Audit & Standards Committee

Agenda

23 May 2019

The Audit and Standards Committee will meet in **Committee Room 2, Shire Hall, Warwick** on **23 May 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 7 March 2019 and Matters Arising**

The public reports referred to are available on the Warwickshire Web
www.warwickshire.gov.uk/cmis
00 Agenda A&S Cttee 19.05.23

Warwickshire
County Council

EXEMPT ITEMS FOR DISCUSSION IN PRIVATE (PURPLE PAPERS)

2. **Reports Containing Confidential or Exempt Information**
   To consider passing the following resolution:

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

3. **2018/19 Internal Audit Quarter 4 Progress report**

4. **Exempt Minutes of the Audit and Standards Committee meeting held on 7 March 2019 and Matters Arising**

ITEMS FOR DISCUSSION IN PUBLIC

5. **2018/19 Annual Internal Audit Report**

6. **Annual Governance Statement 2018/19**

7. **Internal Audit Plan 2019/20**

8. **External Auditors' Progress Report**

9. **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:

   - 24 July 2019
   - 7 November 2019
   - 26 March 2020

10. **Any Other Business**

Warwickshire
County Council

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

Membership to be confirmed at the Annual Council meeting on 21 May 2019

For queries regarding this agenda, please contact:
Tom McColgan, Senior Democratic Services Officer
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Monica Fogarty
Chief Executive
Warwickshire County Council
15 May 2019

The public reports referred to are available on the Warwickshire Web
www.warwickshire.gov.uk/cmis
00 Agenda A&S Cttee 19.05.23

Minutes of the meeting of the Audit and Standards Committee
held on 7 March 2019

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)
Lisa Kitto, Assistant Director (Interim) of Finance & ICT
Tom McColgan, Senior Democratic Services Officer
Christopher Norton, Financial Services Manager
Jane Pollard, Legal Services Manager
Garry Rollason, Internal Audit and Insurance Manager
Nichola Vine, Legal Services Manager

External Representatives:
Jim McLarnon, Grant Thornton – Auditors
Grant Patterson, Grant Thornton – Auditors

1.   General

(1)   Apologies

Councillor Horner sent his apologies and Councillor Gilbert was present as a substitute.

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

Councillor Gifford declared that the Internal Audit Progress Report referenced an organisation based in his ward.

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

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

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

Grant Patterson introduced the audit plan and fee letter. The Annual Audit Plan was the first time Grant Thornton had produced a combined plan for Warwickshire County Council and Warwickshire Pension Fund. Grant Patterson stated that for the Authority the one outstanding residual risk was the Medium Term Financial Plan and the ability of the Authority to meet the savings targets it had set for itself over the coming years. He also highlighted the 23% reduction in the audit fee which followed the Public Sector Audit Appointments (PSAA) tender process.

Members noted the substantial reduction in the fee and asked what was behind the decrease and if this indicated that the Authority had been overpaying previously. Members also asked officers to provide assurance that they were satisfied that Grant Thornton were charging a robust fee indicative of an audit that would provide adequate assurance.

Grant Patterson responded that the PSAA had applied a fee reduction across the sector following the tender process as they had calculated that the bids submitted by auditors had been around 23% lower than the fees charged previously. Grant Patterson stated he felt this resulted from more competitive market conditions and an increase in efficiency which had lowered costs enabling Auditors to reduce fees. He also stated that the nature of the work carried out had changed following the requirements laid out by the National Audit Office and Auditors no longer carried out the deep dives as they had done previously.

Lisa Kitto responded that officers had a duty to ensure that there was a robust audit approach that matched the complexity of the Authority's accounts and that she felt that what Grant Thornton had put forward would provide the assurance needed.

The Chair noted that Grant Thornton also provided Certification of Teachers Pension Return and asked if this service had been subject to the same competitive tender process as the audit of the accounts and how much work was involved.

Grant Patterson responded that the Certification of Teachers Pension Return was generally not subject to a competitive tender and the fee was negotiated between the Council and Grant Thornton. The work involved in certification was mandated by Teachers' Pensions and was the same regardless of the size of the scheme or the Firm undertaking the certification. This uniformity in work tended to mean that there was little variation in the fee charged. Authorities usually employed the same Auditors to provide the audit of accounts and certification but there was no requirement to do so. For 2019/20 however Certification of Teachers Pension Return had been part of a joint procurement exercise with Housing Benefit certification provided to the local district and borough councils and so had been part of a competitive tender process.

Lisa Kitto added that officers undertook bench marking exercises to compare the fee charged by Grant Thornton with that paid by other authorities and were satisfied that the Council was getting value for money.

In response to Councillor Gifford, Grant Patterson confirmed that Grant Thornton met with the other firms tasked with providing assurance for the Border to Coast investment pool to try and provide a consistent approach to the pool. Grant Patterson clarified that Type II assurance was to test if controls had worked throughout the year but as the pool had been operating for less than 12 months this would not be possible for 2018/19.

Resolved

That the Committee consider the Annual Audit Plan from the External Auditors for 2018-19, as outlined in Appendix A of the report, and the Audit Fee Letter, as outlined in Appendix B of the report.

3. **Contract Standing Orders**

Nichola Vine introduced the report which updated the Council's contract standing orders following the introduction of the new operating model and organisational structure (appendix A) and updates to the officer key decisions thresholds which had been revised in 2017.

In response to Councillor Simpson-Vince, Officers stated that Brexit would have a minimal impact on the document as the primary legislation that informed Contract Standing Orders was already English legislation and where EU procedures had been referenced it had been assumed that these would be replaced with domestic equivalents should EU regulations no longer apply (definitions within the CSO's clarified this). Officers also noted Councillor Simpson-Vince's comments about the use of gendered pronouns and some inconsistency of language in the document and stated that they would review the wording.

In response to the Chair, Jane Pollard confirmed that she was leading on training officers on the new Contract Standing Orders and training sessions were programmed to take place ahead of the implementation of the revised standing orders in April 2019. Upon confirmation of the decision of Council additional communications and training were planned

Grant Patterson stated that contract management seemed to be coming back up the audit agenda and that the Committee may wish to look at how Contract Standing Orders worked alongside the procurement strategy and contract management guidance to ensure value for money from contracts. The Chair stated that he agreed that there would be value in the Committee examining contract performance in more depth given that a slimmed down organisational structure led to a greater concentration of power.

Councillor Cargill stated that he felt there was an opportunity to review the guidance on contract management along with the new contract standing orders and the new operating model to ensure that there was a robust contract management process that ensured value for money and minimised bureaucracy.

Lisa Kitto responded that there was a working group in place to review financial regulations and scheme of delegation issued to officers. She stated that the scope of the review, critical path and milestones could be brought to the next Committee meeting for Members to review and comment on with a full report at the November meeting.

Resolved

That the Committee recommend the revised Contract Standing Orders, as outlined in Appendix 1 of the report, to Council for approval.

4.   Self-Assessment

The Chair stated that he felt paragraph 2.5 of the report would better reflect the Committee's comments if it read 'reduce the time spent on the *mechanics* of external audits' rather than 'outcomes of external audits'.

Resolved

That the Committee 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 of 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
- 7 November 2019

6.   Any Other Business

None

7.   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.

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

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

9.   Internal Audit Progress Report

Resolved

The Committee agreed the recommendations as set out in the exempt minutes.

The Committee rose at 11:46 am

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Chair

Audit & Standards Committee

23rd May 2019

Internal Audit Annual Report
2018 / 2019

Recommendation

That the Committee considers the results of internal audit work completed during 2018/2019.

1   Key Issues

1.1   This report summarises the results of internal audit work carried out in the year ended 31 March 2019 and provides an overall opinion on the Authority's control environment.

2.0   Options and Proposal

2.1   Not applicable

3.0   Timescales associated with the decision and next steps

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

Background papers

1.   None

	Name	Contact Information
Report Author	Garry Rollason	01926 412679 garryrollason@warwickshire.gov.uk
Assistant Director	Lisa Kitto	01926 412441 lisakitto@warwickshire.gov.uk
Strategic Director	Rob Powell	01926 412045 robpowell@warwickshire.gov.uk
Portfolio Holder	Cllr Peter Butlin	01926 632679 peterbutlin@warwickshire.gov.uk

Warwickshire
County Council

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

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

Warwickshire
County Council

Internal Audit Annual Report 2018/19

"Providing assurance on the management of risks"

Internal Audit Annual Report 2018/19

"Providing assurance on the management of risks"

This document summarises the results of internal audit work during 2018/19 and as required by the Accounts and Audit Regulations 2015 gives an overall opinion of the Authority's control environment.

Opinion

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

Context

This report outlines the work undertaken by the internal audit between 1 April 2018 and 31 March 2019.

Management is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements i.e. the control environment. Internal audit plays a vital part in advising the organisation that these arrangements are in place and operating properly. On behalf of the Authority, Internal Audit review, appraise and report on the efficiency, effectiveness and economy of these arrangements.

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

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

Internal audit work during 2018/19

The underlying principle to the 2018/19 plan was risk and accordingly audits were only completed in areas that represent an *'in year risk'*.
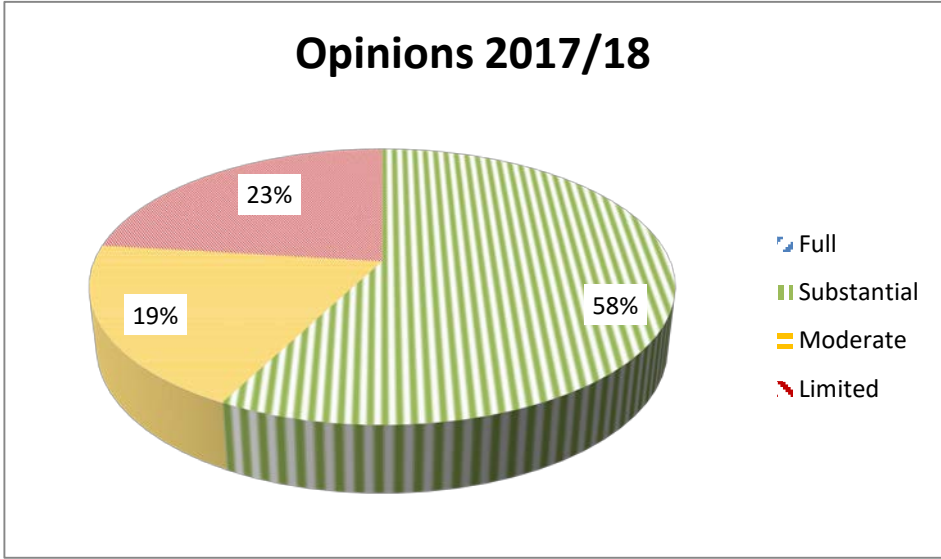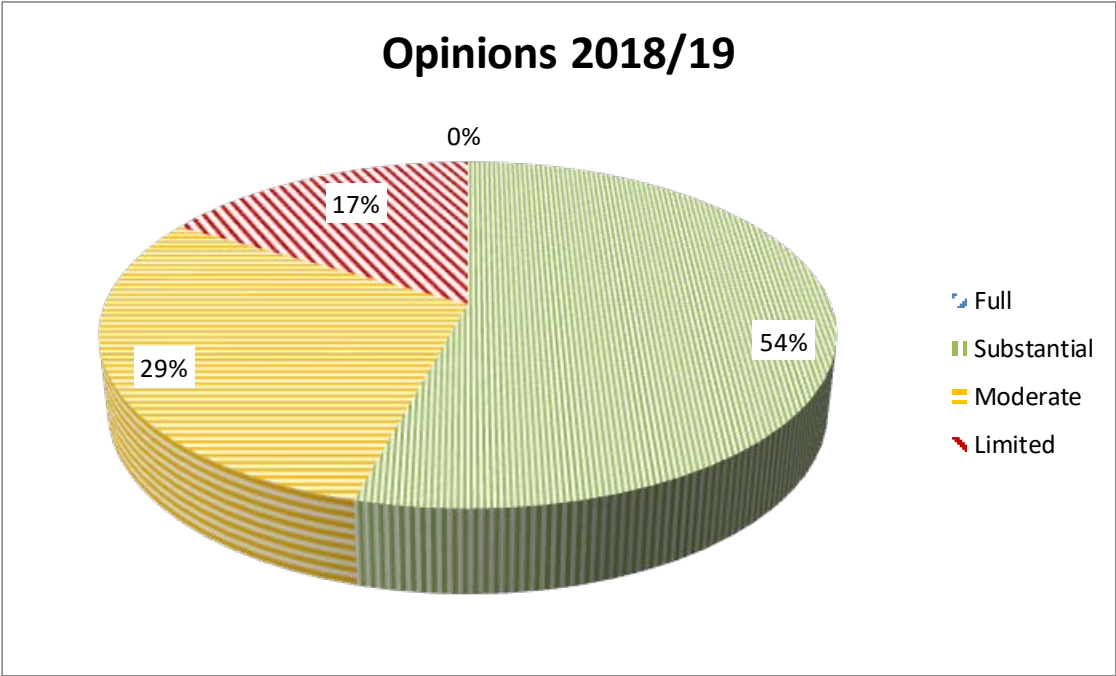
The methodology adopted in preparing the plan, and the plan itself, were approved by the Audit and Standards Committee on 24 May 2018.

Since the original plan was approved a number of additional audits have proved necessary, some planned audits were no longer required and a significant amount of time was required on advisory and investigative work. Variations to the plan during the year are inevitable if the plan is to adequately reflect changing circumstances and the changing organisation. The net effect is that although the work undertaken during the year was different to that anticipated 12 months ago, the agreed audits have been completed, or are substantially complete and in the process of being finalised.

