

Audit & Standards Committee

Date: Monday, 20 July 2020

Time: 10.00 am

Venue: Microsoft Teams

Membership

John Bridgeman (Chair)

Councillor Parminder Singh Birdi

Councillor Mark Cargill

Councillor Neil Dirveiks

Councillor Bill Gifford

Councillor John Horner

Councillor David Reilly

Items on the agenda: -

1. General

(1) Apologies

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

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

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

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

(3) Minutes of the previous meeting and matters arising

To confirm the minutes of the meeting held on 7 November 2019.

- | | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|
| 2. Draft Annual Governance Statement 2019-20 | 9 - 36 |
| The Report is attached. | |
| 3. External Audit Report - Warwickshire Pension Fund Annual Audit Plan, Fee Letter, and Risk Assessment 2019/20 | 37 - 88 |
| The Report is attached. | |
| 4. External Auditors Report – Warwickshire County Council Annual Audit Plan, Fee Letter and Risk Assessment 2019/20 | 89 - 116 |
| The Report is attached. | |
| 5. External Auditors' Progress Report and Sector Update | 117 - 138 |
| The Report is attached. | |
| 6. Internal Audit Plan 2020-21 | 139 - 166 |
| The Report is attached. | |
| 7. Internal Audit Annual Report 2019/20 | 167 - 180 |
| The Report is attached. | |
| 8. Annual Report of the Audit & Standards Committee | 181 - 186 |
| The Report is attached. | |
| 9. LGA Consultation Member Code of Conduct | 187 - 210 |
| The Report is attached. | |
| 10. Work Programme and Future Meeting Dates | 211 - 212 |
| To consider items for the committee's work programme and future meeting dates to be held at Shire Hall, Warwick, or remotely on Microsoft Teams (dependent upon public health advice), at 10am as follows: | |
| <ul style="list-style-type: none"> • 28 September 2020 • 5 November 2020 • 25 March 2021 | |
| 11. Any Other Business | |
| 12. Reports Containing Confidential or Exempt Information | |
| To consider passing the following resolution: | |
| <p>‘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’.</p> | |

13. Exempt Minutes of the Audit and Standards Committee meeting held on 7 November 2019 and Matters Arising

213 - 214

Monica Fogarty
Chief Executive
Warwickshire County Council
Shire Hall, Warwick

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Disclosures of Pecuniary and Non-Pecuniary Interests

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The public reports referred to are available on the Warwickshire Web

<https://democracy.warwickshire.gov.uk/uuCoverPage.aspx?bcr=1>

Public Speaking

Any member of the public who is resident or working in Warwickshire, or who is in receipt of services from the Council, may speak at the meeting for up to three minutes on any matter within the remit of the Committee. This can be in the form of a statement or a question. If you wish to speak please notify Democratic Services in writing at least two working days before the meeting. You should give your name and address and the subject upon which you wish to speak. Full details of the public speaking scheme are set out in the Council's Standing Orders.

Audit & Standards Committee

Thursday, 7 November 2019

Minutes

Attendance

Committee Members

Councillor Parminder Singh Birdi
John Bridgeman (Chair)
Councillor Mark Cargill
Councillor Bill Gifford
Councillor John Horner
Councillor David Reilly

Officers

Rob Powell, Strategic Director for Resources
Sarah Duxbury, Assistant Director for Governance and Policy
Richard Ennis, Assistant Director for Finance
Virginia Rennie, Strategy and Commissioning Manager (Strategic Finance)
Paul Clarke, Deputy Internal Audit Manager
Tom McColgan, Senior Democratic Services Officer

Others Present

Grant Patterson, Engagement Lead - Grant Thornton
Jim McLarnon, Engagement Manager - Grant Thornton

1. General

The Chair informed the Committee that Bob Meacham OBE had passed away in September 2019. Bob Meacham had been a long standing independent member of the Audit & Standards Committee and the Chair led the Committee in a moment of silence to remember him.

(1) Apologies

Councillor Dirveiks sent his apologies for the meeting.

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

There were none.

(3) Minutes of the last meeting and matters arising

Members requested that the minute under item 6: Annual Report of the Audit & Standards Committee be expanded to reflect the discussion of sensitive or confidential issues in the report.

Resolved: That the minutes of the previous meeting as amended be agreed as a correct record.

Matters arising

In response to Councillor Cargill, Rob Powell stated that the Council was developing a new reserves strategy and through the Medium Term Financial Strategy would 'right size' base budgets to address structural under/ over spends. Rob Powell also highlighted that while there was an overall underspend there were service areas with significant demand pressures that were overspent. A paper on the reserve strategy would be considered by Cabinet in December 2019 and the Medium Term Financial Strategy would come forward as part of the budget setting process in February 2020.

The Chair stated that it was the responsibility of Cabinet to critically examine the council's reserves. While there was good reason to maintain a level of useable reserves to provide a contingency there was the risk of over provision.

Councillor Horner stated that it would be useful for Councillors to be able to see useable reserves separated from total reserves and for officers to provide the trend rather than just a headline figure. The budget working group had been provided with a this information a number of years ago and there had been a downward trend in useable reserves.

In response to Councillor Cargill's suggestion that the Committee's annual report contain more detail, the Chair suggested that future reports could be shared in draft form with Members at an earlier stage to allow consideration of under or over reporting of details.

2. External Auditors' Annual Audit Letter 2018/19

Grant Patterson introduced the annual audit letter 2018/19 and highlighted some additional works undertaken during the audit of the 2018/19 accounts as well as the conclusion of the audits for 2015/16 and 2016/17.

In response to the Chair, Grant Patterson and Virginia Rennie confirmed that there was a robust dialogue between Grant Thornton and Warwickshire County Council around fees for additional work undertaken. Grant Patterson stated that the industry regulator had changed their stance on what work was expected of auditors since the tendering process necessitating additional work.

The Chair stated that the issue the committee had to consider for the future was if the scope for 2019/2020 was right.

Grant Paterson responded that the scope for Grant Thornton's work was set by Public Sector Audit Appointments Ltd. (PSAA) and was set for the sector as a whole. He hoped that PSAA would make a comment about the 2019/20 audits but if they did not Grant Thornton would be writing to all their clients.

Resolved:

That the Committee:

- 1) considered that annual audit letter and noted the report on the objection to 2015/16 and 2016/17 accounts and the management response to the recommendations.

Referred the report on Highways Objections and Closure of 2015-16 and 2016-17 Audits to the Communities Overview and Scrutiny Committee.

3. External Auditors' Progress Report

Jim McLarnon introduced the progress report confirming that the majority of on-site work was carried out by Lena Grant-Pearce, In-Charge Accountant with two junior colleagues in support.

Grant Patterson added that he had submitted his provisional views on two outstanding objections to the 2017/18 accounts around s106 funding and the schools grant. He stated that he would bring a briefing back to the Committee in due course.

In response to the Chair, Rob Powell stated that he felt that the financial reporting and auditing regime for local governments was not working as well as it could, and that Warwickshire County Council would be feeding into the review headed by Sir Tony Redmond through the Society of County Treasurers.

In response to the Chair, Rob Powell confirmed that the Council had been as prepared as it could have been for the United Kingdom to leave the European Union on 31 October 2019.

Resolved: That the Committee noted the report.

4. Review of Financial Regulations and Contract Standing Orders

Sarah Duxbury introduced the report which set the scope for a review and stated that a more detailed report would come to a future meeting.

Resolved: That the Committee noted the report.

5. Reports Containing Confidential or Exempt Information

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

6. Exempt Minutes of the Previous Meeting

Resolved: that the minutes of the previous meeting be agreed as a correct record.

7. Internal Audit Progress Report

Paul Clarke provided an update on Internal Audit Progress.

8. Work Programme and Future Meeting Dates

Officers highlighted the change in dates of the September and July meetings in 2020.

9. Any Other Business

None

The meeting rose at 11:40am

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The Chair

Audit & Standards Committee

Draft Annual Governance Statement 2019-20

20 July 2020

1. Recommendation(s)

- 1.1 The Committee endorse the draft Annual Governance Statement at Appendix 1.
- 1.2 Note the revised AGS approval and publication timetable at Appendix 2 and the factors considered when determining any significant governance issues Appendix 3.

2. Executive Summary

- 2.1 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). As a consequence of the COVID-19 pandemic, an April 2020 amendment to the Accounts & Audit Regulations has altered the statutory timetable for the production and publication of the AGS alongside the Financial Statements (Appendix 2).
- 2.2 We have also followed CIPFA guidance issued in April 2020 to include relevant areas of governance impact arising from the COVID-19 pandemic. These are captured in Section 3 (delivering governance principles) and Section 5 (Governance Issues) of the AGS.
- 2.3 It has been assessed, as a result of the AGS evaluation and assurance gathering process, that there are no significant governance issues or governance failures to report. The Council's key areas of strategic risk are presented as governance challenges in Section 5, along with planned and proposed mitigation.

3. Financial Implications

None

4. Environmental Implications

None

5. Supporting Information

- 5.1 The AGS is produced in accordance with the CIPFA/SOLACE Delivering Good Governance in Local Government: Framework (2016). The Council's local Code of Corporate Governance underpins the AGS and sets out the seven core principles of governance. The AGS should be an open and honest self - assessment of the organisation's performance across all of its activities and against these principles.
- 5.2 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, representing Finance, Legal, Policy and Directorate views. This is followed by statutory officer scrutiny.
- 5.3 Assistant Directors have been asked to complete assurance statements confirming their understanding and compliance with the Council's approach to the management of risk and good governance in their services.
- 5.4 Consideration was also given to the results of reviews carried out by external agencies as sources of independent assurance during the year.
- 5.5 The evaluation panel and Statutory Offices do not judge there to be any significant governance issues, applying the criteria set out in Appendix 3, and are assured that the Council has not experienced any significant governance failures during the last year. Section 5 of the AGS outlines strategic risks that are major challenges for the Council and this includes the impact of COVID-19.
- 5.6 The annual governance effectiveness review is also supported by a governance improvement action plan (AGS p.10) that sets out planned governance projects and initiatives as well as actions that are part of the Council's response to, and recovery from, the COVID-19 pandemic.

6. Timescales associated with the decision and next steps

- 6.1 The draft AGS is reported to this meeting of the Committee in accordance with the revised AGS timetable (Appendix 2). The deferred timetable for publication of the AGS allows for initial consideration by the Committee in July and for the draft AGS to be shared for audit and inspection purposes at the end of June, with opportunities to update the draft at each stage. The Final AGS will be presented to Audit & Standards and Cabinet in September to recommend for approval by Full Council in October.

Appendices

1. Appendix 1 Draft 2019-20 Annual Governance Statement
2. Appendix 2 Revised AGS timetable
3. Appendix 3 Determining Significant Governance Issues

Background Papers

None

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Report Author	Lynn Todman	lynntodman@warwickshire.gov.uk
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Lead Director	Strategic Director for Resources	robpowell@warwickshire.gov.uk
Lead Member	Portfolio Holder for Finance and Property	<u>cllrbutlin@warwickshire.gov.uk</u>

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

Local Member(s):

Other members:

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Annual Governance Statement

Year ended 31 March 2020

DRAFT



*Working for
Warwickshire*

Annual Governance Statement 2019/20

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1. What are we responsible for?

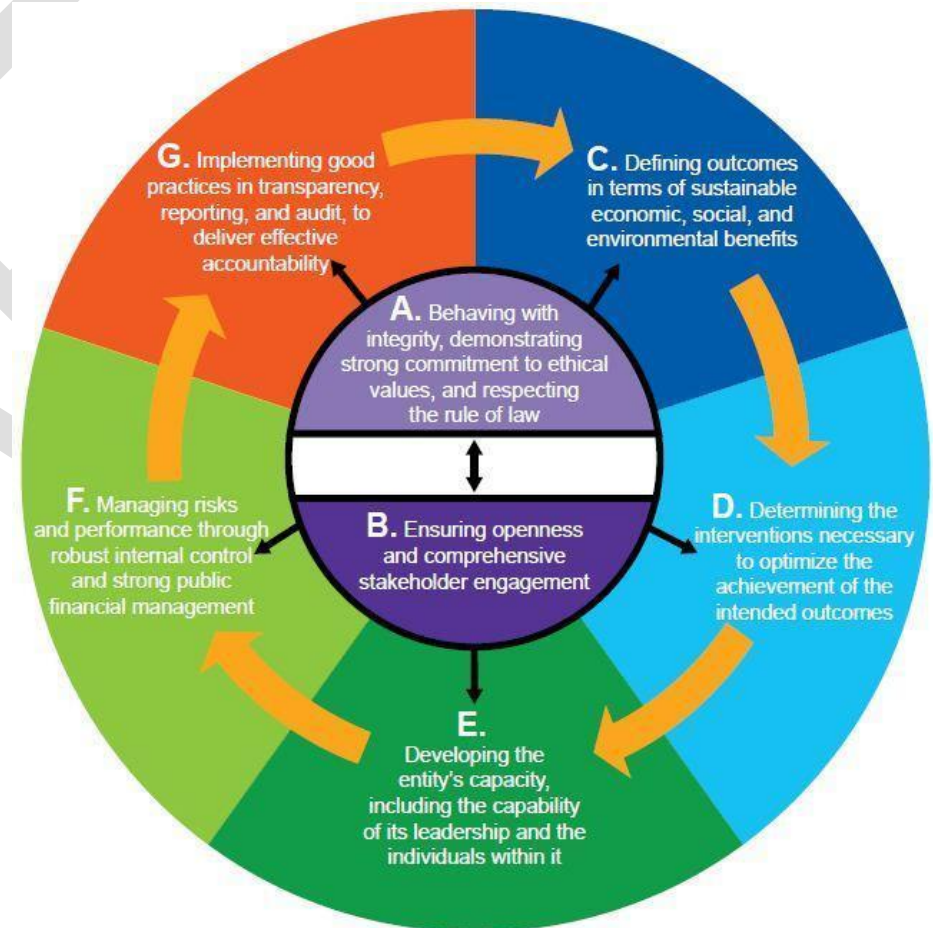
We are responsible for carrying out our business in line with the law and proper accounting standards, and for using public money economically, efficiently and effectively, and accounting for it properly. We also have a duty under the Local Government Act 1999 to continually review and improve the way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

To meet our responsibility, we have put in place proper governance arrangements for overseeing what we do. These arrangements are intended to make sure that we do the right things, in the right way, for the right people, in a timely, 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.

Figure 1 CIPFA's Principles of Good Governance



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.

The system of internal control is an important part of the framework and is designed to minimise risk to a tolerable level. It cannot eliminate all risk of failing to achieve our policies, aims and objectives. The system of internal control is based on continuing processes designed to:

- identify and prioritise the risks that could either prevent us from achieving our priority outcomes or missing opportunities to improve outcomes;
- 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 2020 and up to the date of approval of the Annual Governance Statement and Statement of Accounts.

Since March 2020, the COVID-19 pandemic and the unprecedented public health and economic impacts have required a significant on-going managed emergency response. The Council has had to vary a range of working practices, service responses and business-as-usual governance mechanisms at pace. Due process has been followed by applying the principles of the Governance Framework. Specific governance actions in response to the pandemic are captured in Section 3, as actions against the relevant governance principles and in Section 5, as governance challenges. There will be a full review of lessons learned from the response phase, to inform future governance and emergency responses.

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.

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

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 (see Figure 2) which provide a clear framework on the behaviours we are demonstrating on a day to day basis to support the cultural change and transformation of the organisation. The behaviours are supported by the following values; high performing, collaborative, customer focused, accountable and trustworthy. The behaviours and values are integral to 1:1s and appraisal conversations as well as key to the way we recruit and develop our colleagues.

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>

Our Behaviours



Figure 2 Warwickshire's Six Key Behaviours

Complaints and compliments help us improve the services we provide to all customers. We have an updated Complaints Policy and 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 commission

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

Our Constitution sets out the framework 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. To ensure continuity of core Council services and statutory duties in our response to the COVID-19 pandemic, we have been able to adopt decision making mechanisms which have complied with the Constitution and the legal framework.

<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 the Council is fully informed of the company's performance; and
- 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. The allows the Council, as a shareholder, 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 carried out extensive consultation on strategic objective proposals for the 2020-25 Council Plan, including a dedicated consultation web page, a multi media engagement questionnaire and 9 county wide roadshows which reached a large and diverse audience .

Our response to the COVID-19 pandemic has seen our engagement with communities, employees, schools, partners and other stakeholders delivered and managed daily, through our external website home page and links to a dedicated suite of web pages and linked resources offering support and guidance. We have also extended our community engagement through a range of social media channels such as Twitter, Facebook, Snapchat and Instagram to achieve the maximum reach from our messaging during this critical time.

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 regular staff surveys and pulse surveys which measure employee engagement and our direction of travel against a number of staff related measures. To support the unique challenges arising from COVID-19, we put in place staff check-in surveys to understand the impact of remote working and the pandemic on their well-being, as well as adoption of new technologies and ways of working. <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 General Data Protection Regulation (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. <https://www.warwickshire.gov.uk/Publications-scheme-and-transparency>

The Warwickshire Pension Fund engages with its employers and members through the Local Pension Board which has representatives from employers and members, and through direct communications for example directly sharing new policies such as the Funding Strategy Statement for comment. <https://warwickshireintranet.moderngov.co.uk/mgCommitteeDetails>

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

2019-20 is the final year of the Council’s One Organisational Plan (OOP 2020) and 3 year Medium Term Financial Strategy (MTFS). It set out our vision for Warwickshire and the journey the authority took to deliver this vision and outcomes over the life of the plan. Progress implementing the OOP 2020 has been reported to Cabinet and has been subject to annual review. <https://www.warwickshire.gov.uk/OneOrganisationalPlan>

Going forward, the new Council Plan has been developed with members and in consultation with our stakeholders and communities and defines priority outcomes and key strategic objectives. <https://www.warwickshire.gov.uk/strategies>

Alongside the Council Plan, the Council has produced a rolling five-year Medium-Term Financial Strategy which is established on sound assumptions to deliver a sustainable balanced budget in the short and medium term. This will assist with forward planning and responding to variations in financial forecasts.

In 2019 the Council declared a climate emergency. Climate Change adaptation task and finish groups were set up; one group considered mitigation strategies and a second group addressed possible adaptations. A single set of recommended priority actions and options for investment, informed by UK Climate Change data, were approved by Cabinet. A climate impact assessment for Warwickshire is also being prepared.

The most significant impacts of the COVID-19 pandemic on the Council’s core purpose and outcomes are being assessed and acted upon, initially, by developing a whole council phased recovery and reform plan. Warwickshire Councils have issued a joint statement of intent on recovery and the recovery planning process aligns to the approach being taken across Warwickshire and the West Midlands through the Local Resilience Forum arrangements.

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

2019-20

The One Organisational Plan (OOP) and the Council’s MTFS were aligned to ensure a joined-up approach to delivering the OOP 2020 outcomes and agreed savings plans. Transformation Programme Boards were set up in 2018-19 and a Gateway Group, operating at strategic level, has also been meeting during 2019/20 to assess revenue project benefits and alignment with key outcomes. This provided the necessary framework to continue to deliver change and transformation and to ensure clear line of sight in the delivery of WCC’s Core Purpose and Outcomes at strategic, directorate and service level.

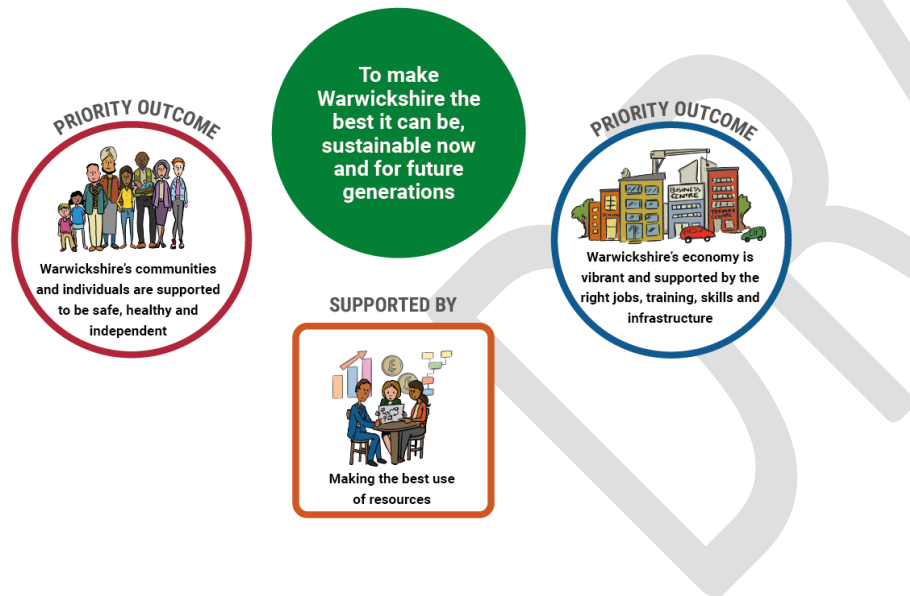


Figure 3: Warwickshire’s Core Purpose and Priority Outcomes

The creation of a dedicated Commissioning Support Unit is supporting the establishment of a one-organisation approach to the way outcomes are achieved. Bringing together functions around change management, business intelligence, contract management and quality assurance means that a robust, consistent methodology is applied to informing and prioritising commissioning activity. The unit also provides corporate assurances through ongoing monitoring of delivery against outcomes and prompting actions to stay on track.

2020 and Beyond

Our Commissioning Intentions Performance Framework, developed to support the delivery of the new Council Plan, includes the following mechanisms to assess progress and inform actions and interventions to achieve intended outcomes:

- progress against the Councils Key Business Measures (KBMs) to assess the delivery of outcomes for reporting to Overview & Scrutiny Committees and Cabinet on a quarterly basis. This information is also available electronically to members and officers via a series of Cabinet and OSC Dashboards using new business insight technology;
- a suite of reports and dashboards provides HR, finance and performance data to Strategic Directors, Assistant Directors and third tier managers for their areas of responsibility. This enables managers to interrogate information quickly and efficiently, making key business measures and supporting indicators easier to monitor;
- arrangements are in place to report critical management information on the key aspects of the delivery of the Council Plan, including finance, projects and performance to Corporate Board and on a quarterly basis to Cabinet and Overview & Scrutiny; and
- Each Directorate has arrangements in place for reporting performance to its Directorate Leadership Team and corporately as part of a Commissioning Intentions Performance.

The Commissioning Support Unit have the resources, tools and expertise to maintain these systems and processes and to support services to identify and monitor actions to stay on track and to escalate further where decisions are needed. All proposed and active projects are managed in the VERTO system, which includes change control and reporting functionality to reduce the risk of non-delivery of intended outcomes.

In March 2020, the Council paused, for a short period, corporate performance reporting and the planned change programme to redirect effort and resources to support the immediate emergency response to COVID-19. Specialist response cells have developed interventions to manage and mitigate the COVID-19 impact on the council's defined outcomes across all key services, including Adult Social Care, Children's Services, Education Services, highways and waste management. Outturn and performance reporting resumed in Q1 2020-21.

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

A 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 How We Work Board.

Our How We Work programme is designed to deliver the right technology and tools to work as efficiently and effectively as possible. Our investment in ways of working, remote working technology and infrastructure has greatly enhanced the ability of the organisation to respond effectively to an emergency event and has proven to be a robust part of our COVID-19 response.

Structurally, the move to distinguish between Strategic Commissioning and Delivery roles has helped to build increased strategic capacity

alongside functional operating models building capacity to deliver more effectively.

The refreshed approach to our Flexible Working arrangements as a whole Council offer from January 2020 set out principles for employees to work flexibly as efficiently and productively as possible, whilst maintaining a priority focus on service needs. These principles significantly supported the Council's ability to respond effectively and maintain service delivery during the initial response phase of COVID-19.

To enable our employees to be the best they can be we have a corporate process for annual appraisals and Personal Development Plans for Tier 4 officers and above supported by regular 1:1 conversations. This provides the necessary clarity of 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. Our corporate appraisal process is aligned to the Behaviours Framework and our recruitment process for tiers 1 – 4 applied a behavioural assessment process, which includes leadership capability and identifies personal development areas.

Our Senior Leadership Forum and planned events and workshops aim to share our strategic direction and Change plans more widely and build the skills and capabilities needed to successfully deliver those plans.

A member development programme is arranged 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.

We have invested in the health & wellbeing of our employees with a Workplace Wellness Strategy, and supporting processes including those to manage sickness absence and return to work.

The health & wellbeing of our employees during the COVID-19 pandemic and lockdown period has been a top priority. We have focused on:

- maintaining wellbeing and HR policy information on the intranet home page with links to internal and external support networks, resources and check in surveys; and
- regular live communication to staff from Corporate Board.

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

The One Organisational Plan and the new Council Plan are supported by the necessary performance and financial management framework to complete the delivery of transformation and realise the benefits of embedding and sustaining change.

The performance 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.

Strong financial management is assured by budget monitoring and variance reporting at service and corporate level, ensuring the Council is alert to emerging financial risks and can proactively manage those risks. These processes continued during the final year of OOP 2020. Internal audit provide advice to service areas and change projects to ensure the control environment remains strong.

The impact of COVID-19 on the Council's financial position is subject to continuous financial analysis and key indicators reported to Corporate Board alongside MHCLG COVID-19 financial impact returns.

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. S48 Agreements with maintained schools ensure we obtain annual assurances from

schools about their financial management of delegated budgets. 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>

Our emergency response to COVID-19 included adapted physical asset and financial control measures with all audit trails assured. Our procurement function and processes ensured supplies of essential equipment and products were maintained and suppliers paid promptly and accurately.

Pension Fund investments are governed by the Pension Fund Investments Sub Committee which is advised by external financial advisers and supported by two independent financial advisers.

<https://warwickshireintranet.moderngov.co.uk/mgCommitteeDetails.aspx?ID=168>

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 risk management approach against a national good practice framework was completed in 2019. This resulted in an action plan to deliver improvements to our risk management approach and will inform an updated Risk Management Framework in 2020. This review will include setting a corporate risk appetite, standard corporate principles for the management of risk, and standard approaches to the management of risk in cross cutting functions including project management, procurement, and commercial activities.

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 Manager is designated as the Head of Internal Audit and had regular formal meetings during the year with the Strategic Director for Resources, Assistant Director Finance and Assistant Director Governance and Policy. There is an Internal Audit Board which assists in facilitating the management and governance of the internal audit service. An External Quality Assessment of the Internal Audit 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>

During the early stages of the COVID-19 response the Council made greater use of Leader decision making as set out in the Constitution. Arrangements were put in place to allow prior sharing of reports with Group Leaders for any representations to be taken into account and reports and minutes were published and made available to the public in the usual way. By mid-May we had re-introduced formal member meetings carried out virtually using Microsoft Teams functionality.

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 Directorate, Internal Audit and chaired by the Strategy & Commissioning Manager (Treasury, Pensions, Audit, Insurance and Risk). 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 also considered the strategic risk register updated and agreed with Corporate Board in January 2020. The impact of the COVID-19 pandemic on strategic risk has been reviewed to inform recovery planning and key governance improvement actions for 2020-21 **(Appendix A)**.

