reserves Statement ('MIRS') and segmental reporting disclosures. A new Expenditure and Funding Analysis has been introduced.

The key changes are:

- the cost of services in the CIES is to be reported on basis of the local authority's organisational structure rather than the Service Reporting Code of Practice (SERCOP) headings
- an 'Expenditure & Funding Analysis' note to the financial statements provides a reconciliation between the way local authorities are funded and the accounting measures of financial performance in the CIES
- the changes will remove some of the complexities of the current segmental note
- other changes to streamline the current MIRS providing options to report Total Comprehensive Income and Expenditure (previously shown as Surplus and Deficit on the Provision of Services and Other Comprehensive Income and Expenditure lines) and removal of earmarked reserves columns.

Other amendments have been made to the Code:

- changes to reporting by pension funds in relation to the format and fair value disclosure requirements to reflect changes to the Pensions SORP
- other amendments and clarifications to reflect changes in the accounting standards.



# Sector issues and developments





# Local Government Finance Settlement

The final local government settlement for 2017/18 was published on 20 February. The settlement reflects the Government's aim that all councils will become self funding, with central government grants being phased out. This is year two of the four year offer, which has been accepted by 97% of councils.

There is an expectation that councils will continue to improve efficiencies with measures including further developments in digital technology, new delivery models and innovative partnership arrangements.

## 100% business rates retention

The announcement has an increased focus on business rates, with the expectation that by the end of the current Parliament, local government will keep 100% of the income raised through business rates. The exact details of the reforms are yet to be determined. This includes confirming which additional responsibilities will be devolved to local government and funded through these retained rates. Pilots of the reforms are taking place across the country from April 2017.

The results of a recent Municipal Journal survey *2017 State of Local Government Finance* have recently been published. [http://downloads2.dodsmonitoring.com/downloads/Misc\\_Files/LocalGovFinance.pdf](http://downloads2.dodsmonitoring.com/downloads/Misc_Files/LocalGovFinance.pdf)

Respondents expressed concern about the lack of detail in the proposals, uncertainty around equalisation measures and the scale of appeals.

Nearly 50% of Councils responding believe they will lose from the transition to 100% retention of business rates. Views were evenly split as to whether the proposals would incentivise local economic growth.

## Social Care Funding

Funding allocations reflect increased funding of social care with a stated £3.5 billion of funding for social care by 2019/2020.

In this year's settlement £240 million of new homes bonus has been redirected into the adult social care grant. In addition councils are once again be able to raise the precept by up to 3% for funding of social care.

Recognising that funding is not the only answer, further reforms are to be brought forward to support the provision of a sustainable market for social care. There is an expectation that all areas of the country move towards the integration of health and social care services by 2020.

**Paul Dossett Head of Local Government in Grant Thornton LLP** has commented on the Government proposals for social care funding (see link for full article).

"The government's changes to council tax and the social care precept, announced by the Secretary of State for DCLG as part of the latest local government finance settlement, will seem to many as nothing more than a temporary fix. There is real concern about the postcode lottery nature of these tax-raising powers that are intended to fund our ailing social care system."

"Our analysis on social care shows that the most deprived areas in the UK derive the lowest proportion of their income from council tax."

"Conversely, more affluent areas collecting more council tax will potentially receive a bigger financial benefit from these measures."

"Our analysis shows that the impact and effectiveness of the existing social care precept is not equal across authorities. So any further changes to tax raising powers for local government will

## National developments

*"Social care precept changes will not help those living in more deprived areas"*

*"The UK has a long tradition of providing care to those who need it most. If that is to continue, the government must invest in a robust social care system that can cater for all based on needs and not on geography. From a taxpayer's perspective this is a zero sum game. For every £1 not invested in social care, the cost to the NHS is considerably more"*

not tackle the crisis of social care in our most disadvantaged communities and arguably make only make a small dent in the cost demands in our more affluent communities."

Links:

<https://www.gov.uk/government/speeches/final-local-government-finance-settlement-2017-to-2018>

<http://www.grantthornton.co.uk/en/news-centre/local-government-financial-settlement-comment-social-care-precept-changes-will-not-help-those-living-in-more-deprived-areas/>

<http://www.grantthornton.co.uk/en/insights/council-tax-alone-wont-solve-the-social-care-crisis/>

# Pooling of LGPS

From 1 April 2018 £200bn of assets from 90 LGPS funds across England and Wales will be merged into six 'British Wealth Funds'. By pooling investment, costs can be reduced through economies of scale and through sharing of expertise, while the schemes can maintain overall investment performance. Pension funds will continue to be managed and maintained by the separate administering authorities. The selection of fund managers will be made by the investment pool operator on behalf of a pool of co-operating administrative authorities, while individual investment strategies, including asset allocation, will remain the responsibility of the individual administrative authority.

Potentially eight pools are to be established across the country with total assets ranging from £13bn in both the LPP and Wales pool, to £36bn in the Border to Coast pool. It is expected that assets will be transferred to the pools as soon as practicable after 1 April 2018.

Tasks to be completed by April 2018 include:

- creating legal structures for pools
- transferring staff
- creating supervisory boards/ committees
- obtaining FCA authorisations
- appointing providers
- assessing MiFID II implications
- determining pool structures for each asset type

The funds themselves will retain responsibility for:

- investment strategy
- asset allocation

- having a responsible investment strategy
- reporting to employers and members

### Governance arrangements

There is no mandatory membership of oversight structures. It is for each pool to develop the proposals they consider appropriate. The majority of decision making remains at the local level and therefore the involvement of local pension boards in those areas would not change. Scheme managers should consider how best to involve their pension boards in ensuring the effective implementation of investment and responsible investment strategies by pools, which could include representation on oversight structures.

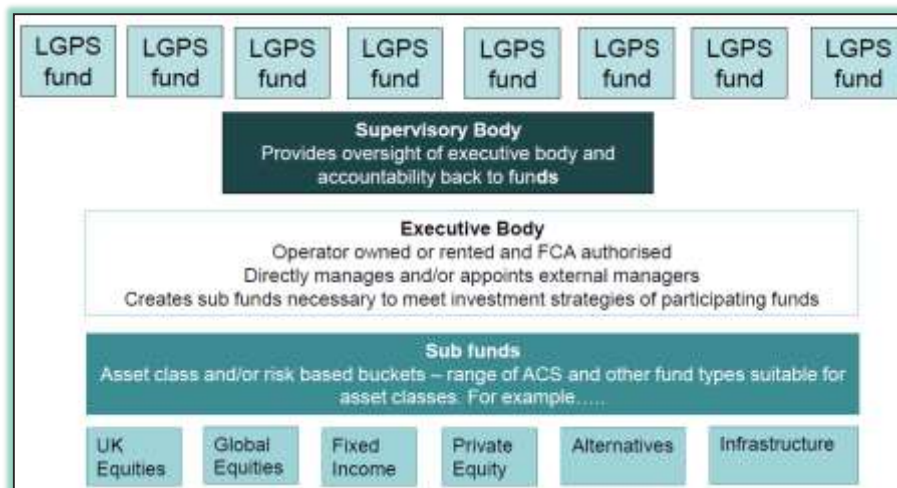
CIPFA in the recent article [Clear pools: the future of the LGPS](#) highlights the need for good governance particularly in view of the complex web of stakeholders involved in investment pooling. Robust governance will be vital to ensuring a smooth transition and continuing operation of the funds

## National developments

### Challenge question:

- Is your CFO keeping you up to date on developing arrangements in your area?

Link:  
<http://www.cipfa.org/cipfa-thinks/cipfa-thinks-articles/clear-pools-the-future-of-the-lgps?>



typical structure of LGPS Pool



# Integrated Thinking and Reporting

## Focusing on value creation in the public sector

Grant Thornton has seconded staff to the International Integrated Reporting Council on a pro bono basis for a number of years.

They have been working on making the principles of Integrated Reporting <IR> relevant to the public sector and co-authored a recent report by CIPFA and the World Bank: *Integrated thinking and reporting: focusing on value creation in the public sector - an introduction for leaders*.

Around one third of global gross domestic product (GDP) is made up by the public sector and this is being invested in ensuring there is effective infrastructure, good educational opportunities and reliable health care. In many ways, it is this investment by the public sector that is helping to create the conditions for wealth creation and preparing the way for the success of this and future generations.

Traditional reporting frameworks, focussed only on historic financial information, are not fit-for-purpose for modern, multi-dimensional public sector organisations.

Integrated Reporting supports sustainable development and financial stability and enables public sector organisations to broaden the conversation about the services they provide and the value they create.

The public sector faces multiple challenges, including:

- Serving and being accountable to a wide stakeholder base;
- Providing integrated services with sustainable outcomes;
- Maintaining a longer-term perspective, whilst delivering in the short term; and
- Demonstrating the sustainable value of services provided beyond the financial.

The <IR> Framework is principle based and enables organisations to tailor their reporting to reflect their own thinking and strategies and to demonstrate they are delivering the outcomes they were aiming for.

Integrated Reporting can help public sector organisations deal with the above challenges by:

- Addressing diverse and often conflicting public accountability requirements;
- Focussing on the internal and external consequences of an organisation's activities;
- Looking beyond the 'now' to the 'near' and then the 'far';
- Considering the resources used other than just the financial.

The report includes examples of how organisations have benefitted from Integrated Reporting.

## CIPFA Publications

### Challenge question:

- Have you reviewed the CIPFA guide to Integrated Reporting in the public sector?





Grant Thornton





# Apprentice Levy-Are you prepared?

Grant Thornton update

## What is the levy?

The UK has been struggling on productivity, now estimated to be 20% behind the G7 average. Developing apprenticeships is set to play a key part in tackling this and bridging the skills gap.

Announced by government in July 2015, the levy is to encourage employers to offer apprenticeships in meeting their skill, workforce and training needs, developing talent internally. The levy is designed to give more control to employers, through direct access to training funds and creation of apprenticeships through the Trailblazer process.

## What is the levy?

From April 2017, the way the government funds apprenticeships in England is changing. Some employers will be required to pay a new apprenticeship levy, and there will be changes to the funding for apprenticeship training for all employers.

All employers will receive an allowance of £15,000 to offset against payment of the levy. This effectively means that the levy will only be payable on paybill in excess of £3 million per year.

The levy will be payable through Pay As You Earn (PAYE) and will be payable alongside income tax and National Insurance.

Each employer will receive one allowance to offset against their levy payment. There will be a connected persons rule, similar the Employment Allowance connected persons rule, so employers who operate multiple payrolls will only be able to claim one allowance.

Employers in England are also able to get 'more out than they put in', through an additional government top-up of 10% to their levy contribution.

When employers want to spend above their total levy amount, government will fund 90% of the cost for training and assessment within the funding bands.

The existing funding model will continue until the levy comes into effect May 2017. The levy will apply to employers across all sectors.

Paybill will be calculated based on total employee earnings subject to Class1 National Insurance Contributions. It will not include other payments such as benefits in kind. It will apply to total employee earnings in respect of all employees.

## What will the levy mean in practice

Employer of 250 employees, each with a gross salary of £20,000:

Paybill:  $250 \times £20,000 = £5,000,000$

Levy sum:  $0.5\% \times = £25,000$

Allowance:  $£25,000 - £15,000 = £10,000$  annual levy

## How can I spend my levy funds?

The funding can only be used to fund training and assessment under approved apprenticeship schemes. It cannot be used on other costs associated with apprentices, including wages and remuneration, or training spend for the wider-team.

Through the Digital Apprenticeship Service (DAS), set up by government, employers will have access to their funding in the form of digital vouchers to spend on training.

Training can be designed to suit the needs of your organisation and the requirements of the individual in that role, in addition to specified training for that apprenticeship. Training providers must all be registered with the Skills Funding Agency (SFA).

## What do I need to start thinking about now?

- How much is the levy going to cost and have we budgeted for it?
- How do we ensure compliance with the new system?
- Which parts of my current spend on training are applicable to apprenticeships?
- Are there opportunities to mitigate additional cost presented by the levy?
- How is training in my organisation structured?
- How do we develop and align to our workforce development strategy

# Off-payroll working and salary sacrifice in the public sector

## Off-payroll working

The Chancellor's Autumn Statement 2016 speech delivered a number of changes that will impact the UK business environment and raise considerations for you as an employer.

In particular, the Chancellor announced that the measures that were proposed in Budget 2016 that could affect services supplied through personal service companies (PSCs) to the public sector will be implemented.

At present, the so-called IR35 rules require the worker to decide whether PAYE and NIC are due on the payments made by a PSC following an engagement with a public sector body. The onus will be moved to the payer from April 2017. This might be the public sector body itself, but is more likely to be an intermediary, or, if there is a supply chain, to the party closest to the PSC.

The public sector body (or the party closest to the PSC) will need to account for the tax and NIC and include details in their RTI submission.

The existing IR35 rules will continue outside of public sector engagements.

**HMRC Digital Tool** – will aid with determining whether or not the intermediary rules apply to ensure of “*consistency, certainty and simplicity*”.

When the proposals were originally made, the public sector was defined as “those bodies that are subject to the Freedom of Information rules”. It is not known at present whether this will be the final definition. Establishing what bodies are caught is likely to be difficult however the public sector is defined.

A further change will be that the 5% tax free allowance that is given to PSCs will be removed for those providing services to the public sector.