Summary of assurance work

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

As shown in the following chart the outcome of the majority of this year's audits are positive having a moderate or substantial opinion although there is a significant proportion of audits where controls provided only Limited assurance that significant risks were being addressed. Most of these relate to specific areas rather than represent an across the board breakdown in controls but there are some topics which have a wider impact. The key issues arising from limited opinion audits have been reported to the Audit & Standards Committee.

Opinions 2018/19

0%

17%

29%

54%

- Full
- Substantial
- Moderate
- Limited

Opinions 2017/18

23%

19%

58%

- Full
- Substantial
- Moderate
- Limited

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

The proportion of audits in each category is broadly similar to those for 2017/18 and remains positive. The year on year trend is shown in the following chart.
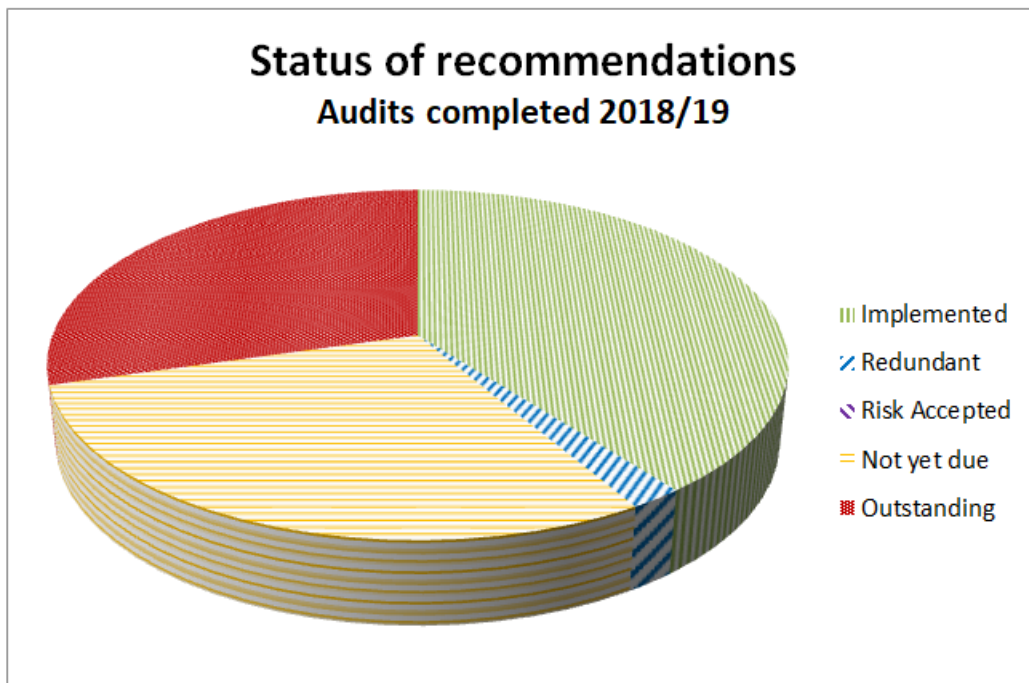
Trend in opinions
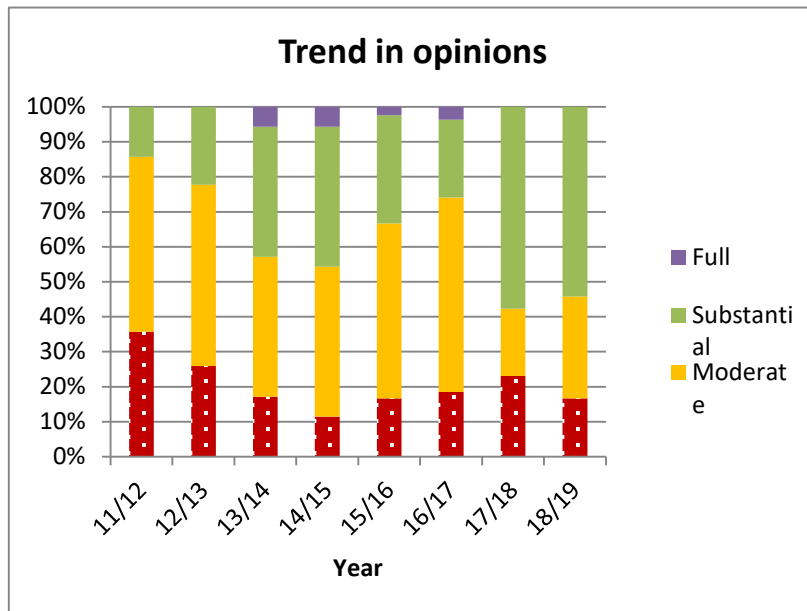
Of course the audit plan includes different topics each year so caution is needed when interpreting this chart. A number of "limited" opinions are to be expected each year especially as the audit planning processes and our limited resources means that increasingly only those areas with a high degree of change or risk are included in the plan. The increasing pressures and extent of change facing the Authority may also be a factor. In general terms the picture remains positive with the proportion of audits resulting in a limited opinion reducing slightly from last year.

The Council, and local government generally, continues to face significant challenges and during the year the Council continued with its transformation programme to meet these challenges. A target operating model was developed, strategic reviews of key service areas were started and significant changes to structure were made with significant changes in personnel at senior levels in the organisation. Periods of significant change in processes and personnel can impact the standards of governance, risk management and control but to date this has not been reflected in the outcome of audits or an increase in investigations. The on-going transformation programme will continue during 2019/20 and will require robust management to ensure there is not an adverse impact on standards of governance and control.

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

During the year around 200 recommendations were made to address weaknesses in control which would otherwise not have been identified. As shown in the following chart significant progress has been made in implementing these recommendations.

Status of recommendations
Audits completed 2018/19

Legend:
- Implemented
- Redundant
- Risk Accepted
- Not yet due
- Outstanding

Recommendations are followed up to ensure that they are implemented and where there is delay this is reported to the Internal Audit Board and the Audit and Standards Committee. Those recommendations showing as "Outstanding" are therefore subject to scrutiny and the Audit and Standards Committee call in managers to explain delayed progress where appropriate.

Arising from previous comments by the Audit & Standards Committee a fresh look is being taken at the process for monitoring implementation of recommendations and arrangements will be further strengthened during 2019/20.

Schools

In addition to the work outlined above significant weaknesses in governance, risk management and control were identified at various schools. However, this should not be taken as indicative of the picture at all maintained schools since the majority of these audits were undertaken at the request of the Council / Head because of known or suspected issues at the schools concerned which does illustrate that the Council has mechanisms in place to identify issues at schools. The outcome of this work has been considered in detail by the Audit and Standards Committee.

The work undertaken at schools has highlighted the importance of an effective second "line of defence" within the Council providing oversight of financial, governance and performance issues in schools, on which our Internal Audit work can place reliance and give an opinion. Future work is planned which will review the effectiveness of this oversight as a means of managing the risks relating to schools.

Summary of non-assurance work

Special investigations

The size and complexity of the County Council means that some irregularities are inevitable and therefore, in addition to planned assurance work, a small number of special investigations were needed during the year and the significant issues arising were reported to the Audit and Standards Committee during the year. Two investigations which ended in court during this year resulted in the perpetrators receiving suspended custodial sentences. The Audit and Standards Committee has considered reports on the circumstances of each case and remedial action has been taken to address the control weaknesses identified. The control weaknesses identified by these issues are isolated to the teams concerned and hence do not impact the Council's overall control environment.

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

Advice

Internal audit is most efficient when its advice is utilised to ensure that appropriate controls are incorporated at an early stage in the planning of policy or systems development. This work reduces the issues that will be raised in future audits and contributes to a stronger control environment. During the year therefore the service continued to provide consultancy input into a number of topics. The main contributions were on Adult Social Care pathways and authorisations, prepaid cards for direct payments and facilitation of a risk workshop for the IT service which was conducted by IT audit specialists. Advice was also provided on a range of minor changes to financial processes.

Certification

Audit is required to certify a number of grant claims the main ones relating to the Troubled Families Programme. The service also undertakes a small amount of work in relation to the certification of accounts for miscellaneous County Council related funds. These were all cleared satisfactorily.

Effectiveness

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

A full externally conducted quality assessment of the service was conducted during 2018. The report of that assessment states that the audit service "complies with the expectations of the Public Sector Internal Audit Standards and compares favourably to other provision within the sector."

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

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

The post audit questionnaire responses returned continue to be good with the average score from all surveys returned during 2018/19 being 4.5 out of a maximum of five, and a number of positive comments and compliments about the service provided have been received, including:

- The auditor's approach was very helpful and this included offering constructive challenge.
- Felt collaborative and the auditor took time to understand our business
- Auditor was approachable and willing to gain an understanding of our work to enable an informed approach to the audit.
- Happy with the way this audit was completed and suggest any future audits are completed with the same approach.

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

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

Opinion

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

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

- all audits completed during the year;
- audits which are in draft and where a management response is awaited;
- any follow-up action taken in respect of audits from previous periods;
- any fundamental recommendations not accepted by management and the consequent risks;
- anticipated outcome from audits currently in draft;
- the effect of non-assurance work undertaken during the year;
- the content of the Annual Governance Statement which states that there have been no governance failures during the year;
- the outcome of an independent health-check of the Council's risk management arrangements;
- the effect of any significant changes in the Authority's systems; and
- matters arising from previous reports to members.

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

I am satisfied that sufficient internal audit work has been undertaken to allow us to draw a reasonable conclusion as to the adequacy and effectiveness of the Council's governance, control and risk processes.

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

Summary of audits completed during the year.[1]

	Audit	Level of Assurance
	Communities	
1	Waste Management	Moderate Assurance
2	Contract Management - Public Health	Substantial Assurance
3	Economic growth, development and regeneration	Moderate Assurance
4	Heritage and Environment	Limited Assurance
5	County Highways	Substantial Assurance
6	Emergency Planning	Substantial Assurance
7	Business Centres	Substantial Assurance
8	School themed audit - Safeguarding	Limited Assurance
	People	
9	Links with Health	Moderate Assurance
10	Quality Assurance- Commissioning	Substantial Assurance
11	Benefits Assessment & Income Control - Including Direct Payments	Moderate Assurance
12	Transitions and Care Leavers	Substantial Assurance
13	Multi Agency Safeguarding Hub	Substantial Assurance
14	Physical Disability Services	Substantial Assurance
15	Case File Recording (Children and Adult)	Substantial Assurance
16	Unaccompanied Asylum Seeking Children	Moderate Assurance
	Resources	
17	Pensions - Investment management	Substantial Assurance
18	Property Contracts	Substantial Assurance
19	Payroll	Substantial Assurance
20	Information Governance	Limited Assurance
21	Treasury Management	Moderate Assurance
22	Benefits, Assessment and Income Control Team (re Residential and Domiciliary Care)	Substantial Assurance
23	Capital Programme	Moderate Assurance
24	IT Disaster Recovery	Limited Assurance

G Rollason
Internal Audit and Insurance Manager

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[1] Note that some of these audits started in 2017/18

Audit & Standards Committee

23 May 2019

Annual Governance Statement 2018-19

Recommendation

The Committee endorse the draft annual governance statement at **Appendix 2.**

1.0 Key Issues

1.1 The Accounts and Audit Regulations 2015 require the authority to conduct a review, at least once in a year, of the effectiveness of its system of internal control and to prepare an Annual Governance Statement (AGS).

1.2 The draft AGS is reported to this meeting of the Committee as it is good practice for a draft annual governance statement to be considered by members as soon as possible after the end of the financial year and also so that an agreed draft can be made available to the external auditors for their review.

1.3 The National Audit Office report on Local Authority Governance (January 2019) illustrates the role of the Authority in the wider governance framework, shown at **Appendix 1**. The AGS enables the Authority to explain to the community, service users, tax payers and other stakeholders its governance arrangements and how the controls it has in place manage risks of failure in delivering its outcomes. It also reflects future challenges facing the Authority and how they will be managed.

1.4 The AGS has been produced in accordance with the CIPFA/SOLACE Delivering Good Governance in Local Government: Framework (2016). The framework sets out seven core principles of governance that underpin the Council's Local Code of Corporate Governance and AGS:

- Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law;
- Ensuring openness and comprehensive stakeholder engagement;
- Delivering outcomes in terms of sustainable economic, social and environmental benefits;
- Determining the interventions necessary to optimize the achievement of the intended outcomes;

- Developing the entity's capacity, including the capability of its leadership and the individuals within it;
- Managing risks and performance through robust internal control and strong public financial management; and
- Implementing good practices in transparency, reporting, and audit, to deliver effective accountability.

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

- establishing and monitoring the achievement of the organisation's objectives;
- the facilitation of policy and decision-making ensuring compliance with established policies, procedures, laws and regulations – including how risk management is embedded;
- ensuring the economical, effective and efficient use of resources, and for securing continuous improvement;
- the financial management of the organisation and the reporting of financial management; and
- the performance management of the organisation and the reporting of performance management'.

2.0 The Assurance Gathering Process

2.1 The process of reviewing the authority's control environment and gathering assurance about the effectiveness of the system involves a review by an AGS Evaluation Panel followed by statutory officer scrutiny.

The review was carried out by an Evaluation Panel consisting of:

- Nichola Vine, Legal Services Manager
- Steve Smith, Assistant Director Commissioning Support Unit
- Virginia Rennie, Strategic Finance Manager (Corporate Finance and Advice)
- Helen King, Deputy Director of Public Health
- Stuart Jackson, Interim Assistant Director, Environmental Services
- Mark Ryder, Assistant Director, Communities
- Garry Rollason, Internal Audit and Insurance Manager

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

- the approach of the Authority to establishing its principal statutory obligations and organisational objectives;
- the approach of the authority to identifying principal risks to the achievement of those obligations and objectives;

- the key control frameworks that the authority has in place to manage its principal risks; and
- any potential gaps in the governance and control frameworks.

