

# Audit & Standards Committee Agenda

7 March 2019

The Audit and Standards Committee will meet in **Committee Room 2, Shire Hall, Warwick** on **7 March 2019** at **10:00 a.m.**

## 1. General

### (1) Apologies

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

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

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

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

### (3) Minutes of the Audit and Standards Committee meeting held on 29 November 2018 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)

## ITEMS FOR DISCUSSION IN PUBLIC

### 2. External Auditors Report - Annual Audit Plan and Audit Fee Letter 2018/19

The Audit and Standards Committee is asked to consider the Annual Audit Plan for from the External Auditors for 2018/19, attached at Appendix A, and the Audit Fee Letter, attached at Appendix B.

### 3. Contract Standing Orders

### 4. Self-Assessment

The Audit and Standards Committee is asked to consider and comment on the outcomes of its self - assessment exercise and to support the inclusion of future agenda items in those areas in most need of addressing as set out in the report.

### 5. 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:

- 23 May 2019
- 24 July 2019

### 6. Any Other Business

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

### 7. 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'.

### 8. Exempt Minutes of the Audit and Standards Committee meeting held on 29 November 2018 and Matters Arising

### 9. Internal Audit Progress Report

This exempt report summarises the results of internal audit work undertaken since the previous report to the Committee in November 2018.

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

**Councillors:** Parminder Singh Birdi, Mark Cargill, Bill Gifford, John Holland, John Horner and Jill Simpson-Vince

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

For queries regarding this agenda, please contact:  
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**DAVID CARTER**  
**Joint Managing Director**  
**Warwickshire County Council**  
**27 February 2019**



**Minutes of the meeting of the Audit and Standards Committee  
held on 29 November 2018**

**Present**

**Members:**

Councillors Mark Cargill, Andy Crump, Bill Gifford, John Holland, John Horner and Jill Simpson-Vince

**Independent Members:**

John Bridgeman CBE (Chair)  
Bob Meacham OBE

**Officers:**

Vicki Barnard, Group Manager (Corporate Finance)  
Sarah Duxbury, Assistant Director of Governance and Policy  
Tom McColgan, Senior Democratic Services Officer  
Garry Rollason, Internal Audit and Insurance Manager

**External Representatives:**

Jim McLarnon, Grant Thornton – Auditors  
Grant Patterson, Grant Thornton – Auditors

**1. General**

**(1) Apologies**

John Betts, Assistant Director Finance and ICT also sent his apologies for the meeting.

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

Councillor Holland declared a non-pecuniary interest as a member of the Local Government Pension Scheme.

Councillor Gifford declared a non-pecuniary interest as a member of the Pension Fund Investment Sub-Committee. Councillor Gifford also declared that his children had attended Trinity School and it was in his division.

**(3) Minutes of the meeting of the Audit and Standards Committee held on 25 July 2018 and Matters Arising**

It was noted that Bob Meacham's apologies for the meeting had not been recorded in the minutes.

In response to the Chair, the Assistant Director of Governance and Policy confirmed that all outstanding cases which had been identified as not having had appropriate pre-employment checks had now been cleared.

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

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

**Resolved:** That members of the public be excluded from the meeting for the item 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**

This item is exempt

## **4. External Auditor's Annual Audit Letter 2017/18**

Grant Patterson, Grant Thornton – Auditors introduced the Annual Audit Letter which looked to close down the audit of the 2017/18 accounts. Grant Patterson stated that there were two outstanding objections to the 2015/16 accounts which he was in the process of responding to. Once he had responded to them the objectors then had the right to challenge the response. There is also an objection to the 2017/18 accounts which he hopes to progress early in the New Year. Grant Patterson drew the Committee's attention to the information relating to the Teachers Pension Claim contained in the letter which had not been included in Grant Thornton's previous report.

In response to the Chair, Grant Patterson stated that he proposed to bring a paper to a future committee meeting detailing the objections to the account which had been received. He stated that he had already made some recommendations to the Council drawn from the objections which had been implemented. Grant Patterson also stated that his understanding was that the objections and all relevant correspondence had to be presented to Committee with the names of the objectors redacted and in closed session.

The Assistant Director of Governance and Policy confirmed that any personal details relating to the objector would usually be redacted from any papers seen by the Committee.

In response to Councillor Crump, Grant Patterson stated that a resident could object to any sum in the annual accounts. It was open to an external auditor to reject an objection if it was a repeat of a previous objection or vexatious. An objection could also be closed at stage 1 if there was no suggestion of an underlying issue with governance arrangements.

Councillor Gifford stated that in some cases complaining about the Council's Accounts could be a way of raising more personal issue with the County Council. He asked whether more could be done to engage with individuals before they put in complaints recognising the costs involved in dealing with formal objections to the accounts.

Grant Patterson responded that he was aware that the Council had sought to engage with individuals but once an objection had been lodged with the auditors they had little discretion on whether it would be investigated.

In response to Bob Meacham, Jim McLarnon, Grant Thornton – Auditors stated that the level at which materiality was set differed between sectors and types of organisations. In the Private Sector income would be used as the benchmark against which materiality was set whereas in the Public Sector materiality was set with regard to spending. This was because there was a greater risk of managers in the Private Sector overstating income whereas Public Sector focus was more centred on expenditure.

Grant Patterson stated that he made reference to the International Auditing and Assurance Standards Board's guidance when setting materiality. Public Sector organisations for which Grant Thornton served as an auditor generally had a materiality of 1-2% of the organisation's gross revenue expenditure. Grant Patterson stated that he set the materiality level and felt that 1.8% of the County Council's gross revenue expenditure or £14.351million struck the right balance between transparency and the efficiency of the audit. The materiality level could be lowered if there were governance issues which warranted it. Materiality had previously been set at 2% but had been lowered to 1.8% in recent years as a reflection of the difficulties faced by the sector as a whole and not due to any particular concerns regarding the Council's accounts.

Grant Patterson also clarified that materiality of the pension fund was benchmarked against the fund's net assets and was set at 1% of the fund's net assets or £19.838million.

In response to Councillor Gifford, Grant Patterson stated that there was no formal benchmarking for Council finance but the Chartered Institute of Public Finance and Accountancy was in the process of consulting on an Index of Resilience. Grant Patterson stated that in his opinion Warwickshire was performing well having made 90% of the saving targets it had set. He stated that the role of the external auditors was to focus on ensuring an organisation had robust internal reporting mechanisms and that it was delivering the plans it set itself rather than look at the service level implications of the plans. Grant Thornton did look at sector wide challenges such as social care or special educational needs spend and would question how the Council was managing these.

Councillor Horner stated that the press often reported bankruptcy as a sudden event as was the case with the reporting around Northamptonshire County Council. Councillor Horner asked if the External Auditors would have seen the warning signs in these organisations and if issues would have been highlighted to senior officers or through their Audit Committee.

Grant Patterson responded that he would expect an auditor to bring any areas of concern to the attention of the Section 151 Officer. If an auditor felt that the organisation was not taking suitable action following issues being identified they then had a number of tools at their disposal including issuing a statutory notice. Grant Patterson stated that he would be concerned if the Council was recording a large amount of revenue expenditure as capitalised costs or using capital flexibility in an inappropriate way. Failing to meet saving plans if there was no acknowledgement of lessons learnt from the organisation was also a warning sign auditors should address with senior officers.

**4.13 Resolved:** That the Committee noted the Annual Audit Letter of the External Auditors including whether any executive action was required.

## 5. External Auditors' Progress Report

Jim McLarnon, Grant Thornton – Auditors introduced the report as the new manager for the Council's accounts and pension fund. The report showed the work towards closing the 2017/18 accounts and early planning for the 2018/19 audit including early testing due to take place in the New Year and an anticipated timetable.

In response to the Chair, Grant Patterson stated that Grant Thornton were not planning an overall evaluation of Section 106 monies as the objection the Chair had referenced referred to a specific sum. Vicki Barnard added that there was an internal audit of capital monitoring which included a strand looking at Section 106.

In response to Councillor Gifford, Grant Patterson stated that the Council's Internal Audit Team were very proactive and tended to bring any issues they found to the attention of the external auditors early.

In response to the Chair, Grant Patterson confirmed that Grant Thornton had been awarded the contract to serve as the Council's external auditors for the next 5 years by Public Sector Audit Appointments.

5.5 **Resolved:** That the Committee noted the External Auditors' Progress Report

## 6. 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:

- 28 March 2019
- 23 May 2019
- 24 July 2019

## 7. Any Other Business

None

The Committee rose at 11:05 am

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Chair



## Audit and Standards Committee

7 March 2019

### External Auditors Report - Annual Audit Plan and Audit Fee Letter 2018/19

#### Recommendation

The Audit and Standards Committee is asked to consider the Annual Audit Plan for from the External Auditors for 2018/19, attached at Appendix A, and the Audit Fee Letter, attached at Appendix B.

#### 1. Purpose of the Report

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

#### 2. Background Papers

- 2.1. None

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Elected Members have not been consulted in the preparation of this report.





# External Audit Plan

*Year ending 31 March 2019*

Warwickshire County Council and Warwickshire Pension Fund  
7 March 2019



# Contents



## Your key Grant Thornton team members are:

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A. Audit Approach	

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, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Authority and Fund or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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# Introduction

## Our Team



### Grant Patterson, Engagement Lead

Grant will be the main point of contact for the Chair, Chief Financial Officer and Committee members. He will share his wealth of knowledge and experience across the sector providing challenge and sharing good practice. Grant will ensure our audit is tailored specifically to you, and he is responsible for the overall quality of our audit. Grant will sign your audit opinion.



### Jim McLarnon, Audit Manager

Jim will work with senior members of the finance team ensuring testing is delivered and any accounting issues are addressed on a timely basis. He will attend Committee meetings with Grant, and supervise Lena in leading the on-site team. Jim will undertake reviews of the team's work and draft clear, concise and understandable reports.



### Lena Grant-Pearce, Audit Incharge

Lena will be the day to day contact for the audit, organising our visits and liaising with authority and pension fund staff. She will lead the on-site team and will monitor deliverables, manage our query log ensuring that any significant issues and adjustments are highlighted to management as soon as possible.

## Purpose

This document provides an overview of the planned scope and timing of the statutory audits of Warwickshire County Council ('the Authority') and Warwickshire Pension Fund ('the Fund') for those charged with governance.

## Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of the Authority and the Fund. We draw your attention to both of these documents on the [PSAA website](#). We draw your attention to both of these documents.

## Scope of our audits

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the:

- Authority and Fund's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit and Standards Committee); and
- Value for Money arrangements in place at the Authority for securing economy, efficiency and effectiveness in your use of resources.

The audit of the financial statements does not relieve management or the Audit and Standards Committee of your responsibilities.

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

# Headlines

<b>Significant risks</b>	<p>Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:</p> <p><b>Warwickshire County Council</b></p> <ul style="list-style-type: none"><li>• Management override of controls, this risk is mandated per ISA 240</li><li>• Valuation of land and buildings</li><li>• Valuation of the net liabilities of the defined benefit pension scheme (LGPS)</li></ul> <p><b>Warwickshire Pension Fund</b></p> <ul style="list-style-type: none"><li>• Valuation of level 3 investments</li></ul> <p>We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.</p>
<b>Materiality - Authority</b>	<p>We have determined planning materiality to be £15m (PY £14.4m) for the Authority, which equates to 1.8% of your prior year gross expenditure for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £750k (PY £718k).</p>
<b>Materiality – Pension Fund</b>	<p>We have determined materiality at the planning stage of our audit to be £20m (PY £19.8m) for the Fund, which equates to 1% of your net assets for the year.</p> <p>We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £1m (PY £990k).</p>
<b>Value for Money arrangements (Authority Only)</b>	<p>Our risk assessment regarding the Authority's arrangements to secure value for money have identified the following VFM significant risk:</p> <ul style="list-style-type: none"><li>• Financial planning and delivery of the One Organisational Plan.</li></ul>
<b>Audit logistics</b>	<p>Our interim visits will take place in March and our final visit will take place in June and July. Our key deliverables are this Audit Plan and our Audit Findings Report.</p> <p>Our fee for the audit will be £72,795 (PY: £94,539) for the Authority and £18,397 (PY: £23,892) for the Fund, subject to management meeting our requirements set out on page 12.</p>
<b>Independence</b>	<p>We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements..</p>

# Key matters impacting our audit of the Authority

External Factors			Internal Factors
<p><b>The wider economy and political uncertainty</b></p> <p>At a national level, the government continues its negotiation with the EU over Brexit, and future arrangements remain clouded in uncertainty. The Authority will need to ensure that it is prepared for all outcomes, including any impact on contracts, on service delivery and on its support for local people and businesses.</p> <p>Local Government funding continues to be stretched with increasing cost pressures and demand from residents. For Warwickshire County Council, performance against the 'One Organisational Plan' at Q3 reported an underspend of £1.7m to approved budget. This equates to a forecast level of reserves of £134.9m at financial year end 31 March 2019. Progress made on delivery of savings is positive however at Q3 five business units were forecasting a shortfall in meeting their targets.</p> <p>For 2019/20 a savings plan of £16.1m has been identified of which £14.2m is to be delivered by March 2020. The Council has estimated that savings in the range of £20m to £45m will be needed by 2025.</p>	<p><b>Changes to the CIPFA 2018/19 Accounting Code</b></p> <p>The most significant changes relate to the adoption of:</p> <ul style="list-style-type: none"> <li>IFRS 9 Financial Instruments which impacts on the classification and measurement of financial assets and introduces a new impairment model.</li> <li>IFRS 15 Revenue from Contracts with Customers which introduces a five step approach to revenue recognition.</li> </ul>	<p><b>New audit methodology</b></p> <p>We will be using our new audit methodology and tool, LEAP, for the 2018/19 audit. It will enable us to be more responsive to changes that may occur in your organisation and more easily incorporate our knowledge of the Authority into our risk assessment and testing approach.</p>	<p><b>Management restructure</b></p> <p>Through discussions held with management we are aware that the County Council is undergoing a restructure at the executive level.</p> <p>This will entail moving to a traditional CEO model rather than the current model which employs two Managing Director posts.</p> <p>In addition to this, the roles and responsibilities of other heads of service have been reviewed and realigned from 1 April 2019.</p> <p>While we are currently assured that there will be no capacity issues as a result of the restructure, this requires strong transition change management processes and increases the risk of unclear responsibilities and impact upon service delivery.</p>
Our response			
<ul style="list-style-type: none"> <li>We will consider your arrangements for managing and reporting your financial resources as part of our work in reaching our Value for Money conclusion.</li> <li>Your current OOP 2020 Performance Reports show the Council is on track to meet the majority of its stated Key Business Measures for 2018/19. We will continue to monitor the position as the year progresses.</li> <li>We will consider whether your financial position leads to material uncertainty about the going concern of the Authority and will review related disclosures in the financial statements.</li> </ul>	<ul style="list-style-type: none"> <li>We will keep you informed of changes to the financial reporting requirements for 2018/19 through on-going discussions and invitations to our technical update workshops.</li> <li>As part of our opinion on your financial statements, we will consider whether your financial statements reflect the financial reporting changes in the 2018/19 CIPFA Code.</li> </ul>	<ul style="list-style-type: none"> <li>You will see changes in the terminology we use in our reports that will align more closely with the ISAs</li> <li>We will ensure that our resources and testing are best directed to address your risks in an effective way.</li> </ul>	<ul style="list-style-type: none"> <li>We will continue to liaise with key officers to ensure our understanding of the organisation structure and reporting lines are clear.</li> <li>We will continue to monitor the impact of the management restructure on the Council's ability to deliver its strategic objectives and whether we would need to revisit our initial VFM risk assessment.</li> </ul>