In addition, Assistant Directors have confirmed that they have complied with the risk management framework throughout the year and have provided assurances at year end, including additional assurances about COVID-19 impacts in the final weeks of the financial 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), the Interim Assistant Director Finance, Strategic Director for Resources (Section 151 Officer) and Director of Adults and Children's Services before being submitted to the Audit and Standards Committee for further scrutiny and reported to Cabinet and Council.

The Council's governance arrangements have been reviewed and improved throughout 2019/20 in a range of areas including:

- An approved Commercial Strategy with the Trading Board overseeing the delivery of the strategy;
- A refreshed Complaints Policy and new electronic complaints system;
- The Council's Integrated Capital Strategy has been reviewed by the Capital Working Group and updated in line with the CIPFA code;
- Development of internal officer level governance arrangements under the Making Better Use of Our Time project;
- The Gateway process is being extended to include Capital projects;
- The development of a new Treasury Management Strategy;
- A new Pension Fund website was launched in December 2019 improving transparency and access for employees;
- An independent review of pension fund administration governance was undertaken, reported to the Local Pension Board, and progress has been made on the resulting action plan;

- Pension Investment controls have been audited for the second year and improvements noted from 2018/19;
- Council meetings are web-streamed, improving transparency of decision making and public accessibility;
- Our new committee management system, Modern.Gov, has been implemented, strengthening consultation, review and sign off procedures as part of key decision making, at the same time as improving ownership and transparency in report writing;
- The Council's move to the Cloud-based Microsoft 365 environment has improved communication and data security and has also enhanced the ability to work remotely, securely and collaboratively;
- Staff were consulted on the new Employer Value Proposition and Flexible Working arrangements;
- Staff consultation on new directorate and service structures was transparent and consistently applied across directorates and service areas;
- A programme of leadership forums and executive coaching offered to support leadership development;
- Our new Customer Experience Strategy gives a corporate focus on delivering positive outcomes for customers;
- A prior year HMICFRS review of Warwickshire Fire & Rescue service was largely positive and action has been taken to respond to any areas identified as requiring improvement; and
- Our Council Plan engagement and consultation activity resulted in a significantly increased public response rate compared with previous years, including 1,112 returned questionnaires and 826 shorter questionnaires completed at roadshows.

The results of Internal Audit work were reported to the Audit and Standards Committee throughout the year with the exception of the March 2020 meeting which was cancelled as a result of COVID-19. 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; Pensions Investment, and Payroll. This report concludes that the Authority's control environment provides moderate assurance that the significant risks facing

the Authority are addressed. The internal audit findings, including those with a limited assurance opinion, were duly considered in the preparation of this statement.

5. Governance issues

We have not experienced any significant governance failures during the last year and our arrangements continue to be regarded as fit for purpose in accordance with the governance framework. However, the 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 primary purpose of the governance framework is to manage strategic risks proactively and to ensure that risks that can't be tolerated are appropriately mitigated. We are satisfied that the challenges identified here are addressed by the Council Plan, the Target Operating Model and the COVID-19 recovery plan process. The following paragraphs summarise the risks contained in the strategic risk register and in the context of good governance. **The 2020-21 Governance Action Plan (Appendix 1)** presents, on an exception basis, additional actions that are already planned or being considered to inform future Council planning and strengthen governance.

Government policies, new legislation, funding uncertainty and demographic pressures present challenges to sustainable service delivery.

The outlook for Local Government remains demanding with uncertainty about post Brexit and future government policy changes and the very likely high impact economic and financial consequences of the COVID-19

Pandemic. We will adopt a proactive approach to identifying the future direction of government policies which impact on local government and the implications for Warwickshire. Our new corporate policy function has the capability to support this work. We will also play an active role in regional and national groups, seeking to actively influence government policies and thinking around key issues, risks and future opportunities.

We are actively managing the impact that the Government's emergency COVID-19 response measures will have on the future levels of business rate income, tax base and cashflow management. We also await the outcome of the Treasury's Fair Funding and Comprehensive Spending Review. Government proposals to remove the option for schools to write off Dedicated Schools Grant funds and the projected increase in demand for school places are included in financial scenario planning.

Council Plan and MTFS proposals to save £33m over 5 years to 2025, create financial pressures meaning that the organisation faces significant challenges to meet its aims and objectives. The saving and transformation plans that have already been delivered during the previous OOP 2020 period were challenging but realistic. The potentially significant impact on services that we provide to the public is being actively managed through the Change Programme workstreams coordinated by the Programme Management Office.

There is an overall risk to the delivery of savings plans in 2020/21 and possibly 2021/22, as a result of COVID-19 impacting practical progress on change during the first quarter of 2020/21. However, a Recovery Plan and approach is being developed to inform the refresh of the MTFS, redirect resources where required and reset our Change Programme.

Our pension fund value is in excess of £2bn and we work closely with our Investment Committees, pooling partners and advisers to ensure we maximise the value of our assets and maintain effective governance and reporting arrangements.

The major focus for us in the coming year is to:

- Reassess the overall 2020/21 budget position and implement a 2021/22 and rolling MTFS refresh informed by COVID-19 impact assessments, financial evaluation of COVID-19 response expenditure and recovery planning;
- Deliver a governance and constitutional review, including development of the Financial Framework to improve overall financial management;
- Complete implementation of Functional Operating Models across the organisation to deliver effective and sustainable services;
- Continue to monitor the implementation of in year 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;
- Continue to work closely with Border to Coast Pension Partnership;
- 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 COVID-19 and our exit from the EU at the end of 2020; and
- Engage with options for conducting LGA led Peer Challenge activity in 2020.

Continuing pressure on Council-funded Social Care, Health and Special Educational Needs & Disability Services (SEND).

There continue to be longer term pressures that have a fundamental impact on the funding and provision of adults and children's social care, SEND and disability services in Warwickshire. Demographic pressures and increase in referral numbers, 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.

The COVID-19 public health emergency greatly increases the risk of gaps in the provision of care and critical support services. There could be council and provider staff shortages as a result of lockdown and social distancing measures. Equally demand surge pressures resulting from the reduction in treatment of non-critical health care by NHS providers, social care easements, suspended referrals, assessments and reviews.

We have already taken action to address pre COVID-19 pressures and increasing demand on adult social care services by utilising the 2% Adult Social Care Levy as part of our budget setting. We have also been allocated over £17 million extra government funding 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. COVID-19 has provided some innovative and successful practice that could be developed further;
- Re-design of commissioning arrangements for working age adults;
- Re-design of the Market Shape functions and Market Position Statement;
- Progressing reablement and early intervention workstreams to address demand for social care services, overseen by an Early Intervention Board;
- Completing the transformation of the “customer journey” for children’s and adult services with customers and carers at its heart; and
- Implementing, through an integrated SEND Change Programme, the Send & Inclusion Strategy, SEND improvement plan and DSG recovery Plan.

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

There has been a reported rise in incidents of domestic violence during COVID-19 emergency measures. Unsighted vulnerable children and adults due to the closure of schools and impact of restrictions on support services heightens safeguarding risks. We mitigate this with our continued commitment to protect children and vulnerable adults from harm and constantly review the controls in place. These controls include effective escalation and critical incident reporting and continuing to conduct case file and supervision audits. The Warwickshire Safeguarding Adults & Children’s Board has implemented a programme of regular multi-agency audits. The Board is already working to develop new arrangements to ensure greater alignment, integration and a whole family approach.

Responding to increasing levels of referrals, and the potential increase in demand as COVID-19 restrictions ease, requires careful judgements to be made both in terms of managing risk exposure and the associated increase in costs and substantial budget pressures in Children’s Services. Refocusing resources on successful early intervention initiatives continues.

We received a Focused Visit by Ofsted in 2018 which was positive about our child protection and children in need work. A full Ofsted inspection commenced in March 2020 but was interrupted as a result of COVID19 and will be rescheduled to a future date, to be confirmed.

The Council is also focused on addressing high demand for children’s services; following a strategic review, pathways around the Multi Agency Safeguarding Hub (MASH) and early help have been redesigned. We continue to improve our safeguarding arrangements with a focus on working more effectively with families in the community.

We also continue to quality assure commissioned services and ensure robust escalation and response plans are in place in the event of a market failure.

Ability 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 several public and private sector 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.

In 2019 we released new Information Compliance Training and require staff to undertake e-learning and formally accept their data protection responsibilities. This increases overall awareness, and signposts staff to our more detailed advice and guidance. There is routine General Data Protection Regulation (GDPR) compliance reporting to Corporate Board. We have strengthened the role of our Technical Design Authority to approve products on the basis of privacy and security controls and have processes built into our business intelligence work using the “data protection by default and design” principle.

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. We are alert to the risks of cybercrime that may arise due to remote working during the COVID-19 pandemic lockdown and we continue to maintain prevention, control, testing and response regimes to mitigate this risk.

Ability to secure economic growth in Warwickshire.

The COVID-19 pandemic will inevitably lead to a significant drop in economic activity and create significant uncertainty around future growth. The Council has worked closely with district and borough councils, Chamber of Commerce, Federation of Small Businesses (FSB) and Local Enterprise Partnership to co-ordinate our approach and support our businesses to access the emergency response funds made available by central government.

A key theme of our COVID-19 Recovery and Reform planning, which will shape our refreshed change portfolio, is identified as “Place, Economy and Climate (including skills and education)”. We are implementing and co-ordinating a regional, sub-regional and local approach to economic recovery, helping support our businesses to safely and effectively re-open following lockdown, and exploring how they can adapt to the “new normal”.

To support the re-opening of our economy and businesses within our town centres, we are working to redesign and reallocate road space within our key towns to enable social distancing and improved throughput of pedestrians in a safe way that provides confidence to visitors to come to our town centres.

At a regional level the Council is a non-constituent member of the West Midlands Combined Authority (WMCA), with its objectives to create jobs, enhance skills, develop prosperity and drive economic growth. We continue to actively engage with WMCA with regards to transport, planning, housing and economic development. The leader of the Council is Chair of the WMCA Wellbeing Board.

The County Council agreed a new Economic Growth Strategy for the period 2020-2025, which sets out our vision and approach to supporting our businesses and the wider economy. While the key priorities remain valid, clearly as a result of COVID-19 it does necessitate a refocusing of key actions and initiatives.

Over the coming year, we will:

- Work with the CWLEP and WMCA to develop our economic recovery plans, and a longer-term approach to economic growth within the county;
- With our regional, sub regional and local partners and networks we will work to access future funding streams to support economic growth and the introduction of the proposed Shared Prosperity Fund to replace existing Growth Deal and European Funding streams;
- Continue to work with the Coventry & Warwickshire Growth Hub, Chamber of Commerce, Federation of Small Businesses and other key partners to support our small and medium sized businesses (SMEs) to survive, grow and prosper;
- Continue to work with our partners to develop the Skills for Employment programme to improve the employability skills and attributes of young people;
- Enhance our approach to place-shaping and infrastructure investment, to both support economic recovery and to help deliver the key priorities set out in our Council Plan;
- Develop a pipeline of transport infrastructure projects with associated funding strategies; and
- Coordinate the Council's contingency planning for EU Exit and the management of risks including workforce, data handling and supply chain impacts, with lead officers identified from each Directorate.

Ability to keep our communities safe from harm.

There are many challenges nationally and locally for the extensive services we provide that keep our communities safe, in normal times and in times of emergency.

This includes the Fire and Rescue Service, Public Health, Trading Standards, Council owned highways maintenance, flood risk

management, corporate arrangements for business continuity and our role in the Local Resilience Forum. We recognise that we need to become increasingly flexible if we are to meet our current and emerging challenges.

As a specific response to COVID-19, working with district and borough councils and the voluntary sector we established Community Shielding Hubs to maintain food supplies and medicines, communication channels and information to support the most vulnerable members of the community. A central, seven-day telephone line provided advice and support to those extremely clinically vulnerable citizens who were shielding, and other vulnerable residents

As an employer, we have applied Public Health England and government guidelines, requiring our staff to work at home wherever possible and ensuring adequate supplies of PPE for the continued safe delivery of frontline council services.

We have also introduced regular meetings with Warwickshire Police executive team to engage and inform decision making at a strategic level.

During the course of the next year we will have a focus on the following areas:

- Our ongoing public health role to deliver, in partnership with Central Government, Clinical Commissioning Groups and Public Health England, Test and Trace, infection control and Local Outbreak Management plans will continue to be prioritised;
- Prioritising and safely reinstating our critical services that keep our communities, including the most vulnerable people, safe from harm;
- Develop a new WFRS Integrated Risk Management Plan to ensure our fire and rescue service has sufficient resources in the right locations to effectively manage the changing risk profile within the county;
- Continue to review and test all our business continuity and emergency plans and learn from our ongoing response to the COVID-19 pandemic;

- Engage with partners through the Warwickshire and West Midlands Local Resilience Fora, Safer Warwickshire Partnership, collaborating with Category 1 and 2 Responders on county wide emergency response and contingency planning;
- 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 and aligned with the annual review of the Council's Capital Programme; and
- Continue to direct Trading Standards resources to support a Rapid Response Unit, targeting criminal and other high-risk activity in the community.

Portfolio and agree prioritisation of projects and how they align to the Council Plan and COVID-19 recovery planning.

COVID-19 response and recovery activity is accelerating the pace of change and is directly influencing our Change Portfolio. Service Impact Assessments have been completed by all service areas to inform recovery planning and manage associated risks in a co-ordinated and coherent way across the Council, including application of the positive changes that emerged from the response phase.

As a result, the change management process going forward is focused on four themes to drive recovery, linked to regional and sub regional recovery activity:

- Place, Economy and Climate (including skills and education);
- Community;
- Health, Wellbeing and Social Care; and
- Organisation (including the reinstatement of services).

Successfully delivering a refreshed Council Change Portfolio to drive recovery.

Successfully delivering the Council's change portfolio, and sustaining change, is critical to the Council's longer-term strategy, achieving Council Plan outcomes, strategic objectives and maintaining our financial resilience.

Our Commissioning Support Unit drives the development and delivery of the Change Portfolio, through the Portfolio Management Office and change and programme management specialists. Our Change Management Framework means all major change and capital investment projects going forward are given early consideration by a Gateway process before further development and any recommendations to Corporate Board. A programme governance framework is in place with programme groups and accountabilities to cover all change activity.

Progress is reported to Cabinet in quarterly monitoring reports. All Key Business Measures were updated in October 2019 as part of establishing the Commissioning Intentions Performance Framework. Corporate Board will maintain monthly control, oversight and assurances of the Change

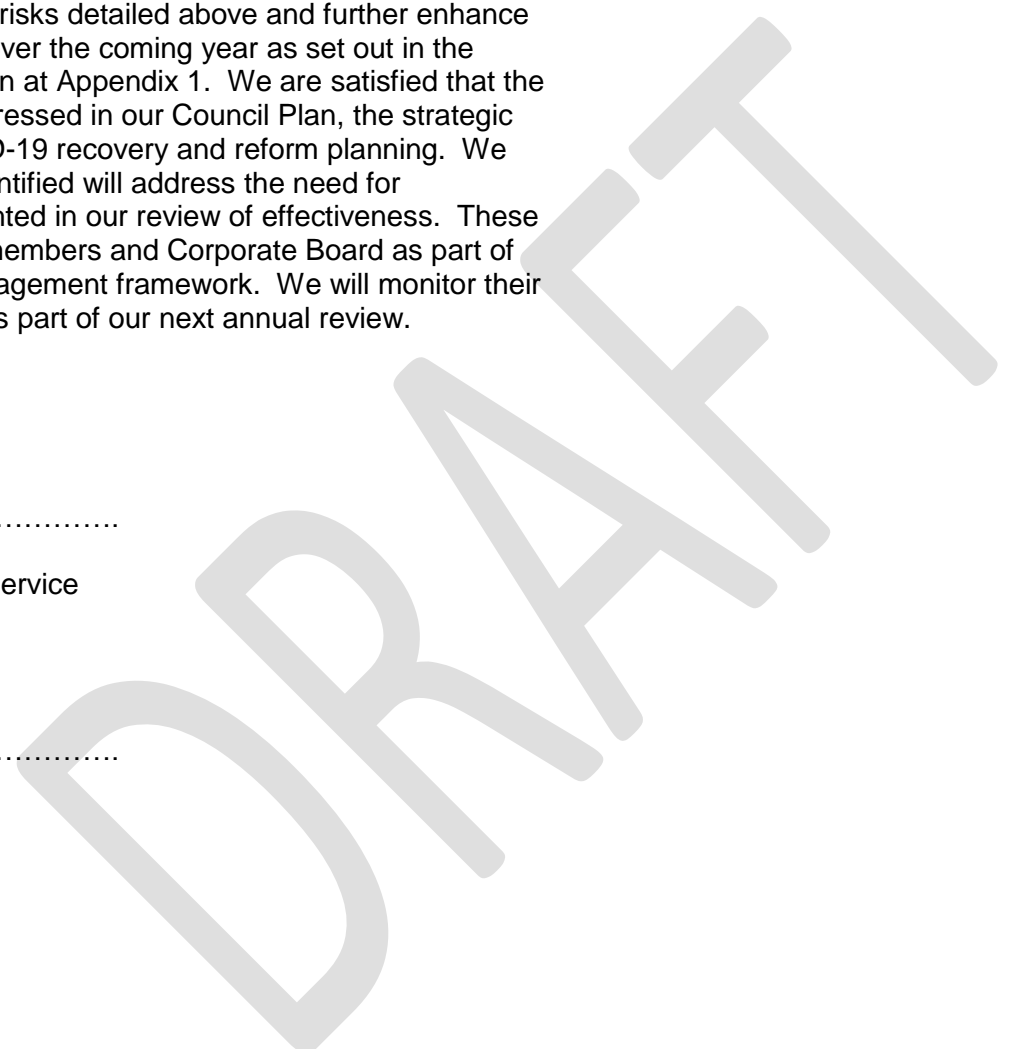
6. Certification

We will continue to manage the risks detailed above and further enhance our governance arrangements over the coming year as set out in the 2020-21 Governance Action Plan at Appendix 1. We are satisfied that the risks we have identified are addressed in our Council Plan, the strategic risk register and ongoing COVID-19 recovery and reform planning. We are satisfied 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.

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Monica Fogarty
Chief Executive/ Head of Paid Service

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

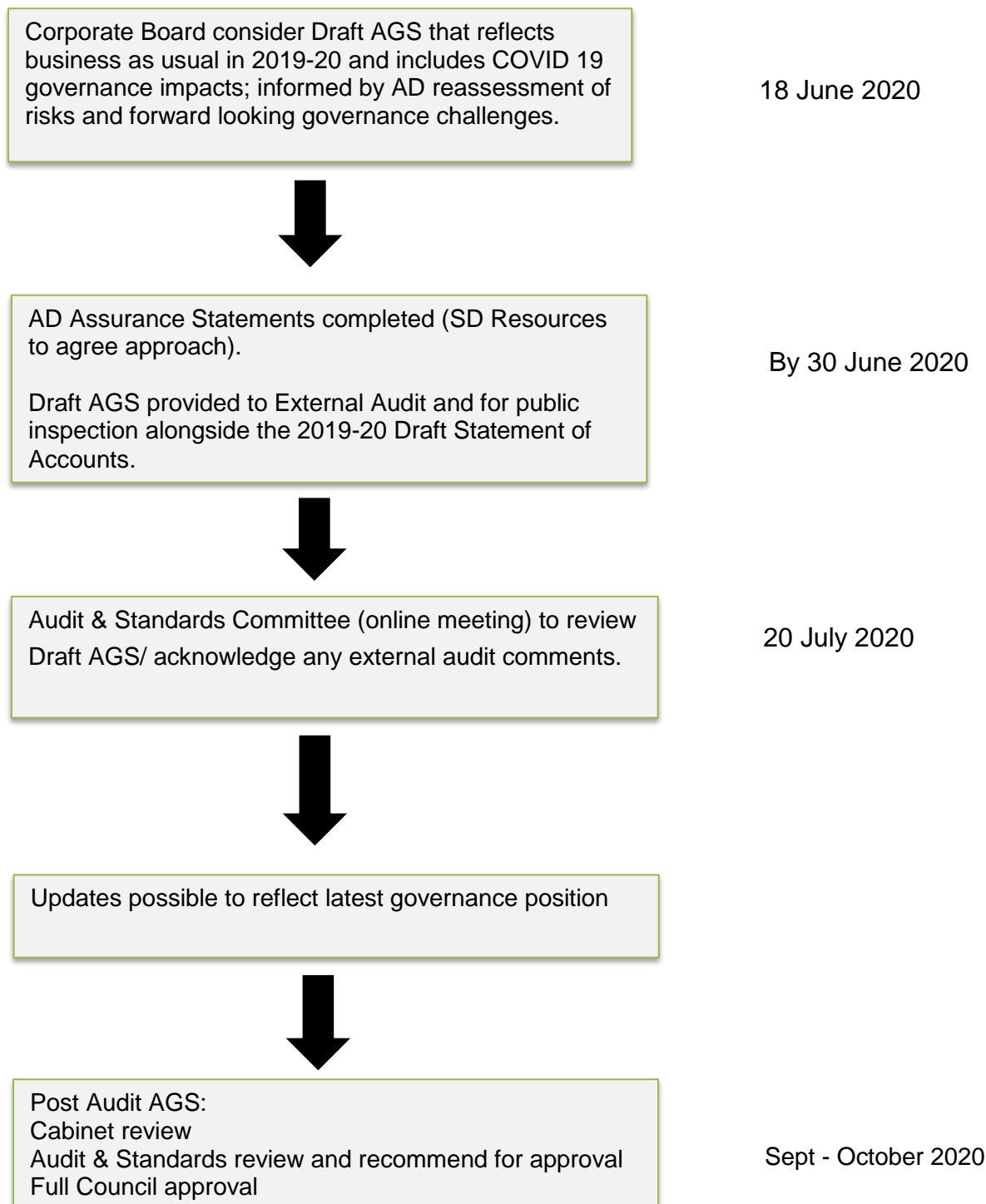


Governance Action Plan 2020-21: Actions informed by Effectiveness Review and COVID-19 Learning Points			
Governance Element/ Principle	Governance Improvement Actions	Action Owner (Leadership Team)	Target Date
The Council's Corporate Governance Framework (All Principles)	Our Local Code of Corporate Governance was last updated and approved in 2016. Our transformation journey, including organisational restructure and new ways of working, requires the governance code to be reviewed and revised to be fit for future purpose. Learning points from our COVID-19 response actions and recovery planning will also inform updates to the code.	Assistant Director Governance & Policy	December 2020
Constitution and Financial Regulations (Principle A)	Complete the review of the Council's Constitution and Financial Regulations informed by recovery and reform planning improvement areas for decision making and governance,	Assistant Director Governance & Policy/ Assistant Director Finance	April 2021
System of Internal Control: Risk Management Framework (Principle F, Managing risks and performance).	A proposed Risk Management Framework project includes workstreams to revise the Council's approach to: <ul style="list-style-type: none"> • strategic risk management; • service risk management; • integration of risk management with performance management strategic and business planning and core business processes; • to support innovation, change and maximising positive outcomes by moving from being risk averse to being more risk aware. 	Assistant Director Finance	December 2020
Corporate Assurance Framework (To inform Effectiveness of Governance reviews - All Principles)	To implement a Three Line of Defence model as part of a council wide assurance framework to manage risks and deliver ongoing internal control assurances to Corporate Board and members throughout the year.	Assistant Director Finance	March 2021
Service Re-instatement Plans (Principle D, interventions to optimise the achievement of intended outcomes)	Reinstatement Planning for all Council services are prioritised and risk-based and will focus on the following areas: <ul style="list-style-type: none"> • Keeping people safe; • Managing risk successfully; • Supporting staff with new ways of working; and • Ensuring learning points are identified and followed up. 	AD Enabling	September 2020

Governance Action Plan 2020-21: Actions informed by Effectiveness Review and COVID-19 Learning Points			
Governance Element/ Principle	Governance Improvement Actions	Action Owner (Leadership Team)	Target Date
Strategic and Financial Planning – COVID-19 Recovery (Principle C, Defining outcomes, Principle E Developing Capacity and Capability)	Update of strategic planning tools to reflect COVID-19 recovery: <ul style="list-style-type: none"> Review and refresh the Council Plan informed by COVID-19 recovery and reform planning, for presentation to Council for approval in February 2021. MTFS refresh for 2021/22 budget to accommodate revised income and expenditure forecasts. Integrate Strategic Policies and Priority Outcomes Review and update Our People Strategy Delivery Plan 	SD Resources	February 2021

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Appendix 2: Revised AGS Timetable 2019-20



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AGS Evaluation

Factors considered to determine what constitutes a significant governance issue, based on CIPFA guidance:

- 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.

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Audit and Standards Committee

20th July 2020

External Auditors Report – Warwickshire Pension Fund Annual Audit Plan, Fee Letter and Risk Assessment 2019/20

Recommendation

The Audit and Standards Committee is asked to consider:

- 1) The Annual Audit Plan for 2019/20 from the External Auditors, attached at Appendix A;
- 2) The Audit Fee Letter for 2019/20, attached at Appendix B; and
- 3) The Audit Risk Assessment for 2019/20, attached at Appendix C.

1. Purpose of the Report

- 1.1. Our external auditors, Grant Thornton, have written to the Council, identifying the audit plan and the audit fees for the Warwickshire Pension Fund, together with the rationale and scope for those fees. These are documents brought to the Committee for comment each year.
- 1.2. For 2019/20 an auditor risk assessment report has also been prepared. This documents the Pension Fund's key risk areas and the management response to these. The Audit and Standards Committee are asked to consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.
- 1.3. The Audit Engagement Lead will attend the meeting to present the reports attached at **Appendix A, B and C**.

2. Financial Implications

- 2.1. The proposed Audit Fee for 2019/20 is £29,647. This represents an increase of 21.5% or £5,250 from the fee for 2018/19. The increase reflects the increased challenge and depth of work, undertaking level 3 investment valuations, and providing IAS 19 assurances in a valuation year.

- 2.2. The increase in the audit fee, and the reasons for it, have been discussed with the Strategic Director for Resources and the advice to the Committee is that the increase in fees is accepted.

3. Environmental Implications

- 3.1. There are no environmental implications arising from this report.

4. Background Papers

- 4.1. None.

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



External Audit Plan

Year ending 31 March 2020

Warwickshire Pension Fund
31 March 2020

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Contents



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Appendix

A. Audit quality – national context

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

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1. Introduction & headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Warwickshire Pension Fund ('the Pension Fund') for those charged with governance. For the purposes of our audit the County Council (the Authority) is ultimately those charged with governance for the Pension Fund's accounts. We have, however, determined in line with *ISA 260 – Communicating with those charged with governance*, that given the Audit & Standards role in overseeing the arrangements for the preparation and audit of the Pension Fund financial statements it is the sub-group with whom we will communicate.

Respective responsibilities

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

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Pension Fund's financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or the Audit & Standards Committee of your responsibilities. It is the responsibility of the Pension Fund to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Pension Fund is fulfilling these responsibilities.

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

Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Management override of controls
- The valuation of Level 3 investments is incorrect.

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Materiality

We have determined materiality at the planning stage of our audit to be £20m (PY £20m) for the Pension Fund, which equates to 0.92% of your prior year net assets for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £1m (PY £1m).

Audit logistics

Our interim visit was split between February and March and our final visit will take place in June and July. Our key deliverables are this Audit Plan and our Audit Findings Report. Our audit approach is detailed in Appendix A.