2.3   The proposed AGS was further scrutinised by the Section 151 Officer and the Monitoring Officer. In addition Assistant Directors have completed assurance statements confirming that they have complied with the risk management framework throughout the year for the identification and management of risks within their Services and teams. Consideration was also given to the results of reviews carried out by external agencies during the year.

2.4   The Internal Audit Annual Report for the year ended 31 March 2019 has to be considered at the same time as this statement. The Annual Report is also included on the agenda for this meeting.

3.0   Findings of the Review

3.1   As part of the annual governance statement process for 2018/19, the Panel considered the strategic risks agreed by Corporate Board, and informed by all Assistant Directors. The Panel was also mindful of the following factors in determining what constitutes a significant issue:

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

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

3.3   Although the risks outlined are major challenges for the Authority, the panel, Section 151 Officer, the Monitoring Officer and the Interim Assistant Director - Finance do not judge any of them to be significant governance issues. The Council has not experienced any significant governance failures during the last year.

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

4.0   Timescales associated with the decision and next steps

4.1   Following consideration of the draft AGS by the Committee it will be presented to the external auditors for review. After completion of the audit of the accounts, any changes suggested by external auditors will be reported to the July meeting of this Committee and to Cabinet. The draft AGS will then be reported to Council for approval.

Background papers

None

	Name	**Contact Information**
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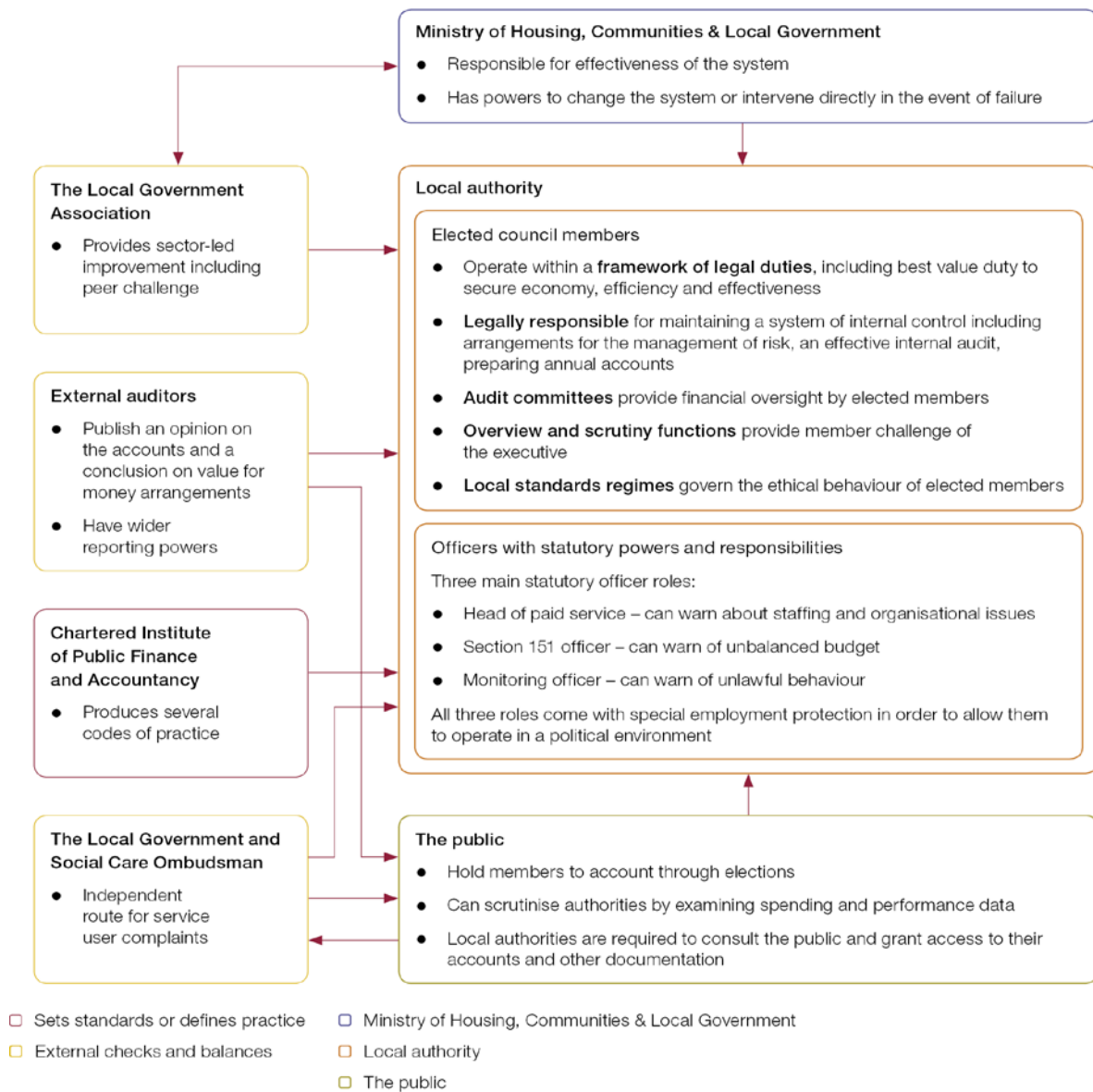The report was circulated to the following members prior to publication:

Local Member(s): Not applicable
Other members: None

Appendix 1: National Audit Office report on Local Authority Governance, January 2019

Figure 1

Core local governance framework

Ministry of Housing, Communities & Local Government
- Responsible for effectiveness of the system
- Has powers to change the system or intervene directly in the event of failure

The Local Government Association
- Provides sector-led improvement including peer challenge

External auditors
- Publish an opinion on the accounts and a conclusion on value for money arrangements
- Have wider reporting powers

Chartered Institute of Public Finance and Accountancy
- Produces several codes of practice

The Local Government and Social Care Ombudsman
- Independent route for service user complaints

Local authority

Elected council members
- Operate within a **framework of legal duties**, including best value duty to secure economy, efficiency and effectiveness
- **Legally responsible** for maintaining a system of internal control including arrangements for the management of risk, an effective internal audit, preparing annual accounts
- **Audit committees** provide financial oversight by elected members
- **Overview and scrutiny functions** provide member challenge of the executive
- **Local standards regimes** govern the ethical behaviour of elected members

Officers with statutory powers and responsibilities

Three main statutory officer roles:
- Head of paid service – can warn about staffing and organisational issues
- Section 151 officer – can warn of unbalanced budget
- Monitoring officer – can warn of unlawful behaviour

All three roles come with special employment protection in order to allow them to operate in a political environment

The public
- Hold members to account through elections
- Can scrutinise authorities by examining spending and performance data
- Local authorities are required to consult the public and grant access to their accounts and other documentation

☐ Sets standards or defines practice   ☐ Ministry of Housing, Communities & Local Government
☐ External checks and balances   ☐ Local authority
☐ The public

Notes
1. Links with other departments and service inspectorates not shown.
2. There are other statutory roles in an authority but the three listed in the chart are our main focus.
3. Arrows show the main influences acting on local authorities' governance arrangements.

Source: National Audit Office analysis of Ministry of Housing, Communities & Local Government information

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Annual Governance Statement

Year ended 31 March 2019

Warwickshire County Council

Working for Warwickshire

Annual Governance Statement 2018/19

Contents

1. What are we responsible for?

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

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

We have approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government (2016)*. Further information is on our website: http://www.warwickshire.gov.uk/corporategovernance

This statement explains how the Council has complied with its Code of Corporate Governance and also meets the requirements of the Accounts and Audit Regulations 2015. It also covers the governance control and risk management arrangements of the Warwickshire Local Government Pension Scheme and Firefighters' Pension Scheme.

2. The aim of the governance framework

The framework allows us to monitor how we are achieving our strategic aims and ambitions, and to consider whether they have helped us deliver appropriate services that demonstrate value for money.
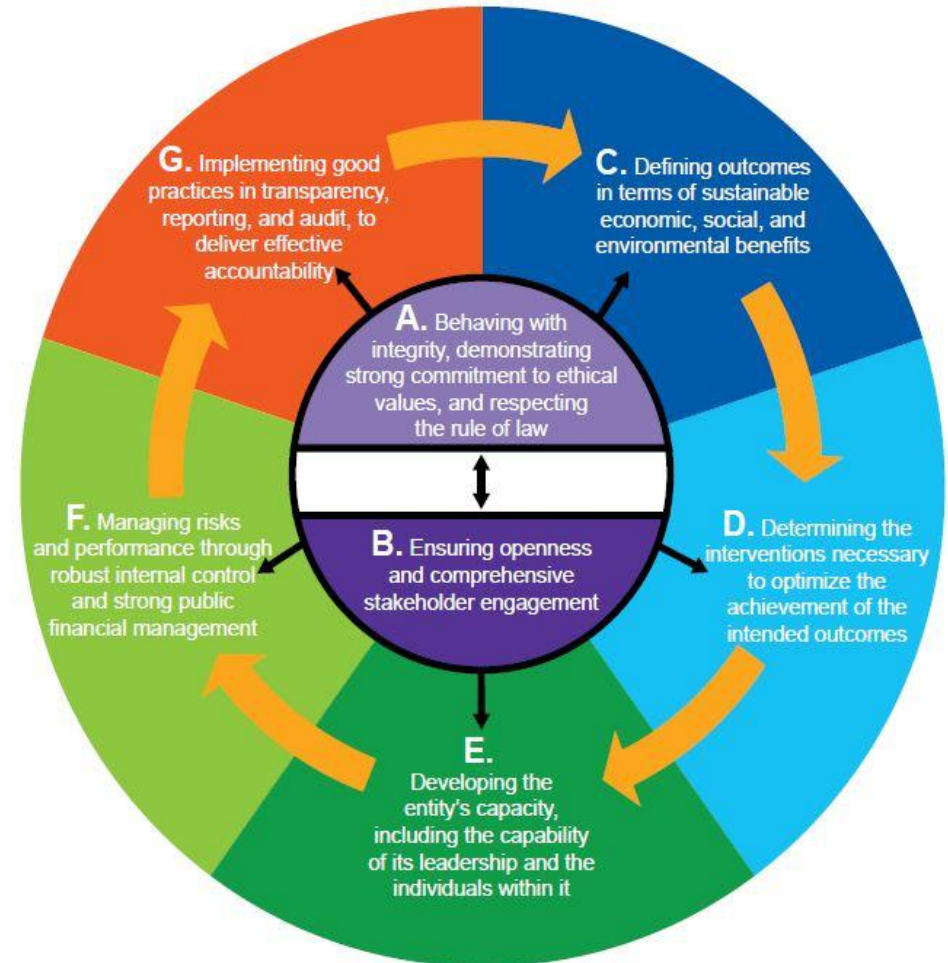

Figure 1 CIPFA's Principles of Good Governance

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

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

The governance framework has been in place at the Council for the year ended 31 March 2019 and up to the date of approval of the Annual Governance Statement and Statement of Accounts.

3   The Governance framework

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

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

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

Figure 2 Warwickshire's Six Key Behaviours

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

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

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

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

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

We have consistent governance arrangements for our two wholly owned trading companies; Warwickshire Legal Services Trading Ltd and Educaterers Ltd:

● the shareholder agreement governs our relationship with each company and sets out which decisions require shareholder approval;
● Annual General Meetings are held to ensure we are fully informed of the company's performance;
● Directors of each company have received "conflict of interest" awareness training and we actively monitor the risk of potential conflicts.

Also, in the case of Educaterers, the larger of the two companies, a shareholder representative attends company board meetings to keep updated on company matters.

Core Principle B. Ensuring openness and comprehensive stakeholder engagement

We have a Consultation and Engagement Framework in place, owned by a lead officer, which provides staff with up to date guidance and tools for planning and conducting consultation activities.

As part of our approach to consultation the Ask Warwickshire website is a portal for consultation exercises taking place within Warwickshire. We use a variety of methods to undertake consultation. www.warwickshire.gov.uk/ask

We value the contribution from our employees and have an Employee Engagement Strategy in place which sets out how we ensure employees have a voice, managers and leaders are focusing, coaching and developing their people and there is clear communication about where our authority is going. This is supported by bi-annual staff surveys and pulse surveys which measure employee engagement and our direction of travel

against a number of staff related measures. https://www.warwickshire.gov.uk/employeeengagement

We actively contribute to and collaborate with partners to promote good governance and achieve the delivery of outcomes through increased joint working and economies of scale. We are members of a number of sub-regional partnerships and groups which have member and / or officer representation. Each partnership has its own governance arrangements in place. http://www.warwickshire.gov.uk/partnerships

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

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

A Corporate Plan and Medium Term Financial Plan covering the period 2017 – 2020 has been approved in response to the Local Government Finance Settlement and the longer term implications for the authority.

2018-19 is the penultimate year of The One Organisational Plan (OOP 2020. The plan was informed by extensive public consultation and the results of analysis undertaken by the Insight Service, all contributing to the evidence base. http://www.warwickshireobservatory.org.

OOP 2020 and the MTFP focuses on the role of local government and public services going forward and the redesign of the organisation. It sets

out our vision for Warwickshire and the journey the authority will take to deliver this vision and outcomes over the life of the plan. Progress implementing the OOP 2020 is reported to full Council and it is subject to an annual review, only making changes where necessary. Plans are already in place for the development of the Corporate Plan and integrated MTFP beyond 2020. http://oop.warwickshire.gov.uk/.

> Our core purpose: **'We want to make Warwickshire the best it can be'**
>
> This is supported by outcomes which will form the focus of our work moving forward:
>
> **Warwickshire's Communities and Individuals are supported to be safe, healthy and independent**
>
> **Warwickshire's economy is vibrant and supported by the right jobs, training, skills and infrastructure**

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

The Council's programme of Transformation, Doing Things Better, has defined a New Council wide Operating Model and a set of Design Principles to direct change and transformation, governed by Corporate Board acting as a single Design Authority. The Operating Model has been developed with information and data about current activity and it supports the transition to a more commissioning driven organisation.