This will increase costs, move responsibility to the engager and increase risks for the engager

## Salary sacrifice

The Chancellor's Autumn Statement 2016 speech also introduced changes to salary sacrifice arrangements. In particular, the proposals from earlier this year to limit the tax and NIC advantages from salary sacrifice arrangements in conjunction with benefits will be implemented from April 2017.

Although we await the details, it appears that there is a partial concession to calls made by Grant Thornton UK and others to exempt the provision of cars from the new rules (to protect the car industry). Therefore, the changes will apply to all benefits other than pensions (including advice), childcare, Cycle to Work schemes and ultra-low emission cars.

Arrangements in place before April 2017 for cars, accommodation and school fees will be protected until April 2021, with others being protected until April 2018.

These changes will be implemented from April 2017.

As you can see, there is a limited opportunity to continue with salary sacrifice arrangements and a need also to consider the choice between keeping such arrangements in place – which may still be beneficial – or withdrawing from them.

## Grant Thornton update

### Issues to consider

- Interim and temporary staff engaged through an intermediary or PSC
- Where using agencies ensure they're UK based and operating PAYE
- Update on-boarding / procurement systems, processes and controls
- Additional take on checks and staff training / communications
- Review of existing PSC contractor population before April 2017
- Consider moving long term engagements onto payroll
- Review the benefits you offer - particularly if you have a flex renewal coming up
- Consider your overall Reward and Benefit strategy
- Consider your Employee communications

# Brexit

## Planning can help organisations reduce the impact of Brexit

The High Court ruling that Parliament should have a say before the UK invokes Article 50 of the Lisbon Treaty – which triggers up to two years of formal EU withdrawal talks – will not, in our view, impact on the final outcome. There appears to be a general political consensus that Brexit does mean Brexit, but we feel there could be slippage beyond the original timetable which expected to see the UK leave the EU by March 2019.

2017 elections in The Netherlands (March), France (April/May), and Germany (October/November) will complicate the Brexit negotiation process and timeline at a time when Brexit is more important for the UK than it is for the remaining 27 Member States.

The question still remains, what does Brexit look like?

While there may be acceptance among politicians that the UK is leaving the EU, there is far from any agreement on what our future relationship with the continent should be.

So, what do we expect based on what has happened so far?

### Existing EU legislation will remain in force

We expect that the Government will introduce a “Repeal Act” (repealing the European Communities Act of 1972 that brought us into the EU) in early 2017.

As well as undoing our EU membership, this will transpose existing EU regulations and legislation into UK law. We welcome this recognition of the fact that so much of UK law is based on EU rules and that trying to unpick these would not only take many years but also create additional uncertainty.

### Taking back control is a priority

It appears that the top priority for government is 'taking back control', specifically of the UK's borders. Ministers have set out proposals ranging from reducing our dependence on foreign doctors or cutting overseas student numbers. The theme is clear: net migration must fall.

### Leaving the Single Market appears likely

The tone and substance of Government speeches on Brexit, coupled with the wish for tighter controls on immigration and regulation, suggest a future where the UK enjoys a much more detached relationship with the EU.

The UK wants a 'bespoke deal'. Given the rhetoric coming from Europe, our view is that this would signal an end to the UK's membership of the Single Market. With seemingly no appetite to amend the four key freedoms required for membership, the UK appears headed for a so-called 'Hard Brexit'. It is possible that the UK will seek a transitional arrangement, to give time to negotiate the details of our future trading relationship.

This is of course, all subject to change, and, politics, especially at the moment, moves quickly.

Where does this leave the public sector?

The Chancellor has acknowledged the effect this may have on investment and signalled his intention to support the economy, delaying plans to get the public finances into surplus by 2019/20.

We expect that there will be some additional government investment in 2017, with housing and infrastructure being the most likely candidates.

Clarity is a long way off. However, public sector organisations should be planning now for making a success of a hard Brexit, with a focus on:

## Grant Thornton update

For regular updates on Brexit, please see our website:

<http://www.grantthornton.co.uk/en/insights/brexit-planning-the-future-shaping-the-debate>

**Staffing** – organisations should begin preparing for possible restrictions on their ability to recruit migrant workers and also recognise that the UK may be a less attractive place for them to live and work. Non-UK employees might benefit from a degree of reassurance as our expectation is that those already here will be allowed to stay. Employees on short term or rolling contracts might find it more difficult to stay over time.

**Financial viability** – public sector bodies should plan how they will overcome any potential shortfalls in funding (e.g. grants, research funding or reduced student numbers).

**Market volatility** – for example pension fund and charitable funds investments and future treasury management considerations.

**International collaboration** – perhaps a joint venture or PPP scheme with an overseas organisation or linked research projects.



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## Audit and Standards Committee

1 June 2017

### Internal Audit Strategy 2017/18

#### Recommendation(s)

The Committee:

1. approves the proposed strategy, and
2. approves the updated Charter.

- 1 The Council has a duty to undertake an effective internal audit to evaluate the effectiveness of their risk management, control and governance processes, taking into account relevant auditing standards.
- 2 The role of internal audit is primarily to provide reasonable assurance to the organisation and ultimately the taxpayers that the Council maintains an effective control environment that enables them to manage its significant business risks. Internal Audit does this **by providing risk-based and objective assurance, advice and insight**. In addition to providing assurance the audit service also undertakes consultancy and advisory work designed to add value and offer insights that will improve the effectiveness of risk management, control and governance processes e.g. acting as a critical friend when process changes are being developed.
- 3 To ensure the best use of limited audit resources audit work needs to be carefully planned. In accordance with best practice the Committee's role is to review and approve the annual internal audit work plan. The plan is developed in consultation with senior managers and takes account of the organisation's aims, strategies, key objectives, associated risks, and risk management processes (as required by internal audit standards). It also takes into account those topics which have not recently been audited or which feature in the corporate risk register or which, when last audited, received a low opinion. This year more care has been taken to more explicitly link the internal audit plan with critical risks.
- 4 Based upon the discussions to date and our professional judgement an indicative priority and an estimated number of days has been allocated to each potential topic. This takes into account a range of factors including: when the topic was last audited, complexity of the topic, and the level of change. The list of potential topics arising from the planning process is included in the attached audit strategy document (**Appendix A**) together with those topics we are unable to cover during the year based on existing level of resources. The aim is

to give a high-level overview of audit areas. The Committee will note that whilst we are able to cover key aspects of very high risk areas, these and other risks are not covered comprehensively. The Committee is able to accept a plan on this basis, provided this matches its “risk appetite” for independent assurance, also recognising that management have the prime accountability for managing processes and risks (and therefore assurances can be obtained directly from them where necessary).

- 5 Good practice requires us to recognise that the plan should be responsive to changes in risks during the year and will therefore be reviewed at intervals throughout the year to ensure it remains relevant.
  
- 6 The Internal Audit function is governed by its Audit Charter, which is a requirement of the Public Sector Internal Audit Standards and sets out the purpose, authority and responsibility of internal audit. As the Committee will appreciate, 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. The current Audit Charter was last considered by the Committee in 2015. However, a number of changes to the Charter are now required to reflect recent changes to professional standards and an updated version of the Charter is attached (**Appendix B**) for approval by the Committee. Changes are not significant but:
  - Highlight the importance of having an audit plan that is explicitly linked to the strategy, objectives and key risks of the organisation and the importance that audit should offer future oriented assurance, advice and insight to add value to the organisation
  - Reflects the new Mission of internal audit as set out in the standards and the underpinning core principles of an effective audit service.
  
- 7 This report will also be considered by Corporate Board on 24<sup>th</sup> May 2017.

## Background papers

1. None

|                    | <b>Name</b>    | <b>Contact Information</b> |
|--------------------|----------------|----------------------------|
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The report was circulated to the following members prior to publication:

Local Member(s): Not applicable  
 Other members: Not applicable



# Internal Audit Strategy 2017/18

“Providing assurance on the management of risks”

# Internal Audit Strategy 2017/2018

## “Providing assurance on the management of risks”

This document sets out the Internal Audit Strategy 2017/2018 for Warwickshire County Council. 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.

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### The Role of Internal Audit

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.

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.”

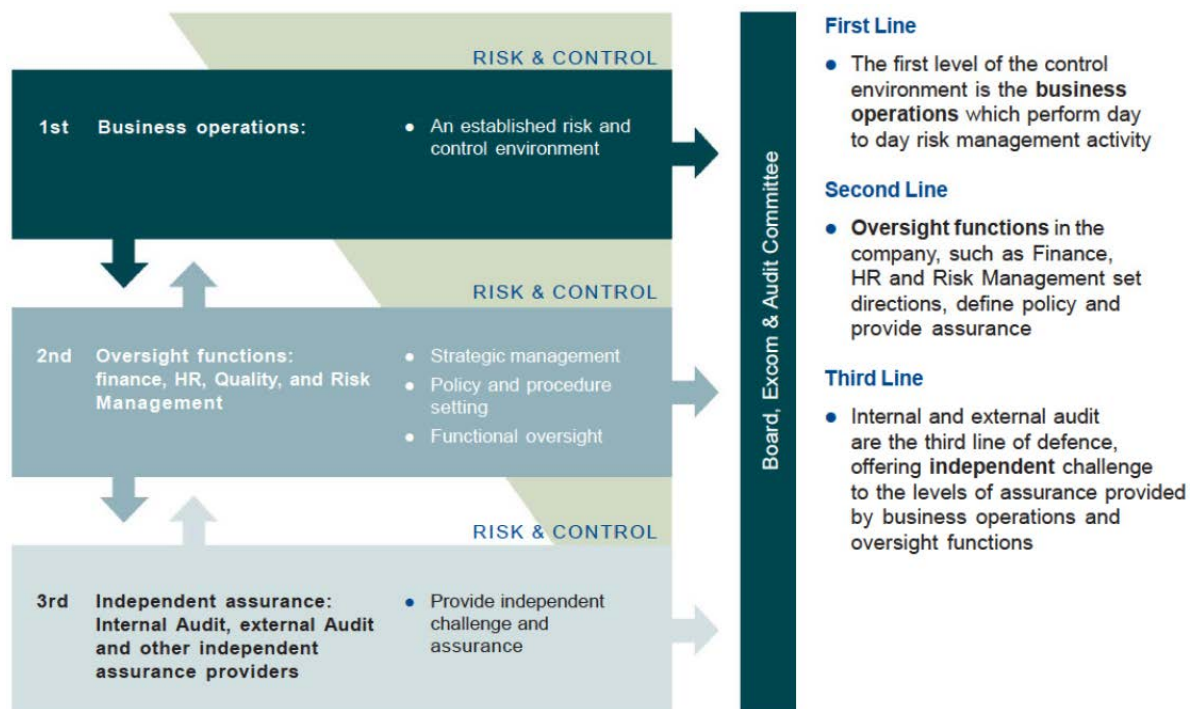
The Council has delegated its responsibilities for internal audit to the Joint Managing Director.

## 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 do this by **providing risk-based and objective assurance, advice and insight**. The assurance work culminates in an annual opinion on the adequacy of the Authority’s control environment which feeds into the Annual Governance Statement.

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:



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.

We develop and then deliver a programme of internal audits to provide independent reasonable 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.

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## 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.

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## Services

In addition to undertaking audits the Services is able to support the organisation by also providing the following services:

### Consultancy / 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 criticism and as it is possible to use less resource to identify key points than in a standard audit - timely advice adds more value than untimely.

### 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 relevant 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

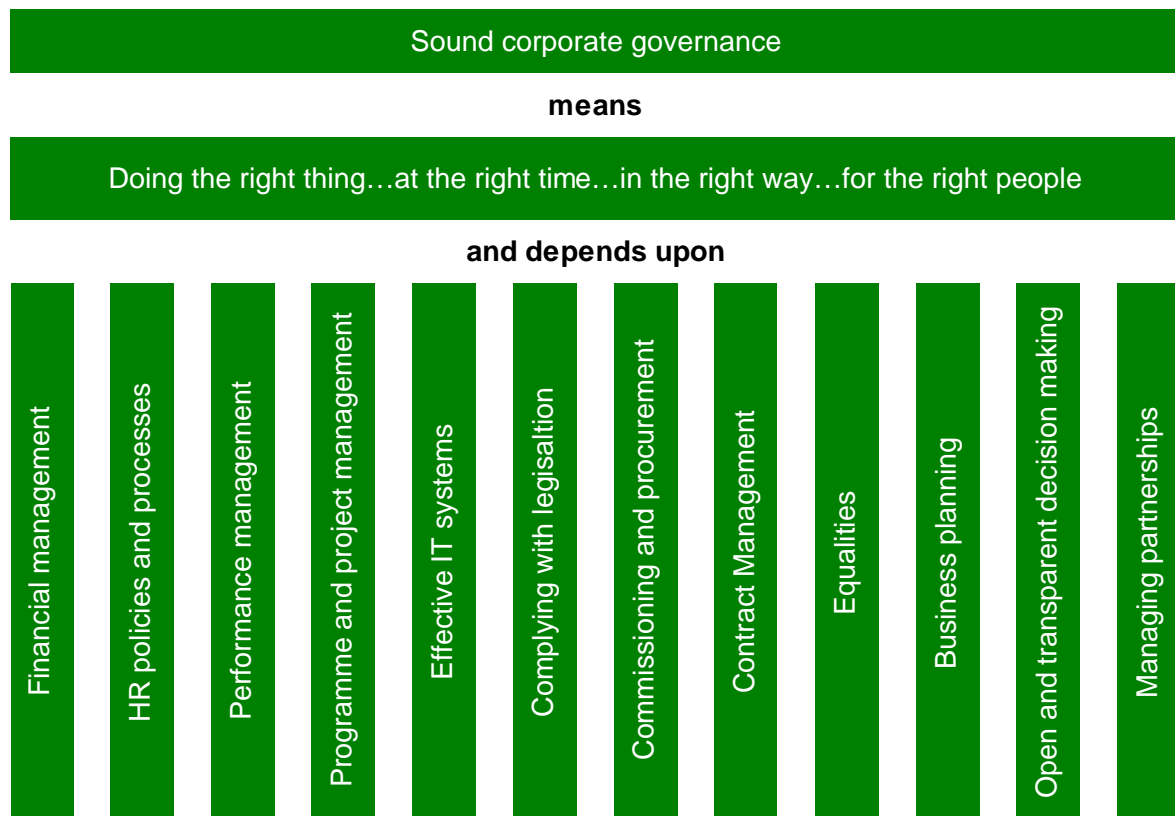
Although responsibility for operating sound controls and detecting fraud is the responsibility of management the Service has a key supporting role. In particular, we are responsible for maintaining and publicising the Council's anti-fraud policy and managing the roll out of the Council's fraud e-awareness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

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## Our approach for 2017 / 2018

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 very 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**



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 2017/18 is expected to be the equivalent of about 6 staff which means that we have to continue to focus on the really key issues.