Our proposed fee for the audit will be £22,647 (PY: £18,397) for the Pension Fund, subject to the Pension Fund meeting our requirements set out on page 10.

Independence

We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements..

2. Key matters impacting our audit

Factors

The wider picture and political uncertainty

- The market value of LGPS funds at end of March 2019 was £287.2 billion (an increase of £16.3 billion or 6.0%) but for the first time, the LGPS in England & Wales is now cashflow negative, with benefit payments rising to £10.4bn while contributions fell to £9.3bn. There are now over 18,000 employers. Local authorities represent around 18.3% of these but have 74% of the members.
- In January 2020 the UK government and the EU ratified the Withdrawal Agreement and the UK's membership of the EU formally ceased on 31 January. The existence of a 'transition period' to 31 December 2020 means the economic impact of this remains uncertain as is the wider global economic picture. The Pension Fund will need to ensure that its investment strategy has considered potential outcomes.

Governance

- tPR continues to apply pressure on pension schemes to improve the quality of scheme member data. The 2019 valuation process will likely have thrown up some data issues (large or small) that need addressing.
- Looking beyond 2019-20 the Scheme Advisory Board (SAB) has
 - published the *Good Governance – Phase II Report*. Proposals include having a single named officer responsible for the delivery of LGPS related activity for a fund, an enhanced annual governance compliance statement and establishing a set of key performance indicators, and
 - is also consulting on Responsible Investment guidance to assist and help investment decision makers.

Financial reporting and audit – raising the bar

- The Financial Reporting Council (FRC) has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge, and to undertake more robust testing as detailed in Appendix 1.
- Our work in 2018/19 has highlighted areas where financial reporting, in particular Level 3 and Financial Instrument investment valuations and disclosures, needs to be improved, with a corresponding increase in audit procedures.

2019/20 Hot Review

- Linked to the quality of our audits, the hot review process is a key element of our quality and risk management process.
- The purpose of a hot review is for our National Assurance Services team (NAS), to read the whole draft report and accounts as an informed user and to identify areas which may appear to be confusing, misleading or to have inappropriate accounting treatments or disclosure.
- As part of our three year rotational programme, Warwickshire Pension Fund will be subject to hot review in 2019/20.

Our response

- It is too early to reliably measure the impact of the UK's exit from the European Union We will consider whether your financial position leads to material uncertainty about the going concern of the Pension Fund and will review related disclosures in the financial statements.
- Covid-19 and lack of agreement between oil producing countries has recently unsettled financial markets. We will consider the impact on year end asset valuations as part of work on the financial statements.

- We will consider the impact of any data issues raised as part of the 2019 on the risks identified as part of our 2019/20 audit.

- As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and financial reporting. Our proposed work and fee, as set further in our Audit Plan, has been agreed with the Strategic Director for Resources and is subject to PSAA agreement.

- We will review significant issues (if applicable) brought to our attention as a result of the hot review and discuss these with management accordingly prior to approval of the financial statements.

3. Significant risks identified

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

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
The revenue cycle includes fraudulent transactions (rebutted)	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Warwickshire Pension Fund, mean that all forms of fraud are seen as unacceptable 	<p>Therefore we do not consider this to be a significant risk for Warwickshire Pension Fund. No detailed audit procedures proposed.</p>
Management over-ride of controls	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</p> <p>The Fund faces external scrutiny of its spending and stewardship of funds and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate the design effectiveness of management controls over journals • analyse the journals listing and determine the criteria for selecting high risk unusual journals • test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration • gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence • evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.

3. Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<p>Valuation of Level 3 Investments (Annual revaluation)</p>	<p>The Fund revalues its investments on an annual basis to ensure that the carrying value is not materially different from the fair value at the financial statements date.</p> <p>By their nature Level 3 investment valuations lack observable inputs. These valuations therefore represent a significant estimate by management in the financial statements due to the size of the numbers involved (£211m as at 31 March 2019) and the sensitivity of this estimate to changes in key assumptions</p> <p>Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end.</p> <p>Management utilise the services of investment managers as valuation experts to estimate the fair value as at 31 March 2020.</p> <p>We therefore identified valuation of Level 3 investments as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate management's processes for valuing Level 3 investments • review the nature and basis of estimated values and consider what assurance management has over the year end valuations provided for these types of investments; to ensure that the requirements of the Code are met • independently request year-end confirmations from investment managers • for a sample of investments, test the valuation by obtaining and reviewing the audited accounts, (where available) at the latest date for individual investments and agreeing these to the fund manager reports at that date. Reconcile those values to the values at 31 March 2020 with reference to known movements in the intervening period and • in the absence of available audited accounts, we will evaluate the competence, capabilities and objectivity of the valuation expert • where available review investment manager service auditor reports on design effectiveness of internal controls.

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings Report in July 2020.

4. Other matters

Other work

The Pension Fund is administered by Warwickshire County Council (the 'Council'), and the Pension Fund's accounts form part of the Council's financial statements.

Therefore, as well as our general responsibilities under the Code of Practice a number of other audit responsibilities also follow in respect of the Pension Fund, such as:

- We read any other information published alongside the Council's financial statements to check that it is consistent with the Pension Fund financial statements on which we give an opinion and is consistent with our knowledge of the Authority.
- We consider our other duties under legislation and the Code, as and when required, including:
 - Giving electors the opportunity to raise questions about your 2018/19 financial statements, consider and decide upon any objections received in relation to the 2018/19 financial statements;
 - Issue of a report in the public interest or written recommendations to the Fund under section 24 of the Act, copied to the Secretary of State.
 - Application to the court for a declaration that an item of account is contrary to law under Section 28 or for a judicial review under Section 31 of the Act; or
 - Issuing an advisory notice under Section 29 of the Act.
- We carry out work to satisfy ourselves on the consistency of the pension fund financial statements included in the pension fund annual report with the audited Fund accounts.

Other material balances and transactions

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

Impact of Covid-19

As at March 2020, loss of investor confidence following the spread of the Covid-19 virus and the fall in global oil prices had caused a significant decrease in the value of global equities.

There is a risk that current market conditions mean that we are required to carry out further asset valuations testing as at 31 March which may increase the level of work we are required to perform.

We will maintain regular dialogue with Fund staff in order to determine the likely close out position of the Fund as early as possible and front load our audit work to ensure that our market value reconciliation work is carried out early in the final accounts audit stage and samples selected as early as possible, giving us maximum time to complete the work.

Going concern

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the Pension Fund's ability to continue as a going concern" (ISA (UK) 570).

Currently, the accounts of the Pension Fund are expected to be prepared on a going concern basis. We will review management's assessment of the going concern assumption and any material uncertainties, and evaluate the disclosures in the financial statements.

6. Materiality

The concept of materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality for planning purposes

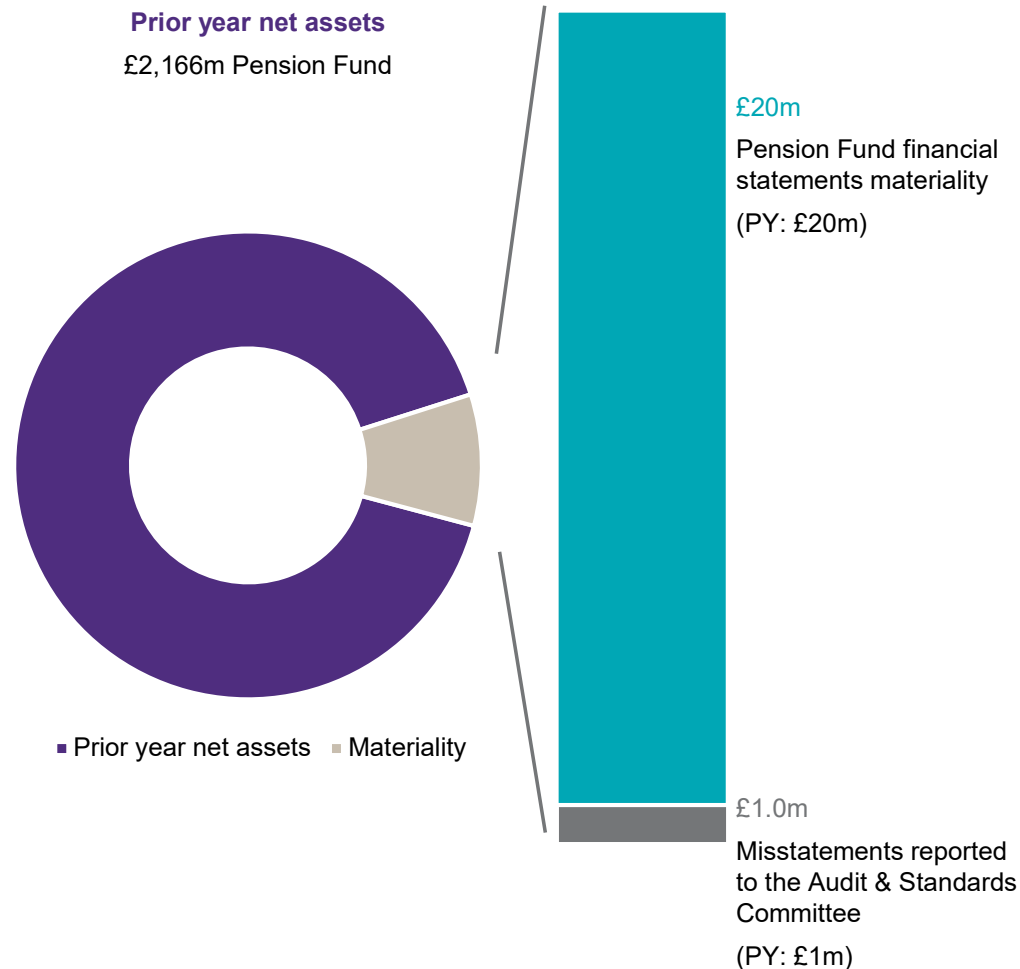
We have determined financial statement materiality based on a proportion of the net assets of the Pension Fund for the financial year. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £20m (PY £20m) for the Pension Fund, which equates to 0.92% of your prior year net assets for the year.

We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

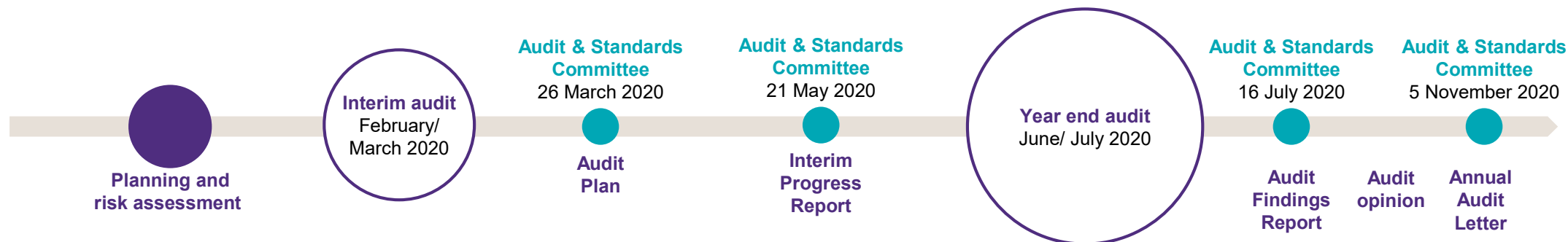
Matters we will report to the Audit & Standards Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the Pension Fund, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £1m (PY £1m).

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit & Standards Committee to assist it in fulfilling its governance responsibilities.



7. Audit logistics & team



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Grant Patterson, Key Audit Partner

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



Jim McLarnon, Audit Manager

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



Lena Grant-Pearce, Audit Incharge

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

Client responsibilities

Where clients do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other clients. Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit, you need to ensure that you:

- produce draft financial statements of good quality by the deadline you have agreed with us, including all notes, the narrative report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

8. Audit fees

Planned audit fees 2019/20

Across all sectors and firms, the FRC has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing. Within the public sector, where the FRC has recently assumed responsibility for the inspection of local government audit, the regulator requires that all audits achieve a 2A (few improvements needed) rating.

Our work across the sector in 2018/19 has highlighted areas where local government pension fund financial reporting, in particular, scrutiny of the valuation of hard to value investments needs to be improved. Combined with the FRC requirement that 100% of audits achieve a 2A rating this means that additional audit work is required. We have set out below the expected impact on our audit fee. The table overleaf provides more details about the areas where we will be undertaking further testing.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and local government financial reporting. Our proposed work and fee at the planning stage, as set out below and with further analysis overleaf, has been agreed with the Strategic Director for Resources and is subject to PSAA agreement.

	Actual Fee 2017/18	Actual Fee 2018/19	Proposed fee 2019/20
Pension Fund Audit Scale Fee	£23,892	£18,397	£18,397
Fee Variation	£0	£0	£4,250
Total audit fees (excluding VAT)	£23,892	£18,397	£22,647

Assumptions:

In setting the above fees, we have assumed that the Pension Fund will:

- prepare a good quality set of accounts, supported by comprehensive and well-presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

Relevant professional standards:

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with staff of appropriate skills, time and abilities to deliver an audit to the required professional standard.

Audit fee variations – Further analysis

Planned audit fees

The table below shows the planned variations to the original scale (contracted) fee for 2019/20 based on our best estimate at the audit planning stage. Further issues identified during the course of the audit may incur additional fees.

Audit area	£	Rationale for fee variation
Scale/ original contract fee	18,397	
Raising the bar	2,500	The Financial Reporting Council (FRC) has highlighted that the quality of work by all audit firms needs to improve across local audit. This will require additional supervision and leadership, as well as additional challenge and scepticism in areas such as journals, estimates, financial resilience and information provided by the entity.
Valuation of level 3 investments	1,750	The Financial Reporting Council (FRC) has highlighted that the quality of work by all audit firms in respect of valuations of hard to value investments needs to improve across the sector. Accordingly, we plan to enhance the scope and coverage of our work to ensure an adequate level of audit scrutiny and challenge over the assumptions and evidence that underpin the valuations of level 3 investments this year to reflect the expectations of the FRC and ensure we issue a safe audit opinion.
Revised scale fee (to be approved by PSAA)	22,647	

9. Independence & non-audit services

Auditor independence

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

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

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

Other services provided by Grant Thornton

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

Service	£	Threats	Safeguards
Audit related:			
Provision of IAS 19 Assurances to Scheme Employer auditors	7,000	Self Interest	This is a recurring fee and therefore poses a potential self-interest threat. However, the level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work of £7,000, in comparison to the total fee for the audit of £22,647 and in particular to GTUK's turnover overall. Further, the work is on audit related services. It is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.

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

Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

None of the services provided are subject to contingent fees.

The firm is committed to improving our audit quality – please see our transparency report - <https://www.grantthornton.co.uk/globalassets/1.-member-firms/united-kingdom/pdf/annual-reports/interim-transparency-report-2019.pdf>

Appendices

A. Audit Quality – national context

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Appendix A: Audit Quality – national context

What has the FRC said about Audit Quality?

The Financial Reporting Council (FRC) publishes an annual Quality Inspection of our firm, alongside our competitors. The Annual Quality Review (AQR) monitors the quality of UK Public Interest Entity audits to promote continuous improvement in audit quality.

All of the major audit firms are subject to an annual review process in which the FRC inspects a small sample of audits performed from each of the firms to see if they fully conform to required standards.

The most recent report, published in July 2019, shows that the results of commercial audits taken across all the firms have worsened this year. The FRC has identified the need for auditors to:

- improve the extent and rigour of challenge of management in areas of judgement
- improve the consistency of audit teams' application of professional scepticism
- strengthen the effectiveness of the audit of revenue
- improve the audit of going concern
- improve the audit of the completeness and evaluation of prior year adjustments.

The FRC has also set all firms the target of achieving a grading of '2a' (limited improvements required) or better on all FTSE 350 audits. We have set ourselves the same target for public sector audits from 2019/20.

Other sector wide reviews

Alongside the FRC, other key stakeholders including the Department for Business, energy and Industrial Strategy (BEIS) have expressed concern about the quality of audit work and the need for improvement. A number of key reviews into the profession have been undertaken or are in progress. These include the review by Sir John Kingman of the Financial Reporting Council (Dec 2018), the review by the Competition and Markets Pension Fund of competition within the audit market, the ongoing review by Sir Donald Brydon of external audit, and specifically for public services, the Review by Sir Tony Redmond of local Pension Fund financial reporting and external audit. As a firm, we are contributing to all these reviews and keen to be at the forefront of developments and improvements in public audit.

What are we doing to address FRC findings?

In response to the FRC's findings, the firm is responding vigorously and with purpose. As part of our Audit Investment Programme (AIP), we are establishing a new Quality Board, commissioning an independent review of our audit function, and strengthening our senior leadership at the highest levels of the firm, for example through the appointment of Fiona Baldwin as Head of Audit. We are confident these investments will make a real difference.

We have also undertaken a root cause analysis and put in place processes to address the issues raised by the FRC. We have already implemented new training material that will reinforce the need for our engagement teams to challenge management and demonstrate how they have applied professional scepticism as part of the audit. Further guidance on auditing areas such as revenue has also been disseminated to all audit teams and we will continue to evolve our training and review processes on an ongoing basis.

What will be different in this audit?

We will continue working collaboratively with you to deliver the audit to the agreed timetable whilst improving our audit quality. In achieving this you may see, for example, an increased expectation for management to develop properly articulated papers for any new accounting standard, or unusual or complex transactions. In addition, you should expect engagement teams to exercise even greater challenge management in areas that are complex, significant or highly judgmental which may be the case for accounting estimates, going concern, related parties and similar areas. As a result you may find the audit process even more challenging than previous audits. These changes will give the audit committee – which has overall responsibility for governance - and senior management greater confidence that we have delivered a high quality audit and that the financial statements are not materially misstated. Even greater challenge of management will also enable us to provide greater insights into the quality of your finance function and internal control environment and provide those charged with governance confidence that a material misstatement due to fraud will have been detected.

We will still plan for a smooth audit and ensure this is completed to the timetable agreed. However, there may be instances where we may require additional time for both the audit work to be completed to the standard required and to ensure management have appropriate time to consider any matters raised. This may require us to agree with you a delay in signing the announcement and financial statements. To minimise this risk, we will keep you informed of progress and risks to the timetable as the audit progresses.

We are absolutely committed to delivering audit of the highest quality and we should be happy to provide further detail about our improvement plans should you require it.



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Rob Powell
Strategic Director for Resources
Warwickshire County Council
Shire Hall
Warwick
CV34 4RL

9 March 2020

Grant Thornton UK LLP
20 Colmore Circus Queensway
BIRMINGHAM
B4 6AT

Dear Rob

Audit Scope and Additional Work 2019/20 – Warwickshire Pension Fund

In our discussions in respect of variations to the 2018/19 audit fee you commented that, if possible, you wished to move away from their retrospective nature. As we discussed at our meeting today, in order to look to address this we will be including proposals within our detailed Audit Plan for 2019/20. I am also writing this letter to help put our views upon the growing audit scope and our assessment of the impact upon our audit work and fees into context and assist in any further discussions you may wish to have with PSAA Ltd.

In recent conversations, including at Warwickshire County Council's Audit and Standards Committee (as those charged with governance for the Fund), we have discussed the increased regulatory focus facing all audit suppliers and the impact this will have on the scope of our work for 2019/20 and beyond. We have shared the transcript of a letter sent via email from Tony Crawley of PSAA explaining the changing regulatory landscape with you. In his letter, Mr Crawley highlights: *"significantly greater pressure on firms to deliver higher quality audits by requiring auditors to demonstrate greater professional scepticism when carrying out their work across all sectors – and this includes local audit. This has resulted in auditors needing to exercise greater challenge to the areas where management makes judgements or relies upon advisers, for example, in relation to estimates and related assumptions within the accounts. As a result, audit firms have updated their work programmes and reinforced their internal processes and will continue to do so to enable them to meet the current expectations."*

As noted above I promised I would set out in more detail the likely impact of this on our audit, and I am pleased to do so in this letter. Should further matters arise during the course of the audit they could also have fee and timetable implications that we would need to address at that point.

Across all suppliers, and sectors (public and private), the Financial Reporting Council (FRC) has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge, as well as to undertake additional and more robust testing. There is a general 'raising of the quality bar' following a number of recent, high-profile company failures that have also been attributed to audit performance. Alongside the FRC, other key stakeholders including the Department for Business, Energy and Industrial Strategy (BEIS) have expressed concern about the quality of audit work and the need for improvement. The FRC has been clear to us that it expects audit quality in local audit to meet the same standards as in the corporate world and the current level of financial risk within local audit bodies supports this position.

As a firm, we are absolutely committed to meeting the expectations of the FRC and other key stakeholders with regard to audit quality and public sector financial reporting. To ensure the increased regulatory focus and expectations are fully met, we anticipate that, as first seen in 2018/19, we will need to commit more time in discharging our statutory responsibilities, which will necessitate an increase in costs. I set out below the implications of this for your Fund's audit.

Increased challenge and depth of work – raising the quality bar

The FRC has raised the threshold of what it assesses as a good quality audit. The FRC currently uses a four-point scale to describe the quality of the files it reviews, as follows:

Score	Description
1 or 2a	Acceptable with Limited Improvements Required
2b	Improvements required
3	Significant Improvements Required

Historically, the FRC's definition for 2b was 'acceptable but with improvements required' and, as such, both the Audit Commission and PSAA considered a '2b' to represent an acceptance level of audit quality for contract delivery purposes. The FRC has now set a 100% target for all audits (including local audits) to achieve a '2a'. Its threshold for achieving a '2a' is challenging and failure to achieve this level is reputationally damaging for individual engagement leads and their firm. Non-achievement of the standard can result in enforcement action, including fines and disqualification, by the FRC. Inevitably, we need to increase the managerial oversight to manage this risk. In addition, you should expect the audit team to exercise even greater challenge of management in areas that are complex, significant or highly judgmental. We will be required to undertake additional work in the following areas, amongst others:

- use of specialists
- information provided by the entity (IPE)
- journals
- management review of controls
- revenue
- accounting estimates
- financial resilience and going concern
- related parties and similar areas.

As outlined above, the profile of local audit has increased considerably over the past year. The reviews led by Sir John Kingman, Sir Donald Brydon and Sir Tony Redmond are focusing attention on the work of auditors everywhere. Parliament, through the work of its Scrutiny Committees, has made clear its expectations that auditors will increase the quality of their work.

As a result, you may find the audit process for 2019/20 and beyond even more challenging than previous audits. This mirrors the changes we are seeing in the commercial sectors.

Valuation of level 3 investments (excluding directly held property)

The Financial Reporting Council (FRC) has highlighted that the quality of work by all audit firms in respect of valuations of hard to value investments needs to improve across the sector. With 10% of the Fund's assets being in Level 3 this has always been a focus of our audit and in 2018-19 we sought to absorb the costs but, accordingly, we plan to enhance the scope and coverage of our work further to ensure an adequate level of audit scrutiny and challenge over the assumptions and evidence that underpin the valuations of level 3 investments this year to fully reflect the expectations of the FRC and ensure we issue a safe audit opinion.

Provision of IAS 19 Assurances to Scheme Employer auditors

As outlined above, the FRC has highlighted that the quality of work by audit firms in respect of IAS 19 needs to improve across local government audits. As scheme auditor we are requested to carry out a programme of work by scheme employer auditors to provide assurances around the accuracy and completeness of data provided to the actuary. We will increase the granularity, depth and scope of coverage of our work in this area. For 2019-20 this will also include work on information provided to the actuary to support the 2019 triennial valuation.

Impact on the audit and associated costs

You will note we did not raise additional fees across the sector as a whole in 2018/19 in respect of the additional work required in response to the implementation of IFRS 9 and IFRS 15 (whilst pension funds were not as directly impacted by the changes as administering authorities there were additional disclosure requirements and considerations). This was a goodwill decision we took in support of the strong relationship we have with the sector. However, the volume of additional work now being required, as set out above, means we are no longer able to sustain that position. This is an issue not just across public services but also in the private sector where fees are being increased by all of the major suppliers by more than 20%.

We benefit from effective and constructive working relationships which we have established during our engagement with you to date. This allows us to absorb some of the impact of these changes. Using our strong working knowledge of you and efficiencies that we are continuously seeking to implement as part of our focus on continued collaborative working with you, we have sought to contain the impact as much as possible to below the market average.

We have assessed the impact of the above as follows for 2019/20, with the comparative position for the two previous years shown. Please note these are subject to approval by PSAA in line with PSAA's normal process. Should other risks arise during the course of the audit which we have not envisaged, we may need to make a further adjustment to the fee.

Area	Proposed Fee £	Cost £	Cost £
	2019/20	2018/19	2017/18
PSAA Scale Fee	18,397	18,397	23,892
Increased challenge and depth of work	2,500	-	-
Level 3 Investments Valuations	1,750	-	-
Total Additional Fee	4,250	-	
Total Revised Audit Fee	22,647	18,397	23,892
<i>Audit Related Services</i>			
Provision of IAS 19 assurances to scheme employer auditors (estimated based on prior periods plus triennial valuation)	7,000	6,000 (no triennial valuation)	£1,328 (under PSAA)
Total Audit and Audit Related Services Scheme Fee	29,647	24,397	25,220

This would give a scale fee for the statutory accounts audit of £22,647 (£18,397 scale fee for 2019/20 plus a variation of £4,250) plus VAT. This excludes the cost of IAS 19 assurances provided to other auditors.

Please note that PSAA's arrangements require a separation of fees and remuneration, which means that Grant Thornton does not receive 100% of the current fees charged.

Grant Thornton remains the largest trainer of CIPFA qualified accountants in the UK and is committed to continue to resource its local audits with suitably specialised and experienced staff, but the pool of such staff is relatively finite in the short-term. The additional work we are now planning across the whole of our portfolio will inevitably have an impact on the audit timetable and whether or not all of our audits can be delivered to appropriate quality standards by the 31 July 2020. I will be happy to explain the impact of the further work we are planning to undertake on our delivery timetable for your audit but at this stage we are planning for it to be delivered by 31 July 2020.

Future changes to audit scope

As we have previously mentioned in meetings and at the Audit and Standards committee, the National Audit Office is currently consulting on revisions to the Code of Audit Practice and has also indicated its intention to consult on the accompanying Auditor Guidance Notes. This defines the scope of audit work in the public sector. The most significant change is in relation to the Value for Money arrangements. Whilst for pension funds the assessment of these risks, if any, is undertaken at the Administering Authority level the arrangements of the Fund do still fall within the scope of the Code. The proposed Code now requires auditors to focus on delivering both an overall, binary, conclusion about whether or not proper arrangements were in place during the previous financial year, alongside issuing a tailored commentary on each of the criteria. The Code proposes three specific criteria:

- a) Financial sustainability: how the body plans and manages its resources to ensure it can continue to deliver its services;
- b) Governance: how the body ensures that it makes informed decisions and properly manages its risks; and
- c) Improving economy, efficiency and effectiveness: how the body uses information about its costs and performance to improve the way it manages and delivers its services.

Under each of these criteria, statutory guidance will set out the procedures that auditors will need to undertake. An initial review of arrangements will consist of mandatory procedures to be undertaken at every local public body plus any local risk-based work. The consultation closed on 22 November 2019. The new code was laid before Parliament on 21 January 2020 and is expected to come into force in April 2020 and will apply from audits of local bodies' 2020/21 financial statements onwards.