Target Operating Models are being developed for service areas, and are designed to maintain alignment with the budget approved by the Council, the key outcomes contained in the One Organisational Plan and with future Corporate Plans as these are developed. Each service area has Key Performance Indicators which are monitored and included in quarterly

performance reports to Service Management Teams, Overview and Scrutiny committees and Cabinet.

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

The One Organisational Plan and the Council's Medium Term Financial Plan are aligned to ensure a joined up approach to delivering the OOP 2020 outcomes and agreed savings plans. This provides the necessary framework to deliver change management and transformation and to ensure clear line of sight in the delivery of WCC's Core Purpose and Outcomes at strategic, group and service level so that Members and Officers have a clear picture of how well the Organisation is progressing against the delivery of the outcomes set out in the OOP Our outcomes framework includes the following mechanisms:

- progress against the OOP and the delivery of savings is reported to Overview & Scrutiny and Cabinet on a quarterly basis. This information is also available electronically via a Member Dashboard;
- a management information dashboard is in place which provides HR, finance and performance data to Strategic Directors, Heads of Service and third tier managers for their areas of responsibility. This enables managers to interrogate information quickly and efficiently, making key indicators easier to monitor;
- arrangements are in place to report critical management information on the key aspects of the delivery of the OOP 2020 including finance, projects and performance to Corporate Board on a quarterly basis to Cabinet and Overview & Scrutiny;
- Each Directorate has arrangements in place for reporting performance to its Directorate Leadership Team;
- The Project Hub, an on-line system for monitoring and reporting progress with projects and programmes has been rolled out which improves the delivery and performance of projects and programmes delivered across the Council against corporate objectives.

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

Our Workforce Strategy 2014 – 2018 is being refreshed and a new People Strategy has been developed to ensure our workforce can deliver the organisation's new Operating Model and stays aligned with our vision and outcomes. Priority actions to underpin the Strategy have been agreed with action plans in place, focusing on delivery. There is ongoing engagement with staff in this area and direction and progress continues to be governed and monitored by the Our People Board.

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

Our Senior Leadership Forums and planned events and workshops aim to share our Transformation plans more widely and build the skills and capabilities needed to successfully deliver those plans. These have continued throughout 2018-19 and have supported the transition to a new leadership structure, which went live in October 2018.

We have invested in the Health & Wellbeing of our staff with a Workplace Wellness Strategy, supporting process including those to manage sickness absence.

A member development programme is agreed each year to ensure core development needs of members aligned to their respective roles are met and to take account of new and emerging issues.

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

The One Organisational Plan provides the necessary framework to deliver change management and transformation and to ensure clear line of sight in the delivery of WCC's Core Purpose and Outcomes. The outcomes framework ensures that Members and Officers have a clear picture of how well the Organisation is progressing against the outcomes set out in the Plan as well as the key business outcomes that support and underpin it. These processes are continuing for the delivery of OOP-2020.

We have started work on reviewing how we will operate beyond 2020 to ensure we have strong arrangements in place to deliver future strategic plans and savings, as the authority's financial envelope continues to be constrained and demand for services increases.

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

An external Health Check of the Council's entire risk management approach against a national good practice framework was completed during the year. This resulted in an action plan to deliver improvements to our risk management approach and will inform updates to the Risk Management Strategy next year.

Financial Regulations set out our financial management framework for ensuring we make the best use of the money we have available to spend. They outline the financial roles and responsibilities for staff and Members and provide a framework for financial decision-making. Where there are specific statutory powers and duties the Financial Regulations seek to ensure these are complied with, as well as reflecting best professional

practice and decision-making. https://www.warwickshire.gov.uk/standingorders

We have adopted the CIPFA Code of Practice for Managing the Risk of fraud and corruption and this is reflected in our anti-fraud policy. http://www.warwickshire.gov.uk/antifraud

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

We endeavour to always be open and transparent. We have a forward plan which provides information about all of the decisions that the Council has scheduled. Formal agendas, reports and minutes for all committee meetings are published on our website which ensures that people know what decisions the Council is planning to take, and the decisions taken. http://www.warwickshire.gov.uk/democracy

Overview and Scrutiny Committees act as a critical friend and hold Cabinet to account for its decisions. The terms of reference for all O&S Committees are defined in the Constitution. http://www.warwickshire.gov.uk/scrutiny

The Audit and Standards Committee has oversight of internal and external audit matters, the council's arrangements for corporate governance and risk management and any other arrangements for the maintenance of probity.

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

Arrangements are in place to ensure that we fully comply with the requirements of the Public Sector Internal Audit Standards and CIPFA Statement on the Role of the Head of Internal Audit. The Internal Audit

and Insurance Manager is designated as the Head of Internal Audit and had regular formal meetings during the year with the Joint Managing Director (Resources), Assistant Director Finance & ICT and Assistant Director Governance and Policy and does not take any part in any audit of risk management or insurance. An External Quality Assessment of the Internal Audit shared service was completed in February 2018 resulting in positive feedback on the quality of internal audit provided to its clients. http://www.warwickshire.gov.uk/audit

4.   Review of effectiveness

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

The review of effectiveness was co-ordinated by an evaluation panel consisting of representatives from each group, Internal Audit and chaired by the Internal Audit and Insurance Manager. In carrying out their review, the evaluation panel:

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

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

The Authority's governance arrangements have been reviewed and improved throughout 2018/19 in a number of ways including:

- new Contract Standing Orders, updated financial regulations and officer delegations have been approved by Members;
- a follow up audit of pension fund investments and controls, including the Council's governance of arrangements with Border to Coast Pension Partnership was included in the 2018/19 internal audit plan and resulted in a substantial opinion;
- the Council's Integrated Capital Strategy has been reviewed and updated in line with the CIPFA code, approved by Council in April 2018 and is being further developed with the Capital Working Group
- Council meetings are web-streamed and a web based election results system introduced, improving transparency of decision making and public accessibility;
- the Council's external website was redeveloped and went live in January 2019, with improved signposting and navigation for site users and more interaction with our customers;
- we responded to Ofsted's inspection of our Children's Services in May 2017, resulting in an overall grade of "requires improvement", with a 12 point action plan owned at senior management level;

- WFRS received a positive inspection by HMICFRS in July 2018 including overall good judgements for the efficiency and effectiveness of the service;
- Warwickshire Youth Justice Service was assessed by HM Inspectorate of Probation and received an overall grade of "Good" in December 2018;
- the Audit & Standards Committee completed a self-assessment against the CIPFA guidance in November 2018 confirming the Committee is operating effectively;
- a report from the independently chaired review of the New Kenilworth Station project was presented to Communities Overview & Scrutiny in January 2019, with key recommendations on the governance and control of future major transport projects.

The results of Internal Audit work were reported to the Audit and Standards Committee throughout the year and the individual reviews feed into the overall Internal Audit Annual Report. The Committee has also considered in greater detail areas where limited assurance opinions have been provided including; Information Governance, Safeguarding in Schools, Payroll, Pensions Investment Management and Contracting Arrangements in Heritage and Environment. In addition, the results of investigations following up concerns about irregularities and poor financial management at a small number of schools have been reported, but these are not considered to be indicative of wider financial control issues. This report concludes that the Authority's control environment provides substantial assurance that the significant risks facing the Authority are addressed. The internal audit findings, including those with a limited assurance opinion, were duly considered in the preparation of this statement.

5. Governance issues

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

in accordance with the governance framework. However, the matters listed below have been identified as major challenges for the Authority. These governance challenges are reflected in the organisation's strategic risk register and have accompanying actions. The risk register highlights the actions taken and successes achieved in addressing the challenges of the past twelve months. A prime purpose of the governance framework is to minimise the occurrence of strategic risks and to ensure that any such risks arising are highlighted so that appropriate mitigating action can be taken. We are satisfied that the challenges identified are addressed by corporate business plans and that the actions identified in those plans will address the issues highlighted in our review of effectiveness. The following paragraphs summarise the risks contained in the strategic risk register in the context of good governance.

Government policies, new legislation, austerity measures and demographic pressures present challenges to sustainable service delivery.

The outlook for Local Government remains demanding with a number of central government policies combined with the national economic situation and post Brexit uncertainty presenting significant challenges to us. We are preparing for the change to local retention of business rates from 2020 and await the outcome of the Treasury's spending review in 2019. Decreasing Designated Support Grant funds and the projected increase in demand for school places is also a concern. We will continue to maintain a watching brief on government statements to identify potential policies which may have a significant impact for local government.

Our One Organisational Plan for the period 2017-2020 identifies savings of £67m during this period. This creates financial pressures meaning that the organisation faces significant challenges to meet its aims and objectives. The savings and transformation plans that are being delivered are realistic but challenging and the potentially significant impact on services that we provide to the public is being actively managed through

Transformation Programme workstreams. The major focus for us in the coming year is to:

- provide clarity about our priorities based on an analysis of need and budget plans, as part of the transformation programme and the development of Target Operating Models for services;
- carry out Strategic Reviews of critical service areas;
- implement Functional Operating Models for Finance, Business Support & Customer Services and Human Resources & Organisational Development to deliver effective and sustainable solutions;
- ensure the effective use of all funds allocated to the Council's Transformation Programme to support delivery of OOP-2020 and help manage the impact of changes to services that we provide to the public and the effect this may have on partners, other authorities and the voluntary sector;
- continue to monitor the implementation of savings and project plans and ensure that revenue and capital budgets are managed in a clear and prudent manner, with a focus on the quality of in-year forecasting to inform timely resource allocation decisions;
- participate in national and sub-regional working groups to support and influence the development of the Business Rates Retention system;
- continue to work closely with Border to Coast Pension Partnership on the full implementation of the revised asset pooling requirements;
- continue to explore and engage in the debate around the implication of national policy direction on local public service delivery and what it may mean for Warwickshire;
- work with our key partners to engage proactively with the UK Government to manage any financial consequences of exit from the EU.

Continuing pressure on Adult Social Services, Health, and Special Educational Needs & Disablity (SEND) provision.

There continue to be a number of pressures that have a fundamental impact on the funding and provision of adult social care and SEND

services in Warwickshire. Inflation and demographic pressures, combined with the impact of the national living wage, means that demand and costs for providing care and support continue to rise. In addition market pressures on providers increases the risk that they either leave the market or that services provided fail to meet minimum statutory requirements.

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

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

- stronger integration with our health partners and strengthening the role of the Community and Voluntary sector;
- progressing reablement workstreams to address demand for social care services;
- progressing transformation of the "customer journey" for children and adult services with customers and carers at its heart;
- further evolve our approach to commissioning and delivering high quality services with providers ensuring that we minimise the risk of market failures;
- our Demand Management Programme is informing decisions about models of provision in Adult Social Care, Health and SEND, including school transport;
- implementing the Sufficiency Strategy 2018-2023 commitment to incorporate SEND facilities within mainstream schools and expand capacity.

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

In light of high profile safeguarding cases at a national level, we cannot be complacent about protecting children and vulnerable adults from harm.

Responding to increasing levels of referrals against the backdrop of financial austerity requires careful judgements to be made both in terms of managing our exposure to risk and the associated increase in costs and substantial budget pressures in Children's Services.

Following the Ofsted Inspection of Children's Services and the Peer Review in 2017 we have progressed planned actions in key improvement areas and have refocused resources on specific early intervention initiatives. We received a Focused Visit by Ofsted in 2018 which was positive about our child protection and child in need work. The Council is also focused on addressing high demand for children's services and following a strategic review have redesigned pathways around the Multi Agency Safeguarding Hub (MASH) and early help. We continue to improve our safeguarding arrangements with a focus on working more effectively with families in the community.

The Warwickshire Safeguarding Adults & Children's Board has implemented a programme of regular multi-agency audits. The two boards are working to develop new arrangements to be ensure greater alignment and a whole family approach.

Failure to maintain the security of personal or protected data and protect our systems from disruption as result of cybercrime.

Information security is a key issue for all public sector organisations in light of well publicised data losses and cyber security incidents affecting many public bodies. A robust process for investigating incidents is in place and we continue to protect our systems and data of our staff and customers. We ensure that data is stored securely, legally and in accordance with Council policy. We have reviewed our information security guidance as a method of increasing overall awareness, and signposting staff to our more detailed advice and guidance. To improve awareness, and ensure that all members of staff understand their information security responsibilities, we require staff to undertake e-learning and formally accept their responsibilities. In response to GDPR compliance requirements we have implemented a detailed action plan which will move to business as usual from April 2019 and have introduced routine compliance reporting to Corporate Board.

Along with all other organisations, we have seen an increase in the number of attacks on Warwickshire websites and systems arising from hacking, denial of service, ransomware and phishing. In response, we continue to review and develop our network and information security arrangements and invest in those resources, following an agreed ICT security roadmap.

The ability to secure economic growth in Warwickshire.

We are a member of The Coventry and Warwickshire Local Enterprise Partnership (CWLEP) and have representation on the CWLEP Programme Board with oversight of key funding strands and provide the Chair for the Transport & Infrastructure Board. We work with CWLEP to support ongoing planning, delivery and review of the Strategic Economic Plan (SEP). Internally we monitor the implementation and economic benefits of CWLEP Growth Funded projects. Our HS2 Project Team works with partners to manage impact and maximise economic benefits. We will continue to:

- support the CWLEP Growth Hub in assisting SMEs and work to help the Hub become self-financing;

- contribute to CWLEP sub-group work looking at the impact of Brexit on skills, employment and infrastructure in Coventry and Warwickshire;
- continue to work with our partners to develop the Skills for Employment programme to improve the employability skills and attributes of young people;
- identify opportunities to invest in education infrastructure as informed by our Sufficiency Strategy projections alongside developing a coordinated approach to Infrastructure Funding and Delivery overseen by the Infrastructure Development Board;
- coordinate Brexit contingency planning and the management of risks including workforce, data handling, civil unrest and supply chain impacts, with lead officers identified from each Directorate.