To ensure the best use of limited audit resources audit work needs to be carefully planned. We have sought to align our work with the Council's risk base again this year, by liaising extensively with senior management and taking into account the organisation's aims, strategies, key objectives, associated risks, and risk management processes. Our plan also takes into account those topics which have not recently been audited or which feature in the corporate risk register or which when last audited received a low opinion. In addition, auditors regularly attend various professional networking meetings which highlight wider the issues affecting public sector internal audit which need to be reflected in the programme of work.

The risk of potential fraud forms part of the risk assessment process and national surveys and intelligence on risk areas is taken into account along with data on actual frauds at Warwickshire.



Based upon the discussions to date and our professional judgement an indicative priority and an estimated number of days have been allocated to each potential topic. This takes into account a range of factors including: when the topic was last audited, complexity of the topic and level of change. The Council's strategic risks and the key planned work to provide assurance on these risks are shown in Annex 1.

In addition to the assurance and advisory work listed provision has been made in our work plan to undertake the certification of a small number of grant claims and miscellaneous funds (such as the Staff Club), undertake investigations, to complete outstanding 2016/17 jobs and a limited amount of counter fraud work (e.g. update of the anti-fraud policy and publicity) . The non-audit work undertaken by the service has also been taken into account.

The aim is to give a high-level overview of audit areas. The Committee will note that whilst we are able to cover key aspects of very high risk areas, these and other risks are not covered comprehensively. The Council is able to accept a plan on this basis, provided this matches its "risk appetite" for independent assurance, also recognising that management have the prime accountability for managing processes and risks (and therefore assurances can be obtained directly from them where necessary). Annex 2 shows those topics that we are planning to audit together with an illustrative list of topics that we are not planning to audit based upon existing level of resources. This annex reflects the continued upward trend in suggestions / requests for audit and particularly advisory work which in turn reflects the very high level of change and hence risks facing the organisation.

Demonstrating the assurances planned on each strategic risk and being transparent about auditable topics that cannot be audited are key requirements of internal audit professional standards and we are increasingly moving to a top down approach with the plan being driven by key risks. We have always undertaken a risk assessment



exercise each year but changes to standards require plans to be more explicit on these matters.

In developing the list of planned topics and have taken into account existing management processes and oversight by support functions such as Finance, HR, Health and Safety and Legal. The internal audit service therefore builds upon the work on other assurance providers and allows us to reduce the resource required for some advisory topics. This approach will be further refined in future plans. 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 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.

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## Quality Assurance and Improvement Programme

The PSIAS require the Chief Risk and Assurance Manager to develop and maintain a quality assurance and improvement programme (QAIP) covering all aspects of the internal audit activity.

The QAIP includes internal assessments, periodic self-assessments and external assessments and is not only designed to assess the efficiency and effectiveness of Internal Audits, but also to enable an evaluation of the internal audit activity's conformance with the Definition of Internal Auditing and the PSIAS and an evaluation of whether internal auditors apply the Code of Ethics. The Service operates a quality management system compliant with the internationally accepted ISO 9001 standard. As part of this we have an Audit Manual based on accepted professional practice which as well being compliant with PSIAS builds quality into every stage of the audit process. A summary of the QAIP is shown in Annex 3.

**G Rollason**  
**Chief Risk and Assurance Manager**  
**1 April 2017**



## Strategic Risks

| Risk   | Gross Risk Rating | Net Risk Rating | Summary of past internal audit coverage <sup>1</sup>  | Examples of proposed internal audit role / planned assignments   |
|--|-------------------|-----------------|---|--|
| Government policies, new legislation, austerity measures and demographic pressures present challenges on service delivery. | Red               | Yellow          | <ul style="list-style-type: none"> <li>• Programme and project management – Moderate 2016/17</li> <li>• Advisory input into transformation projects</li> </ul>  | <ul style="list-style-type: none"> <li>• Savings and transformation plans – Communities and Resources</li> <li>• Advisory input into transformation projects</li> </ul>  |
| Continuing pressure on Adult Social Services and Health.   | Red               | Yellow          | <ul style="list-style-type: none"> <li>• Reablement – Substantial 2015/16</li> <li>• Contract management – in progress 2016/17</li> <li>• People transformation programme – Substantial – 2014/15</li> </ul>  | <ul style="list-style-type: none"> <li>• Savings and transformation plans – People</li> <li>• Commissioning</li> <li>• Domiciliary care</li> <li>• Mosaic</li> <li>•</li> </ul>  |
| Failure to adequately safeguard Children and Vulnerable Adults.  | Red               | Red             | <ul style="list-style-type: none"> <li>• Case file recording – Moderate 2015/16</li> <li>• MASH – Limited 2016/17</li> <li>• SEN – Moderate 2015/16</li> <li>• Schools – pupil premium – Moderate 2015/16</li> <li>• Deprivation of liberties – Moderate 2015/16</li> <li>• Schools – safeguarding - Limited 2015/16</li> <li>• Missing children – Limited 2016/17</li> </ul> | <ul style="list-style-type: none"> <li>• Child protection</li> <li>• Missing children</li> <li>• Homefirst</li> <li>• Advisory input into transformation projects</li> <li>• Links with health</li> <li>• Contracting – Public Health</li> <li>• Schools – safeguarding</li> </ul> |

<sup>1</sup> Only audits completed in last 3 years are shown

| Risk   | Gross Risk Rating | Net Risk Rating | Summary of past internal audit coverage <sup>1</sup>   | Examples of proposed internal audit role / planned assignments  |
|--|-------------------|-----------------|--|---|
| Failure to maintain the security of personal or protected data.                    | Red               | Yellow          | <ul style="list-style-type: none"> <li>Information governance – Moderate 2014/15</li> </ul>  | <ul style="list-style-type: none"> <li>Information governance</li> </ul>                                    |
| The security and integrity of our systems are disrupted as a result of cybercrime. | Red               | Yellow          | <ul style="list-style-type: none"> <li>Specialist IT audits</li> <li>Information security protocols – In progress 2016/17</li> <li>Ransomware – in progress 2016/17</li> </ul> | <ul style="list-style-type: none"> <li>Specialist IT audits</li> </ul>                                      |
| Inability to secure economic growth in Warwickshire.                               | Red               | Yellow          | <ul style="list-style-type: none"> <li></li> </ul>   | <ul style="list-style-type: none"> <li>Economic development and growth</li> </ul>                           |
| Inability to keep our communities safe from harm.                                  | Red               | Yellow          | <ul style="list-style-type: none"> <li>Flood risk – Moderate 2014/15</li> <li>Emergency planning – Moderate 2014/15</li> </ul>   | <ul style="list-style-type: none"> <li>Highways</li> <li>Savings and transformation plans - Fire</li> </ul> |

## Workplan 2017/2018

## 1. Planned Work

| Business Group     | Topic  | Priority VH/H/M/L | Assurance | Advice |
|--------------------|--|-------------------|-----------|--------|
| <b>Communities</b> | Local Education Authority - Roles & Responsibilities | VH                | ✓         |        |
|                    | Heritage & Environment                               | VH                | ✓         |        |
|                    | Waste Management                                     | VH                | ✓         |        |
|                    | Multi-academy trust                                  | VH                |           | ✓      |
|                    | Contracting - Public Health                          | VH                | ✓         |        |
|                    | Transport CFM & Fleet management                     | VH                | ✓         |        |
|                    | Highways (inc maintenance Contract)                  | VH                | ✓         |        |
|                    | Savings and transformation plans                     | VH                | ✓         |        |
|                    | Economic development and growth                      | H                 | ✓         |        |
| <b>Schools</b>     | Follow up of previous limited opinion audits         | VH                | ✓         |        |
| Fire               | Savings and transformation plans                     | VH                | ✓         |        |
| Pension Fund       | Investment management                                | VH                | ✓         |        |
| People             | Foster Payments                                      | VH                | ✓         |        |
|                    | Missing Children                                     | VH                | ✓         |        |
|                    | Commissioning  | VH                | ✓         |        |
|                    | Mosaic   | VH                | ✓         | ✓      |
|                    | Savings and transformation plans                     | VH                | ✓         |        |
|                    | Direct Payments – Adult                              | VH                | ✓         | ✓      |
|                    | Homefirst  | VH                | ✓         |        |
|                    | Domillicary care                                     | H                 | ✓         |        |
|                    | Links with health                                    | H                 | ✓         |        |
|                    | Resources  | Old Shire Hall    | VH        | ✓      |
|                    | Your HR  | VH                | ✓         | ✓      |
|                    | Vetting – local recruitment                          | VH                | ✓         |        |
|                    | Information Governance                               | VH                | ✓         |        |
|                    | IT Audits  | VH                | ✓         |        |
|                    | Savings and transformation plans                     | VH                | ✓         |        |
|                    | Catering   | VH                |           | ✓      |
|                    | Cleaning   | VH                |           | ✓      |
|                    | Property Restructuring                               | VH                |           | ✓      |
|                    | Property management                                  | VH                |           | ✓      |
|                    | Property - contracts                                 | VH                | ✓         |        |

## 2. Illustration of auditable topics not planned for 2017/2018

In addition to the coverage of key risks areas discussed at Annex 1 and above, the PSIAS requires the strategy to be open about those audit areas not covered in 2017-2018. Based upon the planning discussions with senior management, our professional judgement and the results of previous audits the following topics are not planned for 2017/18. However, should planned audits not take place topics from this list will be substituted.