# Key matters impacting our audit of the Fund

External Factors			Internal Factors
<p><b>SI 493/2018 – LGPS (Amendment) Regulations 2018</b></p> <p>Introduces a new provision for employers to receive credit for any surplus assets in a fund upon ceasing to be a Scheme employer. This could potentially lead to material impacts on funding arrangements and the need for updated of Funding Strategy Statements.</p> <p><b>Guaranteed Minimum Pension (GMP)</b></p> <ul style="list-style-type: none"> <li>Pension funds are continuing to work through the GMP reconciliation process.</li> <li>In January 2018 the government extended its “interim solution” for indexation and equalisation for public service pension schemes until April 2021. Currently the view is that the October 2018 High Court ruling in respect of GMP equalisation is therefore not likely to have an immediate impact upon the LGPS.</li> </ul>	<p><b>Changes to the CIPFA 2018/19 Accounting Code</b></p> <p>The most significant changes relate to the adoption of IFRS 9 Financial Instruments. In practice, IFRS 9 is anticipated to have limited impact for pension funds as most assets and liabilities held are already classed as fair value through profit and loss.</p> <p><b>The Pensions Regulator (tPR)</b></p> <p>tPRs Corporate Plan for 2018-2021 includes three new Key Performance Indicators (KPIs) directly related to public service pension schemes and TPR has chosen the LGPS as a cohort for proactive engagement throughout 2018 and 2019.</p>	<p><b>New audit methodology</b></p> <p>We will be using our new audit methodology and tool, LEAP, for the 2018/19 audit. It will enable us to be more responsive to changes that may occur in your organisation and more easily incorporate our knowledge of the Pension Fund into our risk assessment and testing approach.</p>	<p><b>Border to Coast – Investment Pool Assurance</b></p> <p>As arrangements in respect of pooling progress, the Fund has moved £244m of assets to the Border to Coast Pool during 2018/19.</p> <p>In order to gain assurance over the valuation of investments at period end, we normally seek Type II assurance reports on the operating effectiveness of controls in place at various investment managers.</p> <p>Due to the fact the pool has been in operation under 12 months, it is not possible to produce a type II assurance report in 2018/19. Alongside other audit Firms we will discuss the assurances we will require for our year end work.</p>
Our response			
<ul style="list-style-type: none"> <li>We will continue to monitor the position in respect of GMP equalisation and reconciliation. For pension funds the immediate impact is expected to be largely administrative rather than financial.</li> </ul>	<ul style="list-style-type: none"> <li>We will keep you informed of changes to the financial reporting requirements for 2018/19 through on-going discussions and invitations to our technical update workshops.</li> <li>As part of our opinion on your financial statements, we will consider whether your financial statements reflect the financial reporting changes in the 2018/19 CIPFA Code.</li> <li>We will keep under review any interaction the Fund has with tPR and tailor our audit approach where necessary.</li> </ul>	<ul style="list-style-type: none"> <li>You will see changes in the terminology we use in our reports that will align more closely with the ISAs</li> <li>We will ensure that our resources and testing are best directed to address your risks in an effective way.</li> </ul>	<ul style="list-style-type: none"> <li>Whilst we do not consider the transfer of assets to the pool as a significant risk we will tailor our approach to gain assurance in respect of the completeness and accuracy of the transactions.</li> <li>We will review assurance reports where produced in relation to the pool in order to inform our understanding of the arrangements in place at the pool.</li> <li>We will review type II assurance reports produced in relation to investment managers the pool utilises.</li> </ul>



# Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement 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.

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
<b>The revenue cycle includes fraudulent transactions (rebutted)</b>	<b>Authority and Fund</b>	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the group/Authority and the 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 and Pension Fund, 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 County Council and Warwickshire Pension Fund.</p> <p>No specific work is planned as the presumed risk has been rebutted.</p>
<b>Management over-ride of controls</b>	<b>Authority and Fund</b>	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Authority and Fund faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk for both the group/Authority and Fund, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• evaluate the design effectiveness of management controls over journals</li> <li>• analyse the journals listing and determine the criteria for selecting high risk unusual journals</li> <li>• test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration</li> <li>• gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence</li> <li>• evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.</li> </ul>

# Significant risks identified (continued)

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
<b>Valuation of the pension fund net liability</b>	<b>Authority</b>	<p>The Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£787 million in the Authority's balance sheet) and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Authority's pension fund net liability as a significant risk.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• update our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluate the design of the associated controls;</li> <li>• evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;</li> <li>• assess the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation;</li> <li>• assess the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability;</li> <li>• test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary;</li> <li>• undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and</li> <li>• obtain assurances from our audit of the Warwickshire Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.</li> </ul>
<b>Valuation of land and buildings (Rolling revaluation)</b>	<b>Authority</b>	<p>The Authority revalues its land and buildings on a rolling five-yearly basis. In 2018/19, the entire asset base will be revalued in line with this policy.</p> <p>This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.</p> <p>We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work</li> <li>• evaluate the competence, capabilities and objectivity of the valuation expert</li> <li>• write to the valuer, with follow up discussions as necessary, to confirm the basis on which the valuations were carried out</li> <li>• challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding</li> <li>• test, on a sample basis, revaluations made during the year to ensure they have are consistent with the valuer's report and have been input correctly into the Authority's asset register</li> <li>• evaluate the assumptions made by management for any assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value.</li> </ul>

# Significant risks identified (continued)

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
<b>Valuation of Level 3 Investments</b>	<b>Fund</b>	<p>The Fund revalues its investments on an annual basis to ensure that the carrying value is not materially different from the fair value at the financial statements date.</p> <p>By their nature Level 3 investment valuations lack observable inputs. These valuations therefore represent a significant estimate by management in the financial statements due to the size of the numbers involved (£110 million) and the sensitivity of this estimate to changes in key assumptions</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>Management utilise the services of investment managers and the custodians as valuation experts to estimate the fair value as at 31 March 2019.</p> <p>We therefore identified valuation of Level 3 investments as a significant risk.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• evaluate management's processes for valuing Level 3 investments</li> <li>• 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; to ensure that the requirements of the Code are met</li> <li>• for a sample of investments, test the valuation by obtaining and reviewing the audited accounts, (where available) at the latest date for individual investments and agreeing these to the fund manager reports at that date. Reconcile those values to the values at 31 March 2019 with reference to known movements in the intervening period and</li> <li>• in the absence of available audited accounts, we will evaluate the competence, capabilities and objectivity of the valuation expert</li> </ul>

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# Other matters

## Other work

The Fund is administered by the Authority, and the Fund's financial statements form part of the Authority's financial statements.

Therefore, in addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities in respect of the Authority and the Fund, as follows:

- We read the Authority's Narrative Report and Annual Governance Statement to check that they are consistent with the financial statements of the Authority and the Fund on which we give an opinion, and consistent with our knowledge of the Authority.
- We carry out work to satisfy ourselves that disclosures made in the Authority's Annual Governance Statement are in line with the guidance issued by CIPFA.
- We carry out work on the Authority's consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We carry out work to satisfy ourselves on the consistency of the pension fund financial statements included in the pension fund annual report with the audited Fund accounts.
- We consider our other duties under legislation and the Code, as and when required, including:
  - Giving electors the opportunity to raise questions about the Authority or Fund's 2018/19 financial statements, consider and decide upon any objections received in relation to the 2018/19 financial statements;
  - issue of a report in the public interest or written recommendations to the Authority or Fund under section 24 of the Act, copied to the Secretary of State.
  - Application to the court for a declaration that an item of account is contrary to law under Section 28 or for a judicial review under Section 31 of the Act; or
  - Issuing an advisory notice under Section 29 of the Act.
- We certify completion of our audit of the Authority.

## 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 this report.

## 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 Authority or the Fund's 's ability to continue as a going concern" (ISA (UK) 570). We will review management's assessment of the going concern assumption and evaluate the disclosures in the financial statements.

# Materiality

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. 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.

Matter	Description	Planned audit response
1	<p><b>Calculation and determination</b></p> <p>We have determined planning materiality (financial statement materiality determined at the planning stage of the audit) based on professional judgment in the context of our knowledge of the Authority and the Fund, including consideration of factors such as stakeholder expectations, financial stability and reporting requirements for the financial statements.</p> <p>We determine planning materiality in order to:</p> <ul style="list-style-type: none"> <li>– estimate the tolerable level of misstatement in the financial statements</li> <li>– assist in establishing the scope of our audit engagement and audit tests</li> <li>– calculate sample sizes and</li> <li>– assist in evaluating the effect of known and likely misstatements in the financial statements</li> </ul>	<ul style="list-style-type: none"> <li>• For the Authority, we have determined financial statement materiality based on a proportion of the gross expenditure of the Authority for the financial year. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £15m (PY £14.4m) for the Authority, which equates to 1.8% of your prior year gross expenditure for the year.</li> <li>• For the Fund, we have determined financial statement materiality based on a proportion of the Fund's net assets. In the prior year we used the same benchmark. Our materiality at the planning stage is £20m (PY £19.8m) which equates to 1% of your actual net assets for the year ended 31 March 2018.</li> </ul>
2	<p><b>Other factors</b></p> <p>An item does not necessarily have to be large to be considered to have a material effect on the financial statements. We design our procedures to detect errors in specific accounts at a lower level of precision which we deem to be relevant to stakeholders.</p>	<ul style="list-style-type: none"> <li>• For the Authority, we have determined a lower specific materiality level of £25k for Senior officer remuneration.</li> </ul>
3	<p><b>Reassessment of materiality</b></p> <p>Our assessment of materiality is kept under review throughout the audit process.</p>	<ul style="list-style-type: none"> <li>• We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of materiality</li> </ul>
4	<p><b>Matters we will report to the Audit and Standards Committee</b></p> <p>Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts, other than those which are 'clearly trivial', to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.</p>	<ul style="list-style-type: none"> <li>• In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £750k (PY £718k).</li> <li>• In the context of the Fund, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £1m (PY 990k).</li> <li>• If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit and Standards Committee to assist it in fulfilling its governance responsibilities.</li> </ul>

# Value for Money arrangements

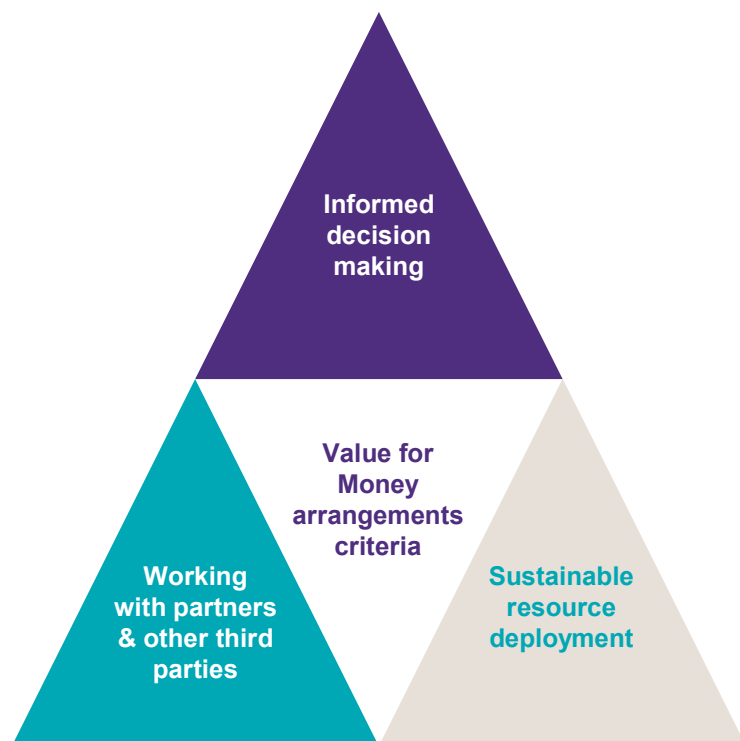
## Background to our VFM approach

The NAO issued its guidance for auditors on Value for Money work in November 2017. The guidance states that for Local Government bodies, excluding Pension Funds, auditors are required to give a conclusion on whether the Authority has proper arrangements in place to secure value for money.

The guidance identifies one single criterion for auditors to evaluate:

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

This is supported by three sub-criteria, as set out below:



## Significant VFM risks

Those risks requiring audit consideration and procedures to address the likelihood that proper arrangements are not in place at the Authority to deliver value for money.



### Financial planning and delivery of the One Organisational Plan

The Council is about to enter the final year of the 'One Organisational Plan 2020' ahead of developing a new Corporate Plan 2020-25. The OOP 2020 objective is that by the end of 2019/20 the budget will be balanced and sustainable into the future. This involves delivering £67m of savings between 2017-2020

The Quarter 3 forecast outturn position is for a small underspend of £1.7m in 2018/19 and a forecast general reserves position of £32.8m at year end as specified by the Assistant Director of Finance and ICT.

Five Business Units are presently forecasting that they will not meet their 2018/19 savings targets, with the overall shortfall expected to be £2.3m. For 2019/20 a savings plan of £16.1m has been identified of which £14.2m is to be delivered by March 2020. The Council has estimated that savings in the range of £20m to £45m will be needed by 2025.

Whilst the Council has a strong track record of delivering in year budgets and savings targets, this remains a significant risk in 2018/19 and beyond against the backdrop of a challenging Local Government landscape.

The OOP 2020 Plan aims to achieve two high level Outcomes. Performance is assessed against Key Business Measures (KBMs). At Q3 66% (37) of KBMs were achieving target while the remainder 34% (34) of KBM's were behind target.

In response to the assessed significant VFM risk, we will:

- Review performance in the period by comparing the final outturn position to budgeted for revenue and capital budgets, as well as assessing any achievement or shortfall of savings targets.
- Hold enquiries of key officers to understand the process in place for future medium term financial planning and where available, review underlying documentation to ensure assumptions are reasonable.

# Audit logistics, team & fees



## Audit fees

The planned audit fees are £72,795 (PY: £94,539) for the financial statements audit of Authority, and £18,397 (PY: £23,892) for the financial statements audit of the Fund, completed under the Code, which are in line with the scale fees published by PSAA. In setting your fee, we have assumed that the scope of the audits, and the Authority and Fund and its activities, do not significantly change.

Where we are required to respond to requests received from other auditors of other bodies for assurance in respect of information held by the Fund and provided to the actuary to support their individual IAS 19 calculations these will be billed in addition to the audit fee on a case by case basis.

## Our requirements

To ensure the audit is delivered on time and to avoid any additional fees, you must ensure that:

- The draft accounts are provided to us by 31 May 2019 and are materially accurate;
- Supporting schedules to all figures in the accounts and other working papers are provided to us by 10 June 2019 and in accordance with the agreed upon information request list;
- All supporting schedules are clearly presented and agree to figures in the accounts;
- Key management and accounting staff identified in our information request list are available throughout the duration of our audit visits to help us locate information and to provide explanations; and
- All audit queries are resolved promptly and within agreed timescales.

If any of the above requirements are not met, we reserve the right to postpone our audit visit and charge fees to reimburse us for any additional costs incurred.



# Independence & non-audit services

## Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

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 Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, 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 Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 and PSAA's Terms of Appointment which set out supplementary guidance on ethical requirements for auditors of local public bodies.