At a wider, regional level the West Midlands Combined Authority (WMCA) has been established with the challenge to create jobs, enhance skills, develop prosperity and drive economic growth. The Council has joined WMCA as a non-constituent member and continues to play a full part in the development of the Authority, actively engaging with regards to transport, planning, housing and economic development. The leader of the Council has been Chair of WMCA Wellbeing Board since June 2018.

Inability to keep our communities safe from harm.

There are many challenges on the horizon nationally and locally for the services we provide that keep our communities safe. This particularly includes the Fire and Rescue Service, highways maintenance and corporate arrangements for business continuity, and we recognise that we need to become increasingly flexible if we are to meet our current and emerging challenges. During the course of the next year we will have a focus on the following areas:
- develop and deliver an annual action plan as part of the Integrated Risk Management Plan (2017 - 2020) for the Fire & Rescue Service, which also responds to improvement areas identified in the HMICFRS inspection;

- continue to review and test all our business continuity and emergency plans;
- Warwickshire Local Resilience Forum, Safer Warwickshire Partnership, collaborates with Category 1 and 2 Responders on county wide emergency response and contingency planning;
- move forward our collaborative arrangements with West Midlands Fire & Rescue Service;
- establish a Fire Service training hub model at key locations in the County;
- develop an evidence based Asset Management regime for the efficient and effective maintenance of the Highway Network, targeting the most critical areas of the Network;
- continue to direct Trading Standards resources to support a Rapid Response Unit, targeting criminal and other high risk activity in the community.

Successfully delivering the pace and extent of change required from the Transformation Programme to deliver required outcomes.

Successfully delivering the Transformation Programme, Doing Things Better, is critical to the Council's longer term core strategy and savings targets beyond 2020. The new Operating Model and clearly defined Design Principles set the framework for change. Transformation programme management and governance is in place to control change, including four programme boards:

- Demand Management
- Our People
- Digital by Design
- ICT

To maintain momentum and join up transformation activity, there is a dedicated internal communication resource and an embedded corporate consultation process. A new Change Management Framework means all

transformation projects, from April 2019, are given early consideration by a Gateway process before further development and any recommendations to Corporate Board.

A revised ICT and Digital Strategy will underpin the work of each Programme Board. The Executive Leadership structure is approved and vacant posts at Tier 2 have been appointed to.

As well as Transformation Programme progress being reported to Cabinet in Quarterly OOP monitoring reports, all service level Key Business Measures are kept in view. A Performance Review Project will refresh finance and performance reporting, improving the automation of reporting and strengthening links to our outcomes. Corporate Board maintain monthly oversight and assurances on critical projects.

6. Certification

We will continue to manage the risks detailed above and further enhance our governance arrangements over the coming year. We are satisfied that the risks we have identified are in corporate business plans and the corporate risk register and that the actions identified will address the need for improvements that were highlighted in our review of effectiveness. These are monitored and reported to members and Corporate Board as part of the corporate performance management framework. We will monitor their implementation and operation as part of our next annual review.

…………………………………………..

Head of Paid Service

…………………………………………..
Councillor Izzi Seccombe
Leader of the Council

Audit and Standards Committee

23rd May 2019

Internal Audit Plan 2019/20

Recommendation(s)

The Committee:
1.   approves the proposed plan, and
2.   note that no changes are currently required to the Audit Charter.

1   The Council has a duty to undertake an effective internal audit to evaluate the effectiveness of their risk management, control and governance processes, taking into account relevant auditing standards.

2   The role of internal audit is primarily to provide reasonable assurance to the organisation and ultimately the taxpayers that the Council maintains an effective control environment that enables them to manage its significant business risks. Internal Audit does this *by providing risk-based and objective assurance, advice and insight.* In addition to providing assurance the audit service also undertakes consultancy and advisory work designed to add value and offer insights that will improve the effectiveness of risk management, control and governance processes e.g. acting as a critical friend when process changes are being developed.

3   To ensure the best use of limited audit resources audit work needs to be carefully planned. In accordance with best practice the Committee's role is to review and approve the annual internal audit work plan. The plan is developed in consultation with senior managers and takes account of the organisation's aims, strategies, key objectives, associated risks, and risk management processes (as required by internal audit standards). It also takes into account those topics which have not recently been audited or which feature in the corporate risk register or which, when last audited, received a low opinion. As usual more care has been taken to more explicitly link the internal audit plan with critical risks.

4   Based upon the discussions to date and our professional judgement an indicative priority and an estimated number of days has been allocated to each potential topic. This takes into account a range of factors including: when the topic was last audited, complexity of the topic, and the level of change. The list of potential topics arising from the planning process is included in the attached audit plan document **(Appendix A)** together with those topics we are unable to cover during the year based on existing level of resources. The aim is to give a

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

5   Good practice requires us to recognise that the plan should be responsive to changes in risks during the year and it will therefore be reviewed at intervals throughout the year to ensure it remains relevant.

6   The Internal Audit function is governed by its Audit Charter, which is a requirement of the Public Sector Internal Audit Standards (PSIAS) and sets out the purpose, authority and responsibility of internal audit. As the Committee will appreciate, it has to be formally agreed and approved by the organisation and periodically reviewed. The Charter establishes the internal audit activity's position within the organisation, including the nature of the service's functional reporting relationship; authorises access to records, personnel and physical properties relevant to the performance of engagements and defines the scope of internal audit activities. In accordance with best practice the existing Audit Charter, which was updated in 2017, has been reviewed to ensure it remains appropriate and no changes are proposed at this time.

7   This report was also considered by Corporate Board on 2nd May 2019 and meetings with assistant directors are underway to firm up timing of individual assignments.

Background papers

1.   None

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

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

Appendix A

Internal Audit Plan
2019/20

"Providing assurance on the management of risks"

Internal Audit Plan
2019/2020

"Providing assurance on the management of risks"

This document sets outs the Internal Audit Plan 2019/2020 for Warwickshire County Council. These services are provided by the Internal Audit Service of the Resources Directorate. This document complements the Audit Charter and the Council's Risk Management Framework. In accordance with current best practice the role of the audit committee is to review and approve the internal audit plan.

The Role of Internal Audit

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

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

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

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

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

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Definition of Internal Auditing

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

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The key word in the definition is assurance, the role of audit is not to identify or investigate alleged irregularities, it is to provide assurance to the organisation (the Chief Executive, strategic directors, assistant directors and the Audit and Standards Committee) and ultimately the taxpayers that the authority maintains an effective control environment that enables it to manage its significant business risks. We do this by **providing risk-based and objective assurance, advice and insight**. The assurance work culminates in an annual opinion on the adequacy of the Authority's governance, control and risk management processes which feeds into the Annual Governance Statement.

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

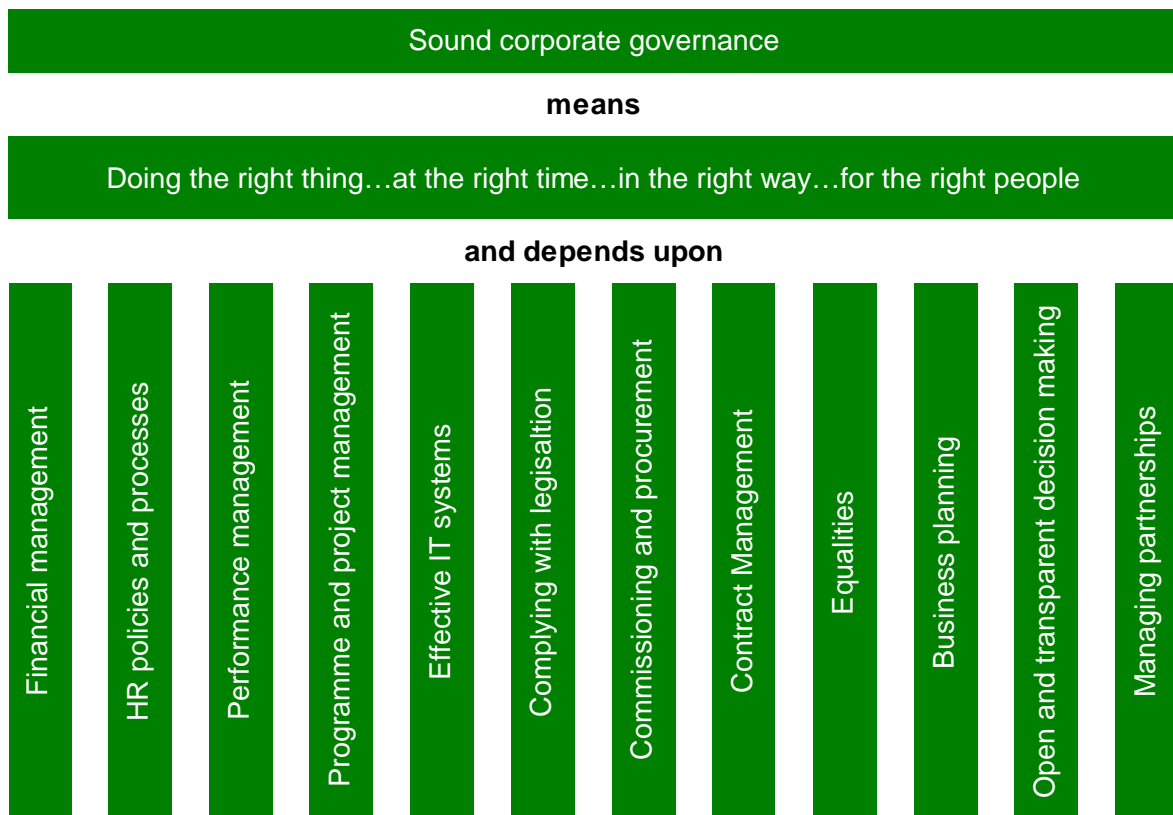**Figure 1: Three lines of defence model**
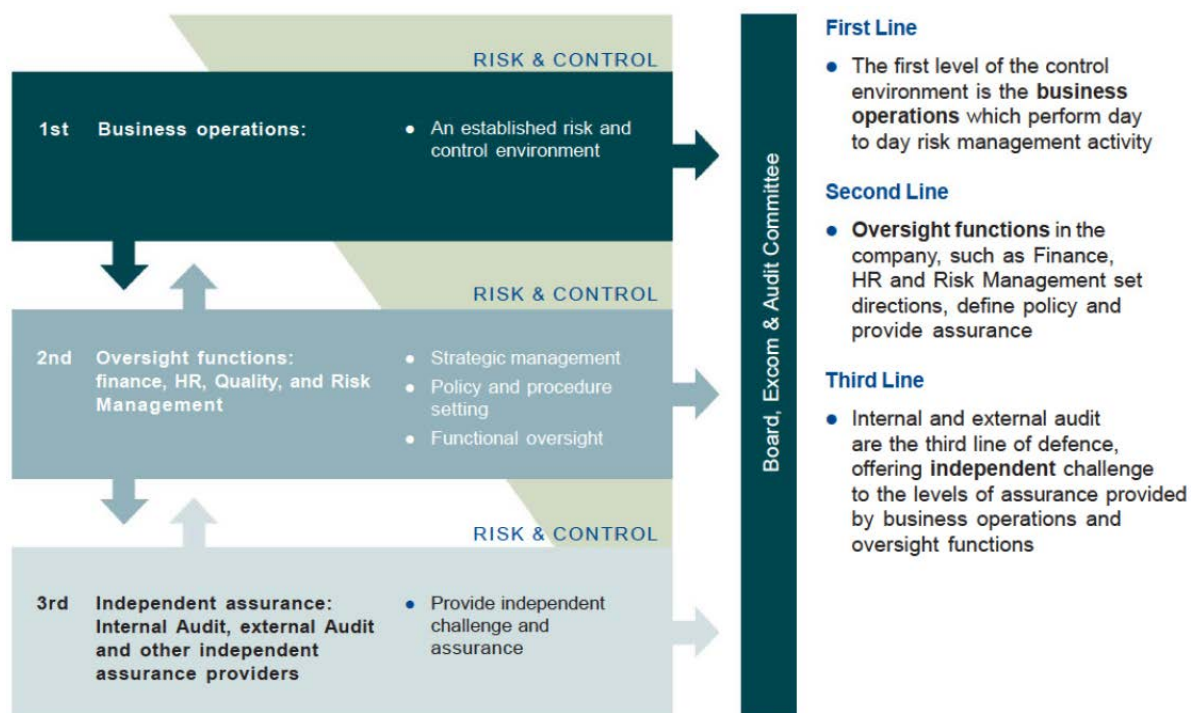
The management of risks is the responsibility of every manager. Sitting outside the processes of the first two lines of defence, audit's main roles are to ensure that the first two lines of defence are operating effectively and advise how they could be improved.

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

The focus of our work continues to be primarily on the very high risk areas and change programmes and key corporate processes. Audits of this nature are a more effective use of limited resources and are key to providing the appropriate assurance to the Council that its overall governance, control and risk management arrangements remain effective.

Figure 2: Key corporate processes

Sound corporate governance

means

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

and depends upon

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

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

A report, incorporating an agreed action plan, will usually be issued for every audit.

The results of audits are also reported to the Council's Audit and Standards Committee. To assist managers in prioritising areas for improvement, recommendations are classified as: Fundamental, Significant and Merits Attention.

Vision, purpose and values

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

As a modern effective risk and assurance service we:
- Act as a catalyst for improvement and provide insight on governance, control and risk management;
- Influence and promote the ethics, behaviour and standards of the organisation;
- Develop a risk aware culture that enables customers to make informed decisions;
- Are forward looking; and
- Continually improve the quality of our services.