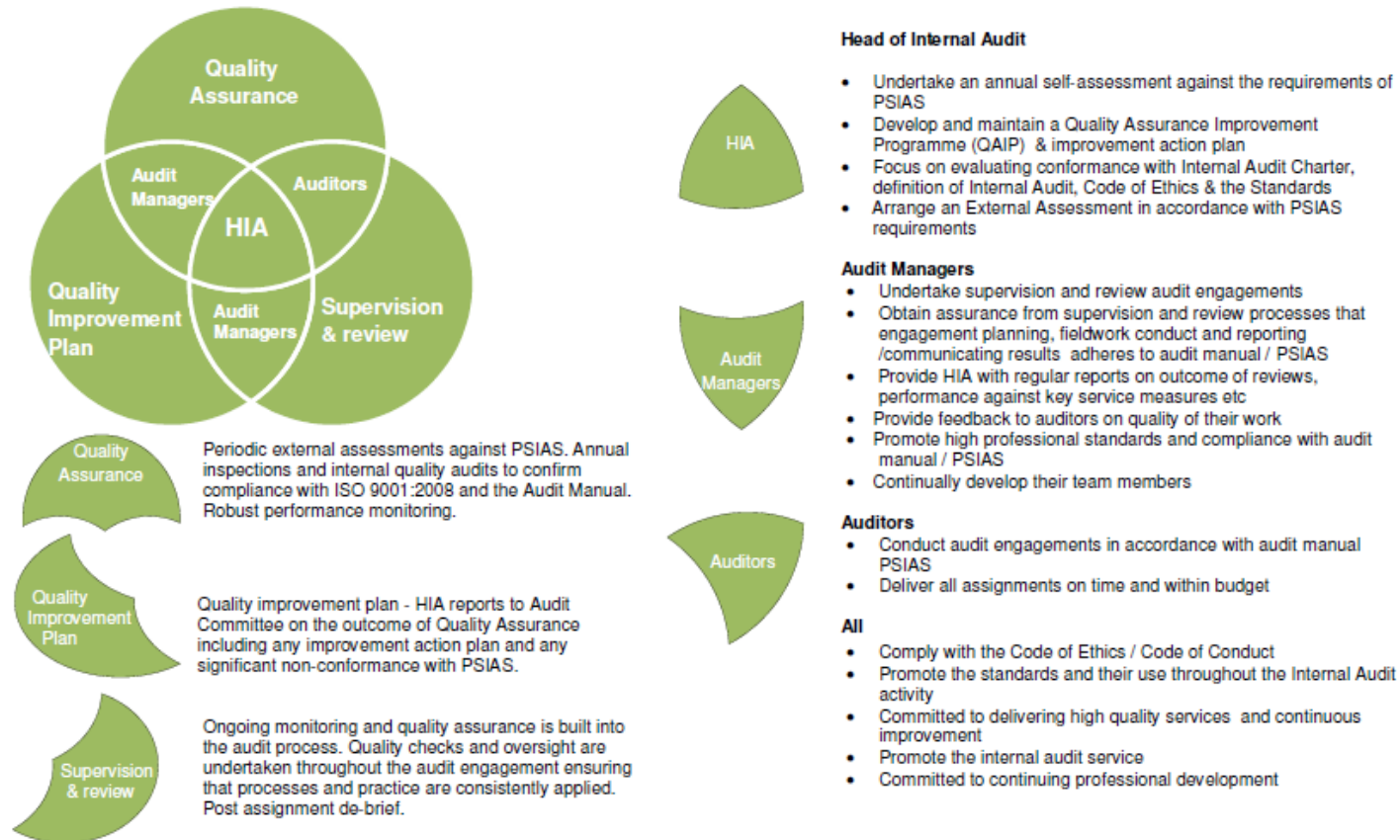
| Business Group | Area                                       | Latest coverage <sup>2</sup> | Other assurances | Priority | Type  |
|----------------|--|------------------------------|------------------|----------|-------|
| Communities    | Emergency Planning                         | Moderate 2014/15             |                  | H        | Audit |
|                | School improvement                         | Moderate 2014/15             |                  | H        | Audit |
|                | Financial Management                       |                              |                  | H        | Audit |
|                | Individual schools                         |                              | Finance, HR      | H        | Audit |
| Fire           | Premises Risk Management                   | Substantial 2014/15          |                  | H        | Audit |
| Pensions       | Pensions - Admin                           | Substantial 2016/17          |                  | H        | Audit |
| People         | Child Protection                           |                              | Finance          | H        | Audit |
|                | Direct Payments - Children                 |                              |                  | H        | Audit |
|                | Case File recording                        | Moderate 2015/16             |                  | H        | Audit |
| Resources      | Reablement                                 | Substantial 2015/16          |                  | H        | Audit |
|                | Consultants                                |                              |                  | H        | Audit |
|                | Customer Service Centre                    | Moderate 2016/17             |                  | H        | Audit |
|                | Financial Systems                          |                              |                  | H        | Audit |
| Communities    | Health and safety                          |                              | Health & Safety  | H        | Audit |
| Resources      | Procurement                                |                              | Procurement      | H        | Audit |
|                | Performance management                     |                              | Performance      | H        | Audit |
|                | Programme & project management             |                              | Performance      | H        | Audit |
| Communities    | Contract Management                        |                              |                  | H        | Audit |
|                | Home to school transport                   | Moderate 2016/17             |                  | M        | Audit |
|                | SEN & inclusion                            | Moderate 2015/16             |                  | M        | Audit |
|                | School Organisation & Planning             | Full 2014/15                 |                  | M        | Audit |
|                | Health and Well Being                      |                              |                  | M        | Audit |
|                | Civil parking enforcement                  | Moderate 2015/16             |                  | M        | Audit |
|                | Planning Control                           | In progress 2016/17          |                  | M        | Audit |
|                | Highways response to planning applications |                              |                  | M        | Audit |
|                | Winter maintenance                         |                              |                  | M        | Audit |
|                | Command and control                        |                              |                  | M        | Audit |
| Fire           | Training                                   | Moderate 2015/16             |                  | M        | Audit |
|                | Transport                                  | Limited 2015/16              |                  | M        | Audit |
|                | Water                                      | Substantial 2015/16          |                  | M        | Audit |

<sup>2</sup> This may not necessarily be a full scope review and only audits completed in the last 3 years are shown.

| Business Group | Area   | Latest coverage <sup>2</sup> | Other assurances | Priority | Type  |
|----------------|--|------------------------------|------------------|----------|-------|
|                | Duty management system                         |                              |                  | M        | Audit |
| Pensions       | Pensions - governance                          | In progress 2016/17          |                  | M        | Audit |
| People         | Residential Care                               |                              |                  | M        | Audit |
|                | Resource Allocation                            |                              |                  | M        | Audit |
|                | Transition - children to adult                 | Moderate 2014/15             |                  | M        | Audit |
| Resources      | Complaints                                     | Moderate 2016/17             |                  | M        | Audit |
|                | Business Rate Pooling                          |                              |                  | M        | Audit |
|                | Capital Programme                              | In progress 2016/17          | Finance          | M        | Audit |
|                | Absence Management                             | Moderate 2016/17             | HR               | M        | Audit |
|                | HR management                                  | Moderate 2014/15             | HR               | M        | Audit |
|                | Payroll & HR                                   | Moderate 2014/15             |                  | M        | Audit |
|                | transactional services                         |                              |                  |          |       |
|                | Insurance                                      |                              |                  | M        | Audit |
| People         | Occupational Therapy                           | Substantial 2014/15          |                  | L        | Audit |
| Communities    | Grants to voluntary organisations              | Substantial 2014/15          |                  | L        | Audit |
|                | Design services                                | Substantial 2014/15          |                  | L        | Audit |
|                | Youth Justice Service                          |                              |                  | L        | Audit |
|                | Music Service                                  | Moderate 2015/16             |                  | L        | Audit |
|                | Outdoor education                              | Moderate 2015/16             |                  | L        | Audit |
|                | Catering & cleaning                            |                              |                  | L        | Audit |
|                | Income, Cash                                   |                              |                  | L        | Audit |
|                | Collection & Banking                           |                              |                  |          |       |
|                | School pupil premium                           | Moderate 2015/16             |                  | L        | Audit |
|                | Concessionary fares                            |                              |                  | L        | Audit |
|                | Public transport                               |                              |                  | L        | Audit |
|                | Streetworks                                    |                              |                  | L        | Audit |
|                | Road safety                                    |                              |                  | L        | Audit |
| Fire           | Equipment and uniforms                         |                              | Procurement      | L        | Audit |
| People         | Deprivation of liberties                       | Moderate 2015/16             |                  | L        | Audit |
|                | Reviewing team                                 | In progress 2016/17          |                  | L        | Audit |
| Resources      | Market & communications                        | Substantial 2015/16          |                  | L        | Audit |
|                | Translation                                    |                              |                  | L        | Audit |
|                | Libraries, one front door, information service | Moderate 2015/16             |                  | L        | Audit |
|                | Registration                                   | Moderate 2015/16             |                  | L        | Audit |
|                | Social Fund                                    | Substantial 2014/15          |                  | L        | Audit |
|                | Budget management                              |                              | Finance          | L        | Audit |
|                | VAT  |                              | Finance          | L        | Audit |
|                | Coroner  |                              |                  | L        | Audit |
|                | Members allowances                             |                              |                  | L        | Audit |
|                | Scrutiny                                       |                              |                  | L        | Audit |
|                | Consultation                                   | In progress 2016/17          |                  | L        | Audit |

## Annex 3: QAIP

### Warwickshire County Council – Quality Assurance and Improvement Programme



**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 internal audit service within Warwickshire County Council.

This document was approved by the Internal Audit Board on 24 May 2017 and endorsed by the Audit and Standards Committee on 1 June 2017 and applies until amended.

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### Context

The Council has a statutory responsibility to have in place arrangements for managing risks; The Accounts and Audit Regulations 2015 require local authorities to have a sound system of internal control which:

- facilitates the effective exercise of their functions and the achievement of its aims and objectives
- ensures that the financial and operational management of the authority is effective; and
- includes effective arrangements for the management of risk.

Furthermore, the CIPFA/SOLACE governance framework “Delivering Good Governance in Local Government: Framework 2016” outlines the need for risk management to be embedded into the culture of the organisation, with members and officers recognising that risk management is an integral 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”.

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

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## Definitions

The role of the “Board” outlined in the PSIAS is fulfilled by Corporate Board. 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.

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## 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 reasonable 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 do this by **providing risk-based and objective assurance, advice and insight**.

The IIA standards, on which PSIAS are based, define the mission of an effective internal audit function as:

“To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.”

Achievement of the mission is supported by a range of standards and guidance including: the Core Principles, the Definition of internal audit and a Code of Ethics.

For an audit function to be considered effective all of the following Core Principles must be present and operating effectively:

1. Demonstrates integrity.
2. Demonstrates competence and due professional care.
3. Is objective and free from undue influence (independent).
4. Aligns with the strategies, objectives, and risks of the organisation.
5. Is appropriately positioned and adequately resourced.
6. Demonstrates quality and continuous improvement.
7. Communicates effectively.
8. Provides risk-based assurance.
9. Is insightful, proactive, and future-focused.
10. Promotes organisational improvement.

The PSIAS includes a mandatory Code of Ethics (based on international IIA standards) covering integrity, objectivity, confidentiality and competency. All internal 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.

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”.

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## 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 / Advisory work

The service also undertakes consultancy and advisory work designed to add value and offer insights that should 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 when invited to do so or where agreed in the annual plan 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 of significant allegations. 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 offer advice and insight concerning instances of over control, or inefficiency, but will not specifically examine or evaluate the extent that value for money is achieved as part of our routine reviews.

Where specifically agreed in the audit plan 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.

Wherever possible staff responsible for providing advice 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.

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

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## 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. 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.

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## 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:

- formally approving the audit charter;
- formally approving (but not directing) 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);
- reviewing and commenting on 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<sup>1</sup>. 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.

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## Standards

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

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.

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## Planning

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<sup>1</sup> Regulation 5 Accounts and Audit Regulations 2015



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 aims, strategies, key objectives, associated risks, and risk management processes.

The Board agrees each year's plan which are endorsed by the Audit and Standards Committee. These plans will normally 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. Any significant changes will be reported to the Board. All managers are expected to notify the service of any issues that may potentially require a change in the plan as soon as 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.

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## 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 Board and 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.

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## 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. However, as recognised in professional standards (ISA 610) external audit and internal audit have different objectives and priorities. The Chief Risk and Assurance Manager is authorised to share information with external auditors and the Cabinet Office (for the purposes of the National Fraud Initiative). The Head of Audit will liaise as appropriate with those involved in risk management and other policy and assurance providers, internal and external, sharing information and co-ordinating work as far as is practicable, in line with appropriate professional standards and other confidentiality considerations.

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 and should provide more detailed information and evidence to internal audit within a reasonable time scale.

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 assurances in relation to what they are doing, including the option of internal audit work, and must include appropriate assurance obligations and internal audit access rights in any agreement.

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## 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 and IIA global standards.

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

1 June 2017

### Whistleblowing Policy

#### Recommendation(s)

1. That the Committee endorses the revised Whistleblowing Policy (Appendix D) and Essentials document (Appendix A) for onward submission to Cabinet.

#### 1.0 Key Issues

- 1.1 The Policy needs to be updated to reflect the changes to the law on protected disclosures and the statutory Duty of Candour which applies to the County Council as a provider of care services.

#### 2.0 Proposal

- 2.1 The County Council's Whistleblowing Policy was last reviewed in October 2014. A revised policy was considered by Audit and Standards Committee on 17 November 2016 when the Committee resolved that officers undertake more work on the proposed revisions to the policy.
- 2.2 As a result a "Whistleblowing Essentials" document has been produced to make it more accessible to readers. The revised policy itself has not been changed because of the need to ensure that it accurately reflects the law, which is complex.
- 2.3 Although the policy extends to third party providers of services, we have taken this opportunity to strengthen this aspect of our existing policy and to include a specific reference to the Duty of Candour, which was introduced in November 2014 by the Health and Social Care Act 2008 (Regulated Activities) Regulations 2014. This is a duty placed on registered providers of health care services and from 1 April 2015 it was extended to registered providers of other care services.
- 2.4 The Duty of Candour is intended to ensure that providers are open and transparent with people who use services, in relation to care and treatment. The law sets out specific requirements that providers must follow when things go wrong with care and treatment, including informing people about the incident, providing reasonable support, providing truthful information and an apology. The County Council's Whistleblowing Policy has been revised to take account of this legislative change so that it fulfils the County Council's obligation to encourage candour, openness and honesty in those involved in the provision of care.

- 2.5 The revised Policy continues to encourage the use of internal procedures to make disclosures and identifies a list of Whistleblowing Advisers from each Group of the County Council to whom staff can turn for advice or to make a disclosure if they do not feel able to discuss with their own managers. This list has recently been updated and is attached as Appendix B. The Policy also indicates that advice can be sought from Public Concern at Work.
- 2.6 The law on protected disclosures is governed by the Employment Rights Act 1996 which affords protection to employees from victimisation by their employer or from losing their job where they have “blown the whistle.” The Policy also recognises that the Employment Rights Act 1996 provides an alternative route for disclosures by prescribing certain persons and bodies to whom disclosures may be made in certain circumstances. There have been changes to the list of prescribed persons to whom disclosures can be made. The opportunity has therefore been taken to revise the Policy to make it clearer and to produce an “Essentials” document.
- 2.7 Further, the protection afforded by the law is restricted to disclosures made in a fairly narrow set of circumstances (such as where a criminal offence is likely to occur) and the policy extends the protection to disclosures of other types of wrongdoing such as serious misconduct which is in breach of the Council’s Standing Orders or Financial Regulations, provided that the disclosure is made in the public interest.