Until the Parliamentary process is completed consultation is finalised and more details emerge of what is expected of auditors, it is difficult to cost the impact. However, as soon as the requirements are finalised and it is clear exactly what the expectations will be, I will share with you further thoughts on the potential impact on the audit and associated costs.

I hope this is helpful and allows you to plan accordingly for the 2019/20 audit. Should you wish to discuss this further, please do not hesitate to contact me. We will be sharing our detailed Audit Plan with you in due course. We look forward to working with you again this year,

Yours sincerely



Grant B Patterson
Engagement Lead and Key Audit Partner

For and on behalf of Grant Thornton UK LLP



Informing the audit risk assessment for Warwickshire Pension Fund 2019/20



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

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Purpose

The purpose of this report is to contribute towards the effective two-way communication between Warwickshire County Council and Pension Fund's external auditors and Warwickshire County Council and Pension Fund's Audit & Standards Committee, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where we are required to make inquiries of the Audit & Standards Committee under auditing standards.

Background

Under International Standards on Auditing (UK and Ireland) (ISA(UK&I)) auditors have specific responsibilities to communicate with the Audit & Standards Committee. ISA(UK&I) emphasise the importance of two-way communication between the auditor and the Audit & Standards Committee and also specify matters that should be communicated.

This two-way communication assists both the auditor and the Audit & Standards Committee in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the Audit & Standards Committee and supports the Audit & Standards Committee in fulfilling its responsibilities in relation to the financial reporting process.

Communication

As part of our risk assessment procedures we are required to obtain an understanding of management processes and the Audit & Standards Committee's oversight of the following areas:

- General Enquiries of Management
- Fraud,
- Laws and Regulations,
- Going Concern,
- Related Parties, and
- Accounting Estimates.

Purpose

This report includes a series of questions on each of these areas and the response we have received from Warwickshire County Council and Pension Fund's management. The Audit & Standards Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

General Enquiries of Management

Question	Management response
1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2019/20?	<p>Cost transparency will play a key part this year. Ensuring users of our accounts have clear and transparent information.</p> <p>Border to Coast Pension Partnership - the fund has transitioned further assets to the pool this year.</p> <p>Covid-19 - its impact on asset values and the difficulty in determining it's impact on some types of asset class.</p>
2. Have you considered the appropriateness of the accounting policies adopted by Warwickshire Pension Fund? Have there been any events or transactions that may cause you to change or adopt new accounting policies?	<p>Yes, we consider the accounting policies appropriate.</p> <p>No.</p>
3. Is there any use of financial instruments, including derivatives?	<p>Financial Instruments form part of the Pension Fund's investments. The nature of these are determined by the Fund Managers and Custodian.</p>
4. Is Are you aware of any significant transaction outside the normal course of business?	<p>Fund launches and transitions in respect of Border to Coast Pension Partnership.</p>

General Enquiries of Management

Question	Management response
5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets?	The only non-current assets are investments. The value of investments fluctuate by their nature.
6. Are you aware of any guarantee contracts?	Fund Managers may use financial instruments.
7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements?	None
8. Other than in house solicitors, can you provide details of those solicitors utilised by Warwickshire Pension Fund during the year. Please indicate where they are working on open litigation or contingencies from prior years?	External solicitors were used to provide advice on a potential early payment of pension fund contributions in 2020/21.
9. Have any of Warwickshire Pension Fund's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements?	No.
10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	Mercers have provided some work regarding potential early employer pension fund contribution prepayments in 2020/21 .

Fraud

Issue

Matters in relation to fraud

ISA(UK&I)240 covers auditors responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both the Audit & Standards Committee and management. Management, with the oversight of the Audit & Standards Committee, needs to ensure a strong emphasis on fraud prevention and deterrence and encourage a culture of honest and ethical behaviour. As part of its oversight, the Audit & Standards Committee should consider the potential for override of controls and inappropriate influence over the financial reporting process.

As Warwickshire County Council and Pension Fund's external auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

As part of our audit risk assessment procedures we are required to consider risks of fraud. This includes considering the arrangements management has put in place with regard to fraud risks including:

- assessment that the financial statements could be materially misstated due to fraud,
- process for identifying and responding to risks of fraud, including any identified specific risks,
- communication with the Audit & Standards Committee regarding its processes for identifying and responding to risks of fraud, and
- communication to employees regarding business practices and ethical behaviour.

We need to understand how the Audit & Standards Committee oversees the above processes. We are also required to make inquiries of both management and the Audit & Standards Committee as to their knowledge of any actual, suspected or alleged fraud. These areas have been set out in the fraud risk assessment questions below together with responses from Warwickshire County Council and Pension Fund's management.

Fraud risk assessment

Question	Management response
<p>1. Have Warwickshire Pension Fund assessed the risk of material misstatement in the financial statements due to fraud?</p> <p>How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process?</p> <p>How do Warwickshire Pension Fund's risk management processes link to financial reporting?</p>	<p>The pension fund produces a statement of accounts following accounting policies designed to ensure fair and consistent reporting of the financial position.</p> <p>Internal Audit Reviews will pick up risks concerning fraud, which provide assurance on the internal controls and systems which are used to deliver the accounts.</p> <p>The Pension Fund Investment Sub Committee sign off a risk register and business plan annually.</p>
<p>2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?</p>	<p>A key risk is fund manager fraudulent activity. A key control around this is using Hymans Robertson as a consultant as they report on any identified issues (e.g. email alerts) and maintain a buy/sell list. Hymans Robertson have not reported any significant risks within the fund managers used.</p> <p>Risk are also mitigated through the use of an external custodian which creates a strong division of duties and means a high degree of collusion would be required to action and conceal any fraudulent activity.</p>
<p>3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within Warwickshire Pension Fund as a whole or within specific departments since 1 April 2019?</p> <p>As a management team, how do you communicate risk issues (including fraud) to those charged with governance?</p>	<p>Breaches of the law in respect of pensions administration activity. These are reported to the Local Pension Board, and where appropriate to the Pensions Regulator.</p> <p>Through reports taken to the Pension Fund Investment Sub Committee and the Local Pension Board (such as the risk register), and the Audit and Standards Committee (internal audit reports).</p>

Fraud risk assessment

Question	Management response
4. Have you identified any specific fraud risks?	No
Do you have any concerns there are areas that are at risk of fraud?	The Pension Fund maintains a risk register.
Are there particular locations within Warwickshire Pension Fund where fraud is more likely to occur?	No
5. What processes do Warwickshire Pension Fund have in place to identify and respond to risks of fraud?	Policies and procedures are published on the Intranet covering theft and fraud and the process staff should follow if they suspect anything. These procedures also state the escalation procedure if required.
6. How would you assess the overall control environment for Warwickshire Pension Fund, including: the process for reviewing the effectiveness the system of internal control; internal controls, including segregation of duties; exist and work effectively? If not where are the risk areas and what mitigating actions have been taken? What other controls are in place to help prevent, deter or detect fraud? Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)?	Controls mirror the County Council - assurance is supported through Internal Audit reviews. Internal Audit have/will have carried out 4 audits in 2019/20. These covered 2 Pensions Administration audits and 2 Investment Management audits (focused on pooling). Risks are reported to the Pension Investments Sub Committee. Governance matters are reported to the Local Pension Board including the reporting of internal audit activity and findings. External Audit provide an Annual Audit Letter to the Committee highlighting any areas of concern and recommendations following the annual audit of accounts. None

Fraud risk assessment

Question	Management response
7. Are there any areas where there is potential for misreporting?	<p>Potential for misreporting is mitigated by processes and robust controls in place. The following groups report based on industry standards adopted:</p> <ul style="list-style-type: none"> • Managers – report based on guidelines • Custodian controls • Accounting protocols <p>Furthermore the pension fund investment sub committee has 2 Independent Investment Advisers and this mitigates any potential misreporting.</p>
<p>8. How do Warwickshire Pension Fund communicate and encourage ethical behaviours and business processes of it's staff and contractors?</p> <p>How do you encourage staff to report their concerns about fraud?</p> <p>What concerns are staff expected to report about fraud?</p> <p>Have any significant issues been reported?</p>	<p>This is communicated through the policies and procedures published on the Intranet.</p> <p>The Council's Core behaviours encourage staff to report any fraudulent/otherwise unacceptable Behaviour. The values and behaviours includes being trustworthy, accountable, help people and communities to find their own solutions, and being high performing and customer focused.</p> <p>Council has a fraud response plan where staff can report any suspected or discovered fraud.</p> <p>Staff can raise any concerns and business practice and ethical behaviour can be reinforced.</p> <p>No</p>
<p>9. From a fraud and corruption perspective, what are considered to be high-risk posts?</p> <p>How are the risks relating to these posts identified, assessed and managed?</p>	<p>Pension Fund Officers within Investment team.</p> <p>A signatory protocol is in place that ensured division of duties, and periodic internal audit assignments review the application of controls and their effectiveness.</p>
<p>10. Are you aware of any related party relationships or transactions that could give rise to instances of fraud?</p> <p>How do you mitigate the risks associated with fraud</p>	<p>No</p> <p>These risks are mitigated by robust procurement procedures. There is an employee code of conduct</p>

Fraud risk assessment

Question	Management response
<p>11. What arrangements are in place to report fraud issues and risks to the Audit & Standards Committee?</p> <p>How does the Audit & Standards Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control?</p> <p>What has been the outcome of these arrangements so far this year?</p>	<p>Policies and procedures are published on the Intranet and these procedures also state the escalation procedure if required.</p> <p>The council has a Whistleblowing policy which is intended to promote a culture of openness and transparency.</p> <p>Oversight is exercised through Internal Audit assignments and the Local Pension Board.</p>
<p>12. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?</p>	<p>No</p>
<p>13. Have any reports been made under the Bribery Act?</p>	<p>No reports have been made of this nature.</p>

Law and regulations

Issue

Matters in relation to laws and regulations

ISA(UK&I)250 requires us to consider the impact of laws and regulations in an audit of the financial statements.

Management, with the oversight of the Audit & Standards Committee, is responsible for ensuring that Warwickshire County Council and Pension Fund's operations are conducted in accordance with laws and regulations including those that determine amounts in the financial statements.

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. As part of our risk assessment procedures we are required to make inquiries of management and the Audit & Standards Committee as to whether the entity is in compliance with laws and regulations. Where we become aware of information of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

Risk assessment questions have been set out below together with responses from management.

Impact of laws and regulations

Question	Management response
<p>1. How does management gain assurance that all relevant laws and regulations have been complied with?</p> <p>What arrangements does Warwickshire Pension Fund have in place to prevent and detect non-compliance with laws and regulations?</p> <p>Are you aware of any changes to Warwickshire Pension Fund's regulatory environment that may have a significant impact on Warwickshire County Council and Pension Fund's financial statements?</p>	<p>The Monitoring Officer and the S151 officer provides assurance that laws and regulations have been complied with. Furthermore our advisers provide assurance and we also commission specialist advice where required.</p> <p>A Pension Fund governance review has been carried out and reported to Local Pension Board in 2019 comparing practice with Pension Regulator requirements. An action plan is in place and is being progressed.</p> <p>No</p>
<p>2. How is the Audit & Standards Committee provided with assurance that all relevant laws and regulations have been complied with?</p>	<p>Through a risk based programme of internal audit work.</p>
<p>3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2019 with an on-going impact on the 2019/2020 financial statements?</p>	<p>No</p>
<p>4. Is there any actual or potential litigation or claims that would affect the financial statements?</p>	<p>The national McCloud issue.</p>

Impact of laws and regulations

Question	Management response
5. What arrangements does Warwickshire Pension Fund have in place to identify, evaluate and account for litigation or claims?	The Pension Fund have the support of an internal legal team within the Administrating Authority, and the option to commission external specialist legal opinion, advice, and support where necessary.
6. Have there been any report from other regulatory bodies, such as HM Revenues and Customs which indicate non-compliance?	None noted.

Going Concern

Issue

Matters in relation to going concern

ISA(UK&I)570 covers auditor responsibilities in the audit of financial statements relating to management's use of the going concern assumption in the financial statements.

The going concern assumption is a fundamental principle in the preparation of financial statements. Under this assumption entities are viewed as continuing in business for the foreseeable future. Assets and liabilities are recorded on the basis that the entity will be able to realise its assets and discharge its liabilities in the normal course of business.

Going concern considerations have been set out below and management has provided its response.

Going concern considerations

Question	Management response
<p>1. Has the management team carried out an assessment of the going concern basis for preparing the financial statements for Warwickshire Pension Fund? What was the outcome of that assessment?</p>	<p>A triennial valuation is carried out by the fund actuaries every three years to determine the funding position of the fund and to calculate the contributions required by employers to establish a fully funded position.</p> <p>Reports are presented to the Pension Fund Investment Sub Committee every quarter to report the financial position of the fund.</p> <p>The funding position improved significantly from 2016 to 2019. Since the valuation figures were finalised Covid-19 has since then had an impact but the current long term investment strategy is deemed to remain appropriate and in the short term operational and investment related cashflow requirements have been reviewed and are being met.</p>
<p>2. Are the financial assumptions in that report (e.g., future levels of income and expenditure) consistent with Warwickshire Pension Fund's Business Plan and the financial information provided to Warwickshire Pension Fund throughout the year?</p>	<p>Yes</p>

Going concern considerations

Question	Management response
<p>3. Are the implications of statutory or policy changes appropriately reflected in the Business Plan, financial forecasts and report on going concern?</p>	<p>All policies and changes to them are reported to the either the Local Pension Board, Pension Fund Investments Sub Committee or Staff and Pension Committee.</p> <p>The business plan is a high level document that does not detail all the statutory and policy issues.</p> <p>The Funding Strategy Statement and Investment Strategy Statement have regard to the relevant statutes and policies.</p>
<p>4. Have there been any significant issues raised with the Audit & Standards Committee during the year which could cast doubts on the assumptions made? (Examples include adverse comments raised by internal and external audit regarding financial performance or significant weaknesses in systems of financial control).</p>	<p>Internal Audit reports for both Pension Administration and Pension Investment teams provided limited assurance opinions. A second audit in both the administration and investment areas will provide further insight.</p>
<p>5. Does a review of available financial information identify any adverse financial indicators including negative cash flow or poor or deteriorating performance against the better payment practice code? If so, what action is being taken to improve financial performance?</p>	<p>A triennial valuation is carried out by the fund actuaries every three years to determine the funding position of the fund and to calculate the contributions required by employers to establish a fully funded position.</p> <p>Reports are presented to the Pension Fund Investment Sub Committee every quarter to assure the fund continues as a going concern.</p> <p>The fund is forecast to experience negative cashflow from contributing employers at a point in the future and this will be managed within the funds cash balances. The fund commissioned a strategic cashflow review from its adviser.</p>

Going concern considerations

Question	Management response
<p>6. Does Warwickshire Pension Fund have sufficient staff in post, with the appropriate skills and experience, particularly at senior manager level, to ensure the delivery of Warwickshire County Council and Pension Fund's objectives? If not, what action is being taken to obtain those skills?</p>	<p>A recent restructure has increased the capacity within the pension fund administration team and investment team.</p> <p>The effectiveness of this will be reviewed over time.</p>
<p>7. Does Warwickshire Pension Fund have procedures in place to assess their ability to continue as a going concern?</p>	<p>Yes – the triennial valuation and regular monitoring of investments and operations.</p>
<p>8. Is management aware of the existence of events or conditions that may cast doubt on Warwickshire Pension Fund's ability to continue as a going concern?</p>	<p>No.</p>

Going concern considerations

Question	Management response
<p>9. Are arrangements in place to report the going concern assessment to the Audit & Standards Committee ? How has the Audit & Standards Committee satisfied itself that it is appropriate to adopt the going concern basis in preparing financial statements?</p>	<p>The annual accounts are presented on a going concern basis and are reported to Audit and Standards in draft form.</p> <p>The external audit report provides some assurance over the going concern basis as does the internal audit programme of work.</p>

Related Parties

Issue

Matters in relation to Related Parties

Local Authorities are required to comply with IAS 24 and disclose transactions with entities/individuals that would be classed as related parties. These may include:

- entities that directly, or indirectly through one or more intermediaries, control, or are controlled by the authority (i.e. subsidiaries);
- associates;
- joint ventures;
- an entity that has an interest in the authority that gives it significant influence over the authority;
- key management personnel, and close members of the family of key management personnel, and
- post-employment benefit plans (pension fund) for the benefit of employees of the authority, or of any entity that is a related party of the authority.

A disclosure is required if a transaction (or series of transactions) is material on either side, i.e. if a transaction is immaterial from Warwickshire County Council and Pension Fund's perspective but material from a related party viewpoint then Warwickshire County Council and Pension Fund must disclose it.

ISA (UK&I) 550 requires us to review your procedures for identifying related party transactions and obtain an understanding of the controls that you have established to identify such transactions. We will also carry out testing to ensure the related party transaction disclosures you make in the financial statements are complete and accurate.

Relating Parties

Question	Management response
1. What controls does Warwickshire Pension Fund have in place to identify, account for and disclose related party transactions and relationships ?	Key officers complete a disclosure form detailing their interests.

Accounting estimates

Issue

Matters in relation to Related Accounting estimates

Local Authorities apply appropriate estimates in the preparation of their financial statements. ISA (UK&I) 540 sets out requirements for auditing accounting estimates. The objective is to gain evidence that the accounting estimates are reasonable and the related disclosures are adequate.

Under this standard we have to identify and assess the risks of material misstatement for accounting estimates by understanding how Warwickshire County Council and Pension Fund identifies the transactions, events and conditions that may give rise to the need for an accounting estimate.

Accounting estimates are used when it is not possible to measure precisely a figure in the accounts. We need to be aware of all estimates that Warwickshire County Council and Pension Fund is using as part of its accounts preparation; these are detailed in appendix 1 to this report. The audit procedures we conduct on the accounting estimate will demonstrate that:

- the estimate is reasonable; and
- estimates have been calculated consistently with other accounting estimates within the financial statements.

We would ask the Audit & Standards Committee to satisfy itself that the arrangements for accounting estimates are adequate.

Accounting Estimates

Question	Management response
1. Are management aware of transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in Appendix A)?	Covid-19 and the impact it has had on financial asset volatility is a circumstance that the accounts need to deal with however the accounting estimates and judgements made are considered reasonable.
2. Are the management arrangements for the accounting estimates, as detailed in Appendix A reasonable?	Yes, we consider them reasonable.
3. How is the Audit & Standards Committee provided with assurance that the arrangements for accounting estimates are adequate ?	The accounting policies and notes included in the Statement of Accounts provide transparency. External Audit provide assurance

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Property plant & equipment valuations	See County Council				
Estimated remaining useful lives of PPE	See County Council				

Appendix A Accounting Estimates (Continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Depreciation and Amortisation	See County Council				
Impairments	See County Council				
Measurement of Financial Instruments	The values of investments are determined at fair value.	Investment team/Custodian	Custodian Fund Managers		No

Appendix A Accounting Estimates (Continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Provisions for liabilities	See County Council				
Bad Debt Provision	See County Council				

Appendix A Accounting Estimates (Continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Accruals	We use standard accruals accounting – accruals are based on expenses incurred that have not yet been paid.	Monthly review of ledger and financial systems to identify goods/services received but not paid for.	No	N/A	No.
Non Adjusting events – events after the balance sheet date	Monthly management accounts prepared would flag any adjusting/non-adjusting events.	See left	N/A	N/A	N/A

Appendix A Accounting Estimates (Continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Pension Fund (LGPS) Actuarial gains/losses	The actuarial gains and losses figures are calculated by the actuarial expert Hymans.	The Authority is the administering body.	The Authority are provided with an actuarial report by Hymans (LGPS).	The nature of these figures forecasting into the future are based upon the best information held at the current time and are developed by experts in their field.	No.
Private Equity/Infrastructure/ Private Debt	Private Equity investments are valued at fair value in accordance with British Venture Capital Association guidelines. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The custodian applies a roll-forward valuation based on the 31st December 2019 statements. This is compared to the year-end statement.	Custodian/Fund Manager	Multiple	No



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Audit and Standards Committee

20 July 2020

External Auditors Report – Warwickshire County Council Annual Audit Plan, Fee Letter and Risk Assessment 2019/20

Recommendation

The Audit and Standards Committee is asked to consider:

- 1) The Annual Audit Plan for 2019/20 from the External Auditors, attached at Appendix A;
- 2) The Audit Fee Letter for 2019/20, attached at Appendix B; and
- 3) The Audit Risk Assessment for 2019/20, attached at Appendix C.

1. Purpose of the Report

- 1.1. Our external auditors, Grant Thornton, have written to the Council, identifying the audit plan and the audit fees for the County Council, together with the rationale and scope for those fees. These are documents brought to the Committee for comment each year.
- 1.2. For 2019/20 an auditor risk assessment report has also been prepared. This documents the Authority's key risk areas and the management response to these. The Audit and Standards Committee are asked to consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.
- 1.3. The Audit Engagement Lead will attend the meeting to present the reports attached at **Appendix A, B and C**.

2. Financial Implications

- 2.1. The proposed Audit Fee for 2019/20 is £87,795. This represents an increase of 7% or £6,000 from the fee for 2018/19. The increase reflects the increased challenge and depth of work all local authority auditors are now being asked to

deliver, including the need for the auditors to obtain independent external advice on asset valuations.

- 2.2. The increase in the audit fee, and the reasons for it, have been discussed with the Strategic Director for Resources and the Assistant Director for Finance and the advice to the Committee is that the increase in fees is accepted.

3. Environmental Implications

- 3.1. There are no environmental implications arising from this report.

4. Background Papers

- 4.1. None.

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



External Audit Plan

Year ending 31 March 2020

Warwickshire County Council
16 March 2020

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Contents



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Appendix

A. Audit quality – national context

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

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1. Introduction & headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Warwickshire County Council ('the Authority') for those charged with governance. For the purposes of our audit the Authority is ultimately those charged with governance for the County Council's accounts. We have, however, determined in line with *ISA 260 – Communicating with those charged with governance*, that given the Audit & Standards role in overseeing the arrangements for the preparation and audit of the financial statements it is the sub-group with whom we will communicate.

Respective responsibilities

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

Scope of our audit

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

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

The audit of the financial statements does not relieve management or the Audit & Standards Committee of your responsibilities. It is the responsibility of the Authority to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Authority is fulfilling these responsibilities.

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

Page 93 Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Valuation of pension fund net liability – as reflected in its Balance Sheet this represents a significant estimate in the financial statements.
- Valuation of land and buildings – the carrying value on the Balance Sheet represents a significant estimate in the financial statements.
- Management override of control – under ISA240 it is presumed that the risk of management override of controls is present in all entities

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Materiality

- We have determined planning materiality to be £15m (PY £15m) for the Authority, which equates to 1.5% of your prior year gross expenditure for the year.
- We design our procedures to detect errors in specific accounts at a lower level of precision which we have determined to be £25k for senior officers' remuneration disclosures.
- We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £750k (PY £750k).

Value for Money arrangements

The Council has a good track record of delivering in year budgets and savings targets. 2020 will be the transitional year to the new 2020-25 Council Plan. This anticipates a growth in spending to just over £0.5bn by 2025 and to manage this the Council is moving to a rolling five-year MTFS. Given the uncertainties over future funding settlements the Council plans to use its reserves to manage financial risk and promote financial sustainability alongside delivering further savings of £33.3m over the period of the Council Plan. Given these challenges we believe a residual VFM risk in respect of planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions remains, as set out on page 10.

Audit logistics

Our interim visits are split between February and March and our final visit will take place in June and July. Our key deliverables are this Audit Plan and our Audit Findings Report. Our audit approach is detailed in Appendix A.

Our proposed fee for the audit will be £87,795 (PY: £81,795) for the Authority, subject to the Authority meeting our requirements set out on page 13.

Independence

We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

2. Key matters impacting our audit

Factors

The wider economy and political uncertainty

Local Government funding continues to be stretched with increasing cost pressures and demand from residents. For Warwickshire County Council, the Q3 forecast reports an underspend of £9.118m on the revenue budget and £14.580m underspend on the capital programme.

The Council are currently forecasting to deliver £10.461m of £14.221m savings budgeted with the majority of the shortfall attributable to placement costs in Children and Families services.

Reserves are forecast to increase to £170.784m at 31 March 2020, in comparison to £158.974m in the prior year.

In January 2020 the UK government and the EU ratified the Withdrawal Agreement and the UK's membership of the EU formally ceased on 31 January. The existence of a 'transition period' to 31 December 2020 means that there will be little practical change for the Council until at least 2021. However, the nature of the future relationship between the UK and the EU is still to be determined and considerable uncertainty persists. The Council will need to ensure that it is prepared for all outcomes, including those with any impact on contracts, on service delivery and on its support for local people and businesses.

Financial reporting and audit – raising the bar

The Financial Reporting Council (FRC) has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge, and to undertake more robust testing as detailed in Appendix 1.

Our work in 2018/19 has highlighted areas where local government financial reporting, in particular, property, plant and equipment and pensions, needs to be improved, with a corresponding increase in audit procedures. We have also identified an increase in the complexity of local government financial transactions which require greater audit scrutiny.

IFRS 16 implementation

The public sector will implement this standard from 1 April 2020. It will replace IAS 17 Leases, and the three interpretations that supported its application.

The primary change under the new standard will be the recognition of a right of use asset and liability for all leases previously accounted for as an operating lease, with certain exceptions.

In accordance with IAS 8, disclosures of expected impact of IFRS 16 should be included in the Authority's 2019-20 financial statements.

Finance staff have undertaken an extensive exercise to identify and review current lease arrangements in preparation for the transition.

Our response

- We will consider your arrangements for managing and reporting your financial resources as part of our work in reaching our Value for Money conclusion.
- We will consider whether your financial position leads to material uncertainty about the going concern of the Authority and will review related disclosures in the financial statements.
- It is too early to reliably measure the impact of the UK's exit from the European Union however we will continue to monitor the situation and consider as necessary the need for relevant disclosure in the financial statements.

- As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and local government financial reporting.
- Our proposed work and fee, as set further in our Audit Plan, has been agreed with the Strategic Director for Resources and is subject to PSAA agreement.

- We will evaluate the processes the Authority has adopted to assess the impact of IFRS 16 on its 2020/21 financial statements and whether the estimated impact has been disclosed in the 2019/20 financial statements and this is complete.
- This will continue to be pertinent in 2020/21 when the standard becomes effective and right of use assets and liabilities as well as the associated Income and Expenditure impact are recognised.

4. Significant risks identified

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

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
The revenue cycle includes fraudulent transactions (rebutted)	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Authority, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Warwickshire County Council, mean that all forms of fraud are seen as unacceptable 	Therefore we do not consider this to be a significant risk for Warwickshire County Council.
Management over-ride of controls	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</p> <p>The Authority faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate the design effectiveness of management controls over journals • analyse the journals listing and determine the criteria for selecting high risk unusual journals • test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration • gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence • evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.