A key driver of this strategy is the need to meet all our customers' needs, which in the context of the County Council are the Audit and Standards Committee, Chief Executive, strategic directors and assistant directors.

The County Council will continue to be affected by a variety of local and national issues:

- Funding pressures faced by local government;
- Increased growth in partnerships and collaborations, for example with health, other parts of the public sector and the private sector;
- Ever increasing use of technology to deliver services;
- Flexible working arrangements to make more effective use of accommodation;
- The introduction of new ways for customers and the public to access services; and
- Pressure to reduce the cost of administrative / support functions while improving quality / effectiveness.

These, and other developments, will mean increased pressure on the service to review existing systems and provide advice on new and complex initiatives within reducing resources. We must add value and help deliver innovations in service delivery. To respond to the demands on us we will:

- Continue to develop our staff to ensure we are fully equipped to respond to our customer's demands;
- Continue to invest in modern technology to improve efficiency and effectiveness;
- Add value and make best use of our resources by focussing on key risks facing our customers;

- Increasingly work in partnership with clients to improve controls and performance generally; and
- Continue to buy in specialist help – particularly in IT.

Services

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

Consultancy

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

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

So, for example, when a major new project is being undertaken we can help to ensure that project risks are clearly identified and that controls are put in place to manage them.

It is more constructive for us to advise on design of processes during the currency of a change project rather than identify problems after the event when often it is too late to make a difference and it is possible to use less resource to identify key points than in a standard audit - timely advice adds more value than untimely.

Challenge

Champion

Catalyst for improvement

Irregularities

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

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

Counter fraud

Although responsibility for operating sound controls and detecting fraud is the responsibility of management, the Service has a key supporting role. In particular, we are responsible for maintaining and publicising the Council's anti-fraud policy, maintaining records of all frauds and, as a deterrent, publicising proven frauds.

The Service also coordinates the Council's participation in the National Fraud Initiative. Relevant managers are best placed and hence are responsible for investigating matches identified by the NFI but we do maintain an overview of progress.

Plan 2019 / 2020

To ensure the best use of limited audit resources audit work needs to be carefully planned. We have sought to align our work with the Council's risk base again this year, by liaising extensively with senior management and taking into account:

- the overall environment in which the Council has to operate
- its aims, strategies, key objectives, associated risks
- risk management processes, and
- national surveys and intelligence on risk areas along with data on actual frauds at Warwickshire.

Our plan also takes into account those topics which have not recently been audited or which feature in the corporate risk register or which when last audited received a low opinion. In addition, auditors regularly attend various professional networking meetings which highlight the wider issues affecting public sector internal audit which need to be reflected in the programme of work.

General context and key themes

The outlook for Local Government remains demanding with a number of central government policies, combined with the national economic situation and Brexit uncertainty, presenting significant challenges to the Council. The Council is preparing for the change to local retention of business rates from 2020 and awaits the outcome of the Treasury's spending review in 2019. Decreasing grant funds and the projected increase in demand for school places are also concerns.

The Council's One Organisational Plan for the period 2017-2020 identifies savings of £67m during this period. This creates financial pressures meaning that the organisation faces significant challenges to meet its aims and objectives. The savings and transformation plans that are being delivered are challenging and the potentially significant impact on services that the Council provides to the public is being actively managed through the Transformation Programme. During 2018/19 a Target Operating Model was developed, strategic reviews of key service areas were started and significant changes to structure were made with significant changes in personnel at senior levels in the organisation. The transformation programme will continue in 2019/20 with further strategic service reviews, changes to the third and fourth tier management structure and implementation of functional operating models for finance, business support & customer services and HR&OD to deliver effective and sustainable solutions.

The Council is therefore part way through a period of transformation change and as a result the Council's risk profile has changed in the period since the last plan was agreed. In a climate of significant change and uncertainty it is important that core

governance, risk management and financial control arrangements are robust and consistently being followed across the organisation. A key focus of the plan for 2019/20 is therefore to provide assurance on these core processes.

Our primary customers remain the Chief Executive, strategic directors, assistant directors and the Audit and Standards Committee but we will take into account the views of other managers when refining the scope of audits and will accommodate them as long as requests do not divert us from addressing the core scope as agreed with the Audit and Standards Committee.

Further significant changes in processes and policies are likely during the coming year and internal audit will need to support this work and provide advice on the governance, risk management and control implications of the changes. Whilst providing advice is good practice and an effective use of resources sufficient audits are required across the Council's risk profile in order to deliver the annual "Head of Audit" opinion. Given resourcing levels advisory work will be targeted on key transformation projects and the Service is unlikely to be able to provide support on more minor matters.

Given the limitations on audit resources there is an increasing need for more reliance to be placed by the Council on second line of defence functions (such as Finance, HR and Procurement) and potentially audit will increasingly need to provide assurance on the effectiveness of those functions especially as budget constraints will inevitably also impact on them and hence on the overall assurance framework. The plan therefore includes more of an emphasis on such functions. We will avoid undertaking roles that are properly the responsibility of the first or second line of defence – these managers need to have sound controls and monitoring systems in place rather than relying on periodic internal audits to provide them with assurance. Assurance that these management functions are being properly discharged will be tested as part of the audit work.

Governance, risk and control issues continue to be an issue at schools with a number of investigations being required or audits resulting in a limited opinion. In general we plan not to do any individual schools audits instead focusing on the arrangements the Council has in place to identify as early as possible, and subsequently support, schools causing concern / in difficulty. Where a potential and significant financial irregularity is suspected at a school we will investigate but we will not investigate minor suspected irregularities and will expect schools to resolve these albeit with some support from audit as well as other support functions from across the council including finance and school advisers. Similarly, there is little value that an audit can add where the Council already knows of issues at a particular school.

The detailed plan

Based upon discussions with senior managers and our professional judgement an indicative priority and an estimated number of days have been allocated to each

potential topic. The Council's strategic risks and the key planned work to provide assurance on these risks are shown in Annex 1. Demonstrating the assurances planned on each strategic risk and being transparent about auditable topics that cannot be audited are key requirements of internal audit professional standards and we therefore adopt a top down approach with the plan being driven by key risks.

The outline plan in Annex 2 shows those topics that we are planning to audit and Annex 3 details an illustrative list of topics that we are not planning to audit. The plan takes into account the resources available within the audit service, risk and other assurance frameworks that exist from which the council can gain assurance.

As in previous years the plan covers one year which is accepted best professional practice. Whilst an indicative timing is included, and a view taken on time required, this is subject to review during the year e.g. when risks change or a specific project becomes a matter of priority or a significant fraud has to be investigated.

In addition to the assurance and advisory work listed provision has been made in our work plan to:
- Undertake investigations,
- Complete outstanding 2018/19 audits, and
- A limited amount of counter fraud work to update counter-fraud policies as a result of the implementation of a new Target Operating Model. This work will supplement the Council's participation in the National Fraud Initiative which the internal audit team coordinates.
- Undertake the non-audit work to which the service is committed (primarily the management of the Insurance Function).

Quality Assurance and Improvement Programme

The Public Sector Internal Audit Standards (PSIAS) require the Internal Audit and Insurance Manager to develop and maintain a Quality Assurance and Improvement Programme (QAIP) covering all aspects of the internal audit activity.

The QAIP includes internal assessments, periodic self-assessments and external assessments and is not only designed to assess the efficiency and effectiveness of Internal Audits, but also to enable an evaluation of the internal audit activity's conformance with the definition of internal auditing and the PSIAS and an evaluation of whether internal auditors apply the Code of Ethics. We have an Audit Manual based on accepted professional practice which as well as being compliant with PSIAS builds quality into every stage of the audit process. A summary of the QAIP is shown in Annex 4.

Garry Rollason
Internal Audit and
Insurance Manager
(Head of Internal Audit)
March 2019

Paul Clarke
Deputy Internal Audit
Manager

David Ashley
Audit Engagement
Manager

Strategic Risks

Extract from Council's strategic risk register			Audit Coverage	
Risk	**Gross Risk Rating**	**Net Risk Rating**	**Summary of past coverage[1]**	**Examples of proposed internal audit role / planned assignments**
Government policies, new legislation, austerity measures and demographic pressures present challenges on service delivery.			• Programme and project management • Advisory input into transformation projects • S106 • Capital Programme	• Schools in difficulty • Adult social care – end to end review • Transformation project – health checks and advice • Budget management • Strategic financial and business planning • Risk management
Continuing pressure on Adult Social Services, Health and Special Educational Needs & Disability provision.			• Disability Services • Benefits, Assessments and Income Control • Reablement • Contract management • Commissioning – Quality Review • Domiciliary care • Direct Payments – Adults • Mosaic Advice	• Commissioning • Contract management • SEND • Adult social care – end to end review • People Directorate – commissioning • Prepayment cards for direct payments
Failure to adequately safeguard Children and Vulnerable Adults.			• Missing children • Links with Health • Contracting – Public Health	• Safeguarding arrangements in schools • Implementation of

[1] Only audits completed in last 3 years are shown

Extract from Council's strategic risk register			Audit Coverage	
Risk	**Gross Risk Rating**	**Net Risk Rating**	**Summary of past coverage[1]**	**Examples of proposed internal audit role / planned assignments**
	RED	RED	• Multi Agency Safeguarding Hub (MASH) • Looked After Children • Adoption Central England • Asylum Seekers • Case File Recording	recommendations from serious case reviews / governance of safeguarding boards • Quality Assurance processes
Failure to maintain the security of our systems and data.	RED	AMBER	• Information governance	• Your HR – access control • Specialist IT audits • Information governance
Inability to secure economic growth in Warwickshire.	RED	AMBER	• Economic development and growth	• Railway Contracts
Inability to keep our communities safe from harm.	RED	AMBER	• Highways • Emergency Planning	• Fire Service – MOU with West Midlands • Business Continuity
The Transformation Programme does not deliver the pace and extent of change required to meet high priority OOPS targets and deliver strategic priorities.	RED	AMBER	• Programme and project management • Advisory input into transformation projects	• Transformation project – health checks and advice • Manager responsibilities • Commissioning • Budget management • Strategic financial and business planning • Risk management • Various financial systems

Planned Work 2019/20

Directorate	Service	Topic	Potential Control / Governance Issue	Proposed Audit Coverage	Indicative Timing (Qtr)
Communities	Education	Schools in difficulties / budget management and planning	Weak controls to identify schools in difficulty.	Review the arrangements the Council has in place to identify schools with issues early, provide support to those schools and take action to manage the risks.	1
Communities	Education	Safeguarding arrangements in schools	Safeguarding is a strategic risk for the Council. Limited opinion audit in 2018	Assurance that actions agreed from 2018 limited opinion safeguarding audit have been implemented	3
Communities	Education	SEND	The outcome of the Strategic review of SEND has to be delivered on time, financial savings achieved with an effect on demand. Strategic risk	Assurance on the governance arrangements in place around the implementation and delivery of the SEND review outcomes.	3
Communities	Fire and Rescue	MOU with West Midlands	Following the Memorandum of Understanding with the West Midlands Fire and Rescue Service and number of proposals have been put forward for closer cooperation. Clear, evidence based business cases should be available to support decision making. Overall governance of the arrangements.	Assurance on the: 1 overall governance of the collaboration arrangements and of individual projects 2 arrangements for developing and approving individual business cases 3 appropriate finance, HR and IT input into business cases and project governance	3

Directorate	Service	Topic	Potential Control / Governance Issue	Proposed Audit Coverage	Indicative Timing (Qtr)
Communities	Communities	Business Continuity	The Council needs to have robust plans in place to ensure services can continue to be provided where a major incident or other event occurs which causes potential disruption to services.	Provide assurance that there is a robust corporate framework for business continuity planning and that this approach is followed across the Council. To include: 1 critical services have been identified and prioritised 2 plans for critical services are in place, regularly reviewed and tested and link with IT plans and capacity 3 arrangements for ensuring suppliers and partners have robust tested plans in plan consistent with the Council's requirements.	1
People	Adult	Adult social care - end to end review	End to end review / Adult customer journey being reviewed with major changes to processes and controls likely. Advice to be provided on risk management and control design. Pressure on SEND is a Strategic risk	Advice on risk management and control design.	1 - 4
People	People	Commissioning	Effective commissioning is essential to delivery of the right services and achievement of value for money.	Review the design and operational effectiveness of controls operated by the People Directorate Commissioning service to Identify/ Plan/ Procure and Deliver services.	3
People	Children	Implementation of recommendations from Serious Case Reviews	Learning from Serious Case reviews is important to minimise the risk of recurrence. In addition the governance of Safeguarding Boards is being reviewed and due for implementation in September 2019.	Assurance on the governance around the implementation of action plans. How is the Board getting assurance that learning from serious case reviews is being applied.	3

Directorate	Service	Topic	Potential Control / Governance Issue	Proposed Audit Coverage	Indicative Timing (Qtr)
People	Children	Prepayment cards for direct payments	Prepayment cards are being introduced to streamline administration and management.	Assurance that the monitoring and control of spend is effective under the new arrangements. The risk of fraud, errors or misuse is managed effectively.	2
People	Children	Quality Assurance	New framework for the quality assurance function which provides a 2nd line of defence.	Review of the design and operation of quality assurance processes for Children's services.	3
Resources	Business and Customer Services	Customer Service Centre	The Customer Service Centre has a key role in interfacing with customers and Council services. This is facilitated by links between CSC IT systems and a range of other IT systems across the Council.	Assurance over: 1 the efficiency and effectiveness of IT links between CSC IT systems and business systems across the Council 2 the setting, monitoring and delivery of service standards by the Customer Service Team	2
Resources	Commissioning Support Unit	Transformation	Organisation undergoing significant change in structure, processes and personnel. Key corporate programme which must be delivered on time and to budget Failure of the programme is a strategic risk	Programme / project health checks at key decision points. Provision of advice on governance, risk management and control implications of proposed changes to policies and processes. Note: The budget for this topic will need to be kept under review and amended as appropriate during the year.	1 - 4