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

- 3.1 The most efficient way of publicising and promoting the new code would be to maximise usage of existing channels. These will be chosen with advice from HR and may include the intranet, Working for Warwickshire and the Core Brief, as well as raising awareness through Heads of Service meetings.

### **Background papers**

1. CQC Regulation 20: Duty of Candour – guidance dated March 2015
2. Department for Business, Innovation and Skills: Whistleblowing Guidance for Employers and Code of Practice – March 2015

|                    | <b>Name</b>   | <b>Contact Information</b>                          |
|--------------------|---------------|---|
| Report Author      | Ann Belcher   | annbelcher@warwickshire.gov.uk<br>Tel: 01926 412451 |
| Head of Service    | Sarah Duxbury |   |
| Strategic Director | David Carter  |   |
| Portfolio Holder   |               |   |

The report was circulated to the following members prior to publication:

Local Member(s): n/a

Other members: n/a

## **Whistleblowing : The Essentials**

### **1. What is whistleblowing?**

- Whistleblowing is the reporting of suspected wrongdoing or dangers (eg to someone's health and safety) in relation to our activities.
- If you are an employee or other worker, such as an agency worker, and you have a serious and reasonably held concern about wrongdoing within the Council you are encouraged to come forward and voice your concern.
- The law gives protection against victimisation and reprisals for workers who make certain disclosures ("blow the whistle") provided they reasonably believe that the disclosure is in the public interest. Further information about the types of disclosure which provide protection can be found in the Council's Whistleblowing policy.
- The policy also applies to disclosures made in relation to the providers of health and adult social care under the duty of candour
- The Whistleblowing Policy is not intended for raising concerns about your personal circumstances such as complaints about a breach of your contract of employment.

### **2. How to raise a concern**

- You should normally raise your concern with your line manager (or if you feel unable to do this, with their line manager). If you do not feel able to do this, there are Whistleblowing Advisors within the Council who you can contact directly. Their details are on the intranet.
- Advice about how to raise a concern is available from the HR Advisory Service, Whistleblowing Advisers or Public Concern at Work (an independent charity 0207404 6609).
- You will need to be able to show that there are sufficient grounds for your concern and that you will likely need to put your concerns in writing.
- If your concern involves County Councillors or senior managers you can raise it directly with the Chief Executive or the Strategic Director (Resources Group). If you suspect fraud you can raise your concern with the Head of Finance or through the fraud hotline.

### **3. Confidentiality**

- The County Council will try to keep matters confidential, however, we cannot guarantee this and you may need to make a statement if there is a disciplinary or police investigation.

### **4. Anonymous Allegations**

- We may consider anonymous complaints however Concerns expressed anonymously are much less powerful and far more difficult to investigate and prove. We would therefore encourage you to put your name to your allegation.



## **5. Untrue Allegations**

- No action will be taken against you if a concern you raise turns out not to be justified, unless you make malicious or vexatious allegations, in which case you may face disciplinary action.
- If malicious or vexatious allegations are made against you, appropriate disciplinary action will be taken against the person making such allegations.

## **6. Protection and Support for Whistle-blowers**

- The Council will not tolerate harassment or victimisation against you because you raised a concern.
- You will be supported when you raise a concern and you can be assured that where you raise a genuine and reasonably held concern it will not affect your future career progression.

## **7. How the Council will respond**

- The Council will decide whether to carry out an investigation. Some cases may be resolved without an investigation
- In some cases, specific procedures will apply – such as concerns related to child protection matters or cases which require investigation by Internal Audit or the Police. Cases of suspected financial impropriety should be referred to Internal Audit.
- You should normally get a response from the Council within 10 working days to let you know next steps.
- There may be a need to seek further information from you and you might need to attend a meeting. If you do, you can bring a representative with you.
- You will be kept informed about the procedure to be followed, for example if you need to give evidence in disciplinary proceedings.
- Unless there are legal restrictions, you will generally receive feedback on the investigation of your complaint.

## **8. How the Matter can be taken Further**

- If you are not satisfied, and if you feel that it is right to raise the matter outside of the Council, then provided you reasonably believe that your allegations are true, you can disclose your concerns to specified external public bodies or agencies. A complete list of these bodies can be found at;  
<https://www.gov.uk/government/publications/blowing-the-whistle-list-of-prescribed-people-and-bodies--2>
- You will generally lose your right to protection if you disclose to a person or body not specified on the list.
- If you disclose your concerns outside of the Council, you should not disclose confidential information or make disclosures to the press. If you are not sure about where you can take your concern, you should take advice.

## **APPENDIX B**

### **Warwickshire County Council**

#### **WHISTLEBLOWING POLICY - LIST OF WHISTLEBLOWING ADVISERS**

Please note that you can speak to a whistleblowing advisor who is not in your Group:

#### **Communities Group**

Mark Ryder, Head of Transport and Economy  
Tel : 01926 412811  
e-mail: [markryder@warwickshire.gov.uk](mailto:markryder@warwickshire.gov.uk)

John Linnane, Director of Public Health  
Tel: 01926 413705  
Email: [johnlinnane@warwickshire.gov.uk](mailto:johnlinnane@warwickshire.gov.uk)

#### **Fire and Rescue**

Rob Moyney, Deputy Chief Fire Officer

Tel : 01926 423231  
(75 3201 if dialling from Shire Hall)  
e-mail: [robmoyney@warwickshire.gov.uk](mailto:robmoyney@warwickshire.gov.uk)

#### **People Group**

Jenny Butlin-Moran, Service Development and Assurance (Children's) PPA Business Unit

Tel: Internal 58 2514 External 01926 7421514  
e-mail: [jennybutlinmoran@warwickshire.gov.uk](mailto:jennybutlinmoran@warwickshire.gov.uk)

Mike J Wood, Service Development and Assurance (Adults) PPA Business Unit

Tel: Internal 58 2177 External 01926 742177  
e-mail: [mikejwood@warwickshire.gov.uk](mailto:mikejwood@warwickshire.gov.uk)

Christine Lewington, Head of Strategic Commissioning  
Internal: 585101, External: 01926 745101  
Email: [chrislewington@warwickshire.gov.uk](mailto:chrislewington@warwickshire.gov.uk)

## **Resources Group**

Steve M. Smith,

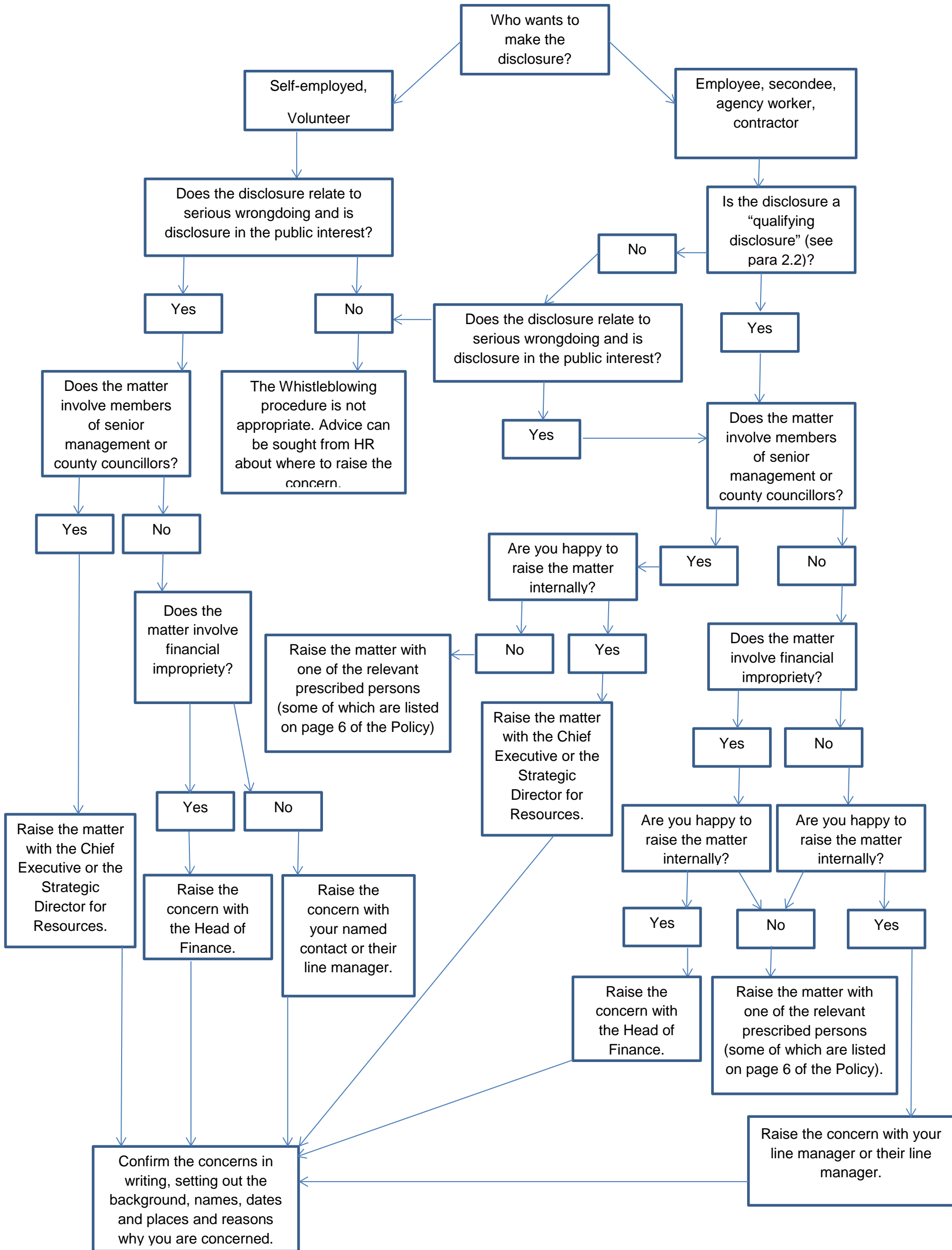
Head of Physical Assets

Tel : 01926 412352

Internal Email : Steve M Smith/Project Manager/PS/WarksCC External Email :

[stevesmithps@warwickshire.gov.uk](mailto:stevesmithps@warwickshire.gov.uk)

**Whistleblowing Flowchart**



## **Warwickshire County Council** **Whistleblowing Policy**

- **KEY POINTS**
- **Employees and other workers are assured of protection from suffering victimisation or harassment in the workplace if they raise serious concerns about wrongdoing where this is in the public interest and they act in accordance with this policy**

### **1. About this policy**

- 1.1 Warwickshire County Council is committed to the highest possible standards of openness, integrity and accountability. In line with that commitment we encourage employees and others with serious and reasonably held concerns about wrongdoing within the Council to come forward and voice these concerns at an early stage.
- 1.2 We would hope that in most cases employees and others would feel confident in raising serious concerns through their normal line management arrangements or other reporting arrangements. However we recognise that in a small number of cases there may be genuine concerns about possible reprisals or victimisation.
- 1.3 Although this policy is written for employees, the County Council recognises that it may also be applicable to other individuals such as consultants, contractors, volunteers, interns, casual workers, agency workers and secondees from other organisations. Whilst the County Council will endeavour to ensure that such workers are afforded a similar level of protection to that afforded by this policy, it must be recognised that in such cases the County Council will not have direct control over the actions of other employers.
- 1.4 This policy aims to:
- provide an opportunity for you to raise serious concerns and receive feedback on any action taken
  - allow you to take the matter further if you are dissatisfied with the County Council's response,
  - reassure you that you will be protected from reprisals or victimisation for whistleblowing where you have a reasonable belief in the accuracy of the allegations (and where raising them is in the public interest) and you otherwise follow this policy.
  - put in place relevant support measures for you as an individual during the process

- 1.5 Regulation 20 of the Health and Social Care Act 2008 (Regulated Activities) Regulations 2014 introduced a Duty of Candour on providers of health and adult social care who are registered with the Care Quality Commission (CQC) to be open with patients and other service users when things go wrong. Providers must promote a culture that encourages candour, openness and honesty at all levels. Individual members of staff who are professionally registered have a separate duty of professional candour which is regulated by their respective professional regulatory bodies.
- 1.6 This policy is intended to promote a culture of openness and transparency and staff are encouraged to report concerns which might trigger obligations under Regulation 20, which include notifying service users, providing support and an apology where a safety incident occurs which causes harm to a service user.
- 1.7 This policy applies to employees disclosing information under the duty of candour who fear reprisals or victimisation in the same way as it applies to any other employees.
- 1.8 Disclosures which relate to the employee's personal circumstances or where there is a suspected breach of an employee's contract of employment do not fall within this policy and should be raised under the Council's Grievance Procedure, Dignity at Work Policy or Equalities Policies, as appropriate.
- 1.9 This policy does not form part of any employee's contract of employment and we may amend it at any time.