## Other services provided by Grant Thornton

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Authority and the Fund. The following other services were identified:

Service	£	Threats	Safeguards
<b>Audit related</b>			
Certification of Teachers Pension return	5,250	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £5,250 in comparison to the total fee for the audit of £72,795 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
<b>Non-audit related</b>			
CFO Insights	10,000	Self-Interest (because this is a recurring fee)	<p>A £30,000 for a three year subscription to CFO insights (£10,000 per year) was paid by the Council in 2015/16 and reported in our 2015/16 Audit Findings Report. It is due for renewal in February 2019.</p> <p>This is a recurring fee and therefore a self interest threat exists. However, the level of this recurring fee taken on its own is not considered to be a significant threat to independence as the fee for this work in comparison to the total fee for the audit (£72,795) for the Council and in particular to Grant Thornton UK LLP overall turnover. Furthermore, the work relates to non-audit related services for which there is a fixed fee and no contingent element to the fee.</p> <p>These factors are deemed to adequately mitigate the perceived self interest threat to an acceptable level.</p>

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Authority's policy on the allotment of non-audit work to your auditors. Any changes and full details of all fees charged for audit related and non-audit related 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.

None of the services provided are subject to contingent fees.



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# Appendices

**A. Audit Approach**

# Audit approach

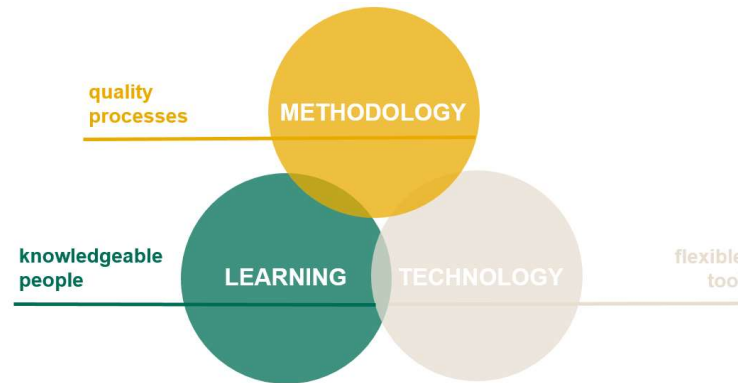
## Use of audit, data interrogation and analytics software

### LEAP



#### Audit software

- A globally developed ISA-aligned methodology and software tool that aims to re-engineer our audit approach to fundamentally improve quality and efficiency
- LEAP empowers our engagement teams to deliver even higher quality audits, enables our teams to perform cost effective audits which are scalable to any client, enhances the work experience for our people and develops further insights into our clients' businesses
- A cloud-based industry-leading audit tool developed in partnership with Microsoft



### IDEA



- We use one of the world's leading data interrogation software tools, called 'IDEA' which integrates the latest data analytics techniques into our audit approach
- We have used IDEA since its inception in the 1980's and we were part of the original development team. We still have heavy involvement in both its development and delivery which is further enforced through our chairmanship of the UK IDEA User Group
- In addition to IDEA, we also other tools like ACL and Microsoft SQL server
- Analysing large volumes of data very quickly and easily enables us to identify exceptions which potentially highlight business controls that are not operating effectively

### Appian



#### Business process management

- Clear timeline for account review:
  - disclosure dealing
  - analytical review
- Simple version control
- Allow content team to identify potential risk areas for auditors to focus on

### Inflo



Cloud based software which uses data analytics to identify trends and high risk transactions, generating insights to focus audit work and share with clients.



#### REQUEST & SHARE

- Communicate & transfer documents securely
- Extract data directly from client systems
- Work flow assignment & progress monitoring



#### ASSESS & SCOPE

- Compare balances & visualise trends
- Understand trends and perform more granular risk assessment



#### VERIFY & REVIEW

- Automate sampling requests
- Download automated work papers



#### INTERROGATE & EVALUATE

- Analyse 100% of transactions quickly & easily
- Identify high risk transactions for investigation & testing
- Provide client reports & relevant benchmarking KPIs



#### FOCUS & ASSURE

- Visualise relationships impacting core business cycles
- Analyse 100% of transactions to focus audit on unusual items
- Combine business process analytics with related testing to provide greater audit and process assurance



#### INSIGHTS

- Detailed visualisations to add value to meetings and reports
- Demonstrates own performance and benchmark comparisons





Our ref: GP/WCC Fee Letter 2018-19  
Your ref:

John Betts  
Head of Finance  
Warwickshire County Council  
Shire Hall  
Warwick  
CV34 4RL

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28 March 2018

Dear John

## Planned audit fee for 2018/19

The Local Audit and Accountability Act 2014 (the Act) provides the framework for local public audit. Public Sector Audit Appointments Ltd (PSAA) has been specified as an appointing person under the Act and the Local Authority (Appointing Person) Regulations 2015 and has the power to make auditor appointments for audits of opted-in local government bodies from 2018/19.

For opted-in bodies PSAA's responsibilities include setting fees, appointing auditors and monitoring the quality of auditors' work. Further information on PSAA and its responsibilities are available on the [PSAA website](#).

From 2018/19 all grant work, including housing benefit certification, now falls outside the PSAA contract, as PSAA no longer has the power to make appointments for assurance on grant claims and returns. Any assurance engagements will therefore be subject to separate engagements agreed between the grant-paying body, the Council and ourselves and separate fees agreed with the Council.

### Scale fee

PSAA published the 2018/19 scale fees for opted-in bodies in March 2018, following a consultation process. Individual scale fees have been reduced by 23 percent from the fees applicable for 2017/18. Further details are set out on the [PSAA website](#). The Council's scale fee for 2018/19 has been set by PSAA at £72,795.

PSAA prescribes that *'scale fees are based on the expectation that audited bodies are able to provide the auditor with complete and materially accurate financial statements, with supporting working papers, within agreed timeframes'*.

The audit planning process for 2018/19, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary as our work progresses.

### Scope of the audit fee

There are no changes to the overall work programme for audits of local government audited bodies for 2018/19. Under the provisions of the Local Audit and Accountability Act 2014, the National Audit Office (NAO) is responsible for publishing the statutory Code of Audit Practice and guidance for auditors.

Audits of the accounts for 2018/19 will be undertaken under this Code. Further information on the NAO Code and guidance is available on the [NAO website](#).

The scale fee covers:

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

PSAA will agree fees for considering objections from the point at which auditors accept an objection as valid, or any special investigations, as a variation to the scale fee.

## Value for Money conclusion

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

The NAO issued its latest guidance for auditors on value for money work in November 2017. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has put proper arrangements in place.

The NAO guidance identifies one single criterion for auditors to evaluate:

*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.*

## Pension Fund audit

PSAA has also established a scale of fees for pension fund audits. The scale fee for the audit of the pension fund is £18,397, which also reflects a 23 per cent reduction on last year. Our work on the pension fund will be undertaken by our specialist pension fund audit team, led by Grant Patterson.

## Billing schedule

Fees will be billed as follows:

<b>Main Audit fee</b>	<b>£</b>
September 2018	18,199
December 2018	18,199
March 2019	18,199
June 2019	18,198
<b>Total</b>	<b>72,795</b>
<b>Pension Fund audit</b>	
March 2019	<b>18,397</b>

## Outline audit timetable

We will undertake our audit planning and interim audit procedures in December to February. Upon completion of this phase of our work we will issue a detailed audit plan setting out our findings and details of our audit approach. Our final accounts audit and work on the VfM conclusion will be completed in May and June along with our work on the whole of government accounts return.

Phase of work	Timing	Outputs	Comments
Audit planning and interim audit	December 2018 to February 2019	Audit plan	The plan summarises the findings of our audit planning and our approach to the audit of the Council's accounts and VfM.
Final accounts audit	May and June 2019	Audit Findings (Report to those charged with governance)	This report sets out the findings of our accounts audit and VfM work for the consideration of those charged with governance.
VfM conclusion	January to June 2019	Audit Findings (Report to those charged with governance)	As above.
Whole of government accounts	May and June 2019	Opinion on the WGA return	This work will be completed alongside the accounts audit.
Annual audit letter	Upon completion of our audit work	Annual Audit Letter to the Council	The letter will summarise the findings of all aspects of our work.

## Our team

The key members of the audit team for both the County Council and Pension Fund for 2018/19 are:

	Name	Phone Number	E-mail
Engagement Lead	Grant Patterson	0121 232 5296	<a href="mailto:grant.b.patterston@uk.gt.com">grant.b.patterston@uk.gt.com</a>
Senior Manager	Andrew Reid	0121 232 5289	<a href="mailto:andrew.s.reid@uk.gt.com">andrew.s.reid@uk.gt.com</a>

## Additional work

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

## Quality assurance

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

Yours sincerely



**Grant Patterson**  
Engagement Lead  
For Grant Thornton UK LLP





**Audit & Standards Committee  
7 March 2019  
Contract Standing Orders Review**

**Recommendation(s)**

1. That the revised Contract Standing Orders attached as Appendix 1 are recommended to Council for approval

**1.0 Key Issues**

- 1.1 Contract Standing Orders sets the minimum requirements to ensure the conduct of the Council's business is compliant with the law and carried out in an ethical way.
- 1.2 The opportunity has been taken to review Contract Standing Orders (CSOs) to take account of a number of changes. Some internal to the Council such as the officer management structure and the development of a new contract management framework. Others are externally driven by changes in the EU procurement processes to encourage moves towards e-procurement and electronic communications, plus a wish to maximise the use of the Council's electronic tendering system, streamline processes and reduce costs.
- 1.3 The key changes proposed are
  - Threshold for ordinary contracts moving from £50,000 to £100,000
  - Change to major contract threshold from £500,000 to £1,000,000 to align with changes to key decision regime previously agreed by Council
  - Update of delegated authority table to reflect changes to thresholds
  - Requirement to use electronic tendering systems
  - Changes in responsibilities of officers to reflect the new officer management structure and the new contract management framework

- Tightened advertising requirements for contract opportunities and awards
- Incorporation of approved disposals by auction scheme

## 2.0 Options and Proposal

- 2.1 In the light of previous decision by Council to raise the key decision threshold to £1,000,000 we have reviewed the thresholds for minor, ordinary and major contracts. Previously major contracts have been defined as those required to be processed through the formality of the key decision regime. We consider this connection should remain and that major contracts should be contracts of £1,000,000 or more to align with the new definition. Similarly the threshold for 'ordinary contracts' should be raised to £100,000. At the ordinary contract level formal tendering is required whereas for Minor Contracts (below £100,000) individuals can seek a minimum of 3 quotes rather than follow a full-blown tendering process. This keeps the process costs down. A lot of the Council's lower value purchases are in any event obtained via call-off arrangements from framework contracts set up by Central Government, ESPO and other public sector consortia which have been the subject of a competitive tender process.
- 2.2 Over the last 12 to 18 months the Council has been undergoing a transformation and there have been significant changes to the officer structure. From 1 April 2019 the Council will move back to an officer structure, led by a Chief Executive supported by three Directorates each headed by a Strategic Director, and in turn supported by a number of Assistant Directors. In addition the Council has agreed a new Contract Management Framework to strengthen the arrangements for monitoring contracts post award. We have also reconsidered the balance of responsibilities between the Strategic Directors and Assistant Directors.
- 2.3 Various statutory instruments in 2016 made changes to the EU procurement rules making electronic communication the default position for contracts subject to the EU rules. The Council has a well-developed e-procurement system which can deal with quotes as well as full-blown tendering processes. The previous version of CSOs encouraged electronic communications and tendering and we now consider it is appropriate for electronic communication

to be the default position for the Council although it is recognised that some additional work will need to be done with those suppliers who have not yet used the system to encourage and explain how the system operates.

- 2.4 There are various safeguards which have been automatically built into the e - procurement system and this has allowed us to streamline and remove some of the previous requirements in CSOs – for example in relation to receipt of late tenders. The electronic system will not accept late tenders so there is no need to provide additional safeguards/advice within CSOs. Similarly the receipt and opening of tenders is systematised and allows a safe way of ensuring proper records are kept. The e-procurement process allows for more devolved management of contracting processes due to the automatic safeguards in place.
- 2.5 We have tightened the minimum requirements for advertising opportunities and contract awards to meet the government requirements regarding openness and transparency and the increased requirements under the EU rules.
- 2.6 We have re-organised the section on the Contracting Process to more closely align with the order in which events may occur in a tendering process and also incorporated our scheme for disposals at public auction so that relevant material is in one place.

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

- 3.1 CSOs will be considered by Cabinet on 7 March 2019 with a view to seeking the approval of Council on 19 March 2019
- 3.2 If approved by Council it is proposed that the changes take effect from 1 April 2019

### **Background papers**

None

	<b>Name</b>	<b>Contact Information</b>
Report Author	Nichola Vine	nicholavine@warwickshire.gov.uk Tel: 01926 416379
Head of Service	Sarah Duxbury	sarahduxbury@warwickshire.gov.uk Tel: 01926 412090
Joint Managing Director	David Carter	davidcarter@warwickshire.gov.uk Tel: (01926) 412564
Portfolio Holder	Peter Butlin	

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

Local Member(s): N/A

Other members: N/A

## **Contract Standing Orders**

**Council rules for buying and supplying goods,  
works, or services and for disposing of assets**

**April 2019**

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## SECTION A

For clarity and pursuant to the Constitution of the County Council the role of Chief Finance Officer is executed by the Strategic Director for Resources and the role of Monitoring Officer is exercised by the Assistant Director - Governance and Policy

### 1 Scope and Purpose

1.1 Contract Standing Orders (CSOs) aim to promote good procurement practice, public accountability, deter corruption and provide protection for staff against allegations of impropriety.

1.2 All procurement and disposal procedures must:

- Achieve best value for money;
- Be consistent with the highest standards of integrity;
- Ensure fairness ~~in allocating public contracts~~;
- Comply with all legal requirements; ~~and~~
- Support the ~~council's~~ Council's corporate aims and policies;
- Comply with corporate policies and strategies and with the decisions of Corporate Board (or other officer boards authorised by Corporate Board), and with any other of the Council's properly constituted boards and committees acting within their jurisdiction ; and
- In relation to procurement of IT equipment, hardware and software specifically must comply with the Digital and ICT strategy and decisions taken by the Digital by Design Board

1.3 A relevant ~~contract~~ Contract for the purposes of CSOs is any arrangement made by, or on behalf of, the ~~council~~ Council for the carrying out of works or for the supply of goods, materials or services, for example:

- the supply or disposal of goods;
- hire, rental or lease of goods or equipment; and
- the delivery of services.

1.4 "Contract" also includes arrangements where the ~~council~~ Council is supplying goods, works or services.

1.5 Contracts must comply with these CSOs, irrespective of the method of funding (e.g. capital, revenue, sponsorship, donations or ~~grant monies~~ grants from a third



party).

#### 1.6 The following contracts are excluded from CSOs:

a. Contracts of employment which make an individual a direct employee of the ~~council~~;

Council;

b. Agreements for the acquisition, disposal, or transfer of land;

c. Contracts entered into by or on behalf of the ~~monitoring officer~~ Monitoring Officer for the appointment of ~~counsel~~ Counsel and/or ~~experts~~ Experts; or

d. Loans to banks or other financial institutions and investments made in accordance with the ~~treasury management strategy~~ Treasury Management Strategy.

## ~~2.~~ General Requirements

### 2.1 Classification and Valuation of Contracts

The following classifications apply for the purposes of CSOs:

o Minor contract – total value less than £~~50~~100,000

o Ordinary contract —total value of £~~50~~100,000 or more but below £1,000,000

o Major contract – total value of £1,000,000 or more

The total value of the contract should be calculated in accordance with the most appropriate of the following:

~~Fixed~~

(a) fixed term contracts - the total price expected to be paid during the whole of the contract period, including possible extensions; or

~~Where~~

(b) ~~where~~ the contract period is uncertain, multiply the price expected to be paid each month by 48;

(c) If the purchase ~~involves~~ is one of a series of ~~separate~~ regular transactions which are unlikely to last for more than 12 months for the same type of item, the '~~total value~~ Total Value' is the expected aggregate value of all of those transactions ~~in over~~ the coming next 12 months.

(d) For feasibility studies, it is the value of the scheme or contracts which may be awarded as a result.