Significant risks identified (continued)

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of land and buildings (Annual revaluation)	<p>Following a full revaluation of its asset base in 2018/19 the Authority has now moved to revaluing its land and buildings on an annual basis to ensure that the carrying value is not materially different from the current value or fair value (for surplus assets) at the financial statements date. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£617m in the Authority's balance sheet at 31 March 2019) and the sensitivity of this estimate to changes in key assumptions.</p> <p>Management have engaged the services of a valuer to estimate the current value as at 31 March 2020.</p> <p>We therefore identified valuation of land and buildings, particularly revaluations and impairments, as one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work • evaluate the competence, capabilities and objectivity of the valuation expert • write to the valuer to confirm the basis on which the valuation was carried out • engage our own valuer to assess the instructions to the Authority's valuer, the Authority's valuer's report and the assumptions that underpin the valuation. • Test, on a sample basis, revaluations made during the year to ensure they have been input correctly into the Authority's asset register • evaluate the assumptions made by management for any assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end.
Valuation of the pension fund net liability	<p>The Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statement.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£925 million in the Authority's balance sheet at 31 March 2019) and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Authority's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • update our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluate the design of the associated controls; • evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assess the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation; • assess the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability; • test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; • undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and • agree the advance payment made to the pension fund during the year to the expected accounting treatment and relevant financial disclosures. • obtain assurances from the auditor of Warwickshire Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.

5. Other risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<p>International Financial Reporting Standard (IFRS) 16 Leases – (issued but not adopted)</p>	<p>The public sector will implement this standard from 1 April 2020. It will replace IAS 17 Leases, and the three interpretations that supported its application (IFRIC 4, Determining whether an Arrangement contains a Lease, SIC-15, Operating Leases – Incentives, and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease).</p> <p>Under the new standard the current distinction between operating and finance leases is removed for lessees and, subject to certain exceptions, lessees will recognise all leases on their balance sheet as a right of use asset and a liability to make the lease payments.</p> <p>In accordance with IAS 8 and paragraph 3.3.4.3 of the Code disclosures of the expected impact of IFRS 16 should be included in the Authority’s 2019/20 financial statements. The Code adapts IFRS 16 and requires that the subsequent measurement of the right of use asset where the underlying asset is an item of property, plant and equipment is measured in accordance with section 4.1 of the Code.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Evaluate the processes the Authority has adopted to assess the impact of IFRS16 on its 2020/21 financial statements and whether the estimated impact on assets, liabilities and reserves has been disclosed in the 2019/20 financial statements. • Assess the completeness of the disclosures made by the Authority in its 2019/20 financial statements with reference to The Code and CIPFA/LASAAC Local Authority Leasing Briefings.

We will communicate significant findings on these areas and the significant risks, as well as any other significant matters arising from the audit, to you in our Audit Findings Report in July 2020.

6. Other matters

Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement to check that they are consistent with the financial statements on which we give an opinion and consistent with our knowledge of the Authority
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with the guidance issued by CIPFA
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions
- We consider our other duties under the Local Audit and Accountability Act 2014 (the Act) and the Code, as and when required, including:
 - Giving electors the opportunity to raise questions about your 2019/20 financial statements, consider and decide upon any objections received in relation to the 2019/20 financial statements
 - Issue of a report in the public interest or written recommendations to the Authority under section 24 of the Act, copied to the Secretary of State
 - Application to the court for a declaration that an item of account is contrary to law under Section 28 or for a judicial review under Section 31 of the Act or
 - Issuing an advisory notice under Section 29 of the Act.
- We certify completion of our audit.

Other material balances and transactions

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

Going concern

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

We will discuss the financial standing of the Authority with officers, review management's assessment of the going concern assumption and material uncertainties, and evaluate the completeness and accuracy of disclosures in the financial statements.

7. Materiality

The concept of materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality for planning purposes

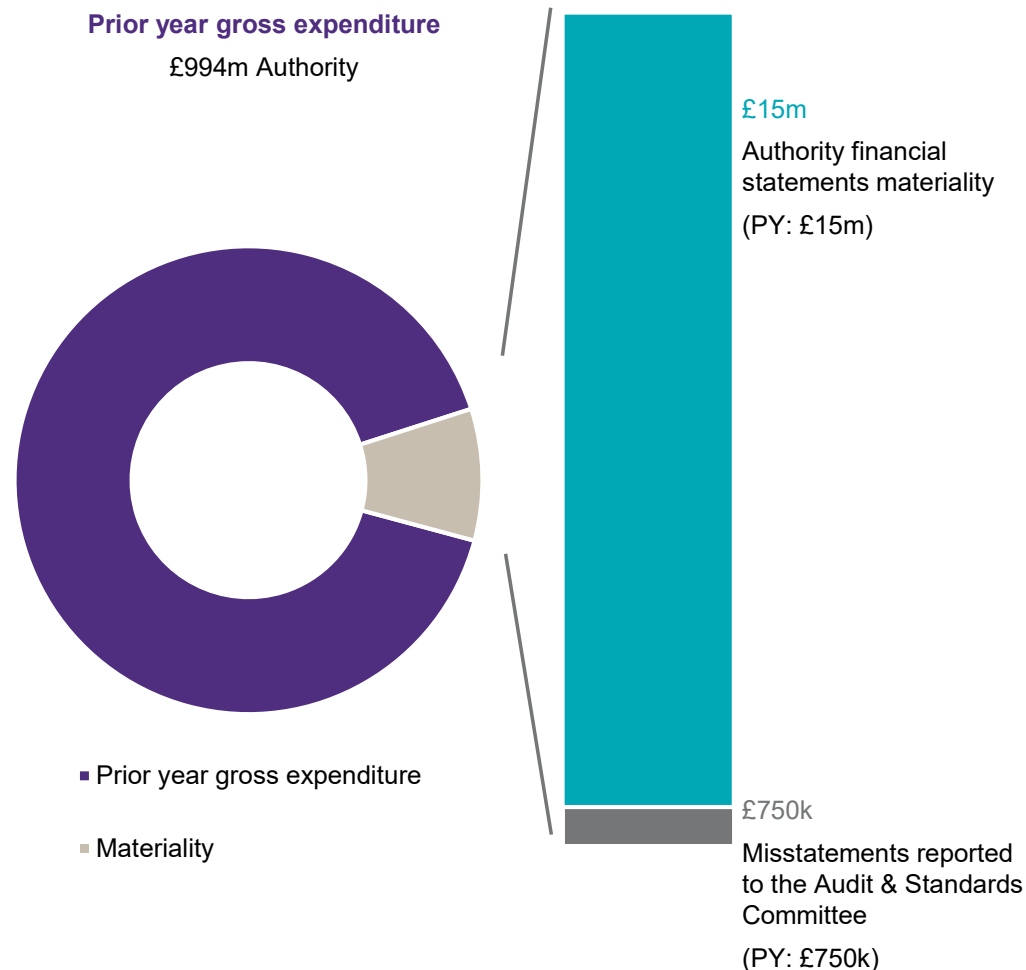
We have determined financial statement materiality based on a proportion of the gross expenditure of the Authority for the financial year. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £15m (PY £15m) for the Authority, which equates to 1.5% of your prior year gross expenditure for the year. The materiality reflects the higher profile of local audit following external reviews such as those led by Sir John Kingman and Sir Tony Redman. We design our procedures to detect errors on specific accounts at a lower level of precision which we have determined to be £25k for senior officer remuneration.

We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

Matters we will report to the Audit & Standards Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £750k (PY £750k).

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit & Standards Committee to assist it in fulfilling its governance responsibilities.



8. Value for Money arrangements

Background to our VFM approach

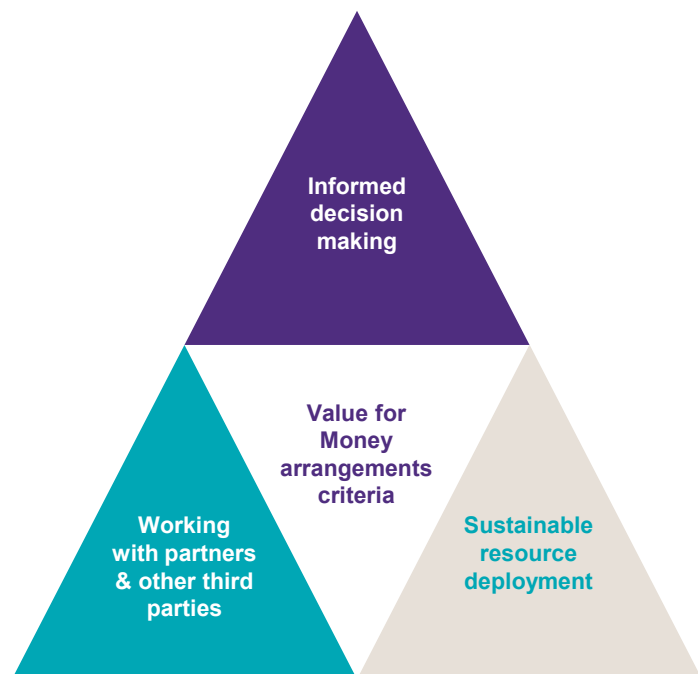
The NAO issued its guidance for auditors on Value for Money work in November 2017. The guidance states that for Local Government bodies, auditors are required to give a conclusion on whether the Authority has proper arrangements in place to secure value for money.

The guidance identifies one single criterion for auditors to evaluate:

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

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

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Significant VFM risks

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



Financial sustainability and delivery of long term plans

The Council has a good track record of delivering in year budgets and savings targets. The Council performs well in most areas and is financially stable (it is forecast that a net underspend will be reported in 2019/20 and reserves will rise to £171m). This has required the Council to deliver £58.5m of savings over the period. At the end of 2018/19 the Council had delivered £37.7m of the £42.4m due by that date. The Council is currently predicting it will deliver £10.5m of the £14.2m required in 2019/20 (with a further £1.9m required in 2020/21). Overall, the Council is therefore expecting to have delivered 85% of the savings required by 31 March 2020.

The forecast net underspend in 2019/20 (see page 4) will help bridge this gap but demand for the Council's services continues to increase i.e. Warwickshire's population has increased by 5% in the past decade, with a further 5% projected increase over the next. 2020 will be the transitional year to the new 2020-25 Council Plan and this anticipates a growth in spending to just over £0.5bn by 2025.

To manage this the Council has moved to a rolling five-year Medium-Term Financial Strategy (MTFS). The primary challenge at the current time is the uncertainty over the funding settlement which is yet to provide clarity in a number of areas such as business rates, DSG and funding for pressures in the system such as adult social care. The Council plans to use its reserves to manage financial risk and promote financial sustainability and help ensure the will be balanced on an ongoing basis. Underpinning this will be the need to deliver further savings of £33.3m by 2025. The Strategic Director for Resources has identified delivery of the planned budget reductions as a significant risk to achievement of the MTFS.

To deliver the Council Plan and meet its strategic objectives the Council recognizes the need to transform how it does things. The Council has moved to a commissioning-led approach and is proposing to increase its commercial activity. Fundamental to this is the adoption a new operating model.

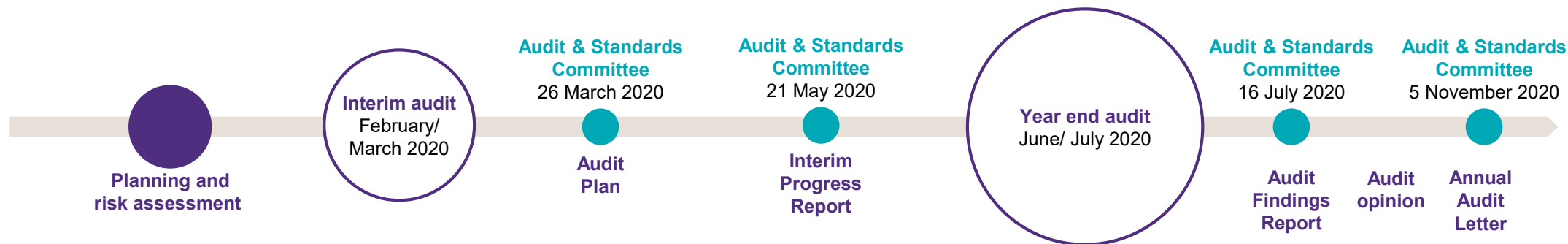
Given these challenges we believe a residual VFM risk in respect of planning finances effectively to support sustainable delivery of strategic priorities and maintain statutory functions remains.

In response to this risk we will:

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

We will keep the Audit & Standards Committee updated with our assessment.

9. Audit logistics & team



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Grant Patterson, Key Audit Partner

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



Jim McLarnon, Audit Manager

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



Lena Grant-Pearce, Audit Incharge

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

Client responsibilities

Where clients do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other clients. Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit, you need to ensure that you:

- produce draft financial statements of good quality by the deadline you have agreed with us, including all notes, the narrative report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

10. Audit fees

Planned audit fees 2019/20

Across all sectors and firms, the FRC has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing. Within the public sector, where the FRC has recently assumed responsibility for the inspection of local government audit, the regulator requires that all audits achieve a 2A (few improvements needed) rating.

Our work across the sector in 2018/19 has highlighted areas where local government financial reporting, in particular, property, plant and equipment and pensions, needs to be improved. We have also identified an increase in the complexity of local government financial transactions. Combined with the FRC requirement that 100% of audits achieve a 2A rating this means that additional audit work is required. We have set out below the expected impact on our audit fee. The table overleaf provides more details about the areas where we will be undertaking further testing.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and local government financial reporting. Our proposed work and fee for 2019/20 at the planning stage, as set out below and with further analysis overleaf, has been agreed with the Strategic Director for Resources and is subject to PSAA agreement.

	Actual Fee 2017/18	Actual Fee 2018/19	Proposed fee 2019/20
Council Audit Scale Fee	£94,539	£72,795	£72,795
Fee Variations	£0	£9,000	£15,000
Total audit fees (excluding VAT)	£94,539	£81,795	£87,795

Assumptions:

In setting the above fees, we have assumed that the Authority will:

- prepare a good quality set of accounts, supported by comprehensive and well presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

Relevant professional standards:

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with staff of appropriate skills, time and abilities to deliver an audit to the required professional standard.

Audit fee variations – Further analysis

Planned audit fees

The table below shows the planned variations to the original scale (contracted in the case of non PSAA) fee for 2019/20 based on our best estimate at the audit planning stage. Further issues identified during the course of the audit may incur additional fees. In agreement with PSAA (where applicable) we will be seeking approval to secure these additional fees for the remainder of the contract via a formal rebasing of your scale fee to reflect the increased level of audit work required to enable us to discharge our responsibilities. Should any further issues arise during the course of the audit that necessitate further audit work additional fees will be incurred, subject to PSAA approval.

Audit area	£	Rationale for fee variation
Scale/ original contract fee	72,795	
Raising the bar	3,500	The Financial Reporting Council (FRC) has highlighted that the quality of work by all audit firms needs to improve across local audit. This will require additional supervision and leadership, as well as additional challenge and scepticism in areas such as journals, estimates, financial resilience and information provided by the entity. As outlined earlier in the Plan, we have set our materiality level, accordingly, reflecting the higher profile of local audit. This will entail increased scoping and sampling.
Pensions – valuation of net pension liabilities under International Auditing Standard (IAS) 19	2,500	We have increased the granularity, depth and scope of coverage, with increased levels of sampling, additional levels of challenge and explanation sought, and heightened levels of documentation and reporting.
PPE Valuation – work of experts	7,000	We have engaged our own audit expert – Montagu Evans and increased the volume and scope of our audit work to ensure an adequate level of audit scrutiny and challenge over the assumptions that underpin PPE valuations. We estimate that the cost of the auditors expert will be in the region of £4,000.
New standards/ developments	2,000	IFRS 16 requires a leased asset, previously accounted for as an operating lease off balance sheet, to be recognised as a 'right of use' asset and corresponding liability on the balance sheet from 1 April 2020. There is a requirement, under IAS8, to disclose the expected impact of this change in accounting treatment in the 2019/20 financial statements.
Revised scale fee (to be approved by PSAA)	87,795	

11. Independence & non-audit services

Auditor independence

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

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

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

Other services provided by Grant Thornton

Service	£	Threats	Safeguards
Audit related:			
Certification of Teachers Pension Return	4,200	Self-Interest	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £4,200 in comparison to the total fee for the audit of £87,795 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Non-audit related:			
CFO Insights	10,000	Self-Interest	A £30,000 for a three year subscription to CFO insights (£10,000 per year) was paid by the Council in 2018/19. This is a recurring fee and therefore a self interest threat exists. However, the level of this recurring fee taken on its own is not considered to be a significant threat to independence as the fee for this work in comparison to the total fee for the audit (£87,795) for the Council and in particular to Grant Thornton UK LLP overall turnover. Furthermore, the work relates to non-audit related services for which there is a fixed fee and no contingent element to the fee. These factors are deemed to adequately mitigate the perceived self interest threat to an acceptable level.

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

Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

None of the services provided are subject to contingent fees.

The firm is committed to improving our audit quality – please see our transparency report - <https://www.grantthornton.co.uk/globalassets/1.-member-firms/united-kingdom/pdf/annual-reports/interim-transparency-report-2019.pdf>

Appendices

A Audit Quality – national context

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Appendix A: Audit Quality – national context

What has the FRC said about Audit Quality?

The Financial Reporting Council (FRC) publishes an annual Quality Inspection of our firm, alongside our competitors. The Annual Quality Review (AQR) monitors the quality of UK Public Interest Entity audits to promote continuous improvement in audit quality.

All of the major audit firms are subject to an annual review process in which the FRC inspects a small sample of audits performed from each of the firms to see if they fully conform to required standards.

The most recent report, published in July 2019, shows that the results of commercial audits taken across all the firms have worsened this year. The FRC has identified the need for auditors to:

- improve the extent and rigour of challenge of management in areas of judgement
- improve the consistency of audit teams' application of professional scepticism
- strengthen the effectiveness of the audit of revenue
- improve the audit of going concern
- improve the audit of the completeness and evaluation of prior year adjustments.

The FRC has also set all firms the target of achieving a grading of '2a' (limited improvements required) or better on all FTSE 350 audits. We have set ourselves the same target for public sector audits from 2019/20.

Other sector wide reviews

Alongside the FRC, other key stakeholders including the Department for Business, energy and Industrial Strategy (BEIS) have expressed concern about the quality of audit work and the need for improvement. A number of key reviews into the profession have been undertaken or are in progress. These include the review by Sir John Kingman of the Financial Reporting Council (Dec 2018), the review by the Competition and Markets authority of competition within the audit market, the ongoing review by Sir Donald Brydon of external audit, and specifically for public services, the Review by Sir Tony Redmond of local authority financial reporting and external audit. As a firm, we are contributing to all these reviews and keen to be at the forefront of developments and improvements in public audit.

What are we doing to address FRC findings?

In response to the FRC's findings, the firm is responding vigorously and with purpose. As part of our Audit Investment Programme (AIP), we are establishing a new Quality Board, commissioning an independent review of our audit function, and strengthening our senior leadership at the highest levels of the firm, for example through the appointment of Fiona Baldwin as Head of Audit. We are confident these investments will make a real difference.

We have also undertaken a root cause analysis and put in place processes to address the issues raised by the FRC. We have already implemented new training material that will reinforce the need for our engagement teams to challenge management and demonstrate how they have applied professional scepticism as part of the audit. Further guidance on auditing areas such as revenue has also been disseminated to all audit teams and we will continue to evolve our training and review processes on an ongoing basis.

What will be different in this audit?

We will continue working collaboratively with you to deliver the audit to the agreed timetable whilst improving our audit quality. In achieving this you may see, for example, an increased expectation for management to develop properly articulated papers for any new accounting standard, or unusual or complex transactions. In addition, you should expect engagement teams to exercise even greater challenge management in areas that are complex, significant or highly judgmental which may be the case for accounting estimates, going concern, related parties and similar areas. As a result you may find the audit process even more challenging than previous audits. These changes will give the Audit and Ethics committee – which has overall responsibility for governance - and senior management greater confidence that we have delivered a high quality audit and that the financial statements are not materially misstated. Even greater challenge of management will also enable us to provide greater insights into the quality of your finance function and internal control environment and provide those charged with governance confidence that a material misstatement due to fraud will have been detected.

We will still plan for a smooth audit and ensure this is completed to the timetable agreed. However, there may be instances where we may require additional time for both the audit work to be completed to the standard required and to ensure management have appropriate time to consider any matters raised. This may require us to agree with you a delay in signing the announcement and financial statements. To minimise this risk, we will keep you informed of progress and risks to the timetable as the audit progresses.

We are absolutely committed to delivering audit of the highest quality and we should be happy to provide further detail about our improvement plans should you require it.



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External Audit Plan Update

Warwickshire County Council
Year ending 31 March 2020

27 April 2020



Introduction & headlines

Purpose

This document provides an update to the planned scope and timing of the statutory audit of Warwickshire County Council ('the Authority') as included in our Audit Plan dated 26 March 2020, for those charged with governance.

The current environment

In addition to the audit risks included in our Audit Plan dated 26 March 2020, recent events have led us to update our planning risk assessment and reconsider our audit and value for money (VfM) approach to reflect the unprecedented global response to the Covid-19 pandemic. The significance of the situation cannot be underestimated and the implications for individuals, organisations and communities remains highly uncertain. For our public sector audited bodies, we appreciate the significant responsibility and burden your staff have to ensure vital public services are provided. As far we can, our aim is to work with you in these unprecedented times, ensuring up to date communication and flexibility where possible in our audit procedures.

Impact on our audit and VfM work

Management and those charged with governance are still required to prepare financial statements in accordance with the relevant accounting standards and the Code of Audit Practice, albeit to an extended deadline for the preparation of the financial statements up to 31 August 2020 and the date for audited financial statements to 30 November 2020, however we will liaise with management to agree appropriate timescales. We continue to be responsible for forming and expressing an opinion on the Authority's financial statements and VfM arrangements.

In order to fulfil our responsibilities under International Auditing Standards (ISA's (UK)) we have revisited our planning risk assessment. We may also need to consider implementing changes to the procedures we had planned and reported in our Audit Plan to reflect current restrictions to working practices, such as the application of technology to allow remote working. Additionally, it has been confirmed since our Audit Plan was issued that the implementation of IFRS 16 has been delayed for the public sector until 2021/22.

Changes to our audit approach

To date we have:

- Identified a new significant financial statement risk, as described overleaf
- Reviewed the materiality levels we determined for the audit. We did not identify any changes to our materiality assessment as a result of the risk identified due to Covid-19 at this time but we will keep matters under review.

Changes to our VfM approach

We have updated our VfM risk assessment to document our understanding of your arrangements to ensure critical business continuity in the current environment. We have not identified any new VfM risks in relation to Covid-19.

Conclusion

We will ensure any further changes in our audit and VfM approach and procedures are communicated with management and reported in our Audit Findings Report. We wish to thank management for their timely collaboration in this difficult time.

Significant risk identified – COVID-19 pandemic

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

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Covid-19	<p>The global outbreak of the Covid-19 virus pandemic has led to unprecedented uncertainty for all organisations, requiring urgent business continuity arrangements to be implemented. We expect current circumstances will have an impact on the production and audit of the financial statements for the year ended 31 March 2020, including and not limited to;</p> <ul style="list-style-type: none"> • Remote working arrangements and redeployment of staff to critical front line duties may impact on the quality and timing of the production of the financial statements, and the evidence we can obtain through physical observation • Volatility of financial and property markets will increase the uncertainty of assumptions applied by management to asset valuation and receivable recovery estimates, and the reliability of evidence we can obtain to corroborate management estimates • Financial uncertainty will require management to reconsider financial forecasts supporting their going concern assessment and whether material uncertainties for a period of at least 12 months from the anticipated date of approval of the audited financial statements have arisen; and • Disclosures within the financial statements will require significant revision to reflect the unprecedented situation and its impact on the preparation of the financial statements as at 31 March 2020 in accordance with IAS1, particularly in relation to material uncertainties. <p>We therefore identified the global outbreak of the Covid-19 virus as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Work with management to understand the implications the response to the Covid-19 pandemic has on the organisation’s ability to prepare the financial statements and update financial forecasts and assess the implications on our audit approach • Liaise with other audit suppliers, regulators and government departments to co-ordinate practical cross sector responses to issues as and when they arise • Evaluate the adequacy of the disclosures in the financial statements in light of the Covid-19 pandemic. • Evaluate whether sufficient audit evidence using alternative approaches can be obtained for the purposes of our audit whilst working remotely • Evaluate whether sufficient audit evidence can be obtained to corroborate significant management estimates such as asset valuations and recovery of receivable balances • Evaluate management’s assumptions that underpin the revised financial forecasts and the impact on management’s going concern assessment • Discuss with management any potential implications for our audit report if we have been unable to obtain sufficient audit evidence

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



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Rob Powell
Strategic Director for Resources
Warwickshire County Council
Shire Hall
Warwick
CV34 4RL

9 March 2020

Grant Thornton UK LLP
The Colmore Building
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Birmingham
B4 6AT

Dear Rob

Audit Scope and Additional Work 2019/20 – Warwickshire County Council

In our discussions in respect of variations to the 2018/19 audit fee you commented that, if possible, you wished to move away from their retrospective nature. As we discussed at our meeting today, in order to look to address this we will be including proposals within our detailed Audit Plan for 2019/20. I am also writing this letter to help put our views upon the growing audit scope and our assessment of the impact upon our audit work and fees into context and assist in any further discussions you may wish to have with PSAA Ltd.

In recent conversations, including at Warwickshire County Council's Audit and Standards Committee, we have discussed the increased regulatory focus facing all audit suppliers and the impact this will have on the scope of our work for 2019/20 and beyond. You will have also hopefully recently received a letter via email from Tony Crawley of PSAA explaining the changing regulatory landscape (I have attached a copy with this letter in the event you have not received it). In his letter, Mr Crawley highlights: *"significantly greater pressure on firms to deliver higher quality audits by requiring auditors to demonstrate greater professional scepticism when carrying out their work across all sectors – and this includes local audit. This has resulted in auditors needing to exercise greater challenge to the areas where management makes judgements or relies upon advisers, for example, in relation to estimates and related assumptions within the accounts. As a result, audit firms have updated their work programmes and reinforced their internal processes and will continue to do so to enable them to meet the current expectations."*

As noted above I promised I would set out in more detail the likely impact of this on our audit, and I am pleased to do so in this letter. Should further matters arise during the course of the audit they could also have fee and timetable implications that we would need to address at that point.

Across all suppliers, and sectors (public and private), the Financial Reporting Council (FRC) has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge, as well as to undertake additional and more robust testing. There is a general 'raising of the quality bar' following a number of recent, high-profile company failures that have also been attributed to audit performance. Alongside the FRC, other key stakeholders including the Department for Business, Energy and Industrial Strategy (BEIS) have expressed concern about the quality of audit work and the need for improvement. The FRC has been clear to us that it expects audit quality in local audit to meet the same standards as in the corporate world and the current level of financial risk within local audit bodies supports this position.

As a firm, we are absolutely committed to meeting the expectations of the FRC and other key stakeholders with regard to audit quality and public sector financial reporting. To ensure the increased regulatory focus and expectations are fully met, we anticipate that, as first seen in 2018/19, we will need to commit more time in discharging our statutory responsibilities, which will necessitate an increase in costs. I set out below the implications of this for your Council's audit.