**2. What is whistleblowing?**

- 2.1 Whistleblowing is the reporting of suspected wrongdoing or dangers in relation to our activities.
- 2.2 A worker who “blows the whistle” will be entitled to the protection of the law under the Employment Rights Act 1996 (“the ERA”) where he or she makes a “qualifying disclosure.” The provisions cover employees, contractors, agency workers, homeworkers, some work experience students and police officers and apply where the worker discloses information in the reasonable belief that the disclosure is in the public interest and the information tends to show that any of the following has occurred or is likely to occur:
  - i. A criminal offence, [for example bribery or fraud];
  - ii. A breach of a legal obligation
  - iii. A miscarriage of justice
  - iv. A danger to someone's health and safety
  - v. Damage to the environment
  - vi. The covering up of wrongdoing in the above categories
- 2.3 In addition to the above, the Council has extended protection under this Policy to disclosures of serious wrongdoing that do not fall within the above categories,

|                  |   |              |           |              |                |
|------------------|---|--------------|-----------|--------------|----------------|
| Date of issue    | 14 <sup>th</sup> March 2014               | Next review: | June 2018 | Last review: | September 2016 |
| Last reviewed by | Ann Belcher                               |              |           |              |                |
| Policy owner     | Sarah Duxbury, Head of Law and Governance |              |           |              |                |



but which the Council nevertheless accepts are in the public interest. An employee who makes such a disclosure may not be entitled to the protection of the law under the ERA but the Council will approach their disclosure as if it did. This would apply to disclosures about serious misconduct which:

- vii. Is against the Council’s Standing Orders, Policies or Financial Regulations
- viii. Is in breach of professional obligations
- ix. Amounts to improper or unethical conduct

2.4 The above list is not exhaustive but the key requirement is that the worker must reasonably believe that the disclosure is in the public interest.

2.5 Further advice can be taken from the HR Advisory Service if you are unclear as to whether the policy is appropriate for your particular circumstances.

### 3. How to raise a concern

3.1 You should normally raise concerns with your immediate manager or their line manager if you feel uncomfortable in discussing the issue with someone working in close proximity to you.

3.2 Additionally, a network of Whistleblowing Advisers has been established and these Advisers are listed in a separate document, available from the HR Advisory Service or on the intranet. If you do not feel able to raise your concern with your manager or their line manager, you should approach the Whistleblowing Adviser direct.

3.3 You may choose to raise the concern in writing, but it is helpful to all concerned if an initial and informal discussion can take place in the first instance. This depends, however, on the seriousness and sensitivity of the issues involved and who is thought to be involved in the wrongdoing. For example, if you believe that any county councillors or member(s) of senior management are involved, you should approach the Chief Executive or the Strategic Director of the Resources Group. In cases of financial impropriety you should approach the Head of Finance, Resources Group. If you do not feel comfortable to approach senior managers, you can approach a Whistleblowing Adviser who may escalate the matter on your behalf.

3.4 Once initial concerns have been raised, it will be important to translate these into writing. You will be invited to set out the background and history of the concern, giving names, dates and places where possible, and the reason why you are particularly concerned about the situation.

3.5 The earlier you express the concern the easier it is to take action.

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|------------------|---|--------------|-----------|--------------|----------------|
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| Policy owner     | Sarah Duxbury, Head of Law and Governance |              |           |              |                |

- 3.6 Although you are not expected to prove the truth of an allegation, you will need to demonstrate to the person contacted that there are sufficient grounds for your concern.
- 3.7 You can get advice and guidance in confidence on how matters of concern may be pursued from:-
- the HR Advisory Service (if you are an employee)  
<http://intranet.warwickshire.gov.uk/helpingyouwork/HR/AbouttheHRService/Pages/HRAdvisoryService.aspx>
  - the appropriate Whistleblowing Adviser (as shown at Appendix A)
  - Public Concern at work (this is an independent charity which offers a confidential helpline on 0207404 6609 [www.pcaw.org.uk](http://www.pcaw.org.uk))
- 3.8 You may invite your trade union or professional association to raise a matter on your behalf and they can be invited to participate in any future discussions between yourself and the Investigating Officer.

#### **4. Confidentiality**

4.1 The Council will do its best to protect your identity when you raise a concern and do not want your name to be disclosed. However, it must be appreciated that the investigation process may reveal the source of the information and a statement by you may be required as part of the evidence, especially if the next step is a police investigation and prosecution.

#### **5. Anonymous Allegations**

5.1 The Council accepts that employees will raise genuine concerns that are based on factual evidence or direct observation. With this in mind you are encouraged to put your name to your allegation. Concerns expressed anonymously are much less powerful and far more difficult to investigate and prove. However, they will be considered at the discretion of the County Council.

5.2 In exercising the discretion, the factors to be taken into account would include:-

- the seriousness of the issues raised
- the credibility of the concern; and
- the likelihood of confirming the allegation from other sources in the face of a flat denial from the accused person.
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|------------------|---|--------------|-----------|--------------|----------------|
| Date of issue    | 14 <sup>th</sup> March 2014               | Next review: | June 2018 | Last review: | September 2016 |
| Last reviewed by | Ann Belcher                               |              |           |              |                |
| Policy owner     | Sarah Duxbury, Head of Law and Governance |              |           |              |                |

## 6. Untrue Allegations

- 6.1 If you make an allegation that you reasonably believe and which is based on evidence, observation or a series of unexplainable instances, but it is not confirmed by the investigation, no action will be taken against you and you will be fully supported after the event. If, however, you make malicious or vexatious allegations, disciplinary action may be taken against you.
- 6.2 Equally, if malicious or vexatious allegations are made against you, the County Council will ensure that you are fully supported and that appropriate disciplinary action is taken against the person making such allegations.

## 7. Protection and Support for Whistle blowers

- 7.1 The Council recognises that the decision to report a concern can be a difficult one to make, not least because of fear of reprisal from those responsible for the wrongdoing. The Council will not tolerate harassment or victimisation in any form and will take action and put in place support measures to protect you when you raise a concern. Disciplinary procedures are already in place to address any potential attempts at harassment or victimisation.
- 7.2 It is accepted by the Council that staff may feel concerned that by raising areas of concern, their future careers may be detrimentally affected. This is **not** the case, and those raising genuine and reasonably held concerns may be assured that concerns will be treated with the utmost respect and play no part in future decisions related to progress or promotion.
- 7.3 If you are personally already the subject of disciplinary or redundancy procedures for other reasons, whistleblowing will not usually halt these procedures but the investigating officer will take steps to satisfy themselves that the issues are not inter-related or connected in any way.

## 8. How the Council will respond

- 8.1 The action taken by the Council will depend on the nature of the concern. Initial enquiries will be made to decide whether an investigation is appropriate and, if so, what form it should take.
- 8.2 Some concerns may be resolved by agreed action without the need for investigation.
- 8.3 Concerns or allegations which fall within the scope of specific procedures (for example, child protection or discrimination issues, or concerns which trigger the County Council's obligations towards service users under the Duty of Candour) will normally be referred for consideration under those procedures.
- 8.4 Other matters raised may :-

|                  |   |              |           |              |                |
|------------------|---|--------------|-----------|--------------|----------------|
| Date of issue    | 14 <sup>th</sup> March 2014               | Next review: | June 2018 | Last review: | September 2016 |
| Last reviewed by | Ann Belcher                               |              |           |              |                |
| Policy owner     | Sarah Duxbury, Head of Law and Governance |              |           |              |                |

- be referred to the Internal Auditor (in the cases of financial impropriety)
- be referred to the Police immediately where allegations of criminal conduct such as fraud are apparent
- be referred to the External Auditor
- form the subject of an independent inquiry by a nominated body outside of the County Council

8.5 The County Council will aim to write to you within ten working days of a concern being formalised in writing:

- acknowledging that the concern has been received
- indicating how it proposes to deal with the matter and where possible who the investigating officer(s) will be
- giving an estimate of how long it will take to provide a final response
- telling you whether any initial enquiries have been made; and
- telling you whether further investigations will take place and, if not, why not.

8.6 The amount of contact between the officers considering the issues and you will depend on the nature of the matters raised, the potential difficulties involved and the clarity of the information provided. If necessary, further information will be sought from you.

8.7 When any meeting is arranged with you, you have the right if you so wish to be accompanied by a representative from your trade union or professional association, or a workplace colleague. Your companion must respect the confidentiality of your disclosure and any subsequent investigation.

8.8 The Council will take steps to minimise any difficulties which you may experience as a result of raising a reasonably held concern. For instance, if you are required to give evidence in criminal or disciplinary proceedings, the Council will advise you about the procedure to be followed and make arrangements for you to be released from your normal duties.

8.9 The Council accepts that you need to be assured that the matter has been properly addressed. Thus, subject to legal constraints, you will receive feedback and information about the progress and outcomes of any investigations. You should recognise, however, that during the course of an

|                  |   |              |           |              |                |
|------------------|---|--------------|-----------|--------------|----------------|
| Date of issue    | 14 <sup>th</sup> March 2014               | Next review: | June 2018 | Last review: | September 2016 |
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| Policy owner     | Sarah Duxbury, Head of Law and Governance |              |           |              |                |

investigation the Council may have a duty of confidentiality which will override your legitimate interest in knowing how matters are progressing.

## 9. How the Matter can be taken Further

9.1 This policy is intended to provide you with an opportunity to raise concerns within the Council. The Council hopes you will have confidence in using the internal procedure and do not find it necessary to approach anyone externally. If you are not satisfied, and if you feel it is right to take the matter outside the Council, then provided you reasonably believe that your allegations are true, you can make a disclosure to prescribed persons without losing your rights under whistleblowing law or this policy. The relevant prescribed person depends on the subject matter of the disclosure and the following is not an exhaustive list:

- Auditors appointed under the Local Audit and Accountability Act 2014 to audit the County Council's accounts - the proper conduct of public business, value for money, fraud and corruption. Details of the Council's auditors can be found on the County Council website at <http://www.warwickshire.gov.uk/accounts>
- Care Quality Commission - matters relating to the registration and provision of regulated health and social care services as defined in the Health and Social Care Act 2008.
- The Children's Commissioner – matters relating to the rights, welfare and interests of children
- Comptroller and Auditor General - The proper conduct of public business; value for money, fraud and corruption in relation to the provision of public services
- Environment Agency – matters affecting the environment or the management or regulation of the environment, including pollution and flooding.
- Health and Safety Executive or local authorities which are responsible for the enforcement of health and safety legislation - matters which may affect the health or safety of any individual at work or member of the public in connection with the activities of persons at work.
- Information Commissioner's Office - compliance with the requirements of legislation relating to data protection, freedom of information and environmental information law.
- Ofsted – matters relating to the registration of children's homes and care homes and the inspection of education and children's services

|                  |   |              |           |              |                |
|------------------|---|--------------|-----------|--------------|----------------|
| Date of issue    | 14 <sup>th</sup> March 2014               | Next review: | June 2018 | Last review: | September 2016 |
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| Policy owner     | Sarah Duxbury, Head of Law and Governance |              |           |              |                |

- A Member of Parliament

A complete list of prescribed persons under the ERA and the types of matters which may be disclosed to them can be found at <https://www.gov.uk/government/publications/blowing-the-whistle-list-of-prescribed-people-and-bodies--2>

9.2 If you choose to disclose to an external contact (other than a prescribed person) without first having raised your concerns internally, you will lose your right to protection under the law or under this Policy unless you can meet the following conditions:-

- o You reasonably believe the information or allegation is true
- o You are not motivated by personal gain
- o In all the circumstances, it is reasonable for you to make the disclosure and either:
  - a. You reasonably believe that if you disclose the information to the Council you will be subject to victimisation; OR
  - b. You reasonably believe that if you disclose the information to the Council, it will be covered up and there is no internal person to whom you can make the disclosure; OR
  - c. The relevant failure is of an exceptionally serious nature.

9.3 If you do take the matter outside the Council, you need to ensure that you do not disclose information which is either confidential or exempt from disclosure. This means that you must not, for example, disclose confidential committee reports, other confidential documents or confidential information that relates to clients and customers. If you are not sure whether information is considered to be confidential, you should check with one of the contact points listed at 3.7.

9.4 The Council will have regard to the identity of the person to whom you make the disclosure in determining whether it is reasonable for you to take the matter outside the Council. A disclosure to the media is unlikely to be regarded as reasonable.

## 10. The Responsible Officer

10.1 The Joint Managing Director (Resources Group) has overall responsibility for the maintenance and operation of this policy and will report as necessary to the County Council. A record of concerns raised within the County Council and the outcomes (in a form which does not endanger your confidentiality) is being created as a single register incorporating whistleblowing complaints made to Whistleblowing Advisers and managers in accordance with this policy and it will be maintained within Law and Governance. In schools, Governing Bodies are responsible for their own whistleblowing policies and for maintaining their own register of whistleblowing concerns.

|                  |   |              |           |              |                |
|------------------|---|--------------|-----------|--------------|----------------|
| Date of issue    | 14 <sup>th</sup> March 2014               | Next review: | June 2018 | Last review: | September 2016 |
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| Policy owner     | Sarah Duxbury, Head of Law and Governance |              |           |              |                |





## Audit & Standards Committee

1 June 2017

### External Audit Plan 2016/17

#### Recommendation

The Committee is asked to consider and make any comments on the Warwickshire Pension Fund 2016/17 Audit Plan from the External Auditors, attached at Appendix A.