~~A contract manager~~ An Officer **must not** select a method of calculating the ~~total value~~ Total Value in order to ~~minimise~~ avoid the ~~application~~ requirements of these CSOs.

## 2.2 Guiding Principles

(a) All contracts must be let through a competitive process which meets the requirements of **Section C** unless an exemption has been granted or the arrangement is ~~otherwise authorised~~ permitted by these CSOs.

(b) Adequate resources should be identified to manage the procurement and any contracts awarded

(c) Any contract which exceeds the ~~applicable~~ relevant EU threshold (or replacement threshold set by the UK Government) must comply with any legal requirements ~~imposed by the EU procurement regime in the Public Contract Regulations or any replacement Regulations approved by the UK Government~~

(d) There must be a procurement plan for all ~~major contracts~~ Major Contracts and any contract which exceeds the ~~applicable~~ relevant EU threshold or UK equivalent. The procurement plan must be submitted to the ~~head of finance~~ Chief Finance Officer and approved before the procurement process commences.

~~E-tendering and E-procurement is the preferred option over paper-based systems.~~ (e) Only approved E-systems should be used and advice should be sought from the ~~strategic procurement manager~~ Head of Procurement on their use. The use of e-procurement technology does not negate the requirement to comply with all elements of these CSOs, ~~particularly those relating to competition and value for money.~~

(f) The following are excluded from the requirement for competition:

i. Purchases made via a ~~local authority~~ purchasing consortium (e.g. ESPO) accessible to local authorities, however, purchases above the *EU Threshold* will only be excluded if the consortium has let their contract in accordance with *EU Procedures* ~~on behalf of the council~~.

ii. Contracts entered into through sub-regional working or collaboration with other ~~local authorities~~ Local Authorities or public bodies, where a competitive process has been followed that complies with the CSOs of the lead organisation ~~will be deemed to comply with these CSOs provided the collaboration has let their contract in accordance with EU Procedures (where applicable)~~.

iii. Collaborative proposals for joint working or shared services with other public ~~authorities~~ bodies which the ~~head of law and governance~~ Monitoring Officer has approved as meeting the following conditions i.e.:-

- The ~~principal activity of the collaborative arrangement is~~ the provision of services back to the participating ~~authorities~~ bodies
- The collaborating public ~~authorities~~ bodies when acting together exercise the same kind of control over the service ~~provision~~ as they would over an in-house service ~~provision~~; **and**
- There is no independent or private sector partner involved in the collaborative arrangement.

for

iv. residential placements ~~sought~~ for an individual with a registered care provider of their choice under the ~~National Assistance~~ Care Act ~~1948~~ 2014, or

~~for personal care services~~ v. Personal Care Services where, in the opinion of the appropriate ~~assistant director~~, Assistant Director, the ~~particular~~ needs of ~~an~~ individual ~~require a~~ specific social care package which is only available from ~~a~~ one provider.

vi. In relation to (iv) and (v) above the ~~assistant director~~ Assistant Director responsible for the delivery of the services must ensure that adequate records are maintained to demonstrate:

- The ~~provider~~ contractor meets the relevant national minimum standards;
- ~~Appropriate mechanisms for price review are in place~~
- The contract is effectively managed in accordance with the Councils contract management framework
- The reasons for the choice of ~~provider~~ contractor; and

- ~~council~~Council Why these were best possible terms for the ~~council~~Council in the circumstances.

## 2.3 Approvals

- (a) All contracts must be appropriately authorised in accordance with the ~~council's scheme~~Council's Scheme of ~~delegation~~Delegation before a procurement process (whether to be undertaken by negotiation or competition) is begun or a contract awarded.
- (b) Any proposal to let a contract with an estimated total value of £1,000,000 or more up to £3,000,000 can only be approved by the Deputy Leader, the Leader or Cabinet. See table below.
- (c) Any proposal to let a contract with an estimated total value of more than £3,000,000 can only be approved by either the ~~cabinet~~Cabinet or the ~~leader~~Leader. See table below.
- (d) All contracts should be in written form and once the terms and conditions are agreed should be submitted to the appropriate person for signature. The written formalities should be completed **before** the contract is due to start.
- (e) The table below sets out in more detail the approvals required. They apply equally to contracts that may be awarded through negotiation as they do to those awarded through competition. They also apply to contracts awarded from framework arrangements ~~or select lists~~ including those let using an ESPO ~~etc.~~ framework.
- (f) Any ~~major contract~~Major Contract **must** comply with the key decision regime. ~~In relation to letting major~~ When commissioning Major Contracts ~~contracts,~~ the ~~key decision~~Key Decision is the proposal to begin a procurement process for a particular contract.
- (g) The subsequent decision to award the ~~major contract~~Major Contract to a specific contractor will not be a key decision provided the value of the contract does not vary above the original estimated value by 10% or more.

Total Contract Value	Column 1: <u>Authority to start process</u>	Column 2 <u>Contract Terms:</u>	Column 3: <u>Authority to award contract</u>	Column 4 <u>Contract Signing:</u>
Major Contracts  More than £3,000,000	Cabinet or <del>leader</del> <u>Leader</u> This will be a key decision. This authority will also generally give the <del>strategic director</del> <u>Strategic Director</u> delegated authority to award the contract.	<del>Assistant director governance &amp; policy</del> <u>Monitoring Officer</u> , unless <del>standards</del> <u>standard</u> terms and conditions have already been approved.	Generally covered by <del>column</del> <u>Column</u> 1. If bids exceed the original estimates by 10% or more <del>than then</del> <u>you must</u> report back to <del>leader</del> <u>Leader</u> or <del>cabinet</del> <u>Cabinet</u> before award.	Send to <del>assistant director governance &amp; policy</del> <u>Monitoring Officer</u> for signing / sealing by designated officers. The relevant authority must be provided at the same time.
Major Contracts  £1,000,000 or more up to £3,000,000	<del>Relevant portfolio holder.</del> <u>Leader, Deputy Leader or Cabinet.</u> This will be a key decision. This authority will also generally <del>give the strategic director</del> <u>Strategic Director</u> delegated authority to award the contract.	<del>Assistant director governance &amp; policy</del> <u>Monitoring Officer</u> unless standard terms and conditions have already been approved.	Generally covered by column 1. If bids exceed original estimates by 10% or more then report back to <del>Relevant portfolio holder</del> <u>Leader, Deputy Leader</u> or <del>leader</del> <u>Cabinet</u> before award.	Send to <del>assistant director governance &amp; policy</del> <u>Monitoring Officer</u> for signing / sealing by designated officers. The relevant authority must be provided at the same time.
Ordinary Contracts  £500,000 or more but below £1,000,000	<del>Strategic director</del> <u>Director</u> or person authorised in writing by <del>the strategic director.</del> <u>him/her</u> This will be a key decision.	<del>Assistant director governance &amp; policy</del> <u>Monitoring Officer</u> unless standard terms and conditions have already been approved.	<del>Same as column 1. If bids exceed original estimates by 10% or more then report back to Strategic Director. If bids exceed £1,000,000 the key decision regime must be complied with before an award can be made</del> <u>Same as column 1.</u>	<del>Strategic director or person authorised in writing. If over £1,000,000 send to assistant director governance &amp; policy for signing / sealing by designated officers. The relevant key decision record must be provided at the same time.</del> <u>Strategic Director or above</u>
Ordinary Contracts  £50 £100,000 or more but below £500,000	Assistant <del>director</del> <u>Director</u> or <del>third tier manager</del> <u>Third Tier Manager</u> or person authorised in writing by <del>the assistant director</del> <u>him/her</u>	<del>Assistant director governance &amp; policy</del> <u>Monitoring Officer</u> unless <del>standards</del> <u>standard</u> terms and conditions have already been approved.	Line <del>manager</del> <u>Manager</u> or above of person who <del>starts</del> <u>gave</u> <u>authority to start</u> the process (column 1).	Assistant <del>director</del> <u>Director</u> or above.

Minor Contracts  Below £ <del>50</del> <u>100</u> ,000	Cost centre manager <del>Centr</del> <u>e</u> <u>Manager</u> or above-	Purchase <del>order</del> <u>Order</u> terms can be used unless the contract is for works, software or the services of a consultant, in which case legal or procurement advice must be taken.	Line <del>manager</del> <u>Manager</u> or above of person who <del>start</del> <u>gave authority to start</u> the process (column 1)	<del>Third tier manager</del> <u>Tier 3 Manager</u> , <u>Cost Centre Manager</u> or <del>cost centre manager</del> or above-
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## 2.4 Exemptions from CSOs

2.4.1— Any requirement of CSOs may be waived with the consent of both the ~~assistant director of finance & ICT~~Chief

Finance Officer and ~~assistant director governance & policy~~the Monitoring Officer subject to any legal restraints.

2.4.2— An application for a waiver (exemption) shall be:

a) submitted on the approved '~~exemption form~~':Exemption Form

b) set out the reason for requiring the waiver; and

c) show how the proposal complies with any applicable law, demonstrates propriety, value for money and ~~support for~~supports the council's objectives.

2.4.3 — Where an exemption from competition is necessary because of an unforeseeable emergency involving ~~—immediate —risk —to —persons, —property —or —serious~~ disruption to ~~council~~Council services the relevant ~~strategic —director~~Strategic Director and ~~assistant —director~~Assistant Director must submit a report to the ~~assistant director finance & ICT~~ Chief Finance Officer and the ~~assistant director governance & policy~~ Monitoring Officer as ~~—soon —as practicable —following —the event. —Any —contract —entered —into —for —these —purposes should —be —the —minimum required —to —remove —the —immediate —risk —to —persons —or property or to reduce the~~ disruption to ~~council~~Council services to a manageable level.

2.4.4 — In cases of urgency if the contract is likely to exceed £1,000,000 then the urgent key decision regime must be complied with before any contract is entered into.

## 2.5 Contract Formalities and Sealing — Minimum Requirements

2.5.1– Contracts shall be signed by the ~~council~~Council as follows:

*Major Contracts:* ~~Under~~ By affixing the ~~common seal of the council and Council~~ witnessed (signed) ~~by one designated officer~~ Designated Officer **OR** ~~where there is no Seal affixed~~ signed ~~by at least two designated officers~~ Designated Officers.

*Ordinary Contracts:* ~~Signed by strategic director or assistant director depending on value.~~

By affixing the common seal of the Council witnessed (signed) by one Designated Officer OR where there is no Seal affixed signed by a Strategic Director or above between £500,000 and £999,999 or by an Assistant Director or above if between £100,000 and £499,999.

*Minor Contracts:* Signed by ~~cost centre manager~~ Tier 3 Manager, Cost Centre Manager or above.

2.5.2– A contract must be sealed where:

- The Council wishes to enforce the contract more than six years after its end;
- The price paid or received under the contract is nominal and does not reflect the value of the goods or services;

2.5.3 All contracts must be concluded formally in writing before the supply, service or construction ~~work begins, except in exceptional circumstances, and then only~~ with the written consent of the ~~assistant director governance & policy~~ Monitoring Officer.

~~2.5.3–4~~ The ~~contract manager~~ Authorised Officer is responsible for securing signature of the contract and must ensure that the person signing for the other contracting party has authority to enter into a legal agreement.

~~2.5.4– A contract must be sealed where:~~

- ~~The council wishes to enforce the contract more than six years after its end;~~
- ~~The price paid or received under the contract is nominal and does not reflect the value of the goods or services.~~

## 2.6 Contract Documents

2.6.1– All ~~contracts~~ Contracts, irrespective of value, shall clearly specify:

- What is to be supplied; ~~– the specification~~
- The price to be paid and when;
- Appropriate performance indicators
- Clear dates and times for performance; and
- Liquidated damages and termination provisions.

2.6.2– The terms and conditions of all ~~contracts~~Contracts must have been approved by the ~~assistant director governance & policy~~Monitoring Officer either as a standard form contract for particular types of matters or through a specific approval.

## 2.7 Record Keeping

~~2.7– Contract managers~~ The Authorised Officer shall ensure that the following records are kept: in the Councils Contract Management System.

**(a) Successful ~~tenders~~Tenders/Quotes** - The contract and any relevant correspondence and records (e.g. any documents which might have a bearing on the way the contract is interpreted) for at least 6 years after contract comes to an end. If made as a deed / under seal they must be kept forever.

**(b) Un-successful ~~or late~~ tenders/Quotes** – for at least 2 years from the date the contract starts.

## 2.8 Contract Management, Evaluation and Review

All contracts must be managed in accordance with the Councils contract management framework

2.8.1–~~Contract managers should, for~~ For all ~~ordinary~~Ordinary and ~~major~~ contracts: Major Contracts.

- ~~Maintain~~• An up to date ~~- risk registers~~ register should be maintained throughout the procurement ~~\_process -~~ and during the life of the contract ~~periods;~~
- ~~Undertake appropriate risk assessments;~~
- For identified risks, ~~ensure~~ appropriate actions ~~are~~ should be put in place to manage them.
- ~~And~~ There should ~~regularly monitor~~ be regular monitoring and ~~report~~ reports



during the contract period on:

- performance;
- compliance with programme, specification, terms and contract conditions;
- estimated final cost compared to budgets;
- any value for money requirements; and
- user satisfaction and risk management.

~~2.8.2 In relation to all major contracts the contract manager must carry out the project management role or appoint a named person to carry out that role. The contract manager is responsible for ensuring that role is carried out effectively. The contract manager must prepare a business case at the outset. Adequate resources to manage such contracts, for their entirety, must be identified in the business case. If the business case is approved the contract manager must prepare a procurement plan and submit it for approval to the assistant director finance & ICT.~~

~~2.8.3 Where a major contract is to be re-let, the information required by CSO 2.8.1 above, should be made available to the relevant assistant director early enough to enable lessons learnt to be identified and inform the approach to re-letting the contract.~~

~~3.2.2.2 Before commencing any procurement for a Major Contract or a contract above EU thresholds the following steps must be completed~~

- ~~○ A lessons learnt report should be considered to inform the tendering process~~
- ~~○ A business case must be approved.~~
- ~~○ A procurement plan must be approved by the Chief Finance Officer.~~

## **Section B Officers' Responsibilities**

### **3.1 General**

~~3.1.1.4 All officers **Officers** and any agents Agents or consultants Consultants acting on their behalf must comply with these CSOs, financial regulations Financial Regulations, the Code of Conduct and with all legal requirements. They must also comply with codes Codes of practice Practice, guidance and instructions regarding contractual arrangements issued by the assistant director finance & ICT and assistant director governance & policy. Chief Finance Officer or Monitoring Officer.~~

~~3.1.2 All officers **Officers** must comply with the Code of Conduct and must not invite or accept any gift or reward in respect of the award or performance of any contract. It will be for the officer to show that anything received was not received corruptly. High standards of conduct are obligatory. Corrupt behaviour is a crime and will lead to disciplinary proceedings and possible dismissal. Gifts and Hospitality should only be accepted in accordance with the Gifts and Hospitality policy.~~

~~3.2. **Contract managers** must in relation to contracts for which they are 1.3 Authorised Officers (those~~

responsible: for conducting a procurement process) must

Ensure a) ensure they have all appropriate approvals before seeking any quotes ~~or tenders, commencing any procurement process~~ or awarding a contract;

Seek b) seek all necessary legal, procurement, financial, risk management and technical advice in good time; ~~and~~

Ensure c) ensure there is sufficient budgetary provision before awarding any contract-

Comply d) comply with the requirements of these CSOs and observe any codes of practice guidance or instructions relating to contracting matters issued by the ~~assistant director governance & policy and assistant director finance & ICT~~ Monitoring Officer or Chief Finance Officer ;

Ensure e) ensure there is a procurement plan approved by the ~~assistant director finance & ICT~~ Chief Finance Officer for major contracts and contracts above the applicable EU threshold-

~~f. Carry out the project management role or appoint a person to do so in relation to any major contract.~~

Check f) check whether a suitable ~~corporate contract~~ Corporate Contract exists before seeking to let a new contract. Where a suitable ~~corporate contract~~ Corporate Contract exists that contract must be used;

Ensure council g) ensure Council suppliers have sufficient insurance cover appropriate to the contract in accordance with the ~~council's~~ Council's insurance guidance;

Maintain h) maintain details of all ~~ordinary and major~~ contracts they are responsible for in the ~~contracts management system~~ Contracts Management System;

Ensure i) ensure a record is kept for every ~~ordinary and major~~ contract of the ~~method for obtaining bids; any contracting decision any Contracting Decision~~ and the reasons for it; any exemption from CSOs together with the reasons for it; and ~~the award criteria~~ any Award Criteria;

Ensure j) ensure that where an employee of the ~~council~~ Council or its contractor may be affected by any transfer arrangement TUPE and related issues are considered before proceeding with inviting ~~tenders~~ Tenders or quotations.