Increased challenge and depth of work – raising the quality bar

The FRC has raised the threshold of what it assesses as a good quality audit. The FRC currently uses a four-point scale to describe the quality of the files it reviews, as follows:

Score	Description
1 or 2a	Acceptable with Limited Improvements Required
2b	Improvements Required
3	Significant Improvements Required

Historically, the FRC's definition for 2b was 'acceptable but with improvements required' and, as such, both the Audit Commission and PSAA considered a '2b' to represent an acceptance level of audit quality for contract delivery purposes. The FRC has now set a 100% target for all audits (including local audits) to achieve a '2a'. Its threshold for achieving a '2a' is challenging and failure to achieve this level is reputationally damaging for individual engagement leads and their firm. Non-achievement of the standard can result in enforcement action, including fines and disqualification, by the FRC. Inevitably, we need to increase the managerial oversight to manage this risk. In addition, you should expect the audit team to exercise even greater challenge of management in areas that are complex, significant or highly judgmental. We will be required to undertake additional work in the following areas, amongst others:

- use of specialists
- information provided by the entity (IPE)
- journals
- management review of controls
- revenue
- accounting estimates
- financial resilience and going concern
- related parties and similar areas.

As part of our planning, we have also reflected on the level of materiality which is appropriate for your audit. As outlined above, the profile of local audit has increased considerably over the past year. The reviews led by Sir John Kingman, Sir Donald Brydon and Sir Tony Redmond are focusing attention on the work of auditors everywhere. Parliament, through the work of its Scrutiny Committees, has made clear its expectations that auditors will increase the quality of their work. Reflecting this higher profile, and the expectations of stakeholders, we propose to reduce the materiality level for all major audits. This will increase the volume and scope of our testing and reporting to those charged with governance, as well as providing you with additional assurance in respect of the audit.

As a result, you may find the audit process for 2019/20 and beyond even more challenging than previous audits. This mirrors the changes we are seeing in the commercial sectors.

Property, plant and equipment (PPE or 'Fixed Assets')

The FRC has highlighted that auditors need to improve the quality of audit challenge on Property, Plant and Equipment (PPE) valuations across the sector. We will therefore increase the volume and scope of our audit work to ensure an adequate level of audit scrutiny and challenge over the assumptions that underpin PPE valuations. We have also determined that, for major local audits, we will now be engaging our own external valuer to provide appropriate assurance to the standards expected by the FRC for an authority of your size.

Pensions (IAS 19)

The FRC has highlighted that the quality of work by audit firms in respect of IAS 19 needs to improve across local government audits. Specifically, for the following areas, we will increase the granularity, depth and scope of coverage, with increased levels of sampling, additional levels of challenge and explanation sought, and heightened levels of documentation and reporting. Our planned additional procedures include:

- verification of the accuracy and completeness of the data provided to the actuary by both the admitted body and the administering authority.
- checking the value of the Pension Fund Assets at 31 March per the Council's financial statements against the share of assets in the Pension Fund statements
- review and assess whether the significant assumptions applied by the actuary are reasonable and are followed up on areas identified by either our review or PwC as outliers.
- ensuring that the instructions from the audit team to the Pension Fund auditor include enquiries in respect of service organisation reports as well as testing in respect of material level 3 pension assets (please note that this is outside the scope of PSAA's fee variation process).

Complex accounting issues and new accounting standards

You are required to respond effectively to new accounting standards and we must ensure our audit work in these new areas is robust. This year we will both be responding to the introduction of IFRS 16. IFRS 16 requires a leased asset, previously accounted for as an operating lease off balance sheet, to be recognised as a 'right of use' asset with a corresponding liability on the balance sheet from 1 April 2020. There is a requirement, under IAS 8, to disclose the expected impact of this change in accounting treatment in the 2019/20 financial statements.

We know the Council has appreciated our responsiveness in the past and we would wish to continue to be able to do this in the future.

Impact on the audit and associated costs

You will note we did not raise additional fees across the sector as a whole in 2018/19 in respect of the additional work required in response to the implementation of IFRS 9 and IFRS 15. This was a goodwill decision we took in support of the strong relationship we have with the sector. However, the volume of additional work now being required, as set out above, means we are no longer able to sustain that position. This is an issue not just across public services but also in the private sector where fees are being increased by all of the major suppliers by more than 20%.

We benefit from effective and constructive working relationships which we have established during our engagement with you to date. This allows us to absorb some of the impact of these changes. Using our strong working knowledge of you and efficiencies that we are continuously seeking to implement as part of our focus on continued collaborative working with you, we have sought to contain the impact as much as possible to below the market average.

We have assessed the impact of the above as follows for 2019/20, with the comparative position for the two previous years shown. Please note these are subject to approval by PSAA in line with PSAA's normal process. Should other risks arise during the course of the audit which we have not envisaged, we may need to make a further adjustment to the fee.

Area	Proposed Fee £	Cost £	Cost £
	2019/20	2018/19	2017/18
PSAA Scale Fee	72,795	72,795	94,539
Increased challenge and depth of work	3,500	-	-
PPE	3,000	3,000	-
PPE Valuation – cost of auditor's expert	4,000	-	-
Pensions	2,500	3,000	-
New standards/ developments	2,000	3,000 (McCloud)	-
Total Additional Fee	15,000	9,000	-
Total Revised Fee (including valuer)	87,795	81,795	94,539

This would give a revised scale fee for the statutory accounts audit of £87,795 (2019/20 scale fee of £72,795 plus a scale fee variation of £15,000) plus VAT. This includes the cost of the external valuer which we have determined to be necessary to support our audit work in this area.

Please note that PSAA's arrangements require a separation of fees and remuneration, which means that Grant Thornton does not receive 100% of the current fees charged.

Grant Thornton remains the largest trainer of CIPFA qualified accountants in the UK and is committed to continue to resource its local audits with suitably specialised and experienced staff but the pool of such staff is relatively finite in the short-term. The additional work we are now planning across the whole of our portfolio will inevitably have an impact on the audit timetable and whether or not all of our audits can be delivered to appropriate quality standards by the 31 July 2020. I will be happy to explain the impact of the further work we are planning to undertake on our delivery timetable for your audit but at this stage, as discussed, we are planning for it to be delivered by 31 July 2020.

Future changes to audit scope

As I have previously mentioned in meetings and at the Audit and Standards Committee, the National Audit Office is currently consulting on revisions to the Code of Audit Practice and has also indicated its intention to consult on the accompanying Auditor Guidance Notes. This defines the scope of audit work in the public sector. The most significant change is in relation to the Value for Money arrangements. The proposed Code now requires auditors to focus on delivering of both an overall, binary, conclusion about whether or not proper arrangements were in place during the previous financial year, alongside issuing a tailored commentary on each of the criteria. The Code proposes three specific criteria:

- a) Financial sustainability: how the body plans and manages its resources to ensure it can continue to deliver its services;
- b) Governance: how the body ensures that it makes informed decisions and properly manages its risks; and
- c) Improving economy, efficiency and effectiveness: how the body uses information about its costs and performance to improve the way it manages and delivers its services.

Under each of these criteria, statutory guidance will set out the procedures that auditors will need to undertake. An initial review of arrangements will consist of mandatory procedures to be undertaken at every local public body plus any local risk-based work. The consultation closed on 22 November 2019. The new code was laid before Parliament on 21 January 2020 and is expected to come into force in April 2020 and will apply from audits of local bodies' 2020/21 financial statements onwards.

Until the Parliamentary process is completed and more details emerge of what is expected of auditors, it is difficult to cost the impact. However, as soon as the requirements are finalised and it is clear exactly what the expectations will be, I will share with you further thoughts on the potential impact on the audit and associated costs.

I hope this is helpful and allows you to plan accordingly for the 2019/20 audit. Should you wish to discuss this further, please do not hesitate to contact me. We will be sharing our detailed Audit Plan with you in due course. We look forward to working with you again this year,

Yours sincerely



Grant B Patterson
Engagement Lead and Key Audit Partner

For and on behalf of Grant Thornton UK LLP

Audit and Standards Committee

20 July 2020

External Auditors' Progress Report and Sector Update

Recommendation

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

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. The paper also includes a summary of emerging national issues and developments.
- 1.2. The report prepared by the auditors is attached at **Appendix A**.

2. Financial Implications

- 2.1. There are no direct financial implications for the County Council or the Warwickshire Pension Fund as a result of the issues raised in the report.

3. Environmental Implications

- 3.1. There are no environmental implications arising from this report.

4. Background Papers

- 4.1. None

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

Audit Progress Report and Sector Update

Warwickshire County Council and Warwickshire Pension Fund
Year ended 31 March 2020

July 2020

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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 also includes:

- a summary of emerging national issues and developments that may be relevant to you as a local (and administering) authority; and
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider (these are a tool to use, if helpful, rather than formal questions requiring responses for audit purposes)

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 www.grantthornton.co.uk.

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

Progress at May 2020

Financial Statements Audit

We began our planning for the 2019/20 audit in December, and we began our interim audit in January 2020. Our interim fieldwork included::

- Updated review of the control environment
- Updated understanding of financial systems
- Review of Internal Audit reports on core financial systems
- Early work on emerging accounting issues
- Early substantive testing

The results of our work to date are included in this report.

In March we intended to issue and present our detailed audit plan, setting out our proposed approach to the audit of the Authority and Pension Fund's 2019/20 financial statements. Following the announcement of lockdown measures as a result of Covid-19, this was postponed until July 2020.

COVID-19

In addition to the audit risks included in our Audit Plan, recent events have led us to update our planning risk assessment and reconsider our audit and value for money (VfM) approach to reflect the unprecedented global response to the Covid-19 pandemic.

Our work on this has resulted in an update to our audit plan identifying a new financial statements level significant risk. This has been included in an addendum to our audit plan.

The significance of the situation cannot be underestimated and the implications for individuals, organisations and communities remains highly uncertain. For our public sector audited bodies, we appreciate the significant responsibility and burden your staff have to ensure vital public services are provided. As far we can, our aim is to work with you in these unprecedented times, ensuring up to date communication and flexibility where possible in our audit procedures.

We are continuing to monitor the COVID-19 situation and are discussing with the finance team the impacts this may have on the 2019/20 audit. Further details of the potential impact on the audit are detailed on page 6.

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 Authority 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 are included in our Audit Plan. As noted opposite we have revisited these in the light of Covid-19.

We will report our work in the Audit Findings Report and aim to give our Value for Money conclusion at the same time as the opinion on the financial statements.

The new Code of Audit Practice (the "Code") has completed its approval process in Parliament. The new Code came into force on 1 April 2020 for audit years 2020/21 and on. The new Code supersedes the Code of Audit Practice 2015, which was published by the National Audit Office (NAO) in April 2015.

The most significant change under the new Code is the introduction of an Auditor's Annual Report, containing a commentary on arrangements to secure value for money and any associated recommendations. The NAO are continuing to work with key stakeholders, including local auditors, to develop guidance in this area ahead of a public consultation. We will provide further updates as they become available.

Progress at May 2020 (Continued)

Other areas

Meetings

We met with Finance Officers in March and June as part of our regular liaison meetings. This was undertaken on a virtual platform and we continue to be in discussions with finance staff in a similar manner in order to maintain a two-way dialogue regarding emerging developments and to ensure the audit process is smooth and effective.

Events

We provide a range of workshops, along with network events for members and publications to support the Authority. Your officers attended our Financial Reporting Workshop in February, which will help to ensure that members of your Finance Team are up to date with the latest financial reporting requirements for local authority accounts.

Further details of the publications that may be of interest to the Authority are set out in our Sector Update section of this report.

Audit Fees

During 2017, PSAA awarded contracts for audit for a five year period beginning on 1 April 2018. 2019/20 is the second year of that contract. Since that time, there have been a number of developments within the accounting and audit profession. Across all sectors and firms, the Financial Reporting Council (FRC) has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing.

Our work in the Local Government sector in 2018/19 has highlighted areas where financial reporting, in particular, property, plant and equipment and pensions, needs to improve. There is also an increase in the complexity of Local Government financial transactions and financial reporting. This combined with the FRC requirement that all Local Government audits are at or above the “few improvements needed” (2A) rating means that additional audit work is required.

We have reviewed the impact of these changes on both the cost and timing of audits. We have discussed this with your s151 Officer including any proposed variations to the Scale Fee set by PSAA Limited, and have communicated this in our audit plan for the attention of the Audit and Standards Committee.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and local government financial reporting.

COVID-19 Update

Impact on working arrangements:

- following the government's announcement on Monday 16 March 2020, we have closed our Grant Thornton offices for the foreseeable future and your audit team are now working from home
- it is therefore likely that we will be working remotely during the accounts audit. We are continuing to discuss how this will work in practice with the finance team and will draw upon our experience working with NHS bodies.
- although there are some audit tasks which are best undertaken in person, the majority of the audit will be able to be completed remotely. This is, however, likely to make the audit process longer. We will work closely with the finance team to make this different way of working as efficient as possible.
- we acknowledge there may need to be further changes to planned audit timings due to potential illness within the audit team or the finance team and due to the further developments of COVID-19.

Impact on accounts and audit opinions:

The following sets out a number of the key issues which finance teams will need to consider as part of the year end closedown.

- impact on reserves and financial health and whether the audited body needs to provide additional disclosures that draw attention to a Material Uncertainty around Going Concern (this could also impact on the VfM conclusion)
- valuation of PPE and assumptions made by valuers, particularly in respect of carrying value to current value assessment
- valuation of pension fund investments and their classification in the fair value hierarchy (L1 – L3)
- impact on collectability of debt and assumptions made in bad debt provisions
- impact on post-balance sheets events (the consequences of the virus post 31 March 2020 will generally be non-adjusting post balance sheet events but some form of disclosure may be needed)
- disclosure of impact in Narrative report
- disclosure of critical judgements
- disclosure of material estimation uncertainties
- impact on the content of the Annual Governance Statement, particularly with regards to risks, controls and mitigation
- considerations in respect of service continuity and disaster planning arrangements (this could impact on the VfM conclusion)
- impact on reporting to those charged with governance and signing arrangements

Changes to deadlines and requirements:

- the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020, which came into force on 30 April 2020, confirmed that the date for publication of principal authority accounts moves from 31 July 2020 to 30 November 2020.
- the requirement for the public inspection period to include the first 10 working days of June has been removed. Local authorities are instead expected to commence the public inspection period on or before the first working day of September 2020.
 - The Council published its accounts on 26 June 2020 and the inspection period runs from 29 June to 7 August 2020.
- IFRS 16 implementation has been delayed by 1 year to 1 April 2021. It is our view authorities still need to include disclosure in their 2019/2020 statements to comply with the requirement at 3.3.4.3 of 2019/20 Code and underlying requirement of IAS 8 paragraphs 30 and 31 .
- given this is a developing situation, there may be further changes to the accounts process for 2019/20 and we will be in regular dialogue with the finance team over the coming months.

Audit Deliverables

2019/20 Deliverables	Planned Date	Status
<p>Fee Letter</p> <p>Confirming audit fee for 2019/20.</p>	April 2019	Complete
<p>Audit Plan</p> <p>We are required to issue a detailed audit plan to the Audit and Standards Committee setting out our proposed approach in order to give an opinion on the Authority's 2019-20 financial statements and a Conclusion on the Authority's Value for Money arrangements.</p>	July 2020	Complete
<p>Interim Audit Findings</p> <p>We will report to you the findings from our interim audit and our initial value for money risk assessment within our Progress Report.</p>	July 2020	Complete
<p>Audit Findings Report</p> <p>The Audit Findings Report will be reported to the Audit and Standards Committee.</p>	September 2020	Not yet due
<p>Auditors Report</p> <p>This is the opinion on your financial statement, annual governance statement and value for money conclusion.</p>	October 2020	Not yet due
<p>Annual Audit Letter</p> <p>This letter communicates the key issues arising from our work.</p>	October 2020	Not yet due

Results of Interim Audit Work

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

	Work performed	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.	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: <ul style="list-style-type: none"> • 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 Authority or Pension Fund's 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 September 2020.
Walkthrough testing	We have documented controls operating in areas where we consider that there is a significant risk of material misstatement to the financial statements. Due to COVID-19 and lockdown measures, we were unable to perform walkthrough testing of these controls in our interim audit.	We will follow up our walkthrough testing of controls at the post statements audit remotely via an online platform.
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: <p>Council</p> <ul style="list-style-type: none"> • Grant revenue • Other revenue (fees and charges) • Payroll analytical review • Operating expenditure <p>Pension Fund</p> <ul style="list-style-type: none"> • 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.

Sector Update

Councils continue to try to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider local government sector and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with audit committee members, as well as any accounting and regulatory updates.

- [Grant Thornton Publications](#)
- [Insights from local government sector specialists](#)
- [Reports of interest](#)
- [Accounting and regulatory updates](#)

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website by clicking on the logos below:

Public Sector

Local
government

Grant Thornton - Local authority financial reporting in 2020

Local authorities across the country are now working in an environment that is completely different to the one they were in just months ago as the Covid-19 pandemic continues to impact their daily operations. In such uncertain times, now more than ever communities will be looking towards local authorities to do what they do best, providing essential local public services and particularly care and support to the most vulnerable members of our society.

The virus and measures taken to contain it have undoubtedly impacted financial and economic activity and the effects will not be contained to the 2019/20 and 2020/21 financial years but will be felt for a considerable time. This has several ramifications that local authorities will need to carefully consider in preparing and finalising their 2019/20 Narrative Report, financial statements and Annual Governance Statement.

For the year end 31 March 2020, effects of Covid-19 will need to be taken into account in measuring assets and liabilities at the balance sheet date. There may also be additional, non-adjusting, post balance sheet events relating to the ongoing pandemic that require disclosure in 2019/20 financial statements. For those local authorities yet to conclude their financial statements for years prior to 2019/20, the emergence of new information about Covid-19 and its impact is a non-adjusting post balance sheet event requiring disclosure in those financial statements.

The aim of this report is to help officers and elected members identify points they should consider when assessing and reporting the impact of Covid-19 on their authority. Each authority will be impacted in different ways and will need to make their own assessment of the impact on their financial statements. However, we have identified some of the key challenges for the sector, along with the potential financial reporting and regulatory impact, to support preparers of local authority accounts navigate through some of these key issues. We have also included a number of useful links to other resources.

The report is available on the Grant Thornton website below:

<https://www.grantthornton.co.uk/en/insights/local-authority-financial-reporting-in-2020/>



Financial Reporting

Challenge question:

Has your Authority considered the impact of Covid-19 on its financial reporting?

Brydon Review – the quality & effectiveness of audit

The Brydon review is an independent review, led by Sir Donald Brydon, which has looked at the quality and effectiveness of audit, seeking to make proposals that will improve the UK audit ‘product’. The review has examined the nature and scope of audit from a user perspective and seeks to clarify and potentially close the ‘expectation gap’ (i.e. what stakeholders and society expect from audit compared to what it delivers today).

A full list of Sir Donald’s recommendations can be found online, and a brief summary is provided below:

- Redefinition of audit and its purpose
- Creation of a corporate auditing profession, governed by principles
- Introduction of suspicion into the qualities of auditing
- Extension of the concept of auditing to areas beyond financial statements
- Mechanisms to encourage greater engagement of shareholders with audit and auditors
- Change in language of the opinion given by auditors
- Introduction of a corporate Audit and Assurance Policy, a Resilience Statement and a Public Interest Statement
- Suggestions to inform the work of BEIS on internal controls and improve clarity on capital maintenance
- Greater clarity around the roles of the audit committee
- A package of measures around fraud detection and prevention
- Improved auditor communication and transparency
- Obligations to acknowledge external signals of concern
- Extension of audit to new areas including Alternative Performance Measures
- Increased use of technology

On the auditor’s responsibility to detect fraud, Jonathan Riley, Grant Thornton Head of Quality and Reputation, said: “We are pleased to note that Sir Donald Brydon makes it clear that not only is there an expectation gap in relation to the purpose of audit and the detection of fraud but that the current ISAs need revision, and training of corporate auditors need to be enhanced, in order to allow auditors to better detect fraud. This is further reinforced by the new ability to make it easier for users of accounts, not just management, to inform the auditor of concerns relating to financial statements.”

“Notwithstanding these proposals, it is neither possible or desirable for an auditor to test in detail every transaction of the company and so materiality will still exist. In addition, a fraud involving collusion and sophistication may still prove extremely hard to detect.”

Grant Thornton welcomes the consideration given by Sir Donald on the quality and effectiveness of audit. These recommendations should bring far greater clarity and transparency to the profession and ultimately result in an audit regime that allows auditors to better assess, assure and inform all users of financial accounts.

Crucially, the Government must now consider these recommendations not just in context of earlier inquiries into the profession, but also against the backdrop of global trade and Britain’s future role as a pillar of global commerce. The report places new obligations not only on auditors, but also on company directors. Together with other regulations such as the revised Ethical Standard and wider corporate governance requirements, the proposed changes need to strike the right balance and not dent our place on the world’s financial stage. Careful explanation particularly of what this means to those fast growing mid-sized public entities seeking capital will be necessary.

The public perception of audit remains weak and failures continue to happen, so we agree that now is the right time to explore what needs to change to ensure that audit is fit for modern day business and meets the public interest. The report should contribute heavily towards this outcome.

Link to the full report and full list of recommendations:

<https://www.gov.uk/government/publications/the-quality-and-effectiveness-of-audit-independent-review>

MHCLG – Independent probe into local government audit

In July, the then Communities secretary, James Brokenshire, announced the government is to examine local authority financial reporting and auditing.

At the CIPFA conference he told delegates the independent review will be headed up by Sir Tony Redmond, a former CIPFA president.

The government was “working towards improving its approach to local government oversight and support”, Brokenshire promised.

“A robust local audit system is absolutely pivotal to work on oversight, not just because it reinforces confidence in financial reporting but because it reinforces service delivery and, ultimately, our faith in local democracy,” he said.

“There are potentially far-reaching consequences when audits aren’t carried out properly and fail to detect significant problems.”

The review will look at the quality of local authority audits and whether they are highlighting when an organisation is in financial trouble early enough.

It will also look at whether the public has lost faith in auditors and whether the current audit arrangements for councils are still “fit for purpose”.

On the appointment of Redmond, CIPFA chief executive Rob Whiteman said: “Tony Redmond is uniquely placed to lead this vital review, which will be critical for determining future regulatory requirements.

“Local audit is crucial in providing assurance and accountability to the public, while helping to prevent financial and governance failure.”

He added: “This work will allow us to identify what is needed to make local audit as robust as possible, and how the audit function can meet the assurance needs, both now and in the future, of the sector as a whole.”



In the question and answer session following his speech, Brokenshire said he was not looking to bring back the Audit Commission, which appointed auditors to local bodies and was abolished in 2015. MHCLG note that auditing of local authorities was then taken over by the private, voluntary and not-for-profit sectors.

He explained he was “open minded”, but believed the Audit Commission was “of its time”.

Local authorities in England are responsible for 22% of total UK public sector expenditure so their accounts “must be of the highest level of transparency and quality”, the Ministry of Housing, Local Government and Communities said. The review will also look at how local authorities publish their annual accounts and if the financial reporting system is robust enough.

Redmond, who has also been a local authority treasurer and chief executive, was expected to report to the communities secretary with his initial recommendations in December 2019, with a final report published in March 2020. Redmond has also worked as a local government boundary commissioner and held the post of local government ombudsman.

The terms of reference focus on whether there is an “expectation gap” between the purpose of external audit and what it is currently delivering. It will examine the performance of local authority audit, judged according to the criteria of economy, effectiveness and efficiency.

Other key areas of the review include whether:

- 1) audit recommendations are effective in helping councils to improve financial management
- 2) auditors are using their reporting powers appropriately
- 3) councils are responding to auditors appropriately
- 4) Financial savings from local audit reforms have been realised
- 5) There has been an increase in audit providers
- 6) Auditors are properly responding to questions or objections by local taxpayers
- 7) Council accounts report financial performance in a way that is transparent and open to local press scrutiny

Redmond Review – Review of local authority financial reporting and external audit

The independent review led by Sir Tony Redmond sought views on the quality of local authority financial reporting and external audit. The consultation ran from 17 September 2019 to 20 December 2019.

Grant Thornton provided a comprehensive submission. We believe that local authority financial reporting and audit is at a crossroads. Recent years have seen major changes. More complex accounting, earlier financial close and lower fees have placed pressure on authorities and auditors alike. The target sign-off date for audited financial statements of 31 July has created a significant peak of workload for auditors. It has made it impossible to retain specialist teams throughout the year. It has also impacted on individual auditors' well-being, making certain roles difficult to recruit to, especially in remote parts of the country.

Meanwhile, the focus on Value for Money, in its true sense, and on protecting the interests of citizens as taxpayers and users of services are in danger of falling by the wayside. The use of a black and white 'conclusion' has encouraged a mechanistic and tick box approach, with auditors more focused on avoiding criticism from the regulator than on producing Value for Money reports that are of value to local people.

In this environment, persuading talented people to remain in the local audit market is difficult. Many of our promising newly qualified staff and Audit Managers have left the firm to pursue careers elsewhere, often outside the public sector, and almost never to pursue public audit at other firms. Grant Thornton is now the only firm which supports qualification through CIPFA. It is no longer clear where the next generation of local auditors will come from.

We believe that now is the time to reframe both local authority financial reporting and local audit. Specifically, we believe that there is a need for:

- More clearly established system leadership for local audit;
- Simplified local authority financial reporting, particularly in the areas of capital accounting and pensions;

- Investing in improving the quality of financial reporting by local bodies;
- A realistic timescale for audit reporting, with opinion sign off by September each year, rather than July;
- An increase in audit fees to appropriate levels that reflect current levels of complexity and regulatory focus;
- A more tailored and proportional approach to local audit regulation, implementing the Kingman recommendations in full;
- Ensuring that Value for Money audit work has a more impactful scope, as part of the current NAO Code of Audit Practice refresh;
- Introducing urgent reforms which help ensure future audit arrangements are sustainable and attractive to future generations of local audit professionals.

We note that Sir Donald Brydon, in his review published this week, has recommended that *“the Audit, Reporting and Governance Authority (ARGA) (the proposed new regulatory body) should facilitate the establishment of a corporate auditing profession based on a core set of principles. (This should include but not be limited to) the statutory audit of financial statements.”* Recognising the unique nature of public audit, and the special importance of stewardship of public money, we also recommend that a similar profession be established for local audit. This should be overseen by a new public sector regulator.

As the reviews by John Kingman, Sir Donald Brydon, and the CMA have made clear, the market, politicians and the media believe that, in the corporate world, both the transparency of financial reporting and audit quality needs to be improved. Audit fees have fallen too low, and auditors are not perceived to be addressing the key things which matter to stakeholders, including a greater focus on future financial stability. The local audit sector shares many of the challenges facing company audit. All of us in this sector need to be seen to be stepping up to the challenge. This Review presents a unique opportunity to change course, and to help secure the future of local audit, along with meaningful financial reporting.

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Financial Reporting Council – Summary of key developments for 2019/20 annual reports

On 30 October the Financial Reporting Council (FRC) wrote an Open Letter to Company Audit Committee Chairs. Some of the points are relevant to local authorities.