#### 1. Purpose of the Report

- 1.1 The purpose of this report is to inform the Council's Audit and Standards Committee of the External Auditors plan of work in relation to the Pension Fund's 2016/17 accounts.
- 1.2 The plan has been prepared by Grant Thornton UK LLP, our appointed external auditors, in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the National Audit Office.
- 1.3 Their annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the Audit Commission and developed by the Comptroller and Auditor General of the National Audit Office and includes nationally prescribed and locally determined work.
- 1.4 It is the responsibility of the Pension Fund to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. In preparing the plan the Auditors have considered how the Pension Fund is fulfilling these responsibilities and the key risks it faces.
- 1.5 A full copy of the Plan is attached at **Appendix A**.

#### Background Papers

None

|                           | Name  | Contact Information  |
|---------------------------|---|--|
| <b>Report Author</b>      | Vicki Forrester,<br>Principal<br>Accountant             | 01926 412861<br><a href="mailto:vickiforrester@warwickshire.gov.uk">vickiforrester@warwickshire.gov.uk</a> |
| <b>Head of Service</b>    | John Betts,<br>Head of Finance                          | 01926 412441<br><a href="mailto:johnbetts@warwickshire.gov.uk">johnbetts@warwickshire.gov.uk</a>           |
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# The Audit Plan for Warwickshire Pension Fund

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**Year ended 31 March 2017**

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Warwickshire Pension Fund  
Shire Hall  
Warwick  
CV34 4RL

April 2017

Dear Members of the Audit and Standards Committee

### **Audit Plan for Warwickshire Pension Fund for the year ending 31 March 2017**

This Audit Plan sets out for the benefit of those charged with governance (in the case of Warwickshire Pension Fund, the Audit and Standards Committee), an overview of the planned scope and timing of the audit, as required by International Standard on Auditing (UK & Ireland) 260. This document is to help you understand the consequences of our work, discuss issues of risk and the concept of materiality with us, and identify any areas where you may request us to undertake additional procedures. It also helps us gain a better understanding of the Fund and your environment. The contents of the Plan have been discussed with management.

We are required to perform our audit in line with Local Audit and Accountability Act 2014 and in accordance with the Code of Practice issued by the National Audit Office (NAO) on behalf of the Comptroller and Auditor General in April 2015. Our responsibilities under the Code are to give an opinion on the Fund's financial statements.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements which give a true and fair view.

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change. In particular we cannot be held responsible to you for reporting all of the risks which may affect the Fund or all weaknesses in your internal controls. This report has been prepared solely for your benefit. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We look forward to working with you during the course of the audit.

Yours sincerely

**Grant Patterson**  
Engagement Lead

#### **Chartered Accountants**

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Other risks identified

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# Understanding your business and key developments

## Developments

### Investment Regulations

The new investment regulations came into force on 1 November 2016 and require administering authorities to publish new Investment Strategy Statements by 1st April 2017. The statement must be in accordance with guidance issued by the Secretary of State and include a variety of information. This will include the authority's assessment of the suitability of particular investments and types of investments, the authority's approach to risk, including the ways in which risks are to be measured and managed and the authority's approach to pooling investments, including the use of collective investment vehicles and shared services. These regulations also provide the Secretary of State with the power to intervene in the investment function of a fund if he/she is satisfied that the authority is failing to act in accordance with the regulations.

### Triennial actuarial valuation of the fund

The results of the triennial review have now been reported. Overall the funding level has improved from the date of the last valuation. Members will need to consider the outcome of this review and the impact this will have on the fund in future investment decisions.

## Key challenges

### Pooling Governance

Arrangements for pooling of investments continue to develop, with DCLG expecting administering authorities to be transferring liquid assets from April 2018. The structure and governance of these arrangements will need to be implemented before this date. These arrangements are likely to have a significant impact on how the investments are managed, who makes decisions and how investment activities are actioned and monitored. Although much of this operational responsibility will move to the investment pool operator, it is key that administering authorities (through Pension Committees and Pension Boards) continue to operate strong governance arrangements, particularly during the transition phase where funds are likely to have a mix of investment management arrangements.

### Key performance indicators

| Measure                     | Amount           |
|-----------------------------|------------------|
| Net assets under management | £1,665,076,000   |
| Total membership            | 44,776 (Members) |
| Number of employers         | 92 (Employers)   |

## Financial reporting changes

### CIPFA Code of Practice 2016/17 (the Code)

The main change to the Code for Pension Funds is the extension of the fair value disclosures required under the Code from 2016/17.

The greatest impact is expected to be for those Funds holding directly owned property and/or shares and Level 3 investments. These are reflected in CIPFA's pension fund example accounts alongside further changes including an analysis of Investment Management expenses in line with CIPFA's Local Government Pension Scheme Management Costs guidance, a realignment of investment classifications, and an additional disclosure note covering remuneration of key management personnel which has been included in related party transactions.

### Earlier closedown

The Accounts and Audit Regulations 2015 require councils to bring forward the approval and audit of financial statements to 31 July by the 2017/2018 financial year. This will impact not only upon the production of the Fund accounts but also on earlier requests for information from employers within the Fund.

## Our response

- We will discuss with you your progress in implementing the requirements of the new investment regulations, highlighting any areas of good practice or concern which we have identified.
- We will discuss your progress in implementing revised governance structures, and share our experiences gained nationally.
- We aim to complete all our substantive audit work of your financial statements by July 2017
- As part of our opinion on your financial statements, we will consider whether your financial statements accurately reflect the changes in the 2016/17 Code

# Materiality

In performing our audit, we apply the concept of materiality, following the requirements of International Standard on Auditing (UK & Ireland) (ISA) 320: Materiality in planning and performing an audit. The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. An item does not necessarily have to be large to be considered to have a material effect on the financial statements. An item may be considered to be material by nature, for example, when greater precision is required (e.g. senior manager salaries and allowances).

We determine planning materiality (materiality for the financial statements as a whole determined at the planning stage of the audit) in order to estimate the tolerable level of misstatement in the financial statements, assist in establishing the scope of our audit engagement and audit tests, calculate sample sizes and assist in evaluating the effect of known and likely misstatements in the financial statements.

We have determined planning materiality based upon professional judgement in the context of our knowledge of the Fund. In line with previous years, we have calculated financial statements materiality based on a proportion of net assets for the Fund. For purposes of planning the audit we have determined overall materiality to be £16,651k (being 1% of net assets). Our assessment of materiality is kept under review throughout the audit process and we will advise you if we revise this during the audit.

Under ISA 450, auditors also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulation of such amounts would have a material effect on the financial statements. "Trivial" matters are clearly inconsequential, whether taken individually or in aggregate and whether judged by any criteria of size, nature or circumstances. We have defined the amount below which misstatements would be clearly trivial to be £833k.

ISA 320 also requires auditors to determine separate, lower, materiality levels where there are 'particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users'. We have identified the following items where separate materiality levels are appropriate:

| Balance/transaction/disclosure | Explanation  | Materiality level             |
|--------------------------------|--|-------------------------------|
| Management expenses            | Due to public interest in these disclosures.   | 5% of the value of expenses   |
| Related party transactions     | Due to public interest in these disclosures and the statutory requirement for them to be made. We have set a materiality level of 10% of largest disclosure to inform our audit approach and our reporting to the pension fund. We recognise that in compiling the disclosure, the pension fund will apply its own assessment of materiality and (as required by IAS24) also have regard to materiality from the perspective of the other party. | 10% of the largest disclosure |

Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements; Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered. (ISA (UK and Ireland) 320)

# Significant risks identified

An audit is focused on risks. Significant risks are defined by ISAs (UK and Ireland) as risks that, in the judgment of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

| Significant risk   | Description  | Audit procedures   |
|--|--|--|
| <p><b>The revenue cycle includes fraudulent transactions</b></p> | <p>Under ISA (UK and Ireland) 240 there is a presumed risk that revenue streams may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> | <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Warwickshire Pension Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition</li> <li>• opportunities to manipulate revenue recognition are very limited</li> <li>• The culture and ethical frameworks of local authorities, including Warwickshire county Council, mean that all forms of fraud are seen as unacceptable</li> </ul> <p>Therefore we do not consider this to be a significant risk for Warwickshire Pension Fund.</p> |
| <p><b>Management override of controls</b></p>                    | <p>Under ISA (UK and Ireland) 240 there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities.</p>   | <p><b>Work completed to date:</b></p> <ul style="list-style-type: none"> <li>• Documentation of the journal control environment</li> </ul> <p><b>Further work planned:</b></p> <ul style="list-style-type: none"> <li>• Review of accounting estimates, judgments and decisions made by management</li> <li>• Review of journal entry process and selection of unusual journal entries for testing back to supporting documentation</li> <li>• Review of unusual significant transactions</li> </ul>   |

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty." (ISA (UK and Ireland) 315) . In making the review of unusual significant transactions "the auditor shall treat identified significant related party transactions outside the entity's normal course of business as giving rise to significant risks." (ISA (UK and Ireland) 550)

## Significant risks identified (continued)

We have also identified the following significant risks of material misstatement from our understanding of the entity. We set out below the work we have completed to date and the work we plan to address these risks.

| Significant risk   | Description  | Audit procedures   |
|--|--|--|
| <p><b>Level 3 Investments Valuation is incorrect</b></p> | <p>Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end.</p> | <p><b>Work completed to date:</b></p> <ul style="list-style-type: none"> <li>• We have updated our understanding of your process for valuing level 3 investment through discussions with relevant personnel from the Pension Fund during the interim audit.</li> <li>• We have performed walkthrough tests of the controls identified in the process.</li> </ul> <p><b>Further work planned:</b></p> <ul style="list-style-type: none"> <li>• For a sample of investments, test valuations by obtaining and reviewing the audited accounts at latest date for individual investments and agreeing these to the fund manager reports at that date. Reconciliation of those values to the values at 31<sup>st</sup> March with reference to known movements in the intervening period.</li> <li>• Review the qualifications of the fund managers as experts to value the level 3 investments at year end and gain an understanding of how the valuation of these investments has been reached.</li> <li>• To review the nature and basis of estimated values and consider what assurance management has over the year end valuations provided for these types of investments.</li> <li>• Review the competence, expertise and objectivity of any management experts used.</li> </ul> |

# Other risks identified

Reasonably possible risks (RPRs) are, in the auditor's judgment, other risk areas which the auditor has identified as an area where the likelihood of material misstatement cannot be reduced to remote, without the need for gaining an understanding of the associated control environment, along with the performance of an appropriate level of substantive work. The risk of misstatement for an RPR or other risk is lower than that for a significant risk, and they are not considered to be areas that are highly judgmental, or unusual in relation to the day to day activities of the business.

| Reasonably possible risks               | Description of risk                             | Audit procedures  |
|---|---|---|
| Investment values – Level 2 investments | Valuation is incorrect. (Valuation net)         | <p><b>Work completed to date:</b></p> <ul style="list-style-type: none"> <li>Updated our documentation and undertaken a walkthrough of the controls in place to ensure that Level 2 investment valuation are correct</li> </ul> <p><b>Further work planned:</b></p> <ul style="list-style-type: none"> <li>We will review the reconciliation of information provided by the fund managers, the custodian and the Pension Fund's own records and seek explanations for variances.</li> </ul>   |
| Contributions                           | Recorded contributions not correct (Occurrence) | <p><b>Work completed to date:</b></p> <ul style="list-style-type: none"> <li>Updated our documentation and undertaken a walkthrough of the controls in place to ensure that recorded contributions are correct. We are placing assurance on controls testing over occurrence, completeness and accuracy of contributions which was carried out in 2014/15 as our walkthroughs confirmed that the controls are still in place in 2016/17.</li> <li>Tested a sample of contributions to source data to gain assurance over their accuracy and occurrence.</li> </ul> <p><b>Further work planned:</b></p> <ul style="list-style-type: none"> <li>Update our testing of a sample of contributions to source data to gain assurance over their accuracy and occurrence.</li> <li>Rationalise contributions received with reference to changes in member body payrolls and numbers of contributing pensioners to ensure that any unexpected trends are satisfactorily explained.</li> </ul> |

"In respect of some risks, the auditor may judge that it is not possible or practicable to obtain sufficient appropriate audit evidence only from substantive procedures. Such risks may relate to the inaccurate or incomplete recording of routine and significant classes of transactions or account balances, the characteristics of which often permit highly automated processing with little or no manual intervention. In such cases, the entity's controls over such risks are relevant to the audit and the auditor shall obtain an understanding of them." (ISA (UK and Ireland) 315)

## Other risks identified (continued)

| Reasonably possible risks | Description of risk   | Audit procedures  |
|---------------------------|---|---|
| Benefits payable          | Benefits improperly computed/claims liability understated (Completeness, accuracy and occurrence) | <p><b>Work completed to date:</b></p> <ul style="list-style-type: none"> <li>Updated out documentation and undertaken a walkthrough of the controls in place to ensure that benefits are computed appropriately. We are placing assurance on controls testing over occurrence, completeness and accuracy of benefit payments which was carried out in 2014/15 as our walkthrough confirmed that the controls are still in place in 2016/17.</li> </ul> <p><b>Further work planned:</b></p> <ul style="list-style-type: none"> <li>Test a sample of individual pensions in payment by reference to member files.</li> <li>We will rationalise pensions paid with reference to changes in pensioner numbers and increases applied in the year to ensure that any unusual trends are satisfactorily explained.</li> </ul>  |
| Member Data               | Member data not correct. (Rights and Obligations)   | <p><b>Work completed to date:</b></p> <ul style="list-style-type: none"> <li>Updated our documentation and undertaken a walkthrough of the controls in place to ensure that member data is updated appropriately. We have focused our attention on those changes which would affect the actuary's calculations and therefore have an impact on the disclosures in the accounts, rather than test all changes to member data. We are placing assurance on controls testing over the accuracy of member data which was carried out in 2014/15 as our walkthroughs confirmed that the controls are still in place for 2016/17</li> <li>Sample testing of changes to member data made during the year to source documentation</li> </ul> <p><b>Further work planned:</b></p> <ul style="list-style-type: none"> <li>Update our sample testing of changes to member data made during the year to source documentation</li> </ul> |

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# Other risks identified (continued)

## Going concern

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK and Ireland) 570). We will review the management's assessment of the going concern assumption and the disclosures in the financial statements.

## Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in the previous sections but will include:

- Transfers in (only if material)
- Investment income
- Transfers out (only if material)
- Administrative expenses
- Cash deposits
- Current assets (only if material)
- Current liabilities (only if material)
- Actuarial Valuation and Actuarial Present Value of Promised Retirement Benefits
- Financial Instruments



# Results of interim audit work

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

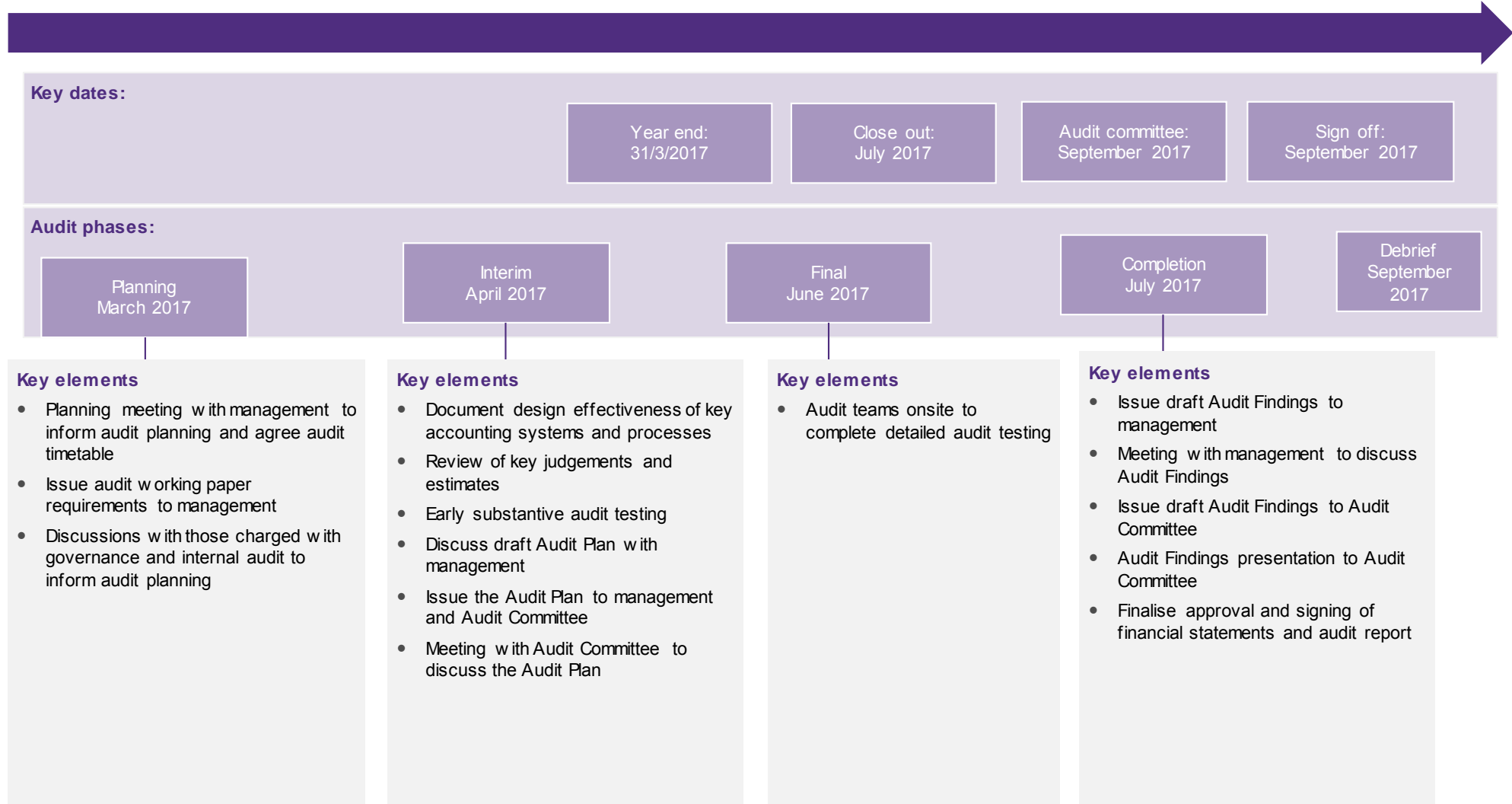
|                              | Work performed  | Conclusion  |
|------------------------------|---|---|
| <b>Internal audit</b>        | We have completed a high level review of internal audit's overall arrangements. Our work has not identified any issues which we wish to bring to your attention.  | Overall, we have concluded that the internal audit service provides an independent and satisfactory service to the Fund and that internal audit work contributes to an effective internal control environment.<br><br>The Council has not yet had a formal independent assessment undertaken of Internal Audit's compliance with the new Public Sector Internal Audit Standards but is planning to complete this by March 2018. |
| <b>Entity level controls</b> | We have obtained an understanding of the overall control environment relevant to the preparation of the financial statements including: <ul style="list-style-type: none"> <li>• Communication and enforcement of integrity and ethical values</li> <li>• Commitment to competence</li> <li>• Participation by those charged with governance</li> <li>• Management's philosophy and operating style</li> <li>• Organisational structure</li> <li>• Assignment of authority and responsibility</li> <li>• Human resource policies and practices</li> </ul> | Our work has identified no material weaknesses which are likely to adversely impact on the Fund's financial statements  |
| <b>Walkthrough testing</b>   | We have completed walkthrough tests of the Fund's controls operating in areas where we consider that there is a risk of material misstatement to the financial statements.<br><br>Our work has not identified any issues which we wish to bring to your attention. Internal controls have been implemented by the Fund in accordance with our documented understanding  | Our work has not identified any weaknesses which impact on our audit approach.  |

## Results of interim audit work (continued)

|                                  | <b>Work performed</b>   | <b>Conclusion</b>   |
|----------------------------------|---|---|
| <b>Journal entry controls</b>    | We have reviewed the Fund's journal entry policies and procedures as part of determining our journal entry testing strategy and have not identified any material weaknesses which are likely to adversely impact on the Fund's control environment or financial statements.   | No issues have been identified that we wish to highlight for your attention.                    |
| <b>Early substantive testing</b> | <p>We have undertaken the following early substantive testing covering 11<sup>th</sup> months of the financial year:</p> <ul style="list-style-type: none"> <li>• Tested a sample of contributions to source data to gain assurance over their accuracy and occurrence</li> <li>• Tested a sample of changes to member data made during the year to source documentation.</li> </ul> <p>This testing will be updated at year end. To date no issues have been identified that we wish to highlight.</p> | Our work has not identified any issues. Testing is to be completed at our final accounts visit. |

# The audit cycle

## The audit timeline



# Audit Fees

## Fees

|   | £             |
|---|---------------|
| Pension fund audit                                  | 23,892        |
| IAS 19 fee variation (estimate based on prior year) | 1,328         |
| <b>Total audit fees (excluding VAT)</b>             | <b>25,220</b> |

## Our fee assumptions include:

- Supporting schedules to all figures in the accounts are supplied by the agreed dates and in accordance with the agreed upon information request list
- The scope of the audit, and the Fund and its activities, have not changed significantly
- The Fund will make available management and accounting staff to help us locate information and to provide explanations
- The accounts presented for audit are materially accurate, supporting working papers and evidence agree to the accounts, and all audit queries are resolved promptly.

## Fees for other services

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

## What is included within our fees

- A reliable and risk-focused audit appropriate for your business
- Invitations to events hosted by Grant Thornton in your sector, as well as the wider finance community
- Ad-hoc telephone calls and queries
- Technical briefings and updates

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# Independence and non-audit services

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

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

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to Warwickshire pension fund. The following audit related and non-audit services were identified for the Fund for 2016/17:

## Fees for other services

| Service                  | Fees £ | Planned outputs |
|--------------------------|--------|-----------------|
| <b>Audit related</b>     | None   |                 |
|                          |        |                 |
| <b>Non-audit related</b> | None   |                 |
|                          |        |                 |

Where identified, the amounts detailed are fees agreed to-date for audit related and non-audit services (to be) undertaken by Grant Thornton UK LLP (and Grant Thornton International Limited network member Firms) in the current financial year. Full details of all fees charged for audit and non-audit services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

The above services are consistent with the Administering Authority's policy on the allotment of non-audit work to your auditors.

# Communication of audit matters with those charged with governance

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

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

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

## Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK and Ireland), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

This plan has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by Public Sector Audit Appointments Limited (<http://www.psa.co.uk/appointing-auditors/terms-of-appointment/>)

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

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the NAO and includes nationally prescribed and locally determined work (<https://www.nao.org.uk/code-audit-practice/about-code/>). Our work considers the Fund's key risks when reaching our conclusions under the Code.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

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

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

# Communication of audit matters with those charged with governance

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

| Area of consideration  | Current understanding based on planning and interim work to date  |
|--|---|
| <b>Awareness of fraud or suspected fraud</b>   | There are no material instances of fraud that have been identified during the year. Any significant suspected or alleged fraud are investigated by Internal Audit and reported to the Audit and Standards Committee on a regular basis.   |
| <b>Views about the risks of fraud</b>  | <p>Two types of intentional misstatements are relevant to our consideration of fraud in our financial statements audit (i) misstatements arising from fraudulent financial reporting and (ii) misappropriation of assets.</p> <p>Although there is an on-going risk of fraud being committed against the fund arrangements are in place to both prevent and detect fraud. These include the regular review of arrangements and work carried out by Internal Audit as part of their annual plan. The risk of material misstatement of the accounts due to undetected fraud is low and this is consistent with the risk management processes that are in place within the Fund and administering authority. As noted under significant risks we will consider management override of controls. Our work on investments will seek appropriate independent assurances on existence and valuation of assets.</p> |
| <b>Awareness of whistleblower tips or complaints</b>   | Internal Audit are involved in the investigation of whistleblower referrals or complaints with a potential financial impact. There are no material instances of fraud that have been identified during the year arising from whistleblower tips or complaints.  |
| <b>How the Audit &amp; Standards Committee provide oversight of management's fraud risk assessment process</b> | <p>The Annual Governance Statement and Head of Internal Audit Opinion are formally presented to the Audit and Standards Committee on an annual basis.</p> <p>The system of internal control is reviewed annually as part of the annual governance statement. The workplan of Internal Audit includes reviewing the operation of internal controls and appropriate segregation of duties. Internal Audit include fraud risk in their planning process.</p>   |





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## Audit & Standards Committee

1 June 2017

### Work Programme 2016 / 2017

#### Recommendation

That the Committee considers its work programme.

#### 1 Key Issues

- 1.1 As requested at the last meeting a review of the agendas of other county council audit committees has identified a range of topics that have not featured on this Committee's agenda. A number of these are specific to the organisation concerned but there are some which are more generic in nature and the Committee is asked to consider whether any of these should be added to the work programme.
- 1.2 The potential items identified are annual reports covering:
1. Local Government Ombudsman issues
  2. Regulation of investigatory Powers Act cases
  3. Information Governance issues
  4. Whistleblowing referrals
  5. Members code of conduct issues
  6. Freedom of Information requests

#### 2.0 Options and Proposal

- 2.1 Not applicable

#### 3.0 Timescales associated with the decision and next steps

- 3.1 Following consideration by the Committee the agreed items will be timetabled together with the other suggestions raised at the self-assessment workshop and discussed at the previous meeting.

#### Background papers

1. None

## Appendices

### Appendix A – Work Programme

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

The report was circulated to the following members prior to publication:

Local Member(s): Not applicable

Other members: Not applicable

**Audit and Standards Committee  
Work Programme 2017/18**

| <b>Item</b>  | <b>Lead Officer</b> | <b>Date of next report</b> |
|--|---------------------|----------------------------|
| Internal Audit Progress Report (EXEMPT)                        | Garry Rollason      | June 2017                  |
| Annual Governance Statement 2016/17                            | Garry Rollason      | June 2017                  |
| Internal Audit Annual Report 2016/17                           | Garry Rollason      | June 2017                  |
| Internal Audit Plan 2017/18                                    | Garry Rollason      | June 2017                  |
| Whistleblowing Policy Review                                   | Jane Pollard        | June 2017                  |
| External Auditors Progress and Update Report                   | Virginia Rennie     | June 2017                  |
| Warwickshire Pension Fund External Auditors Audit Plan 2016/17 | Mathew Dawson       | June 2017                  |
| Potential Future Agenda Items                                  | Garry Rollason      | June 2017                  |
| Internal Audit Progress Report (EXEMPT)                        | Garry Rollason      | September 2017             |
| Annual Governance Statement 2016/17                            | Garry Rollason      | September 2017             |