### ~~3.3~~ Strategic directors

**2 Contract Managers** must in relation to ~~their~~ directorate:

- ~~a. Nominate at least one member of their staff as the contracts co-ordinator for their directorate;~~
- ~~b. Submit the scheme of delegation for their respective directorate, including details of contract managers and their contracts co-ordinators, to the assistant director governance & policy and assistant director finance & ICT for approval;~~
- ~~c. Any delegation made does not prevent the strategic director from exercising those delegated powers his/herself.~~

~~Ensure all assistant directors and contract co-ordinators within their directorate~~ they are sufficiently skilled in procurement matters to fulfil the duties of their post. responsible for carry out their responsibilities in accordance with the Contract Management Framework

**3.43 Assistant Directors**

must in relation to their ~~service~~ Service:

a) Ensure all ~~contract managers~~ officers

- Comply with CSOs;
- Are sufficiently skilled in procurement matters to fulfil the duties of their post;  
and
- Complete any required learning and development.

~~b. Ensure the List of contract managers is maintained up to date and sent to the assistant director governance & policy;~~

b) Ensure there are effective systems in place to control budgets properly;

~~d. Ensure all major contracts have a named person to carry out the project management role for the entirety of the contract and that a business cases is prepared at the outset;~~

~~e. Ensure there are appropriate arrangements in place for the safekeeping of tenders until the appointed time of opening;~~

c) Ensure there are effective contract management arrangements in place for all ordinary and major contracts; and

contracts

~~g. d) Provide any information requested by the assistant director finance & ICT and assistant director governance & policy regarding their contracts.~~

~~3.5 Strategic Director for Resources, Assistant Director Chief Finance & ICT and Assistant Director Governance & Policy Officer or the Monitoring Officer about their contracts.~~

#### ~~3.5.1 4 Strategic Director for Resources~~

~~The strategic director for resources may exercise any of the powers and responsibilities of the assistant director finance & ICT and assistant director governance & policy Directors must in relation to contract standing orders except where he/she is not allowed to do so by law. their Directorate~~

~~3.5.2 The assistant director finance & ICT and assistant director governance & policy must report quarterly to the strategic director for resources relating to contracting matters and compliance with these contract standing orders and must provide any other information which he/she requests.~~

~~a) Nominate at least one member of their staff as *Contracts Co-ordinator*~~

~~b) Submit the scheme of delegation for their respective Directorate, including details of *Contract Managers* and their *Contracts Co-ordinators*, to the Monitoring Officer and Chief Finance Officer for approval;~~

~~Any delegation made does not prevent the Strategic Director from exercising those delegated powers his/herself.~~

~~c) Approve any proposals by their Directorate to provide services to external organisations~~

~~d) Ensure all Assistant Directors and *Contract Co-ordinators* within their Directorate are sufficiently skilled in procurement matters to fulfil the duties of their post.~~

### ~~3.5 Monitoring Officer and Chief Finance Officer~~

#### ~~3.5.3 Chief Finance Officer and the Monitoring Officer may~~

~~(a) 3 The assistant director finance & ICT and assistant director governance & policy may:~~

~~with the consent of each other waive any provision of these CSOs subject to any legal constraints and may nominate other officers to exercise all or part of these powers on their behalf.~~

~~(b) Issue codes of practice, guidance and instructions on any matters which are relevant to contracting arrangements.~~

~~(c) Specify the approved learning and development requirements in procurement~~

matters that ~~officers~~Officers must complete to meet the minimum competency standards to fulfil their duties under CSOs.

3.5.4— The ~~assistant director finance & ICT~~ may: Chief Finance Officer shall

~~Veto the inclusion of any contractor in a contractor's list; or~~

(a) Approve procurement plans for major contracts and contracts above the applicable EU threshold.

3.5.5— The ~~assistant director governance & policy~~Monitoring Officer shall:

(a) Approve the form of contract to be used;

(b) Maintain central registers of all major contracts and all contracts completed under seal and arrange for the safekeeping of such contracts on ~~council~~Council premises; and

(c) Maintain a central register of all exemption applications relating to contracts of ~~£50~~

£100,000 or more.

### 3.6 ~~Co~~Co-ordinators

shall, on behalf of their ~~director~~Directorate

a) Ensure details of ~~all ordinary and major~~ contracts are accurately recorded and maintained in the ~~contracts management system~~Contracts Management System;

b) Be authorised to approve exemptions from undertaking a competitive process for minor contracts;

c) Submit an annual report by 31 March each year to the ~~assistant director governance & policy~~ Monitoring Officer detailing any exemptions that they have approved.

## Section C

### — The Contracting Process

This section sets out in more detail the requirements to be met when dealing with a specific contract.

## 4. Steps Prior to Purchase

- 4.1 Before beginning a purchase, ~~contract managers~~Authorised Officers must:
- a) Assess the need for the expenditure;
  - b) Define the objectives of the purchase;
  - c) Calculate the ~~total value~~ Total Value;
  - d) Make sure that ~~the~~ appropriate ~~authority~~ approval is in place to start the process and that the budget covers the whole-life financial commitment being made (including any consultant's or other external charges or fees);
  - e) Make sure the ~~forward plan~~ Forward Plan requirements have been followed where the purchase is a ~~key decision~~ Key Decision;
  - f) Ensure sufficient legal, procurement, finance, risk management and technical support is available throughout the entire procurement process;
  - g) Ensure sufficient resources will be available (i.e. people with sufficient skills and capacity) to manage the contract once it has been let;
  - h) Ensure the ~~purchase is a major contract~~ Council's requirements for data security and the General Data Protection Regulations are met
  - i) Consider when commissioning services whether these could improve the economic, social and environmental wellbeing of the area (social value)
- 4.2 For Major contracts or contracts above the ~~applicable~~ relevant EU threshold ~~submit~~
- i. Consider a lessons learnt report from the last tender process
  - ii. Produce a business case for approval by the appropriate body
  - iii. ~~Submit~~ a fully completed procurement plan for approval by the ~~assistant director finance & ICT~~ Chief Finance Officer
- ~~4.2 Contract managers must:~~
- ii-iv. ~~Where no suitable corporate contract exists carry~~ Carry out an options appraisal to decide the best way to achieve the purchasing objectives, including internal or ~~external~~ sourcing, ~~partnering~~, ~~and~~ collaborative procurement arrangements with another public authority or government department;
  - iii-v. Consult users where appropriate about the proposed procurement, contract standards, performance and user satisfaction monitoring;
  - vi. Consult the market where appropriate in accordance with CSO 4.3
  - iv-vii. Assess the risks and how to manage them;

v-viii. ~~Agree with the assistant director governance & policy~~ Monitoring Officer, the approved form of contract to be used or if none ~~for the type of purchase~~ the terms and conditions that are to apply to the proposed contract; ~~and~~

~~e. Set out these matters in writing and create an entry in the contracts management system for all ordinary and major contracts.~~

### Pre-Tender Market Research and Consultation

4.3 ~~Contract managers~~ Authorised Officers may ~~consult~~ ~~potential~~ ~~suppliers~~ prior ~~to~~ ~~the~~ ~~issue~~ ~~of~~ ~~an~~ invitation Invitation to ~~tender in general terms~~ Tender about the nature, level and standard of the supply, contract packaging and other relevant matters. Records must be kept of this consultation.

4.4 ~~Contract managers~~ Authorised Officers ~~must not~~ once any consultation period under 4.3 has ended seek ~~or~~ ~~accept~~ ~~technical~~ ~~advice~~ ~~on~~ ~~the~~ preparation of ~~an invitation~~ the actual Invitation to ~~tender~~ Tender or ~~quotation~~ Quotation from anyone who may have a commercial interest in bidding for the contract as this may prejudice the equal treatment of all potential ~~tenderers~~ Tenderers and distort competition.

### Prevention of Corruption

4.5 The following clause must be included in every ~~council~~ Council contract:

*"The ~~council~~ Council may terminate this contract and recover all its loss if the ~~contractor~~ Contractor, its employees or anyone acting on the ~~contractor's~~ Contractor's behalf do any of the following things:*

*(a) ~~Offers, gives or agrees to give to anyone any inducement or reward in respect of this or any other~~ council Council contract (even if the ~~contractor~~ Contractor does not know what has been done); or*

*(b) ~~Commits an offence under the Bribery Act 2010 or s117(2) of the~~ Local Government Act 1972; or*

*(c) ~~Commits any fraud in connection with this or~~ any other council Council contract whether alone or in conjunction with ~~council~~ Council members, contractors or employees.*

*Any clause limiting the ~~contractor's~~ Contractor's liability shall not apply to this clause."*

## ~~5. Advertising and Framework Agreements~~

### ~~5.1 Advertising and assessing potential tenderers~~

#### ~~5.1.1 The minimum advertising requirements are:~~

- ~~• All contracts above £50,000 must be published on the council's website.~~
- ~~• All contracts exceeding the applicable EU threshold must be published in Official Journal of the European Union (OJEU)/Tenders Electronic Daily (TED).~~

~~Advertisements for contracts exceeding the applicable EU threshold should not appear on the council's website until after they have appeared in the OJEU Journal.~~

~~5.1.2 Within reasonable costs contract managers should seek to maximise publicity to encourage competition. Examples of where further advertisements may be appropriate include portal websites specifically created for contract advertisements e.g. contract finder or national official journals.~~

~~5.1.3 Contract managers are responsible for ensuring that all tenderers for a contract are suitably assessed. The assessment process shall establish that all potential tenderers have sound economic and financial standing and sufficient technical ability and capacity to fulfil the requirements of the council.~~

### ~~5.2 Framework Agreements~~

~~5.2.1 The term of a framework agreement must not exceed four years without the written consent of the assistant director governance & policy. Also, an agreement must not be concluded with only two providers (i.e. it must be with either one or three or more providers) unless more than two were sought but only two met the award criteria.~~

#### ~~5.2.2 Contracts based on framework agreements may be awarded by either:~~

- ~~• Applying the terms laid down in the framework agreement (where such terms are sufficiently precise to cover the particular call off) without reopening competition;~~  
~~or~~
- ~~• Where the terms laid down in the framework agreement are not precise enough for the particular call off, by holding a mini competition in accordance with the following procedure:~~
  - ~~• Inviting the organisations within the framework agreement who are capable of delivering the contract to submit written tenders;~~
  - ~~• Fixing a time limit which is sufficiently long to allow tenders for each specific contract to be submitted, taking into account factors such as the complexity of the subject of the contract;~~
  - ~~• Awarding each contract to the tenderer who has submitted the best tender on the basis of the award criteria set out in the specifications of the framework agreement; and~~
  - ~~• Observing the standstill period before finalising the award for contracts above the EU threshold.~~



## 6. Conducting a Purchase ~~or Disposal~~

### 65.1 Purchasing – Competition Requirements

65.1.1—Where the ~~total value~~Total Value for a purchase is within the values in the first column below, the ~~award procedure~~Award Procedure in the second column must be followed as a minimum.

Total Value	Award Procedure
Minor <del>—</del> up to £10,000	One <del>oral quotation</del> <u>Quotation</u> confirmed in writing.
Minor - £10,000 to below <del>£50</del> <u>£100</u> ,000	Three written <del>quotations</del> <u>Quotations</u> of which <u>at least</u> one should be local if appropriate. Local means has a place of business in Warwickshire.
Ordinary & Major <del>£50</del> <u>£100</u> ,000 or more	Invitation to <del>tender</del> <u>Tender</u> to at least three <del>tenderers</del> <u>Tenderers</u> .  <i>If the contract value exceeds the applicable EU threshold the procedure must also be EU compliant.</i>

65.1.2— Where ~~the an~~ EU ~~Procedure~~compliant procedure (or UK replacement procedure) is required the ~~contract manager~~Authorised Officer shall consult the ~~head~~Head of ~~procurement~~Procurement to determine the method of conducting the purchase.

### 65.2 The Appointment of Consultants to Provide Services

65.2.1— Professional ~~consultants~~Consultants are subject to the same competition requirements as any other type of contract and must be selected and commissions awarded in accordance with these CSOs.

65.2.2 —The engagement of a ~~consultant~~Consultant shall follow the agreement of a brief that adequately describes the scope of the services to be provided, the total cost to be paid and any stage payment arrangements. The engagement shall also be subject to completion of a contract of appointment. Self-employed consultants must not fall within the off-payroll working rules i.e. IR35.

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5.2.3— Records of consultancy appointments shall be maintained in accordance with these CSOs and entered on the Contract Management System

65.2.4 -Consultants shall be required to provide evidence of, and maintain professional indemnity insurance policies to the satisfaction of the ~~council's insurance manager~~Council's Insurance Manager for the periods specified in the respective

agreement.

## **6. Advertising and Framework Agreements**

### **6.1 Advertising the Opportunity**

6.1 The minimum advertising requirements are

- All contracts with an estimated aggregate value above £100,000 must be published on the Council's website and in Contracts Finder
- In addition to the above all contracts exceeding the applicable EU threshold must be published in the Official Journal of the European Union (OJEU) or meet any replacement UK requirement
- Advertisements for contracts exceeding the relevant EU threshold should not appear on the Council's website or in Contracts Finder until after they have appeared in the OJEU.
- If you choose to advertise contracts below £100,000 you must also advertise on Contracts Finder

### **6.2 Framework Agreements**

6.2.1 The term of a Framework Agreement must not exceed four years without the written consent of the *Monitoring Officer*.

6.2.2 Contracts based on framework agreements may be awarded by either

- Applying the terms laid down in the framework agreement (where such terms are sufficiently precise to cover the particular call-off) without reopening competition; **or**
- Where the terms laid down in the framework agreement are not precise enough by holding a mini competition in accordance with the following procedure:
  - Inviting the organisations within the framework agreement who are capable of delivering the contract to submit written tenders;

## **7. The Council as ~~Fixing~~ a Supplier – Providing Works, Goods or Services to External Organisations**

~~7.1 The assistant director finance & ICT and assistant director governance & policy must be consulted where contracts to work for organisations other than the council are contemplated.~~

~~7.2 Contract managers shall produce robust business cases for the council acting as a supplier time limit which fully takes into account the costs to the council of delivering the goods, works or services concerned. The financial viability of such business cases must be approved by the assistant director finance & ICT.~~

~~7.3 — Contract managers shall liaise with the council's insurance manager to ensure any potential liabilities are is sufficiently covered by the council's insurance policies.~~

~~7.4 — Where the total value of the proposed long to allow tenders for each specific contract is likely to be £1,000,000 or more the key decision regime applies **and before** tenders are prepared the assistant director finance & ICT and assistant director governance & policy must jointly approve the business case including:~~

- ~~o Confirming the council can legally enter into to be submitted, taking into account factors such as the complexity of the subject of the contract; and~~

~~b. Accepting Awarding each contract to the legality of tenderer who has submitted the charging arrangements; and~~

~~c. Approving best tender on the terms and conditions basis of the proposed contract.~~

## ~~8. — Disposal of Assets~~

~~8.1 — Assets for disposal must be sent to public auction except where:~~

~~a. — Better value for money is likely to be obtained by inviting quotations or tenders; or~~

- ~~o The prior approval of award criteria set out in the assistant director finance & ICT and assistant director governance & policy has been obtained to the selling of specified items on an auction website such as eBay; or framework agreement.~~

~~c. Specific disposal procedures have been agreed by the council for certain types of assets.~~

- ~~o 9 Observing a standstill period before finalising the award for contracts above the EU threshold.~~

## 7. Collaborative and partnership arrangements

9

7.1 — In order to secure value for money the ~~council~~Council may enter into collaborative procurement arrangements. The ~~contract manager~~Authorised Officer must consult the ~~assistant director governance & policy~~Monitoring Officer and ~~head~~the Head of ~~procurement~~Procurement where the purchase is to be made using collaborative procurement arrangements.