Directorate	Service	Topic	Potential Control / Governance Issue	Proposed Audit Coverage	Indicative Timing (Qtr)
Resources	Commissioning Support Unit	Manager responsibilities	Significant reliance is placed on managers to undertake, exercise control and manage risk in relation to a wide range of activities including budget planning and management, HR recruitment, absence management, performance management, contract management etc. Compliance with policy and good practice is important to the successful delivery of Council objectives. Significant level of change both in responsibilities and in personnel across the organisation may result in corporate processes and requirements not being followed.	Review of compliance with Council policy and procedures for a sample of managers across all directorates.Note: The budget will need to be kept under review. The approach will require development as well as testing of a broad sample of managers.	2 - 4
Resources	Commissioning Support Unit	Commissioning	Role and structure of CSU being developed. Commissioning processes being developed	Advisory input on governance, risk and control implications of the development of commissioning and the CSU design	1 - 4

Directorate	Service	Topic	Potential Control / Governance Issue	Proposed Audit Coverage	Indicative Timing (Qtr)
Resources	Commissioning Support Unit	Procurement	Effective procurement to achieve Council objectives and ensure value for money. Procurement team is a key second line of defence function. Updated contract standing orders agreed.	A - Assurance on compliance across the Council with good procurement practice and regulatory / statutory requirements focussing on the rigour of tendering / quotes process. B - Review of the procurement service as a second line of defence (excluding contract management aspects which are covered in a separate audit) including: 1 monitoring of compliance with corporate policies and procedures and legislative / regulatory requirements 2 training / support / advice provided by Procurement (and take up) 3 robust process exists and is being followed for granting exemptions to CSOs Note: Consider doing in parallel with contract management audit	1 or 2
Resources	Commissioning Support Unit	Contract Management	Effective contract management is essential to achieve Council objectives and ensure value for money. Procurement team is a key second line of defence function. New framework introduced during 2018.	A - Assurance on compliance across the Council with the agreed contract management policy focussing on the robust performance management of contractors. B - Review of second line of defence functions (relating to contract management) exercised by the procurement service including: 1 monitoring of compliance with corporate policies and procedures	1 or 2

Directorate	Service	Topic	Potential Control / Governance Issue	Proposed Audit Coverage	Indicative Timing (Qtr)
				2 training / support / advice provided by Procurement (and take up) Note: Consider doing in parallel with Procurement audit.	
Resources	Commissioning Support Unit	Programme and project management	Quality assured business cases as part of an overall programme and project management approach are needed to maximise the likelihood of positive project outcomes. Gateway process and new project management IT system (Verto) being introduced	Review of programme and project management arrangements across the Council to provide assurance that: 1 project management guidance is in place and being followed 2 appropriate support, guidance and training is in place 3 project register is comprehensive and up to date 4 project gateway process is sound and being followed 5 business cases are robust 6 appropriate governance and oversight in place Note: Time for this audit dependent upon number and nature of projects reviewed and findings so will need to be kept under review.	2
Resources	Enabling Services	Your HR - Access controls / security model	Inappropriate access to the system could lead to error, data breaches or fraud. Security of systems and data is a strategic risk	Testing of the design and operation of the Your HR security model.	1

Directorate	Service	Topic	Potential Control / Governance Issue	Proposed Audit Coverage	Indicative Timing (Qtr)
Resources	Enabling Services	IT Audit	Need to manage the risks of this key support service. Security of systems and data is a strategic risk	A range of IT audits will be agreed based on a specialist risk assessment.	3
Resources	Enabling Services	Recruitment	Changes in approach following introduction of Your HR recruitment module.The module drives the recruitment process and ultimately will result in a successful candidate being added to the payroll. Robust controls over this process are therefore essential. Failure to undertake robust pre-employment checks (right to work in the UK etc.) is a key risk in the recruitment process which has resulted in a number of limited opinion audits. HR are a key second line of defence function monitoring compliance with corporate policies and processes	Assurance over the design and operation of the recruitment process including: 1 completeness and timeliness of pre-employment checks 2 completeness, accuracy and timeliness of adding new employees to the payroll 3 monitoring by HR of compliance with pre-employment and recruitment processes 4 an appropriate division of duties is enforced by the system	2
Resources	Finance	Accounts Payable	Key financial system. Assurance required that robust processes are followed in a period of significant change for the Council to minimise the risk of error and fraud. Monitoring by central exchequer services team is a key second line of defence function.	Assurance over the design and operation of controls in the central exchequer services team including 1 supplier maintenance 2 automatic approval process adequacy of division of duties 3 IT security model 4 overall monitoring of activity by exchequer (promptness of approvals and payment, detection of duplicate payments, orders raised after invoices received etc.)	1

Directorate	Service	Topic	Potential Control / Governance Issue	Proposed Audit Coverage	Indicative Timing (Qtr)
Resources	Finance	Accounts Receivable	Key financial system. Assurance required that robust processes are followed in a period of significant change for the Council to minimise the risk of error and fraud. Robust arrangements need to be in place to ensure that invoices are raised promptly, for the correct amount, with appropriate supporting information and prompt action taken to recover unpaid invoices. Central exchequer team is a key second line of defence function.	Assurance over the design and operation of controls in the central exchequer services and debt recovery teams including: 1 Overall monitoring by exchequer services (speed of raising debts, etc.) 2 security model 3 division of duties 4 promptness of debt recovery	1
Resources	Finance	BACS / CHAPS	Key financial system. Assurance required that robust processes are followed in a period of significant change for the Council to minimise the risk of error and fraud.	Review of the design and operation of controls to: 1 prevent error, misuse or fraud 2 ensure payments due are made accurately and on time to the correct creditor	1
Resources	Finance	Bank Reconciliation	Key financial system. Inaccurate or late reconciliations may delay identification of error or fraud and also result in criticism from external auditors.	Review of the design and operation of controls including: documentation, promptness, completeness, and accuracy of reconciliations	3

Directorate	Service	Topic	Potential Control / Governance Issue	Proposed Audit Coverage	Indicative Timing (Qtr)
Resources	Finance	Budget management	Assurance on the design and operation of the new budget book module for Agresso which goes live Qtr. 1 2019/20.	Assurance on the operation of the Agresso Budget Book module and how this supports effective budget management.	3 (early)
Resources	Finance	General Ledger	Assurance over the integrity of the General Ledger system including Interfaces and Access controls.	Review of design and operation of controls including: 1 interfaces with feeder systems2 access controls. 3 prompt, complete and accurate clearance of suspense and control accounts4 a clear control framework has been set and this is being rigorously applied.	3
Resources	Finance	Pensions Admin	Significant financial area which requires periodic assurance.	Phase 1 Assurance on the separation of duties between pensions and employers' payroll sections including: 1 respective responsibilities of WCC payroll and pensions are documented and appropriate 2 respective responsibilities of other employers and pensions are documented and appropriate	1

Directorate	Service	Topic	Potential Control / Governance Issue	Proposed Audit Coverage	Indicative Timing (Qtr)
Resources	Finance	Pensions Admin	Significant financial area which requires periodic assurance.	Phase 2 Comprehensive review of pensions administration functions not covered in Phase 1 review including: 1 employers provide information to pensions promptly 2 processing of new starters and leavers is undertaken accurately and promptly 3 transfers in and out are processed accurately and promptly 4 IT system access controls 5 appropriate division of duties exist 6 appropriate business continuity plans exist and are periodically tested 7 pensions / lump sums are paid accurately and promptly	3
People	Finance	Residential and domiciliary care	Key financial system.	Assurance that payments to providers are made accurately and promptly, in accordance with contracts and only in respect of bone fide residents.	2
Resources	Finance	Strategic financial and business planning	New corporate plan / MTFP required Assurance on Financial stability Challenging financial environment for local government generally and for the County Council Effects of transformation	Review of the process for development and quality assurance of the MTFP / OOP2025 to ensure that medium term financial planning is properly integrated with business planning.	3

Directorate	Service	Topic	Potential Control / Governance Issue	Proposed Audit Coverage	Indicative Timing (Qtr)
Resources	Governance and Policy	Risk Management	External risk management health-check completed during 2018 Council faces significant challenges so sound risk management is essential	Health-check of risk management arrangements following implementation of actions from 2018 health-check. Note: May be externally commissioned from Marsh	4
Resources	Governance and Policy	Establishment Control Process	Establishment Control was introduced during 2018/19, and seeks to ensure that employment and agency staffing numbers and costs are properly managed.	Review of the operation of the Establishment Control process to provide assurance that the establishment is adequately controlled in terms of both numbers and costs.	1
Resources	Governance and Policy	Information governance	Risk of failure to properly manage and protect information is a strategic risk. Legislative or regulatory breaches that could result in significant penalties. Reputational damage following a data breach. previous limited opinion audit on GDPR compliance. Central information governance team provides a key second line of defence function	Review of compliance with legislative and regulatory requirements and council policies and procedures. Provide assurance that appropriate practices for GDPR compliance are embedded and hence that the Council is fully compliant. Assurance on the central information governance function including: 1 capacity and skills of the unit 2 training and support provided 3 monitoring by the unit of compliance with agreed policies and procedures 4 organisational status of the unit 5 appropriately skilled and qualified DPO in post	3
Resources	Governance and Policy	Your HR advice	Your HR development	Audit advice on governance, risk management and control implications of any further changes to Your HR.	1 - 4

Directorate	Service	Topic	Potential Control / Governance Issue	Proposed Audit Coverage	Indicative Timing (Qtr)
Resources	Governance and Policy	Strategic Property	Need to ensure that Strategic property management delivers the right property portfolio for the future along with delivery of capital receipts to agreed timescales	Assurance on strategic property management including the delivery of disposals to agreed timetable. Assurance that capital receipt projections are soundly based / adequately risk assessed.	3
Resources	Governance and Policy	Consultants	Higher risk expenditure area. High profile topic as a result of introduction of IR35. Target to reduce costs.	Review of controls and testing of expenditure to provide assurance that issues identified in previous limited opinion audit have been addressed effectively. Including: 1 adequacy of guidance, training and support to managers 2 monitoring by HR of compliance with guidance 3 compliance with IR35	1
Resources	Governance and Policy	Culture/Ethics	Need to demonstrate strong governance of the Council.	Assurance on the operation of the components required to ensure and maintain high ethical standards.	4
Other		AGS		Preparation of the annual governance statements for 2018/9 and 2019/20.	
Other		Risk Management		Preparation of corporate risk register and coordination of process	
Other		Counter-fraud - NFI		Co-ordination of investigations into NFI2018 matches	

Directorate	Service	Topic	Potential Control / Governance Issue	Proposed Audit Coverage	Indicative Timing (Qtr)
Other		Counter - Fraud - Policy/ Publicity		Ensure that the Counter Fraud, Bribery and Corruption Framework is up to date, that staff are aware of it and that it is applied in practice. It is in need of review to reflect structural changes.	
Other		Grants		Certification of those grant claims required to be certified by the Council's head of internal audit.	
Other		Accounts		Audit of a small number of miscellaneous funds operated by the Council	

Illustration of auditable topics not planned for 2019/2020

In addition to the coverage of key risks areas discussed at Annexes 1 and 2 above, the PSIAS requires the strategy to be open about those audit areas not covered in 2019/20. Based upon the planning discussions with senior management, our professional judgement and the results of previous audits the following topics are not planned for 2019/20. However, should planned audits not take place topics from this list will be substituted.

| Directorate	Area	Latest coverage[2]	Other assurances	Priority
Communities	Developer contributions / highways response to planning applications	In Progress		H
	School Procurement			H
	School themed Audit – Budget Management	In Progress	Finance	H
	Health and safety		Health & Safety	H
	Civil Parking Enforcement	Moderate 2015/16	Procurement	H
	Fire Premises Risk Management	Substantial 2014/15	HMICFR	H
	Duty Management System	In Progress	HMICFR	H
	Partnerships			H
	Waste Management	Moderate 2018/19		H
	Pension Investment management	In Progress		H
People	Child Protection			H
	Missing Children	Substantial 2017/18		H
	Looked After Children	In Progress		H
	Adoption Central England	In Progress		H
	Asylum Seekers	Limited 2018/19		H
	Direct Payments – Children		Finance	H
	Direct Payments - Adults	Moderate 2018/19	Finance	H
	Reablement	In Progress		H
	Delayed Transfer of Care			H
	Reviewing Team	In Progress		H
Resources	Performance management		Performance	H
	Payroll	In Progress		H
	Treasury Management	Moderate 2018/19		H
	Capital Programme	Moderate 2018/19		H
Communities	Home to school transport	Moderate 2016/17		M
	Transport Fleet CFM	Moderate 2018/19		M
	SEN & inclusion	Moderate 2015/16		M
	Health and Well Being			M
	Planning Control	Substantial 2016/17		M
	Highways response to planning applications			M

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[2] This may not necessarily be a full scope review and only audits completed in the last 5 years are shown.