The reporting environment

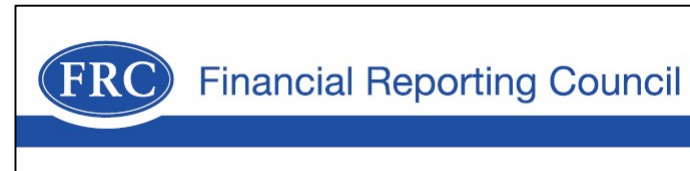
The FRC notes that, “In times of uncertainty, whether created by political events, general economic conditions or operational challenges, investors look for greater transparency in corporate reports to inform their decision-making. We expect companies to consider carefully the detail provided in those areas of their reports which are exposed to heightened levels of risk; for example, descriptions of how they have approached going concern considerations, the impact of Brexit and all areas of material estimation uncertainty.” These issues equally affect local authorities, and the Statement of Accounts or Annual Report should provide readers with sufficient appropriate information on these topics.

Critical judgements and estimates

The FRC wrote “More companies this year made a clear distinction between the critical judgements they make in preparing their accounts from those that involve the making of estimates and which lead to different disclosure requirements. However, some provided insufficient disclosures to explain this area of their reporting where a particular judgement had significant impact on their reporting; for example, whether a specific investment was a joint venture or a subsidiary requiring consolidation. We will continue to have a key focus on the adequacy of disclosures supporting transparent reporting of estimation uncertainties. An understanding of their sensitivity to changing assumptions is of critical value to investors, giving them clearer insight into the possible future changes in balance sheet values and which can inform their investment decisions.” Critical judgements and estimates also form a crucial part of local authority statements of account, with the distinction often blurred.

IFRS 16 Leases

The FRC letter also comments on the introduction of IFRS 16 and the relevant disclosures. Where the standard has not yet been adopted. As noted previously it is anticipated that CIPFA will defer these disclosures into 2020/21.



Financial Reporting

Challenge question:

Will you have the opportunity to review and comment on your authority's statement of accounts before they are published at the end of June?

Financial Reporting Council – aid to Audit Committees in evaluating audit quality

On 19 December the Financial Reporting Council (FRC) issued an update of its Practice Aid to assist audit committees in evaluating audit quality in their assessment of the effectiveness of the external audit process.

The FRC notes that, “The update takes account of developments since the first edition was issued in 2015, including revisions of the UK Corporate Governance Code, the requirement for all Public Interest Entities (PIEs) to conduct a tender at least every 10 years and rotate auditors after at least 20 years, and increasing focus generally on audit quality and the role of the audit committee. It also takes account of commentary from audit committees suggesting how the Practice Aid could be more practical in focus and more clearly presented.

The framework set out in the Practice Aid focuses on understanding and challenging how the auditor demonstrates the effectiveness of key professional judgments made throughout the audit and how these might be supported by evidence of critical auditor competencies. New sections have been added addressing the audit tender process, stressing that high-audit quality should be the primary selection criterion, and matters to cover in audit committee reporting.

As well as illustrating a framework for the audit committee’s evaluation, the Practice Aid sets out practical suggestions on how audit committees might tailor their evaluation in the context of the company’s business model and strategy; the business risks it faces; and the perception of the reasonable expectations of the company’s investors and other stakeholders. These include examples of matters for the audit committee to consider in relation to key areas of audit judgment, and illustrative audit committee considerations in evaluating the auditor’s competencies.

The FRC encourages audit committees to use the Practice Aid to help develop their own approach to their evaluation of audit quality, tailored to the circumstances of their company. Audit committees are encouraged to see their evaluation as integrated with other aspects of their role related to ensuring the quality of the financial statements – obtaining evidence of the quality of the auditor’s judgments made throughout the audit, in identifying audit risks, determining materiality and planning their work accordingly, as well as in assessing issues.”



The Practice Aid can be obtained from the FRC website:

<https://www.frc.org.uk/getattachment/68637e7a-8e28-484a-aec2-720544a172ba/Audit-Quality-Practice-Aid-for-Audit-Committees-2019.pdf>

What is the future for local audit?

Paul Dossett, Head of local government at Grant Thornton, has written in the Municipal Journal “Audit has been a hot topic of debate this year and local audit is no exception. With a review into the quality of local audit now ongoing, it’s critical that part of this work looks at the overarching governance and management of the audit regime. We believe there is a strong need for new oversight arrangements if the local audit regime is to remain sustainable and effective in the future.”

Paul goes on to write “Local (local authority and NHS) audit has been a key part of the oversight regime for public services for more than a century. The National Audit Office (NAO) has exercised this role in central government for several generations and their reporting to Parliament via the Public Accounts Committee is a key part of the public spending accountability framework.

Local audit got a significant boost with the creation of the Audit Commission in 1983 which provided a coordinated, high profile focus on local government and (from 1990) NHS spending and performance at a local level. Through undertaking value for money reviews and maintaining a tight focus on the generational governance challenges, such as rate capping in the 1980s and service governance failings in the 1990s, the Commission provided a robust market management function for the local audit regime. Local audit fees, appointments, scope, quality and relevant support for auditors all fell within their ambit.

However, the Commission was ultimately deemed, among other things, to be too expensive and was abolished in 2010, as part of the Coalition Government’s austerity saving plans. While the regime was not perfect, and the sector had acknowledged that reform of the Commission was needed, complete abolition was not the answer.

Since then, there has been no body with complete oversight of the local audit regime and how it interacts with local public services. The Ministry of Housing, Communities and Local Government; Department of Health; NHS; NAO; Local Government Association (LGA); Public Sector Audit Appointments Ltd (PSAA); the Financial Reporting Council (FRC); the Chartered Institute of Public Finance & Accountancy (CIPFA), audit firms and the audited bodies themselves all have an important role to play but, sometimes, the pursuit of individual organisational objectives has resulted in sub-optimal and even conflicting outcomes for the regime overall.

These various bodies have pursued separate objectives in areas such as audit fee reduction, scope of work, compliance with commercial practice, earlier reporting deadlines and mirroring commercial accounting conventions – to name just a few.

This has resulted in a regime that no stakeholder is wholly satisfied with and one that does not ensure local audit is providing a sufficiently robust and holistic oversight of public spending.

To help provide a more cohesive and co-ordinated approach within the sector, we believe that new oversight arrangements should be introduced. These would have ultimate responsibility for ensuring the sustainability of the local audit regime and that its component parts – including the Audit Code, regulation, market management and fees – interact in an optimal way. While these arrangements do not need to be another Audit Commission, we need to have a strategic approach to addressing the financial sustainability challenges facing local government and the NHS, the benchmarking of performance and the investigation of governance failings.

There are a number of possible solutions including:

- 1) The creation of a new arm’s length agency with a specific remit for overseeing and joining up local audit. It would provide a framework to ensure the sustainability of the regime, covering fees, appointments, and audit quality. The body would also help to create a consistent voice to government and relevant public sector stakeholders on key issues arising from the regime. Such a body would need its own governance structure drawn from the public sector and wider business community; and
- 2) Extending the current remit of the NAO. Give it total oversight of the local audit regime and, in effect, establish a local audit version of the NAO, with all the attendant powers exercised in respect of local audit. In this context, there would be a need to create appropriate governance for the various sectors, similar to the Public Accounts Committee.

While the detail of the new arrangements would be up for debate, it’s clear that a new type of oversight body, with ultimate responsibility for the key elements of local audit, is needed. It would help to provide much-needed cohesion across the sector and between its core stakeholders.

The online article is available here:

<https://www.themj.co.uk/What-is-the-future-for-audit/214769>

Grant Thornton's Sustainable Growth Index Report

Grant Thornton has launched the Sustainable Growth Index (formerly the Vibrant Economy Index) – now in its third year. The Sustainable Growth Index seeks to define and measure the components that create successful places. Our aim in establishing the Index was to create a tool to help frame future discussions between all interested parties, stimulate action and drive change locally. We have undergone a process of updating the data for English Local Authorities on our online, interactive tool, and have produced an updated report on what the data means. All information is available on our online hub, where you can read the new report and our regional analyses.

The Sustainable Growth Index provides an independent, data-led scorecard for each local area that provides:

- businesses with a framework to understand their local economy and the issues that will affect investment decisions both within the business and externally, a tool to support their work with local enterprise partnerships, as well as help inform their strategic purpose and CSR plans in light of their impact on the local social and economic environment
- policy-makers and place-shapers with an overview of the strengths, opportunities and challenges of individual places as well as the dynamic between different areas
- Citizens with an accessible insight into how their place is doing, so that they can contribute to shaping local discussions about what is important to them

The Index shows the 'tip of the iceberg' of data sets and analysis our public services advisory team can provide our private sector clients who are considering future locations in the UK, or wanting to understand the external drivers behind why some locations perform better than others.

Our study looks at over 50 indicators to evaluate all the facets of a place and where they excel or need to improve.

Our index is divided into six baskets. These are:

- 1 Prosperity
- 2 Dynamism and opportunity
- 3 Inclusion and equality
- 4 Health, wellbeing and happiness
- 5 Resilience and sustainability
- 6 Community trust and belonging

This year's index confirms that cities have a consistent imbalance between high scores related to prosperity, dynamism and opportunity, and low scores for health, wellbeing, happiness inclusion and equality. Disparity between the richest and poorest in these areas represents a considerable challenge for those places.

Inclusion and equality remains a challenge for both highly urban and highly rural places and coastal areas, particularly along the east coast from the North East to Essex and Kent, face the most significant challenges in relation to these measures and generally rank below average.

Creating sustainable growth matters and to achieve this national policy makers and local authorities need to do seven things:

- 1 Ensure that decisions are made on the basis of robust local evidence.
- 2 Focus on the transformational trends as well as the local enablers
- 3 Align investment decisions to support the creation of sustainable growth
- 4 Align new funding to support the creation of sustainable growth
- 5 Provide space for innovation and new approaches
- 6 Focus on place over organisation
- 7 Take a longer-term view

The online report is available here:

<https://www.granthornton.co.uk/en/insights/sustainable-growth-index-how-does-your-place-score/>



Institute for Fiscal Studies – English local government funding: trends and challenges in 2019 and beyond

The Institute for Fiscal Studies (IFS) has found “The 2010s have been a decade of major financial change for English local government. Not only have funding levels – and hence what councils can spend on local services – fallen significantly; major reforms to the funding system have seen an increasing emphasis on using funding to provide financial incentives for development via initiatives such as the Business Rates Retention Scheme (BRRS) and the New Homes Bonus (NHB).”

The IFS goes on to report “Looking ahead, increases in council tax and additional grant funding from central government mean a boost to funding next year – but what about the longer term, especially given plans for further changes to the funding system, including an expansion of the BRRS in 2021–22?”

This report, the first of what we hope will be an annual series of reports providing an up-to-date analysis of local government, does three things in this context. First, it looks in detail at councils’ revenues and spending, focusing on the trends and choices taken over the last decade. Second, it looks at the outlook for local government funding both in the short and longer term. And third, it looks at the impact of the BRRS and NHB on different councils’ funding so far, to see whether there are lessons to guide reforms to these policies.

The report focuses on those revenue sources and spending areas over which county, district and single-tier councils exercise real control. We therefore exclude spending on police, fire and rescue, national park and education services and the revenues specifically for these services. When looking at trends over time, we also exclude spending on and revenues specifically for public health, and make some adjustments to social care spending to make figures more comparable across years. Public health was only devolved to councils in 2013–14, and the way social care spending is organised has also changed, with councils receiving a growing pot of money from the NHS to help fund services.”

The IFS reports a number of key facts and figures, including

- 1) Cuts to funding from central government have led to a 17% fall in councils’ spending on local public services since 2009–10 – equal to 23% or nearly £300 per person.
- 2) Local government has become increasingly reliant on local taxes for revenues.
- 3) Councils’ spending is increasingly focused on social care services – now 57% of all service budgets.

The IFS report is available on their website below:

<https://www.ifs.org.uk/publications/14563>



CIPFA Financial Resilience Index

The Chartered Institute of Public Finance & Accountancy's (CIPFA) Financial Resilience Index is a comparative tool designed to provide analysis on resilience and risk and support good financial management.

CIPFA note "The index shows a council's position on a range of measures associated with financial risk. The selection of indicators has been informed by the extensive financial resilience work undertaken by CIPFA over the past four years, public consultation and technical stakeholder engagement. The index is made up of a set of indicators. These indicators take publicly available data and compare similar authorities across a range of factors. There is no single overall indicator of financial risk, so the index instead highlights areas where additional scrutiny should take place in order to provide additional assurance. This additional scrutiny should be accompanied by a narrative to place the indicator into context."

At the launch of the index in December, CIPFA commented " the index analyses council finances using a suite of nine measures including level of reserves, rate of depletion of reserves, external debt, Ofsted judgements and auditor value for money assessments."

CIPFA found that against these indicators the majority of councils are not showing signs of stress. But around 10% show "some signs of potential risk to their financial stability.



The Financial Resilience tool is available on the CIPFA website below:

<https://www.cipfa.org/services/financial-resilience-index/>

Financial Resilience

Challenge question:

Has your Authority used the CIPFA index and fed back the key messages?



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Audit and Standards Committee

20th July 2020

Internal Audit Plan 2020-21

1. Recommendation(s)

The Committee:

1. endorses the proposed plan, and
2. approves the Audit Charter.

2. Executive Summary

- 2.1 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.
- 2.2 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.
- 2.3 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. Care has been taken to more explicitly link the internal audit plan with critical risks.
- 2.4 At the time when the Audit Plan would usually have been considered by the Audit and Standards Committee the UK suffered the unprecedented impact of the COVID-19 pandemic. As a result the committee meeting was cancelled and working practices and focus in Internal Audit and other services were rapidly adjusted to respond to the virus as it affected Warwickshire County Council.
- 2.5 The COVID impacts include both risks and opportunities and these needed to be reflected in our audit work. The draft Internal Audit Plan 2020-21 has therefore been reviewed and in line with professional guidance it has been

reshaped to enable the Internal Audit service to respond in an agile way to the needs of the Council for assurance. There are new areas of assurance which are already known but also a significant level of uncertainty and exposure to requirements outside the control of the Council which mean that a shorter term planning horizon and constant review of priorities will be required. At the same time there are also assurances which were envisaged in the original plan which remain appropriate. A revised plan has therefore been drafted which is designed to meet the needs of providing appropriate audit assurance coverage whilst maintaining the ability to respond in an agile way to meet emerging requirements.

- 2.6 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).
- 2.7 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.
- 2.8 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.
- 2.9 In accordance with best practice the existing Audit Charter, which was updated in 2017, has been reviewed and minor changes have been made to ensure it reflects the changes arising from the revised management structure. **(Appendix B)** Apart from jobs titles the material change is in the section on page 6 “Independence”, where having the role of Head of Audit responsible solely for Internal Audit and no longer responsible for Risk Management and Insurance has removed a potential conflict and strengthened independence.

This report will also be considered by Corporate Board and consultation with assistant directors is underway to firm up timing of individual assignments.

3. Financial Implications

3.1 None

4. Environmental Implications

4.1 The proposed plan includes two audits relating to the environmental agenda, covering flooding and the work emerging from the Member panel on climate change.

5. Supporting Information

5.1 Not applicable

6. Timescales associated with the decision and next steps

6.1 Not applicable

Appendices

1. Appendix 1

Background papers

1. None

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

Internal Audit Plan 2020/21

“Providing assurance on the management of risks”



Internal Audit Plan 2020/21

“Providing assurance on the management of risks”

This document sets out the Internal Audit Plan 2020/2021 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.

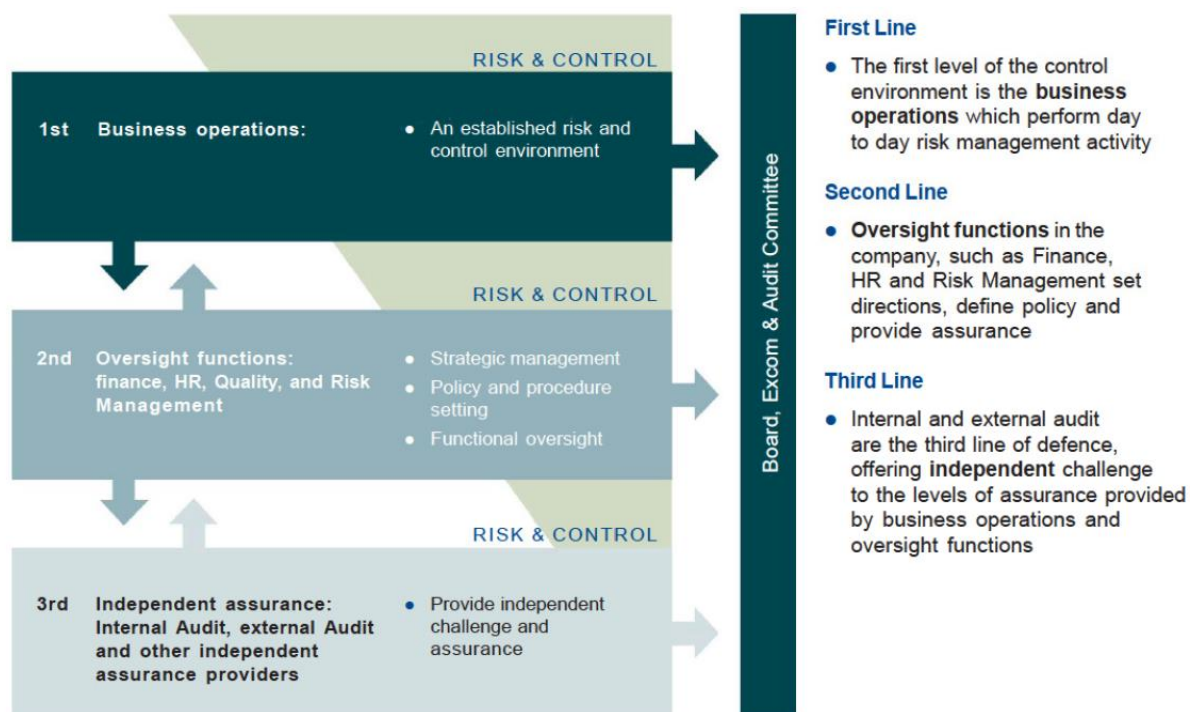
Definition of Internal Auditing

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

The key word in the definition is assurance, the role of audit is not to identify or investigate alleged irregularities, it is to provide assurance to the organisation (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. Recognising that effective management involves choosing to take risks as well as defending against negative impacts, perhaps “*Three lines of Assurance*” is a helpful description:

Figure 1: Three lines of defence (assurance) model

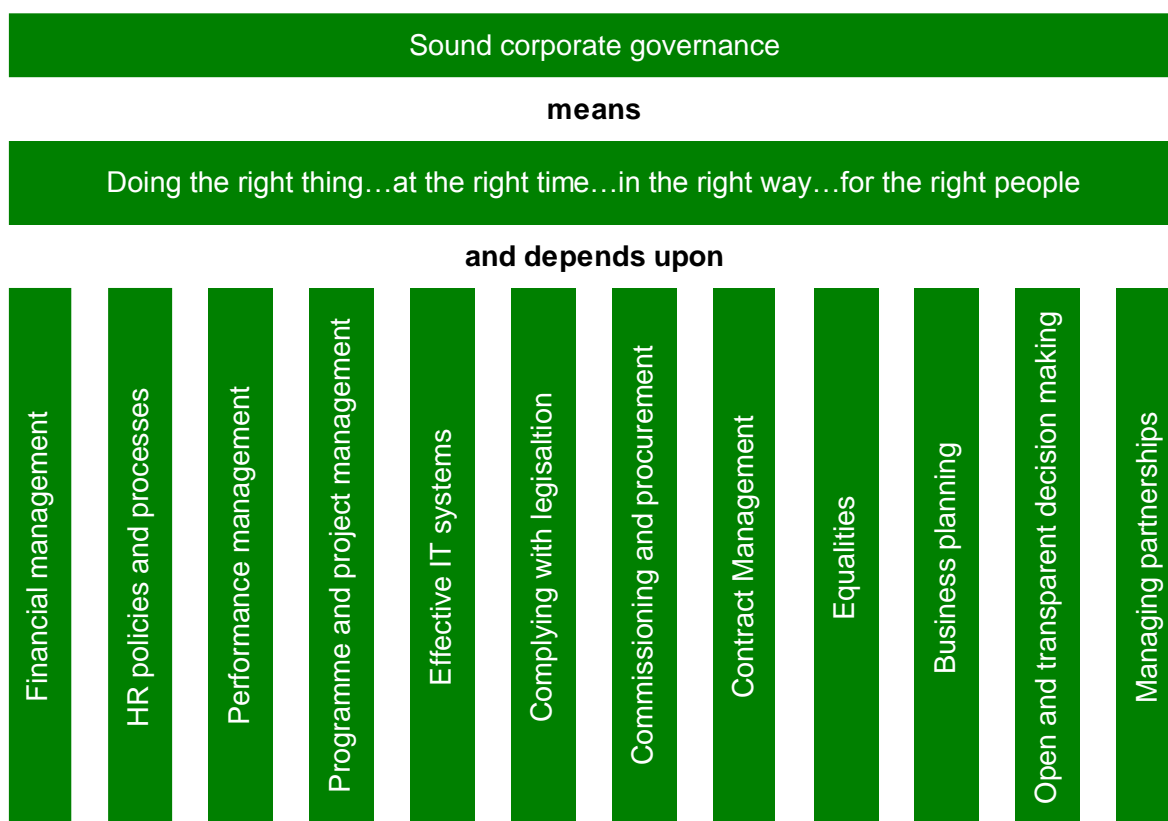


The management of risks is the responsibility of every manager. Sitting outside the processes of the first two lines of assurance, audit's main roles are to ensure that the first two lines are operating effectively and advise how they could be improved.

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



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.

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 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 2020 / 2021

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.

COVID-19 Impact

Since early 2020 the UK has suffered the unprecedented impact of the COVID-19 pandemic. As a result the working practices and focus in Internal Audit and other services were rapidly adjusted to respond to the virus as it affected Warwickshire County Council.

The original draft Internal Audit Plan 2020-21 which was prepared pre- COVID-19 has been reviewed and in line with professional guidance it has been reshaped to enable the Internal Audit service to respond in an agile way to the needs of the Council for assurance. There are new areas of assurance which are already known but also a significant level of uncertainty and exposure to requirements outside the control of the Council which mean that a shorter term planning horizon and constant review of priorities will be required. At the same time there are also assurances which were envisaged in the original plan which remain appropriate. A revised plan has therefore been drafted which is designed to meet the needs of providing appropriate audit assurance coverage whilst maintaining the ability to respond in an agile way to meet emerging requirements.

General context and key themes

International

In addition to the COVID pandemic impacts, the Institute of Internal Auditors has identified a number of key themes through its annual survey of Heads of Audit across the world, which looks at the continuing and emerging areas of risk on which they are having to focus. The latest report, Risk in Focus 2020, identified five Top risks from the survey, as follows:

- Cybersecurity and data security
- Regulatory change and compliance
- Digitalisation, disruptive technology and other innovation
- Outsourcing and supply chain risk
- Business continuity/ resilience

National

The outlook for Local Government remains demanding with the national economic situation and Brexit transition uncertainty, presenting significant challenges to local government. Mazar's Horizon Scanning review 2020 sets out a large number of on-going challenges and also identified some additional areas for focus in 2020. Those relevant for the county were:

- Special Education Needs and Disability (SEND)
- Outsourcing, supply chains and third-party risk
- Environment and waste
- Liberty protection safeguards

County Council

These national and international perspectives are reflected in the challenges faced by the county council.

Financial Risks - Annual Budget and MTFs

From a financial perspective, as the Strategic Director for Resources has stated in the budget report, "the uncertainties of the economic environment, the fact we are awaiting a multi-year Spending Review settlement, the scale of the expenditure reductions required and the growing demands on services, mean that there are significant risks facing the Authority in delivering a balanced budget."

The annual budget report notes that the Budget requires £6.2 million of budget reductions in 2020/21, increasing to £33.3 million by 2025, through better procurement, improvements in efficiency, increased income and delivering reductions in demand.

At the same time there is also a focus on investment with Investment Funds of £20m revenue funding which may be topped up during the five-year period as our finances allow, initially these are directed towards:

- Sustaining Prevention Fund
- Climate Change Fund
- Commercial Fund
- Place Shaping and Capital Investment Feasibility Fund

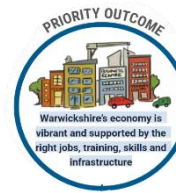
Council Plan 2025

These planned investments, along with other investment plans are directed towards delivery of the newly adopted Council Plan 2025.

The Council Plan contains two priority outcomes for achieving the vision “To make Warwickshire the best it can be, sustainable now and for future generations”. These are:



- Warwickshire’s communities and individuals are supported to be safe, healthy and independent; and
- Warwickshire’s economy is vibrant and supported by the right jobs, training, skills and infrastructure



The priorities are supported by “Making the best use of resources” and underpinned by the aim to address the long-term challenge of climate change.



Our risk-based audit planning has a clear focus on supporting delivery of the Council Plan. The detailed audit plan at Annex 2 sets out the work we plan to undertake in 2020-21 to give assurance opinions on the extent to which the risks to delivery of the Council Plan are being managed and mitigated. The Plan is structured around the Priorities, Use of Resources and Climate change.

Other planning considerations

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 sometimes 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 2019/20 audits, and

- Counter fraud work to maintain counter-fraud policies and to promote and raise the profile of counter fraud messages. Further work is planned to develop a Fraud Risk Register and integrate this into the corporate risk management framework. This work will supplement the Council's on-going participation in the National Fraud Initiative which the internal audit team coordinates.

Quality Assurance and Improvement Programme

The Public Sector Internal Audit Standards (PSIAS) require the Internal Audit 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.