97.2 — Collaborative ~~and~~ ~~partnership~~ ~~arrangements~~ include ~~joint~~ ~~working~~ where one partner takes the lead and awards contracts on behalf of the other partners, long term collaborative partnerships, pooled budgets and joint commissioning.

97.3 — Collaborative arrangements between public ~~authorities~~bodies for shared services where the aim of the arrangement is for the participating ~~authorities~~bodies

to be provided with services by each other or through a *Teckal* company rather than by an external provider may fall outside the need for competition if the conditions in CSO 2.2(e) (iii) can be met.

~~10.~~

## **8 Setting Standards and Award Criteria**

~~108.1~~ ~~1~~ The ~~contract manager~~ Authorised Officer must, before seeking ~~prices/bids~~, define ~~selection~~ the Selection and ~~award criteria~~ Award Criteria that are appropriate to the purchase and designed to secure an outcome giving value for money for the ~~council~~. ~~The basic criterion shall be:~~ Council.

8.1.2 Authorised Officers are responsible for ensuring that all Tenderers for a contract are suitably assessed. The assessment process shall establish that all potential Tenderers have sound economic and financial standing and sufficient technical ability and capacity to fulfil the requirements of the Council.

- ~~i.~~ 8.1.3 The criterion for award of a contract shall be the "most economically advantageous" (where considerations other than price also apply);  
~~ii.~~ "lowest price" where payment is to be made by the council; or  
~~iii.~~ "highest price" if payment is to be received.

~~If the first criterion is adopted, it". This~~ must be further defined by reference to sub-criteria which may refer only to relevant considerations. These may include price, service, quality of goods, running costs, technical merit, previous experience, delivery date, cost effectiveness, quality, relevant environmental considerations, aesthetic and functional characteristics (including security and control features), safety, after-sales services, technical assistance, social value and any other relevant matters.

~~108.2~~ Selection and ~~award criteria~~ Award Criteria must not include:

➤ ~~Non-commercial considerations~~ Commercial Considerations; or

➤ matters which discriminate against suppliers from the *European Economic Area* or signatories to the *Government Procurement Agreement*.

~~108.3~~ ~~Any shortlisting~~ Shortlisting exercise must have regard to the financial and technical standards relevant to the contract and the ~~selection~~ Selection and ~~award criteria~~ Award Criteria.

~~10.4 Full details about the scoring of a pre-qualification questionnaire (PQQ), including any weighting and sub-criteria, must be made known to suppliers, as must any "pass mark" for the PQQ. Suppliers should be given details if an unsatisfactory answer to any PQQ questions may lead to exclusion, irrespective of the score on the rest of the PQQ.~~

~~10.5 As soon as reasonably practical, the contract manager must notify those tenderers who are eliminated at the pre-qualification (selection) stage of a shortlisting process. The letter needs to give reasons why the tenderer was unsuccessful.~~

~~11.~~

## **9 Invitations to Tender / Quotations**

~~11~~

9.1 All ~~invitations~~Invitations to ~~tender~~Tender or ~~quotation~~Quotation must:

a) Specify the goods, service or works that are required, together with the terms and conditions of contract that will apply; and

b) State that the ~~council~~Council is not bound to accept any ~~quotation~~Quotation or ~~tender~~Tender.

11c) Include a reference and link to the Council's Whistleblowing Code.

9.2 — All ~~tenderers~~Tenderers invited to ~~tender~~Tender or ~~quote~~Quote must be issued with the same information at the same time and subject to the same conditions. Any supplementary information must be given on the same basis.

119.3 All ~~invitations~~Invitations to ~~tender~~Tender shall include:

a) Clear instructions on how and where ~~tenders~~Tenders are to be submitted, together with the date and time by which they are to be received;

b) A specification that describes the ~~council's~~Council's requirements in sufficient detail to enable the submission of competitive offers;

c) A description of the ~~award procedure and, unless defined in a prior advertisement,~~Award Procedure ;

d) Full details of about how the award bids will be assessed including any weighting and sub-criteria in objective terms that apply and any "pass mark" for any stage of the procurement;

~~d. An outline of the method by which any arithmetical errors discovered in the submitted tenders are to be dealt with. In particular, whether the overall price prevails over the rates in the tender or vice versa; and~~

e) Information on the ~~council's~~Council's policies ~~and requirement on:~~as appropriate e.g.:

i. Equalities;

ii. Complaints;

- i. Sustainable procurement;
- ii. Public interest reporting code (whistle blowing);
- iii. Business continuity;
- iv. Risk; and
- v. Special contract arrangements where contracts are awarded to sheltered workshops.

11

iii. Sustainability

9.4 — All invitations/Invitations to tender/Tender shall state that any tender/Tender received after the date and time stipulated in the invitation/Invitation to tender/Tender might be rejected and not considered.

119.5 All invitations/Invitations to tender/Tender shall include requirements for tenderers/Tenderers to:

a) Declare that the tender content, price or any other figure or particulars concerning the tender have not been disclosed by the tenderer/Tenderer to any other party (except where such a disclosure is made in confidence for a necessary purpose e.g. legal, financial advice etc); and

b) Complete fully and sign all tender documents including a form of tender and certificates relating to canvassing and non-collusion.

c) Submit tenders/Tenders to the council/Council on the basis that they are compiled at the tenderer's Tenderer's expense.

119.6 — An The Councils approved E-tendering system should must be used in preference to any paper based arrangement for all competitive procurement activity unless agreed otherwise by the Head of Procurement or otherwise approved by these CSOs

119.7— No tender will be considered unless submitted in accordance with the requirements of the e-tendering system. If a paper based system is being used tenders should be enclosed in sealed envelope or container which bears Conditions of Participation included within the word 'Tender' followed by the contract reference number and subject to which it relates but no other name or mark indicating the sender. Invitation to Quote/Tender

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## 10. Submission, Receipt and Opening of Tenders

~~4210.1~~ ~~\_\_\_\_\_~~ Tenderers must be given an adequate period in which to prepare and submit a ~~tender~~Tender, consistent with the complexity of the contract. The *EU Procedure* lays down specific time periods.

~~4210.2~~ All ~~tenders~~Tenders must be returned:

~~In accordance with the system requirements of an electronic tendering system the Council's approved jointly by the assistant director finance & ICT and assistant director governance & policy (electronic tender process); or E Tendering system~~

~~b. To the respective assistant director or his/her nominee in a plain sealed envelope or container which bears the word 'Tender' followed by the contract reference number and subject to which it relates but no other name or mark indicating the sender (paper tender process).~~

~~10.3~~ Tenders received by fax or other electronic means (e.g. email) must be rejected. Quotations for ~~minor contracts~~Minor Contracts under £10,000 may be received by email.

~~12.3~~ Assistant directors are responsible for the safekeeping of ~~tenders~~ until the appointed time of opening. Each ~~tender~~, immediately on receipt, must be:

~~a. Suitably marked to indicate the date and precise time it was received (an approved electronic tendering system will automatically log these details);~~

~~b. Recorded in a tender record log, so as to provide a separate record of the precise time and date it was received (an approved electronic tendering system will automatically log these details); and~~

~~c. Adequately protected to guard against amendment of its contents.~~

~~d. Tenders returned via an approved electronic tendering system will automatically satisfy the requirements of (a),(b) and (c) above.~~

~~4210.4~~ ~~\_\_\_\_\_~~ Assistant directors must ensure that all ~~tenders~~ All Tenders are opened at the same session after the period for their submission has ended. ~~Tenders~~ must be opened in the presence of at least two officers. ~~In relation to major contracts one of the officers must be the assistant director governance & policy or his/her representative unless the tenders are returned via an approved electronic tendering system.~~

~~4210.5~~ ~~\_\_\_\_\_~~ Tenders returned via an approved electronic tendering system will automatically satisfy the requirements of CSO 12.6.

~~12.6~~ Upon opening the tenders, a summary of the main terms of each ~~tender~~ must be recorded on a tender Opening Control Sheet. Each ~~officer~~ must sign and date the tender Opening Control Sheet. The ~~officers~~ opening the ~~tenders~~ must sign the total price page. Where the prices are not contained in a single page or where other pages contain relevant pricing

information (e.g. hourly or discounted rates), all relevant pages containing pricing information must be signed.

~~12.7~~ The arithmetic in compliant ~~tenders~~Tenders must be checked. If arithmetical errors are found they should be notified to the ~~tenderer~~Tenderer, who should be requested to confirm their ~~tender~~. ~~If the rates in the tender, rather than the overall price, were stated within the tender invitation as being dominant, an amended tender price may be requested to accord with the rates given by the tenderer.~~Tender.

~~12.8~~ Tenders received after the date and time stipulated in the ~~invitation to tender~~ should normally be rejected unless there are exceptional circumstances and may only be considered with the approval of the ~~assistant director governance & policy~~.

~~13.~~

## **11 Clarification Procedures and Post-Tender Negotiations**

~~13.1.1~~ ~~\_\_\_\_\_~~ Providing clarification of an ~~invitation~~Invitation to ~~tender~~Tender to potential or actual ~~tenderers~~Tenderers or seeking clarification of a ~~tender~~Tender whether in writing or by way of a meeting is permitted.

~~13.1.2~~ ~~\_\_\_\_\_~~ However, discussions with tenderers after submission of a ~~tender~~Tender and before the award of a contract with a view to obtaining adjustments in price, delivery or content (i.e. post tender negotiations) **must be the exception** rather than the rule. In particular, such negotiations must not be conducted ~~during~~ an EU Procedure (other than within the provisions of the EU negotiated Competitive With Negotiation (CWN) and ~~competitive dialogue~~Competitive Dialogue (CD) procedures) without the agreement of the ~~assistant director governance & policy~~Monitoring Officer.

~~13~~

~~11.3~~ ~~\_\_\_\_\_~~ If post tender negotiations appear necessary after a single stage tender or after the second stage of a two stage tender then you should take legal advice on whether negotiations are permissible. Normally such negotiations should be undertaken with all those who have met the selection criteria in the original process. During negotiations, the ~~council's~~Council's requirements set out in the original procedure should not be substantially altered. The prior approval of the ~~assistant director governance & policy~~Monitoring Officer is required to any proposal to negotiate in other circumstances.

## **14.12 Evaluation, Award of Contract and Debriefing Tenderers**

~~14.12.1~~ ~~\_\_\_\_\_~~ Apart from the debriefing required or permitted by these CSOs, the confidentiality of ~~quotations, tenders~~Quotations, Tenders and the identity of ~~tenderers~~Tenderers must be preserved at all times and information about one ~~tenderer's~~Tenderer's response must not be given to another during the evaluation process.

~~14.12.2~~ Quotations and ~~tenders~~Tenders must be evaluated in accordance with the ~~award criteria~~Award Criteria.

During this process, ~~contract managers~~ Authorised Officers shall ensure that



submitted tender prices are compared with any pre-tender estimates and that any significant differences are examined and resolved satisfactorily.

1412.3 — ~~Where the total value is £50,000 or more, contract managers~~ For Ordinary and Major Contracts, Authorised Officers must advise all ~~tenderers~~ Tenderers in writing of their award decisions. For contracts that are subject to the EU Procedure or UK replacement Procedure, this must be in the form of intention to award letters (award notification letters) that are issued simultaneously to all ~~tenderers~~ Tenderers advising them of the intention to award the contract to the successful ~~tenderer~~ Tenderer and providing them with a 'standstill period' of at least 15 days (10 days if notification letters are sent by ~~fax or electronic means~~ via the Councils approved E tendering system) in which to challenge the decision before the contract award is confirmed.

1412.4 — ~~Award~~ For contracts that are subject to the EU Procedure or UK replacement procedure, the Councils 'intention to award' notification ~~letters~~ letter ~~standard template~~ must ~~include~~ be used which includes the following debriefing information, ~~and no additional details should be given without taking the advice of the assistant director governance & policy.~~

i. How the award criteria were applied;

ii. The name of the successful ~~tenderer~~ Tenderer(s);

iii. The ~~score/price~~ of the ~~tenderer~~, Tenderer, together with the ~~score/price~~ of the successful ~~tenderer~~ Tenderer/s;

iv. Details of the reason for the decision, including the characteristics and relative advantages of the successful ~~tender~~ Tenderer/s; and

v. Confirmation of the date before which the ~~council~~ Council will not enter into the contract (i.e. the date after the end of the 'standstill period').

1412.5 — If a decision is challenged by an unsuccessful ~~tenderer~~ Tenderer, after the issue of an intention to award notification letter, then the ~~contract manager shall not award the contract but~~ Authorised Officer shall immediately inform the ~~assistant director finance & ICT~~ Chief Finance Officer and seek the advice of the ~~assistant director governance & policy~~ Monitoring Officer on next steps. No contract may be awarded until the Chief Finance Officer and the Monitoring Officer are satisfied that the matter has been resolved.

1412.6 — ~~Assistant directors~~ Authorised Officers shall ensure that ~~contracts~~ all the contract formalities are ~~awarded by completion~~ completed following the award of the contract ~~formalities.~~ (See CSO 2.5)

### **13 Publication of Contract Awards**

13.1 The award of all contracts over £5,000 must be published via the Councils contract management system

13.2 In addition the award of all contracts over £25,000 must be published on contracts finder

13.2 In addition the award of contracts above the relevant EU threshold must be published in OJEU

### **14. The Council as a supplier - providing works, goods or services to external organisations**

14.1 The *Chief Finance Officer* and the *Monitoring Officer* must be consulted where work for an external organisation is contemplated.

14.2 Any proposals to work for an external organisation must be approved by the Strategic Director responsible for the service either through a business plan or otherwise.

14.3 *Authorised Officers* shall produce robust business cases for the Council acting as a supplier which fully takes into account the costs to the Council of delivering the goods, works or services concerned. The financial viability of such business cases must be approved by the *Chief Finance Officer*.

14.4 *Authorised Officers* shall liaise with the Council's Insurance Manager to ensure any potential liabilities are sufficiently covered by the Council's insurance policies.

14.5 Where the *Total Value* of the proposed contract is likely to be £1,000,000 or more the key decision regime applies **and before** tenders are prepared the *Chief Finance Officer* and the *Monitoring Officer* must jointly approve the business case including:

- a) Confirming the Council can legally enter into the contract;
- b) Accepting the legality of the charging arrangements; and
- c) Approving the terms and conditions of the proposed contract.