Directorate	Area	Latest coverage[2]	Other assurances	Priority
People	Command and control		HMICFRS	M
	Training	Moderate 2015/16	HMICFRS	M
	Transport	Limited 2015/16	HMICFRS	M
	Water	Substantial 2015/16	HMICFRS	M
	Duty management system		HMICFRS	M
	Individual schools		Finance, HR	M
	Economic Development	Moderate 2018/19		M
	Contracting – Public Health	Substantial 2018/19	Procurement	M
	School improvement	Moderate 2014/15	Ofsted	M
	Health and Safety		HMICFRS	M
	Residential Care			M
	Fostering	Substantial 2018/19		M
	Resource Allocation			M
	Multi-Agency Safeguarding Hub	Substantial 2018/19		M
	Domiciliary care			M
	Residential care			M
	Transitions and care leavers	Substantial 2018/19		M
	Deprivation of liberties	Moderate 2015/16		M
	Links with Health	Moderate 2018/19		M
	Quality Reviewing	Substantial 2018/19		M
	Case File Recording (Children and Adult)	Substantial 2018/19		M
	Disability Services	Substantial 2018/19		M
Resources	Occupational Therapy	Substantial 2014/15		M
	Complaints	Moderate 2016/17		M
	Heritage and Culture	Limited 2018/19 (Heritage)		M
	Pensions - governance	Substantial 2016/17		M
	Customer Connect	Moderate 2016/17		M
	Commercialism			M
	Business and Customer Support			M
	Benefits, Assessment and Income Control Team (re Residential & Domiciliary Care)	Substantial 2018/19		M
	Capital Programme	Substantial 2016/17	Finance	M
	Absence Management	Moderate 2016/17	HR	M
	HR management	Moderate 2014/15	HR	M
	Insurance			M
	Libraries, one front door, information service	Moderate 2015/16		M
	Registration	Moderate 2015/16	GRO	M
	Scrutiny			M
	Communications	Substantial 2015/16		M
Communities	Grants to voluntary organisations	Substantial 2014/15		L
	School Organisation &	Full 2014/15		L

Directorate	Area	Latest coverage[2]	Other assurances	Priority
Resources	Planning			
	Emergency Planning	Substantial 2018/19		L
	Highways	Substantial 2018/19	Procurement	L
	Youth Justice Service			L
	Music Service	Moderate 2015/16		L
	Outdoor education	Moderate 2015/16		L
	Catering & cleaning			L
	Income, Cash Collection & Banking			L
	School pupil premium	Moderate 2015/16		L
	Concessionary fares			L
	Public transport			L
	Streetworks			L
	Road safety			L
	Asbestos / water safety etc in schools -Themed			L
	Fire Equipment and uniforms		Procurement, HMICFRS	L
	Facilities management			L
	Business intelligence			L
	Trading standards and community safety			L
	Engineering design services	Substantial 2014/15		L
	Social Fund	Substantial 2014/15		L
	VAT		Finance	L
	Coroner			L
	Members allowances			L
	Consultation	Substantial 2016/17		L

Annex 4: QAIP

Warwickshire County Council – Quality Assurance and Improvement Programme
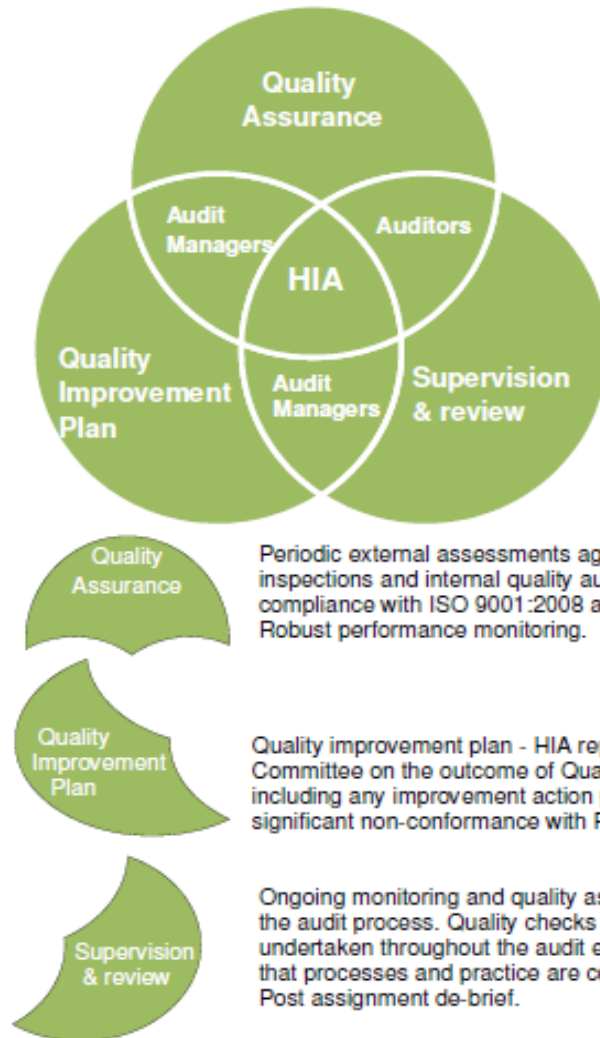
Head of Internal Audit

- Undertake an annual self-assessment against the requirements of PSIAS
- Develop and maintain a Quality Assurance Improvement Programme (QAIP) & improvement action plan
- Focus on evaluating conformance with Internal Audit Charter, definition of Internal Audit, Code of Ethics & the Standards
- Arrange an External Assessment in accordance with PSIAS requirements

Audit Managers

- Undertake supervision and review audit engagements
- Obtain assurance from supervision and review processes that engagement planning, fieldwork conduct and reporting /communicating results adheres to audit manual / PSIAS
- Provide HIA with regular reports on outcome of reviews, performance against key service measures etc
- Provide feedback to auditors on quality of their work
- Promote high professional standards and compliance with audit manual / PSIAS
- Continually develop their team members

Auditors

- Conduct audit engagements in accordance with audit manual PSIAS
- Deliver all assignments on time and within budget

All

- Comply with the Code of Ethics / Code of Conduct
- Promote the standards and their use throughout the Internal Audit activity
- Committed to delivering high quality services and continuous improvement
- Promote the internal audit service
- Committed to continuing professional development

Quality Assurance — Periodic external assessments against PSIAS. Annual inspections and internal quality audits to confirm compliance with ISO 9001:2008 and the Audit Manual. Robust performance monitoring.

Quality Improvement Plan — Quality improvement plan - HIA reports to Audit Committee on the outcome of Quality Assurance including any improvement action plan and any significant non-conformance with PSIAS.

Supervision & review — Ongoing monitoring and quality assurance is built into the audit process. Quality checks and oversight are undertaken throughout the audit engagement ensuring that processes and practice are consistently applied. Post assignment de-brief.

Audit and Standards Committee

23 May 2019

External Auditors' Progress Report

Recommendation

The Audit and Standards Committee is asked to consider and make any comments on the attached External Auditors' Progress Report.

1.   Purpose of the Report

1.1.   The purpose of this report is for our external auditors to provide a report to inform the Committee of their progress in delivering their responsibilities as our external auditors.

1.2.   The report prepared by the auditors is attached at **Appendix A**. The auditors will also provide a verbal sector update at the meeting.

2.   Background Papers

2.1.   None

	Name	**Contact Information**
Report Author	Vicki Barnard	vickibarnard@warwickshire.gov.uk
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Strategic Director (Resources)	Rob Powell	robpowell@warwickshire.gov.uk
Portfolio Holder	Peter Butlin	cllrbutlin@warwickshire.gov.uk

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

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Audit Progress Report

Warwickshire County Council and Warwickshire Pension Fund
Year ending 31 March 2019

May 2019

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Audit and Standards Committee Progress Report and Sector Update for Warwickshire County Council | Year ending 31 March 2019

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Introduction

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

The paper includes:

- The results of our interim work in 2018/19;

- An update on our other areas of work; and

- Progress against the audit timeline

Members of the Audit and Standards Committee can find further useful material on our website where we have a section dedicated to our work in the public sector. Here you can download copies of our publications.

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

PSAA Contract Monitoring

Warwickshire County Council opted into the Public Sector Audit Appointments (PSAA) Appointing Person scheme which starts with the 2018/19 audit. PSAA appointed Grant Thornton as auditors. PSAA is responsible under the Local Audit (Appointing Person) Regulations 2015 for monitoring compliance with the contract and is committed to ensuring good quality audit services are provided by its suppliers. Details of PSAA's audit quality monitoring arrangements are available from its website, www.psaa.co.uk.

Our contract with PSAA contains a method statement which sets out the firm's commitment to deliver quality audit services, our audit approach and what clients can expect from us. We have set out our commitment to deliver a high quality audit service in the document at Appendix A. We hope this is helpful. It will also be a benchmark for you to provide feedback on our performance to PSAA via its survey in Autumn 2019.

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Audit and Standards Committee Progress Report and Sector Update for Warwickshire County Council | Year ending 31 March 2019

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Progress at April 2019

Financial Statements Audit

Authority and Pension Fund

We have completed planning for the 2018/19 financial statements audit and undertook our interim audit between January and March.

The findings from our interim audit are summarised on pages 5 and 6 of this report.

We issued our audit plan summarising our approach to the key risks of the audit in February.

We will report findings from our post statements audit work in the Audit Findings Report by the deadline of 31 July 2019.

Council responsibilities

In our Audit Plan presented to Audit and Standards Committee in February 2019 we have communicated our expectations around the Council for timely production of the draft accounts supported by appropriate working papers.

Should delays be experienced in the provision of these requirements or should additional work be required on our part due to complex technical issues, new arrangements and delays in response to queries additional costs will be incurred.

The agreed fee for the audit is £72,795 and £18,397 for the council and pension fund respectively.

Value for Money

The scope of our work is set out in the guidance issued by the National Audit Office. The Code requires auditors to satisfy themselves that; "the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources".

The guidance confirmed the overall criterion as: "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".

The three sub criteria for assessment to be able to give a conclusion overall are:

•Informed decision making

•Sustainable resource deployment

•Working with partners and other third parties

Details of our initial risk assessment to determine our approach were included in our Audit Plan. We identified one significant Value for Money Risk – financial planning and delivery of the one organisation plan – and are currently carrying out our audit work on this.

We will report our work in the Audit Findings Report and give our Value For Money Conclusion by the deadline of 31 July 2019.

Other areas

Objections

We are currently addressing three objections.

• Our decision in respect of an objection received in relation to highways apparatus (manhole covers) was issued on 18 March 2019

• We have issued provisional views in respect of an objection related to the Council's implementation of Environmental Noise Regulations. We have requested and received further clarifications from the Council's legal team and aim to issue our decision in early May.

• We have issued provisional views in respect of an objection related to the Council's use of s106 monies. We have received representations from the objector which we are considering further.

We will bring a report to the July Audit Committee on any learning for the Council from our work.

Meetings

We met with officers in April 2019 as part of our quarterly liaison meetings and continue to be in discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective.

Events

Our annual accounts workshop took place in February 2019 which was attended by key finance staff.

Results of interim audit work

	Work performed	Conclusions and recommendations
Internal audit	We have completed a high level review of internal audit's overall arrangements. Our work has not identified any issues which we wish to bring to your attention. We have also considered internal audit's work on the Council's key financial systems to date. We have not identified any significant weaknesses impacting on our responsibilities.	Overall, we considered the work of internal audit to date, to help inform our understanding of the Council and Pension Fund control environment and inform our audit strategy for our accounts and value for money work. Our review of internal audit work has not identified any weaknesses which impact on our audit approach.
Entity level controls	We have obtained an understanding of the overall control environment relevant to the preparation of the financial statements including: • Communication and enforcement of integrity and ethical values • Commitment to competence • Participation by those charged with governance • Management's philosophy and operating style • Organisational structure • Assignment of authority and responsibility • Human resource policies and practices	Our work has identified no material weaknesses which are likely to adversely impact on the financial statements.
Review of information technology controls	We are currently in the process of performing a high level review of the general IT control environment, as part of the overall review of the internal controls system.	Our work has not identified any material weaknesses which are likely to adversely impact on the financial statements to date. We will report any matters identified in our audit findings report in July 2019.
Walkthrough testing	We have completed walkthrough tests of the Council and Pension Fund's controls operating in areas where we consider that there is a risk of material misstatement to the financial statements. This includes valuation of property plant and equipment, valuation of the defined benefit pension scheme for the Council and valuation of level 3 investments for the Pension Fund. We also review the journal entry process (see below) for both entities. Our work has not identified any issues which we wish to bring to your attention. Internal controls have been implemented in accordance with our documented understanding.	Our work has not identified any weaknesses which impact on our audit approach.

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Results of interim audit work (continued)

	Work performed	Conclusions and recommendations
Journal entry controls	We have reviewed journal entry policies and procedures as part of determining our journal entry testing strategy. To date we have not undertaken detailed testing on journal transactions. At the year end we will extract 'unusual' entries based on a risk assessment for further review.	We have not identified any material weaknesses which are likely to adversely impact on the control environment or financial statements.
Early substantive testing	We have undertaken early substantive testing in the following areas: **Council** • Grant revenue • Other revenue (fees and charges) • Payroll analytical review • Operating expenditure • Depreciation • Review of preliminary workings in relation to new accounting standards (IFRS 9) • Consideration of the requirement to produce group accounts **Pension Fund** • Member data • Benefits and lump sums paid • Contributions made by employees and employers	We have not identified any matters which are likely to result in material misstatement of the financial statements.

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Audit Deliverables

2018/19 Deliverables	Planned Date	Status
Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Audit and Standards Committee setting out our proposed approach in order to give an opinion on the Council's 2018-19 financial statements.	February 2019	Complete
Interim Audit Findings We will report to you the findings from our interim audit within our Progress Report.	May 2019	Included in this report
Audit Findings Report The Audit Findings Report will be reported to the July Audit and Standards Committee.	July 2019	Not due yet
Auditors Report This is the opinion on your financial statement, annual governance statement and value for money conclusion.	July 2019	Not due yet
Annual Audit Letter This letter communicates the key issues arising from our work.	August 2019	Not due yet

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

Audit and Standards Committee
Work Programme 2019

Item	Lead Officer	Date of meeting
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	Chris Norton	24 July 2019
Internal Audit Progress Report	Chris Norton	7 November 2019
External Auditors' Annual Audit Letter 2018/19	Vicki Barnard	7 November 2019
External Auditors' Progress Report	Vicki Barnard	7 November 2019