### **15. Disposals**

15.1 Assets for Disposal must be sent to public auction except where:

- a) Better value for money is likely to be obtained by inviting Quotations or Tenders or
- b) The prior approval of the *Chief Finance Officer* and the *Monitoring Officer* has been obtained to the selling of specified items on an auction website such as eBay, or
- c) Specific disposal procedures have been agreed by the Council for certain types of Assets

**16. Approved Scheme for Sale of Assets/Goods via Public Auction**

16.1. Goods or assets may be disposed of via public auction, whether through electronic auctions such as ebay or otherwise, without further specific consent being sought provided the following conditions are met

- (a) The Council owns the item and has the right to sell it.
- (b) Appropriate market research has been carried out to establish the estimated value of the item
- (c) The estimated value of the item to be auctioned does not exceed £10,000
- (d) A reasonable reserve price is set for the item based on the estimated value
- (e) The item is withdrawn from sale if it does not reach its reserve price
- (f) The item is in good working condition and fit for purpose, and complies with relevant legislation, in particular;
  - i. Any electrical item bears a valid Electrical Safety Check label, completed by a registered electrician who is registered on the Kite Mark Scheme, the Electrical Safety Register or the Electric Safe Register. The date of the inspection on the label must not be more than 12 months prior to the date of sale
  - ii. Any item of furniture complies with the Furniture and Furnishings (Fire Safety) Regulations 2010. Any item of furniture, with the exception of mattresses and bed bases, will have a permanent label in compliance with the Regulations.
  - iii. Any computer or data storage device is adequately wiped of data, to ensure that no information, particularly personal data remains on the device.
- (g) When an item is disposed of, any listing or description of it must NOT give any indication that the Council provides any guarantee for the product or any promise to make good any defects. All items are to be carefully and truthfully described in detail and any known defects highlighted.

ITEM IS SOLD AS IS: SELLER DISCLAIMS ANY WARRANTY AS TO MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OR DESIGN

(h) A record of the steps taken under (a) to (g) is kept for a period of 2 years

16.2. Applications for approval of the disposal of goods/assets by auction which do not meet the above conditions should be made using the relevant exemption form i.e.

(a) An item with an estimated value of up to £100,000 to the Directorate Contract Coordinator

(b) An item with an estimated value of £100,000 or more to the Monitoring Officer and Chief Finance Officer

### **GUIDANCE NOTES**

An individual purchasing goods at auction without the opportunity to inspect the goods may still have consumer rights i.e. that the goods -

- Are of a satisfactory quality
- Do what they are designed to do
- Are as described, matching any pictures or descriptions of them
- Are safe, under the Consumer Protection Act 1987

### **Other matters to be aware of**

- Misrepresentation of goods - A customer is entitled to a refund on goods that have been misrepresented, for example, goods sold on the basis of features they do not have. Prosecution can also follow, if the misrepresentation is reported to Trading Standards.
- Faulty goods - It is the Council's responsibility to arrange for the collection of faulty goods, particularly large items. If a customer returns faulty goods within a reasonable time, the Council is obliged to give a refund, and not a credit note. If a repair of a faulty good is unsatisfactory, a customer is still entitled to a refund.
- Time to check goods –on-line auctions - Customers have the right to the time to check they are satisfied with their goods, though this can be just a week

## Definitions Appendix

"Agent"	A person or organisation acting on behalf of the <del>council</del> <u>Council</u> .
<del>"Contract Managers"</del> <u>Authorised Officer</u>	<del>Those officers authorised by their strategic directors to carry out the day to day activities required to let and manage a contract.</del> <u>An officer responsible for conducting a procurement</u>
"Award Criteria"	The criteria by which the successful <del>quotation</del> <u>Quotation</u> or <del>tender</del> <u>Tender</u> is to be selected. (see further CSO <del>10</del> <u>12</u> )
"Award Procedure"	The procedure for awarding a contract as specified in CSO 14. _____
<del>"Tenderer" Any person who asks or is invited to submit a quotation or tender.</del>	
"Code of Conduct"	The ' <del>Officers'</del> <u>Officers</u> Code of Conduct' ( <del>see part</del> <u>See Part</u> 4 <del>section 4 of the council's constitution</del> <u>Constitution</u> )
"Consultant"	Someone engaged for a specific length of time to work to a defined project brief with clear outcomes to be delivered, and who brings specialist skills or knowledge to the role.
"Contracting Decision"	Any of the following decisions: <ul style="list-style-type: none"> <li>• withdrawal of <del>invitation</del><u>Invitation</u> to <del>tender</del><u>Tender</u></li> <li>• whom to invite to submit a <del>quotation</del><u>Quotation</u> or <del>tender</del><u>Tender</u></li> <li>• Shortlisting</li> <li>• award of contract</li> <li>• any decision to terminate a contract.</li> </ul>
"Contracts Co-ordinator"	Officers nominated by <del>strategic directors</del> <u>the Strategic Directors</u> in accordance with CSO 3. <del>6</del> <u>7</u> as the point of contact within their directorate for matters relating to procurement and contracting, and who are authorised to grant exemptions from competition for minor contracts.
"Corporate Contract"	A contract entered into directly by the <del>council</del> <u>Council</u> that can be utilised by all <del>assistant directors</del> <u>Assistant Directors</u> for the supply of the goods, works or services specified within its terms. Also, a contract which the <del>head of finance</del> <u>Chief Finance Officer</u> has confirmed may be legally utilised by the <del>council</del> <u>Council</u> either through a sub-regional collaborative arrangement, or through purchasing organisations such as the <del>Government Procurement Service (formerly OGC Buying Solutions) and ESPO.</del> <u>Crown Commercial Services (CCS) ESPO, SCAPE etc..</u>
<u>Contract</u>	<u>Those officers carrying out post award management of the</u>

<u>Managers</u>	<u>contract in accordance with the contract management framework.</u>
<del>"Designated Officer"</del>	The <del>chief executive, the strategic director</del> <u>Chief Executive, Strategic Director</u> for <del>resources</del> <u>Resources</u> and any other officer authorised by either <del>or both</del> of them.
<del>"ESPO"</del>	The Eastern Shires' Purchasing Organisation.
<del>"EU Procedure"</del>	The procedure required by the EU <u>or UK replacement</u> where the <del>total value</del> <u>Total Value</u> exceeds the EU <u>Threshold or any UK replacement</u> threshold.
<del>"EU Threshold"</del>	The contract value at which the EU public procurement directives <u>or UK replacement procedure</u> must be applied.
<del>"Forward Plan"</del>	The <u>forward plan, which is prepared on a rolling basis and contains matters which the</u> <del>council</del> <u>Council</u> has reason to believe are likely to be the subject of key decisions during the following four months.
<del>"Framework Agreement"</del>	An agreement between one or more contracting authorities and one or more economic operators, the purpose of which is to establish the terms governing contracts to be awarded during a given period, <del>in particular with regard to price and, where appropriate, the quantity envisaged.</del>
<del>"Assistant Director &amp; ICT Officer"</del> <u>Chief Finance &amp; ICT Officer</u>	The <del>Assistant</del> <u>officer to whom the statutory role is delegated (currently Strategic</u> Director <del>Finance &amp; ICT</del> <u>Resources</u> or his/her specified nominee.)
<del>"Assistant Director Governance &amp; Policy"</del> <u>Monitoring Officer</u>	<del>The</del> <u>The officer to whom the statutory role is delegated (currently</u> Assistant Director Governance & Policy or his/her specified nominee.)
<del>"Invitation to Tender"</del>	An <del>invitation</del> <u>Invitation</u> to <del>tender</del> <u>Tender</u> sent to <del>tenderers</del> <u>Tenderers</u> inviting bids for works goods or services.
<u>Key Decision</u>	<u>Decisions that are defined as Key Decisions in the Constitution</u>  In relation to letting contracts, the <del>key decision</del> <u>Key Decision</u> is the proposal to let a contract for a particular type of work. The subsequent decision to award the contract to a specific contractor will not be a key decision provided the value of the

	contract does not vary above the estimated amount by more than 10% for contracts with a value of £1,000,000 or more.
"Major Contract"	A <del>contract</del> <u>Contract</u> that has a <del>total value</del> <u>Total Value</u> of £1,000,000 or more.
"Minor Contract"	A <del>contract</del> <u>Contract</u> where the <del>total value</del> <u>Total Value</u> is less than £ <del>50</del> <u>100</u> ,000.
"Non-Commercial Considerations"	<p>(a) <u>the terms and conditions of employment by contractors of their workers or the composition of, the arrangements for the promotion, transfer or training of or the other opportunities afforded to, their workforces ("workforce matters");</u></p> <p>(b) <u>whether the terms on which contractors contract with their sub- contractors constitute, in the case of contracts with individuals, contracts for the provision by them as self-employed persons of their services only;</u></p> <p>(c) <u>any involvement of the business activities or interests of contractors with irrelevant fields of Government policy;</u></p> <p>(d) <u>the conduct of contractors or workers in industrial disputes between them or any involvement of the business activities of contractors in industrial disputes between other persons ("industrial disputes");</u></p> <p>(e) <u>the country or territory of origin of supplies to, or the location in any country or territory of the business activities or interests of, contractors;</u></p> <p>(f) <u>any political, industrial or sectarian affiliations or interests of contractors or their directors, partners or employees;</u></p> <p>(g) <u>financial support or lack of financial support by contractors for any institution to or from which the authority gives or withholds support;</u></p> <p>(h) <u>use or non-use by contractors of technical or professional services provided by the authority under the</u></p>

	<p><u>Building Act 1984 or the Building (Scotland) Act 1959.</u></p> <p><u>Workforce matters and industrial disputes, as defined in paragraphs (a) and (d), cease to be non-commercial considerations for the purposes of s17(5) Local Government Act (LGA) 1988 and part 1 of the LGA 1999 (Best Value); or where there is a transfer of staff to which the Transfer of undertakings (Protection of Employment) Regulations 2006 ("TUPE") may apply.</u></p>
<u>Officer</u>	<u>A person employed by the Council</u>
<u>Ordinary Contract</u>	<u>A Contract where the Total Value is £100,000 or more but is less than £1,000,000.</u>
<u>Pecuniary Interest</u>	<u>Any direct or indirect financial interest. An indirect interest is distinct from a direct interest in as much as it is not a contract to which the member or employee is directly a party. A shareholding in a body not exceeding a total nominal value of £1,000 or 1% of the nominal value of the issued share capital (whichever is the greater) is not a pecuniary interest for the purposes of these CSOs</u>
<u>Personal Care Services</u>	<u>Services provided to people who have personal care needs as assessed by the Strategic Director for People. As such these Services can be provided to people of all ages whose needs may result from old age, physical disability, sensory loss, mental illness or learning disability.</u>
<u>Quotation</u>	<u>A quotation of price and any other relevant matter (without the formal issue of an Invitation to Tender)</u>
<u>Relevant Contract</u>	<u>A contract to which these Contract Standing Orders apply (see CSO 1</u>



<u>Selection Criteria</u>	<u>The criteria by which Tenderers are chosen to be invited to submit Quotations or Tenders</u>
<u>Shortlisting</u>	<u>The process of selecting Tenderers who are to be invited to submit Quotations or Tenders or to proceed to final evaluation as part of a Restricted, Competitive with Negotiation or Competitive Dialogue Procedure</u>
<u>Teckal company</u>	<u>A company which meets particular legal requirements relating to its ownership and activities i.e. wholly public sector owned and its main business is providing services to its members. Take legal advice on whether or not a proposal meets the requirements.</u>
<u>Tender</u>	<u>A Tenderer's proposal submitted in response to an Invitation to Tender.</u>
<u>Tenderer</u>	<u>Any person who asks or is invited to submit a Quotation or Tender</u>
<u>Total Value</u>	<u>As defined in CSO 2.1</u>
<u>TUPE</u>	<p><del>whether the terms on which contractors contract with their sub-contractors constitute, in the case of contracts with individuals, contracts for the provision by them as self-employed persons of their services only;</del> <u>Transfer of Undertakings (Protection of Employment) Regulations 2006 [SI2006 No.246]</u></p> <p><u>Subject to certain conditions, these regulations apply where responsibility for the delivery of works or services for the Council are transferred from one organisation (e.g. private contractor, local authority in-house team) to another (e.g. following a 'contracting-out' or competitive tendering process) and where the individuals involved in carrying out the work are transferred to the new employer. These regulations seek to protect the rights of employees in such transfers enabling them to enjoy the same terms and conditions, with continuity of employment, as existed with their former employer. Broadly, TUPE regulations ensure that</u></p>

	<u>the rights of employees are transferred along with the business.</u>
(c) <del>any involvement of the business activities or interests of contractors with irrelevant fields of government policy;</del>	
	<p>(d) <del>the conduct of contractors or workers in industrial disputes between them or any involvement of the business activities of contractors in industrial disputes between other persons ("industrial disputes");</del></p> <p>(e) <del>the country or territory of origin of supplies to, or the location in any country or territory of the business activities or interests of, contractors;</del></p> <p>(f) <del>any political, industrial or sectarian affiliations or interests of contractors or their directors, partners or employees;</del></p> <p>(g) <del>financial support or lack of financial support by contractors for any institution to or from which the authority gives or withholds support;</del></p> <p>(h) <del>use or non-use by contractors of technical or professional services provided by the authority under the Building Act 1984 or the Building (Scotland) Act 1959.</del></p> <p><del>Workforce matters and industrial disputes, as defined in paragraphs (a) and (d), cease to be non-commercial considerations for the purposes of s17(5) Local Government Act (LGA) 1988 and part 1 of the LGA 1999 (Best Value); or where there is a transfer of staff to which the Transfer of Undertakings (Protection of Employment) Regulations 2006 ("TUPE") may apply.</del></p> <p><del>A person employed by the council.</del></p> <p><del>A contract where the total value is £50,000 or more but is less than £1,000,000.</del></p> <p><del>Any direct or indirect financial interest. An indirect interest is distinct from a direct interest in as much as it is not a contract to which the member or employee is directly a party. A shareholding in a body not exceeding a total nominal value of £1,000 or 1% of the nominal value of the issued share capital (whichever is the greater) is not a pecuniary interest for the purposes of these CSOs.</del></p> <p><del>Services provided to people who have personal care needs as assessed by the strategic director for people. As such these services can be provided to people of all ages whose needs may result from old age, physical disability, sensory loss, mental illness or learning disability.</del></p> <p><del>A quotation of price and any other relevant matter (without the formal issue of an invitation to tender).</del></p> <p><del>A contract to which these contract standing orders apply (see CSO 1).</del></p> <p><del>The criteria by which tenderers are chosen to be invited to submit quotations or tenders.</del></p> <p><del>The process of selecting tenderers who are to be invited to submit quotations or tenders or to proceed to final evaluation.</del></p> <p><del>A company which meets particular legal requirements relating to its ownership and activities i.e. wholly public sector owned and its main business is providing services to its members. Take legal advice on whether or not a proposal meets the requirements.</del></p> <p><del>The logs kept by heads of service to record details of tenders received (see CSO 12).</del></p> <p><del>A tenderer's proposal submitted in response to an invitation to tender.</del></p> <p><del>As defined in CSO 2.1.</del></p> <p><del>Subject to certain conditions, these regulations apply where responsibility for the delivery of works or services for the council are transferred from one organisation (e.g. private contractor, local authority in-house team) to another (e.g. following a 'contracting out' or competitive tendering process) and where the individuals involved in carrying out the work are transferred to the new employer. These regulations seek to protect the rights of employees in such transfers enabling them to enjoy the same terms and conditions, with continuity of employment, as existed with their former employer. Broadly, TUPE regulations ensure that the rights of employees are transferred along</del></p>
"Officer"	
"Ordinary Contract"	
"Pecuniary Interest"	
"Personal Care Services"	
"Quotation"	
"Relevant Contract"	
"Selection Criteria"	
"Shortlisting"	
"Teckal company"	
"Tender Record Log"	
"Tender"	
"Total Value"	
"TUPE" Transfer of Undertakings (Protection of Employment) Regulations 2006 [SI2006 No.246]	

with the business.

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## **Audit & Standards Committee**

**7 March 2019**

### **Self-Assessment**

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

That the Committee:

1. considers and comments on the outcomes of its self - assessment exercise
2. supports the inclusion of future agenda items in those areas in most need of addressing as set out in paragraphs 2.3 and 2.4.

#### **1.0 Key Issues**

- 1.1 In November 2018 this Committee revisited its self-assessment of effectiveness against the Cipfa evaluation framework contained in the latest Cipfa guidance on audit committees. The original assessment was conducted in 2016 against the 2013 Cipfa guidance and the updated assessment was undertaken against the framework contained in the updated 2018 guidance which is not substantially different to the previous document. The results of the two exercises are summarised in the Appendix.

#### **2.0 Effectiveness of Audit Committees**

- 2.1 As a result of the original assessment a number of actions were agreed and the new assessment reflects those actions including, for example, the introduction of an annual report to Council on the work of the Committee and strengthened arrangements for monitoring the implementation of internal audit recommendations.
- 2.2 The self-assessment is based on members perception rather than hard evidence and the Committee were mindful of the risk that a self-assessment will not be rigorous and took great care when coming to a conclusion on scoring and on one factor reduced the original score. The resulting assessment is therefore considered to be a fair reflection of performance with the following themes continuing to be highly rated or where scores have increased:
  - Promoting the principles of good governance and their application to decision making
  - Contributing to the development of an effective control environment
  - Supporting the quality of the internal audit activity

- Supporting the development of robust arrangements for ensuring value for money
  - Helping the authority to implement the values of good governance
- 2.3 The theme identified as most needing improvement and which scored lowest related to:
- Aiding the achievement of the authority's goals and objectives
- The lower score for this area was largely driven by a view from members that more consideration should be given to assurance in relation to major projects. In order to address this, in the first instance it is proposed that an update on the new change management framework be brought to a future committee meeting to enable the assurance and control framework to be considered.
- 2.4 It was noted that future agenda items would include reviewing changes to Contract Standing Orders and the outcome of an external health-check on risk management processes. These will address further points raised in the workshop and influence scores at the next self-assessment.
- 2.5 The specific way in which the Committee felt it could strengthen its own effectiveness was to reduce the time spent on considering the outcome of external audits to free up time to consider wider governance matters.
- 2.6 It is proposed that the Committee carry out a further self-assessment in November 2020.

## Background papers

None.

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

Local Member(s): N/A

Other members: N/A

## Appendix - Evaluating the effectiveness of the Audit and Standards Committee – November 2018 Update.

	Areas where the committee can add value by supporting improvement	Examples of how the committee can add value and provide evidence of effectiveness	November 2016 Self-evaluation, examples, areas of strength and weakness	November 2016 Score	Comments / 2018 update
1	Promoting the principles of good governance and their application to decision making.	Robust review of the AGS and the assurances underpinning it. Working with key members / governors to improve their understanding of the AGS and their contribution to it. Supporting review / audits of governance arrangements. Participating in self-assessments of governance arrangements. Working with partner audit committees to review governance arrangements in partnerships.	<ul style="list-style-type: none"> <li>Committee undertakes robust scrutiny of the AGS and comments feed into Cabinet's consideration of the statement.</li> <li>Committee considers governance issues raised in individual audit reports and where appropriate managers attend the Committee to discuss issues arising.</li> <li>Committee considers potential changes to Contract Standing Orders, Financial Regulations, Risk Management Strategy and related policies</li> </ul>	<p>Members expressed a view that a review of Contract Standing Orders was overdue. Internal reports were of a good quality – external reports considered by the Committee were not of the same quality. The Committee expressed a view that work carried out in this area was not quite as well-known as it could be.</p> <p>SCORE: 3/4 OUT OF 5</p>	<p>Annual report on the Committee's work now presented to Council. Members noted that although changes to contract standing orders had been prepared their implementation had been delayed due to the changes in the Council's operating model. Updated documents would be considered by the Committee in March 2019.</p> <p><b>SCORE 4 OUT OF 5</b></p>
2	Contributing to the development of an effective control environment.	Monitoring the implementation of recommendations from auditors. Encouraging ownership of the internal control framework by appropriate managers. Raising significant concerns over controls with appropriate senior managers.	<ul style="list-style-type: none"> <li>This is a key strength of the Committee. It rigorously monitors implementation of recommendations and has followed up non-compliance with individual managers and has undertaken detailed scrutiny of some topics e.g. standards of case file recording. This encourages ownership of the control framework.</li> <li>Process for monitoring implementation will be further strengthened during 2016/17.</li> </ul>	<p>This was an area of strength for the Committee, particularly on internal audit, but monitoring of external audit could be enhanced by more information about how recommendations the Committee had made were handled/progressed.</p> <p>SCORE: 4 OUT OF 5</p>	<p>Members felt that the Committee had had a keener interest in maintaining an effective control environment and had direct input through monitoring recommendations through regular reports and heads of service attending meetings. The process for monitoring implementation of recommendations had been strengthened as a result of Corporate Board's involvement.</p> <p><b>SCORE: 5 OUT OF 5</b></p>
3	Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks.	Reviewing risk management arrangements and their effectiveness, e.g. risk management benchmarking. Monitoring improvements. Holding risk owners to account for major / strategic risks.	<ul style="list-style-type: none"> <li>Committee agrees the Council's overall risk management strategy but last review was in 2014.</li> <li>The AGS which is considered by the Committee includes corporate risks.</li> <li>Consideration of other risks is picked up via consideration of the internal audit plan and the outcome of individual audits.</li> </ul>	<p>The Committee saw their role as holding major risk owners to account along with significant strategic risks. The Committee would like to consider Fire and Rescue IRMP (resources matched to risk). Members saw this as an area for improvement. The Committee expressed a view that they would like to consider the Corporate Risk Register at a future meeting(s).</p> <p>SCORE: 3 OUT OF 5</p>	<p>Members noted that:</p> <ul style="list-style-type: none"> <li>an independent risk management health check was to be commissioned later in the year.</li> <li>Since 2016 the links between the internal audit plan &amp; Annual Governance Statement and the corporate risk register had been made more explicit.</li> </ul> <p>The Committee felt that their agendas were too heavily weighted toward the external auditors and needed to be rebalanced to allow more time for consideration of risk management and more general governance related matters.</p> <p>Members felt that it may be useful to allocate a time limit to the external audit reports or to just question the external auditors without any presentation.</p> <p><b>SCORE: 3 OUT OF 5</b></p>

	Areas where the committee can add value by supporting improvement	Examples of how the committee can add value and provide evidence of effectiveness	November 2016 Self-evaluation, examples, areas of strength and weakness	November 2016 Score	Comments / 2018 update
4	Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively.	Specifying it assurance needs, identifying gaps or overlaps in assurance. Seeking to streamline assurance gathering and reporting. Reviewing the effectiveness of assurance providers, e.g. internal audit, risk management, external audit.	<ul style="list-style-type: none"> <li>The committee reviews and comments on external and internal audit's plans.</li> <li>The Committee does not consider issues raised by other assurance providers whether external (such as Ofsted or peer reviews or internal (such as health and safety and information management inspections).</li> <li>Effectiveness of external and internal audit considered via the respective annual reports.</li> <li>Committee considered proposals on appointment of external auditors in Sept 2016 and will be involved in the External Assessment of internal audit during 2017.</li> </ul>	<p>The annual reports from internal and external audit on their effectiveness provided the Committee with appropriate assurance. The Committee expressed a desire to look at whether any gaps exist in the assurances they receive. In particular the Committee could have an annual round up of the key points made by external inspections such as Ofsted impacting on the internal control environment.</p> <p>SCORE: 3 OUT OF 5</p>	<p>The Committee felt that the heavy focus on external audit had meant that the assurance framework had not been considered as thoroughly. They felt that there would be value in considering reports of regulators at committee while being mindful of looking at the potential implications for governance and not duplicating the work of the scrutiny committees. Any broadening of the agenda should be done without additional meetings or longer agendas.</p> <p><b>SCORE – 3 OUT OF 5</b></p>
5	Supporting the quality of the internal audit activity, particularly by underpinning it organisational independence.	Reviewing the audit charter and functional reporting arrangements. Assessing the effectiveness of internal audit arrangements and supporting improvements.	<ul style="list-style-type: none"> <li>The committee approves the Internal Audit Charter which includes reporting lines. Has also approved the QAIP.</li> <li>Overall effectiveness is considered as part of the Committee's review of the Internal Audit Annual report.</li> </ul>	<p>Members felt that the Committee was performing strongly in this area.</p> <p>SCORE: 5 OUT OF 5</p>	<p>The Committee felt that the outcome of the Independent External Quality Assurance on internal audit supported retaining a high score in this area.</p> <p><b>SCORE: 5 OUT OF 5</b></p>
6	Aiding the achievement of the authority's goals and objectives through helping to ensure appropriate governance, risk, control and assurance arrangements.	Reviewing major projects and programmes to ensure that governance and assurance management are in place. Reviewing the effectiveness of performance management arrangements.	<ul style="list-style-type: none"> <li>The internal audit plan includes periodic audits of performance and programme / project management and audits on specific projects.</li> <li>Focus of AGS and internal audit plan is on key risks facing the Council.</li> <li>Detailed scrutiny of individual projects is the responsibility of the relevant Overview &amp; Scrutiny Committee.</li> </ul>	<p>Members felt that they could rely on both the internal and external assurance work. The Committee expressed a view that they needed to be pro-active in relation to major projects and would be interested in looking at the process through which major projects were governed (perhaps a periodic review of major projects).</p> <p>SCORE: 3 OUT OF 5</p>	<p>The Committee felt that they needed to do more to consider major projects especially to ensure that post completion reviews were undertaken to ensure that lessons were being learnt. Members noted that it was not their role to investigate in the absence of known detriment which was the role of scrutiny.</p> <p>It was also noted that the internal audit plan included periodic reviews of project management arrangements and undertake advisory work on key projects.</p> <p>Officers commented that an update in due course on the change management framework and new gateway arrangements would assist in providing members with assurance in relation to the control framework around major projects.</p> <p><b>SCORE: 2 OUT OF 5</b></p>
7	Supporting the development of robust arrangements for ensuring value for money.	Ensuring that assurance on value for money arrangements is included in the assurance received by the audit committee. Considering how performance in value for money is evaluated as part of the AGS.	<ul style="list-style-type: none"> <li>Robust budget setting and capital programme monitoring processes.</li> <li>Robust savings plans in place.</li> <li>Committee considers draft contract standing orders and financial regulations. Relevant internal audits will review compliance with these with outcomes reported to the</li> </ul>	<p>The Committee agreed that they were not responsible for budget setting, but for ensuring that robust arrangements and processes were in place to ensure that value for money was always occurring. The Committee felt they gained sufficient assurance from the work of both internal and external audit.</p>	<p>The Committee felt that they continued to have a strong focus on value for money.</p> <p><b>SCORE: 5 OUT OF 5</b></p>



	Areas where the committee can add value by supporting improvement	Examples of how the committee can add value and provide evidence of effectiveness	November 2016 Self-evaluation, examples, areas of strength and weakness	November 2016 Score	Comments / 2018 update
			<p>Committee.</p> <ul style="list-style-type: none"> <li>The Committee considers the external auditor's annual VFM report.</li> </ul>	SCORE: 4/5 OUT OF 5	
8	Helping the authority to implement the values of good governance, including effective arrangements for countering fraud and corruption risks.	Reviewing arrangements against the standards set out in CIPFA's Managing the Risk of Fraud (Red Book 2). Reviewing fraud risks and the effectiveness of the organisation's strategy to address those risks. Assessing the effectiveness of ethical governance arrangements for both staff and governors.	<ul style="list-style-type: none"> <li>The Council has a proportionately low level of fraud and counter fraud activity reflects this.</li> <li>The Committee considers the anti-fraud policy.</li> <li>Internal Audit Board has requested a report on counter fraud activity.</li> <li>All frauds are investigated with key issues reported to the Committee.</li> <li>Key fraud risk areas considered when preparing the internal audit plan.</li> </ul>	<p>This was a positive area from the Committee's perspective. Whistleblowing was felt to be a cultural issue.</p> <p>SCORE: 5 OUT OF 5</p>	<p>Regular reports on counter fraud activity presented to the Internal Audit Board and included in the regular update reports to the Committee</p> <p>The Committee felt that the successful convictions in fraud cases demonstrated that counter fraud work was effective.</p> <p>Fraud cases were now being publicised as a deterrent.</p> <p><b>SCORE: 5 OUT OF 5</b></p>
9	Promoting effective public reporting to the authority's stakeholders and local community and measures to improve transparency and accountability.	Improving how the authority discharges its responsibilities for public reporting; for example, better targeting at the audience, plain English. Reviewing whether decision making through partnership organisations remains transparent and publicly accessible and encouraging greater transparency.	<ul style="list-style-type: none"> <li>The Committee has previously commented on the Statement of Accounts and Foreword (and a different narrative is required for this year). It has also previously considered quarterly reporting.</li> <li>Accounts, Internal Audit Annual Report and AGS is available on the internet.</li> <li>Robust consultation process in place.</li> <li>Extensive information available on web-site.</li> </ul>	<p>It was the Committee's view that the Council relied heavily on the internet, despite the fact that 20% of the public did not have access to the internet. The Committee expressed a view that the Head of Communications should report to a future meeting on what the Council is doing to improve in this area.</p> <p>SCORE: 3 OUT OF 5</p>	<p>The Committee felt that residents did not understand the division between the County and the Districts and Boroughs and that work needed to be done to at least appear more joined up to the public.</p> <p>The Committee felt that the general communications around the accounts including the easy to read graphic summary which was produced each year was good. This was an area, however, that the Committee had not allocated much of its time to and a review of wider communications strategies might be a worthwhile topic for a future meeting.</p> <p>Members noted that a review of the web-site was underway and changes would be implemented early 2019.</p> <p><b>SCORE 3 OUT OF 5</b></p>



**Audit and Standards Committee  
Work Programme 2019**

Item	Lead Officer	Date of meeting
External Auditors Audit Plan and Audit Fee letter 2018/19 - Warwickshire County Council	Vicki Barnard	28 March 2019
External Auditors Audit Plan 2018/19 - Warwickshire Pension Fund	Vicki Barnard	28 March 2019
External Auditors' Progress Report	Vicki Barnard	28 March 2019
Internal Audit Progress Report	Garry Rollason	28 March 2019
Internal Audit Plan 2019/20	Garry Rollason	28 March 2019
External Auditors' Progress Report	Vicki Barnard	23 May 2019
Internal Audit Annual Report	Garry Rollason	23 May 2019
Internal Audit Progress Report	Garry Rollason	23 May 2019
Annual Governance Statement 2018/19	Garry Rollason	23 May 2019
2018/19 Statement of Accounts - Warwickshire County Council	Vicki Barnard	24 July 2019
2018/19 Statement of Accounts - Warwickshire Pension Fund	Vicki Barnard	24 July 2019
External Auditors' Progress Report	Vicki Barnard	24 July 2019
External Auditors' Annual Governance Report – Warwickshire County Council	Vicki Barnard	24 July 2019
External Auditors' Annual Governance Report – Warwickshire Pension Fund	Vicki Barnard	24 July 2019
Annual Governance Statement	Garry Rollason	24 July 2019
Audit & Standards Committee Annual Report	TBA	24 July 2019
Internal Audit Progress Report	Garry Rollason	7 November 2019
External Auditors' Annual Audit Letter 2018/19	Vicki Barnard	7 November 2019
External Auditors' Progress Report	Vicki Barnard	7 November 2019