Paul Clarke
Internal Audit Manager
(Head of Internal Audit)

July 2020

Strategic Risks

Extract from Council's strategic risk register			Independent Assurance Sources		
Risk	Gross Risk Rating	Net Risk Rating	Summary of past Internal Audit coverage	Other sources of assurance	Examples of proposed internal audit role / planned assignments
Government policies, new legislation, austerity measures and demographic pressures present challenges on service delivery.			<ul style="list-style-type: none"> • Programme and project management • Advisory input into transformation projects • S106 • Capital Programme • Schools in difficulty • Adult social care – end to end review • Budget management 		<ul style="list-style-type: none"> • Schools financial stability • Liberty protection safeguarding project – new legislation • Procurement and contract management • Asset management
Continuing pressure on Adult Social Services, Health and Special Educational Needs & Disability provision.			<ul style="list-style-type: none"> • Disability Services • Benefits, Assessments and Income Control • Reablement • Contract management • Commissioning – Quality Review • Domiciliary care 	<p>CQC Inspections</p> <p>Ofsted Inspections</p>	<ul style="list-style-type: none"> • Delivery of outcomes from review of SEND • Community fire safety • Recruitment and retention of foster carers • Blue badge revised legislation • Collection of Adult care contributions by direct debit

Extract from Council's strategic risk register			Independent Assurance Sources		
Risk	Gross Risk Rating	Net Risk Rating	Summary of past Internal Audit coverage	Other sources of assurance	Examples of proposed internal audit role / planned assignments
			<ul style="list-style-type: none"> • Direct Payments – Adults • Mosaic Advice • SEND • Adult social care – end to end review 		<ul style="list-style-type: none"> • Payments to foster carers and special guardians • Mosaic system provider module implementation
Failure to adequately safeguard Children and Vulnerable Adults.			<ul style="list-style-type: none"> • Missing children • Links with Health • Contracting – Public Health • Multi Agency Safeguarding Hub (MASH) • Adoption Central England • Asylum Seekers • Case File Recording • Safeguarding arrangements in schools 	<p>CQC Inspections</p> <p>Ofsted Inspections</p>	<ul style="list-style-type: none"> • School safeguarding arrangements • Community fire safety • Management of placement risks • Referral and assessment • Liberty protection safeguarding project • Quality assurance in contract management • Looked After Children
Failure to maintain the security of our systems and data.			<ul style="list-style-type: none"> • Information governance • Your HR – access control 	PSN Compliance certification	<ul style="list-style-type: none"> • Cyber security • Business continuity • CRM replacement • Information governance

Extract from Council's strategic risk register			Independent Assurance Sources		
Risk	Gross Risk Rating	Net Risk Rating	Summary of past Internal Audit coverage	Other sources of assurance	Examples of proposed internal audit role / planned assignments
Inability to secure economic growth in Warwickshire.			<ul style="list-style-type: none"> Economic development and growth Railway Contracts 		<ul style="list-style-type: none"> Capital schemes – end to end review Project management Commercial strategy
Inability to keep our communities safe from harm.			<ul style="list-style-type: none"> Highways Emergency Planning Business Continuity 	HMICFRS inspection	<ul style="list-style-type: none"> Community fire safety School safeguarding
The Transformation Programme does not deliver the pace and extent of change required to meet high priority OOPS targets and deliver strategic priorities.			<ul style="list-style-type: none"> Programme and project management Advisory input into transformation projects Budget management Strategic financial and business planning Various financial systems 		<ul style="list-style-type: none"> Transformation/ Change - Delivery of benefits Performance management

Planned Work 2020/21

Responding to COVID-19

Directorate	Service	Topic	Potential Control / Governance Issue	Proposed Audit Coverage	Indicative Timing (Qtr)
Council-wide	Council-wide	<p>COVID Grants</p> <p>Control and process changes</p> <p>Workforce implications</p> <p>Financial Impact – Income and expenditure</p> <p>Supply chain</p>	<p>Requirement to meet grant conditions.</p> <p>Amended processes to meet Covid needs may impact on controls.</p> <p>Short term changes in working practices and longer term opportunities</p> <p>Significant changes in patterns of spending and income with impacts on future service, budgetary control and financial planning.</p> <p>Increased supplier instability risk and cost impact of COVID-19 working requirements</p>	<p>During the period of COVID impact we have been providing governance, risk management and control advisory support. This will continue, whilst additional work will also be required to provide independent assurance around grant expenditure and the application of new systems and controls once they have been set up.</p> <p>Retrospective assurance work to assess and investigate possible fraud and irregularities is also likely and provision for this has been including in the planning assumptions.</p>	1-4

Council Plan Priority Outcome:

Warwickshire's communities and individuals are supported to be safe, healthy and independent

Page 157

Directorate	Service	Topic	Potential Control / Governance Issue	Proposed Audit Coverage	Indicative Timing (Qtr)
Communities	Education	SEND - actions plan implementation	National challenge around high needs children.	Impower work is concluding in February, so review progress of the action plans.	3
Communities	Education	School Safeguarding	This was a limited opinion when last audited.	New guidance has been issued in 2019. This will be an assurance audit on the implementation.	3
People	People	Mosaic - provider module project	This project is expected to deliver significant efficiency savings, contributing to the MTFS.	Audit advice on the project to build in effective controls.	1
People	Children & Families	Placement in unregulated facilities	Where suitable regulated facilities are not available for placements, it is crucial to ensure effective management of the risks involved.	Crisis procedure - using own facility. Also, other unregulated facilities. Are risks being properly managed?	2
People	Children & Families	Recruitment and retention of foster carers.	Foster carers provide a vital service and retaining and replacing foster carers is difficult.	Audit of the WCC foster carer service – is it effective in recruiting and retaining foster carers and ensuring compliance with regulations?	2
People	Children & Families	Referral and assessment	Performance - Timescale for single assessment through the MASH is set at 45 days, but this is not always being achieved.	Review the process to identify avoidable delays and potential efficiencies.	3
People	Adult Social Care	Liberty protection safeguarding project	Project is to prepare for new legislation.	Assurance on project, followed by assurance on the delivery.	2

Directorate	Service	Topic	Potential Control / Governance Issue	Proposed Audit Coverage	Indicative Timing (Qtr)
Resources	Business and Customer Services	Blue badge	New legislation – risk of badges being misused and that the new legislation brings additional cost through assessment requirements.	Review of the arrangements to deliver the new requirements and management of the risks including the approach to prosecution including consideration of reputational risks.	2
Resources	Commissioning Support Unit	Transformation/ Change programme	Delivery of benefits.	Is there an effective framework for delivery and is it delivering the required outcomes.	Q3/4
Resources	Enabling Services	ICT Business continuity	Changes to the ICT arrangements impact on the risks around ICT business continuity.	Independent assurance on IT business continuity arrangements.	2
Resources	Commissioning Support Unit / People	Data strategy - data quality/governance - Mosaic/ Synergy	Importance of reliable, accurate data and appropriate governance in handling data.	Review of strategy and control design and effectiveness	2

Council Plan Priority Outcome:

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

Directorate	Service	Topic	Potential Control / Governance Issue	Proposed Audit Coverage	Indicative Timing (Qtr)
Communities	Communities	Capital schemes - end to end review	Schemes running behind schedule leading to lower than expected infrastructure benefits.	Review planning and forecasting, optimism bias, scope for updating timescales and managing expectations better, connectivity and transition through planning to delivery teams.	1
Communities	Communities	Exor system replacement	Significant system being replaced.	Continued advisory and then an assurance audit after implementation.	1
Communities	Education	Schools audits	Extensive area of delegated expenditure.	Responding to requests to audit specific schools or thematic reviews.	1-4
Resources	Commissioning Support Unit	Procurement and Contract management	Significant savings to be delivered.	Assurance over control and governance to achieve cost savings.	2
Resources	Finance	Commercial Strategy	New strategy aimed at supporting delivery of Council Plan objectives.	Review application of the strategy, ensuring robust governance. Possible schemes include Energy, Property and Employment land.	3
Resources	Commissioning Support Unit	Management of re-procurement	Procurement should be well planned and linked to the commissioning cycle.	Review of the use of exemptions, testing around the planning of re-procurement and use of InTend system to support effective management of the process.	3
Resources	Commissioning Support Unit	Performance management	Effective management of performance using reliable data and SMART targets is important to delivery of Council outcomes.	Assurance over the target setting, collection processes, accuracy and relevance.	3

**Council Plan Priority
Outcome Support:**

SUPPORTED BY



Making the best use of resources

Directorate	Service	Topic	Potential Control / Governance Issue	Proposed Audit Coverage	Indicative Timing (Qtr)
Communities	Communities	Trade waste	Loss of income from trade waste if not properly identified.	Management of risk around identification and verification.	1
Resources	Enabling Services	ICT starter and leaver controls	Control of IT access and equipment.	Review of control design and compliance.	2
Resources	Finance	Pensions Administration	Need for controls assurance.	Audit to provide assurance.	3
Resources	Enabling Services	YourHR - Data quality and process controls	Assurance required over the management information from the system and the effectiveness of self-service processes including recruitment.	Review of use of Your HR, progress with improvements for end users and effectiveness of controls.	3
Resources	Enabling Services	Cyber security	Constantly evolving IT security risk.	Review of cyber security approach and delivery.	2
Resources	Enabling Services	Property planning and delivery	Need for assurance over the planning and operation of property functions.	Review of the controls around property planning and delivery, including financial management and recharges.	3
Resources	Finance	Accounts Payable	Assurance over controls.	Controls re-visit following duplicate payment issue.	3
Resources	Finance	Pension advice - iConnect	Project advice on implementation of improved processes.	Project advice on implementation of improved processes.	2

Directorate	Service	Topic	Potential Control / Governance Issue	Proposed Audit Coverage	Indicative Timing (Qtr)
Resources	Enabling Services	Payroll	Previous limited assurance opinion.	Review of controls and implementation of earlier recommendations.	3
People	Children & Families	Payments to Foster carers and Special guardians	Control issue identified which suggests a full audit would be beneficial.	Controls assurance over the payment and financial monitoring processes.	2

Council Plan: Responding to climate change:



UN Sustainable development Goals

Directorate	Service	Topic	Potential Control / Governance Issue	Proposed Audit Coverage	Indicative Timing (Qtr)
Communities	Communities	Flooding – Service review implementation	There is a planned service review which will be looking at targeting resources, planning, emergency response and community engagement. Audit assurance to follow on from this.	Independent assurance audit on implementation of the review outcomes and management of the risks.	4
All (Lead – Communities)	All (Lead – Communities)	Climate change - Carbon emissions and the outcomes of the member panel.	A sound methodology and baseline measurement are essential to ensure that there is a robust evidence base and targets are SMART.	Assurance over the methodology and baseline measurement to ensure that there is a robust evidence base and targets are SMART.	3

Illustration of auditable topics not planned for 2020-21

In addition to the coverage of key risk areas discussed at Annexes 1 and 2 above, the PSIAS requires the strategy to be open about those audit areas not covered in 2020/21. Based upon the planning discussions with senior management, our professional judgement and the results of previous audits the following topics are not planned for 2020/21. However, should planned audits not take place topics from this list can be substituted.

Directorate	Area	Latest coverage	Other assurances	Priority	
Communities	Gypsy and Traveller strategy			H	
	Developer contributions / highways response to planning applications	Substantial 2019/20		H	
	School Procurement			H	
	School themed Audit – Budget Management		Finance	H	
	Health and safety		Health & Safety	H	
	Civil Parking Enforcement	Moderate 2015/16	Procurement	H	
	Fire Premises Risk Management	Substantial 2014/15	HMICFRS	H	
	Duty Management System	Substantial 2019/20	HMICFRS	H	
	Partnerships			H	
	Waste Management	Moderate 2018/19		H	
	Pension Investment management	Limited 2019/20		H	
	People	Market shape/ Mkt management			H
		Child Protection			
		Missing Children	Substantial 2017/18		H
Looked After Children				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		Substantial 2019/20		H	
Delayed Transfer of Care				H	
Reviewing Team	Moderate 2019/20		H		
Resources	Performance Framework - PDPs			H	
	Complaints			H	
	Treasury Management	Moderate 2018/19		H	
Communities	Capital Programme	Moderate 2018/19		H	
	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	

Directorate	Area	Latest coverage	Other assurances	Priority
People	Planning Control	Substantial 2016/17		M
	Highways response to planning applications			M
	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	Substantial 2018/19		M
	Safeguarding Hub			
	Domiciliary care			M
	Residential care			M
	Resources	Transitions and care leavers	Substantial 2018/19	
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
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	

Directorate	Area	Latest coverage	Other assurances	Priority
Communities	Grants to voluntary organisations	Substantial 2014/15		L
	School Organisation & Planning	Full 2014/15		L
	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
	Street works			L
	Road safety			L
	Asbestos / water safety etc in schools -Themed			L
	Fire Equipment and uniforms		Procurement, HMICFRS	L
	Resources	Facilities management		
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



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



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.



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

Audit and Standards Committee

20th July 2020

Internal Audit Annual Report 2019-20

1. Recommendation(s)

The Committee:

1. considers the results of internal audit work completed during 2019/2020

2. Executive Summary

- 2.1 This report summarises the results of internal audit work carried out in the year ended 31 March 2020 and provides an overall opinion on the Authority's control environment.

3. Financial Implications

- 3.1 None

4. Environmental Implications

- 4.1 None

5. Supporting Information

- 5.1 Not applicable

6. Timescales associated with the decision and next steps

- 6.1 Not applicable

Appendices

1. Appendix 1 Annual Report 2019-20

Background papers

1. None

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Portfolio Holder	Cllr Peter Butlin	01926 632679 peterbutlin@warwickshire.gov.uk

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

Internal Audit Annual Report 2019/20

“Providing assurance on the management of risks”



Internal Audit Annual Report 2019/20

“Providing assurance on the management of risks”

This document summarises the results of internal audit work during 2019/20 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 moderate assurance that the significant risks facing the Authority are addressed.

Context

This report outlines the work undertaken by Internal Audit between 1 April 2019 and 31 March 2020.

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 Internal Audit is 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 2019/20

The underlying principle to the 2019/20 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 23 May 2019.

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

COVID-19

The final quarter of the year was significantly impacted by the response to COVID-19. Planned work was temporarily halted to allow the council to focus on the COVID-19 response and the follow up of recommendations was also postponed. Internal Audit supported with controls advice during the response phase, whilst members of the team also took on non-audit work to contribute directly to front line services. The completion of the planned work has therefore been lower than anticipated and a number of audits are still at draft stage.

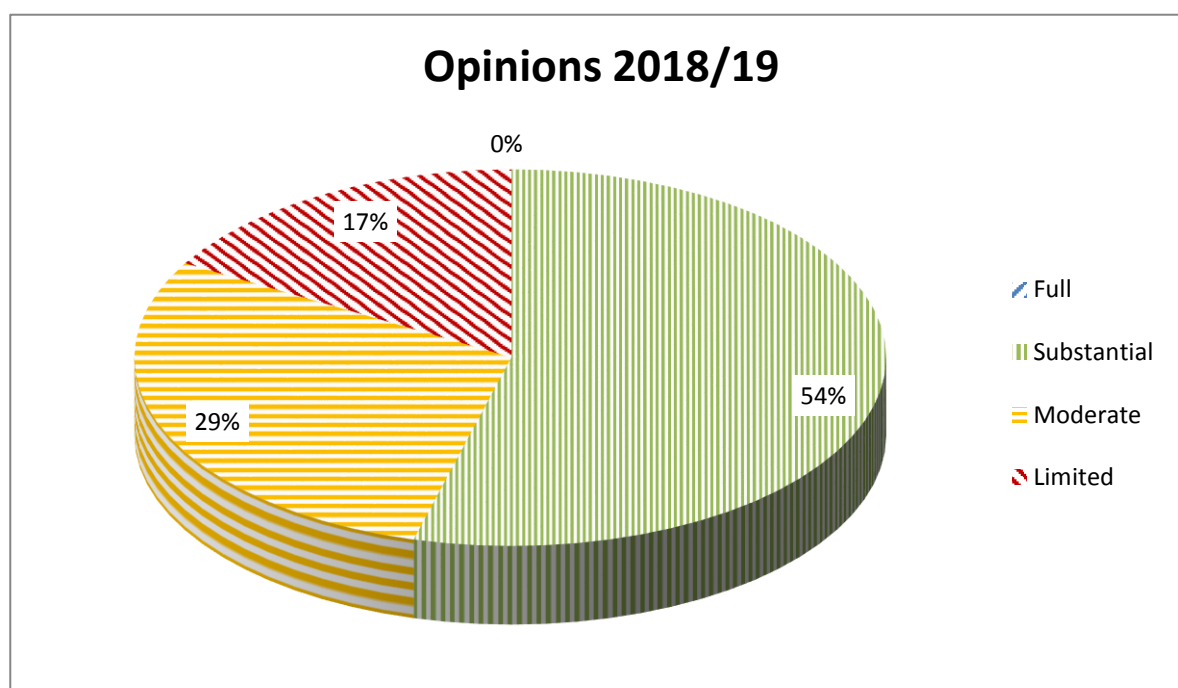
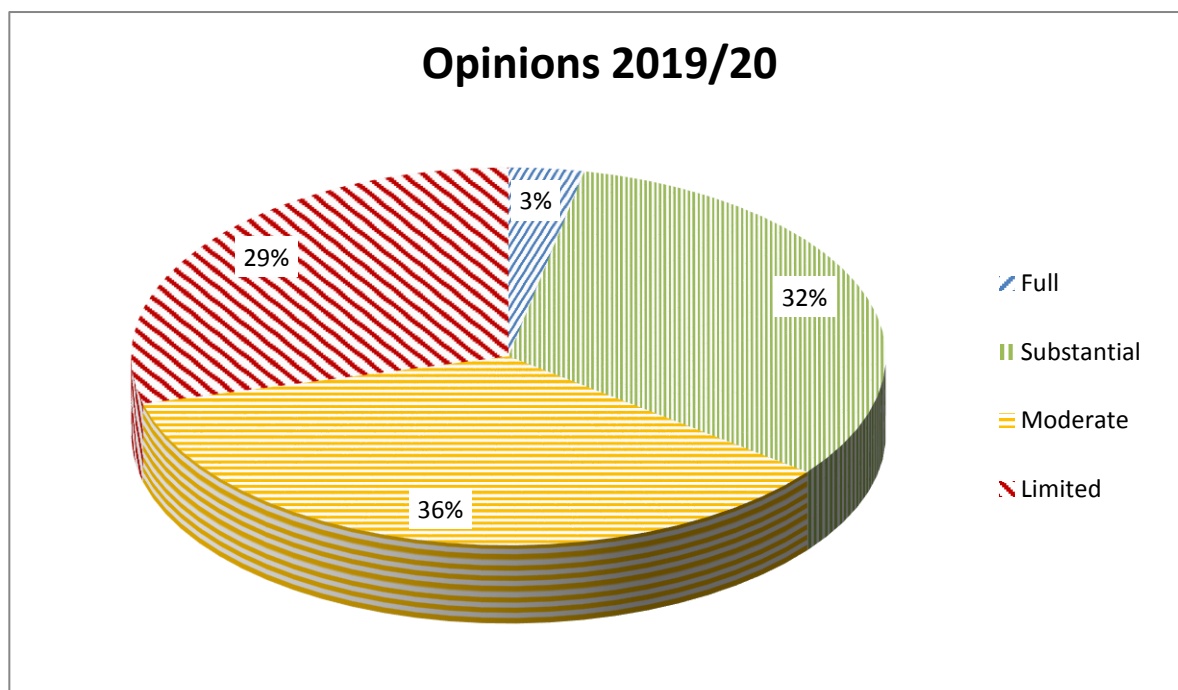
In order to inform my annual opinion I have taken account of the results of fieldwork and draft opinions. Whilst the usual approach would be to report only on finalised work and there is potential for some movement in the opinions through the discussion and finalisation process, I am confident that the independent evidence gained through the fieldwork on these audits is sufficiently robust to be taken into account in the overall assessment of governance, risk management and control.

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 are 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.

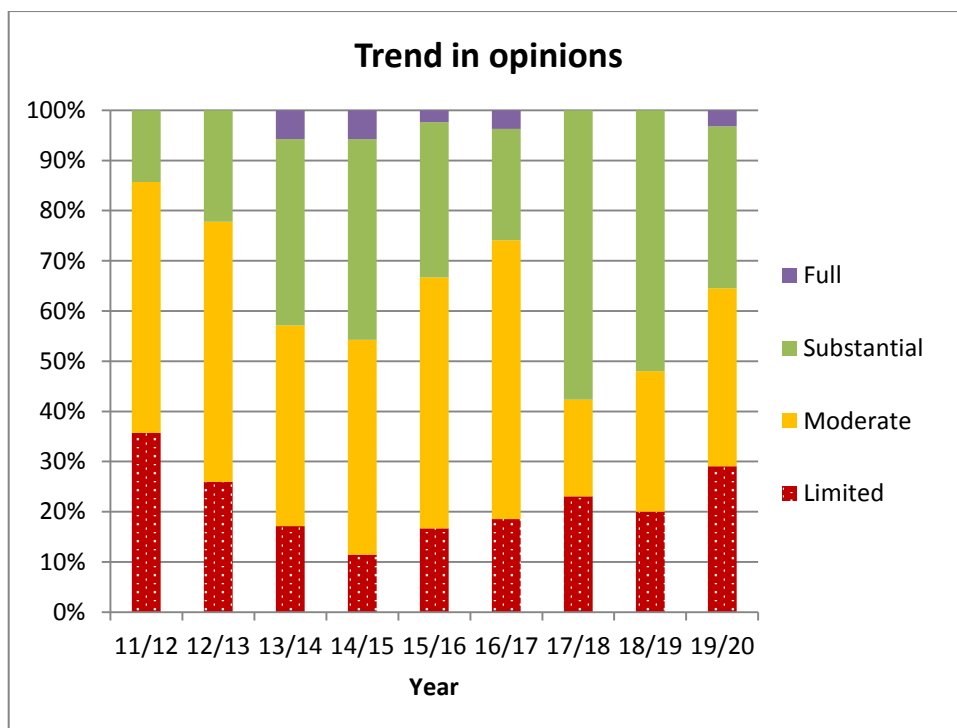
As shown in the following chart the outcome of the majority of this year's audits are positive having a moderate or substantial opinion although the proportion which are Substantial or Full has reduced to 35% from 54% in 2018/19. There is a significant proportion of audits where controls provided only 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. In respect of the Pensions Investments audit, following a Limited opinion audit a further reviews was undertaken to test control enhancements and

these have demonstrated improvement to Moderate assurance. The key issues arising from finalised limited opinion audits have been reported to the Audit & Standards Committee. As stated above, as a result of the response to COVID-19 I have included draft opinions to give an appropriately broad overview of audit coverage. These audits will be progressed and finalised as capacity allows and the control and governance impacts of limited opinion audits will be reported to the Audit and Standards Committee at that stage.



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

The proportion of audits in each category is illustrated in the following chart which shows the year on year trend over the period from 2011/12 to 2019/20.



When comparing the ratings across years it should be noted that 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. Whilst the proportion of Limited opinions has increased, the proportion of audits resulting in a positive opinion (Moderate or higher) was still over 70%.

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 being implemented, involving extensive changes to structure and 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 and this is a significant factor in the audit planning process. This may have contributed to the changing proportions of opinions but to date this has not been reflected in an increase in investigations.

COVID-19 will continue to impact the delivery and design of services during 2020/21, bringing both opportunities and threats to control and governance. Careful management will be required 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.

Under normal circumstances a year end follow up exercise would have been undertaken to provide feedback on the extent to which agreed actions have been implemented to address identified weaknesses. This follow up exercise was postponed in order to allow the Council to focus on its COVID-19 response. There is, however, an ongoing cycle of follow up work during the year and an interim exercise was reported in the 7th November 2019 progress report to the Audit and Standards Committee.

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.

In addition, we track all outstanding recommendations (including prior years) across directorates as part of the internal management performance monitoring. Over the first three quarters of 2019/20 the number of overdue actions were 62, 54 and 69 respectively. This is a new performance measure designed to give greater focus to timely implementation. It will continue to be monitored and reported to assess whether it is effective in supporting this aspect of governance.

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. 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

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 Mosaic social care system, the Highways works ordering system and the Adult Social Care end to end review. 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 2019/20 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:

- Interaction and communication with the auditor was valuable and appropriate
- Auditor asked sensible questions throughout
- Happy with audit – many thanks
- Informative and good interaction all the way through the Audit
- Efficient with no disruption
- Very pragmatic approach as well as a very pleasant way with the team

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

Paul Clarke
Internal Audit Manager
(Head of Audit)

Summary of audits completed during the year.¹

Audits		Level of Assurance
	Communities	
1.	Developer contributions - highways response to planning applications	Substantial Assurance
2.	Rail Contracts	Substantial Assurance
3.	Duty Management System	Substantial Assurance
4.	Schools in difficulties - Budget Management and Planning	Limited Assurance
5.	SEND and Inclusion Strategy	Moderate Assurance
	People	
6.	Reablement Service	Substantial Assurance
7.	Reviewing Team	Moderate Assurance
8.	Adoption Central England	Moderate Assurance (Draft)
	WCC/Corporate	
9.	Business Continuity	Substantial Assurance
	Resources	
10.	Payroll	Limited Assurance
11.	Cyber Security	Moderate Assurance
12.	Fire and Rescue ICT follow up	Moderate Assurance
13.	BACS and CHAPS	Substantial Assurance
14.	Customer Service Centre	Substantial Assurance
15.	Accounts Receivable	Substantial Assurance
16.	Accounts Payable	Limited Assurance (Draft)
17.	Bank reconciliation	Substantial Assurance
18.	Residential and Domiciliary Care	Full Assurance
19.	Recruitment	Moderate Assurance
20.	General Ledger	Substantial Assurance
21.	Information Governance	Limited Assurance (Draft)

¹ Note that some of these audits started in 2018/19

Audits		Level of Assurance
22.	Data Centre	Moderate Assurance (Draft)
23.	YourHR Access Control	Limited Assurance (Draft)
24.	Programme and Project Management	Moderate Assurance (Draft)
25.	Consultants	Limited Assurance
26.	Strategic Property	Limited Assurance (Draft)
27.	Pensions Administration (1)	Limited Assurance
28.	Pensions Administration (2)	Moderate Assurance (Draft)
29.	Pensions Investments (1)	Limited Assurance
30.	Pensions Investments (2)	Moderate Assurance (Draft)
31.	ACE - IT Controls	Moderate Assurance

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Audit and Standards Committee

20 July 2020

Annual Report 2019/20

Recommendations

1. That the Audit and Standards Committee notes and comments on the report.
2. That the Audit and Standards Committee agrees to forward the Annual Report to Council for approval.

1.0 Key Issues

- 1.1 The annual report highlights some of the work undertaken by the Committee through 2019/20 and looks ahead to issues that the Committee will look at in the coming year.

2.0 Financial Implications

- 2.1 None for this report.

3.0 Environmental Implications

- 3.1 None for this report.

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Audit and Standards Committee Annual Report 2019/20

Warwickshire County Council's Audit and Standards Committee (the "Committee") plays a vital role overseeing the Council's governance framework to ensure that residents receive quality services and value for money.

It provides independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the Council's financial reporting and governance processes. Meetings of the Committee are open to the public. Details of future meetings can be found on the Council's [website](#).

Who is on the Committee?

The membership of the Committee during the municipal year 2019/20 was:

John Bridgeman CBE	-	(Independent member and Chair)
Bob Meacham OBE	-	(Independent member and Vice-Chair)
Councillor Parminder Singh Birdi	-	(Conservative)
Councillor Mark Cargill	-	(Conservative)
Councillor Neil Dirveiks	-	(Labour)
Councillor Bill Gifford	-	(Liberal Democrat)
Councillor John Horner	-	(Conservative)
Councillor David Reilly	-	(Conservative)

The Chair of the Committee wishes to place on record his thanks to all the members, past and present, who have served on the Committee and have contributed to the important work it has undertaken.

The Committee was saddened to receive news of Mr Bob Meacham's passing in September 2019. Mr Meacham had been a longstanding and valued Independent Member of the Committee.

The Internal Audit and Insurance Manager, Chief Finance Officer and the Monitoring Officer attend Committee meetings to provide information and ongoing assurance in relation to the Council's internal controls and systems. Representatives from Grant Thornton, the Council's external auditors, also attend meetings to report on the Council's financial statements and value for money arrangements.

What the Committee did over the last year

The Committee met three times during the 2019/20 year. Our remaining meeting had to be cancelled due to the disruption caused by the Coronavirus pandemic. However, during the year alongside our regular external and internal audit monitoring reports we were able to consider a variety of governance issues, including proposals for a review of contract standing orders and financial regulations.

We were pleased to support the Annual Governance Statement 2017/18, and the statement of accounts for both the Council and the pension fund based on our knowledge and experience of how the assurance systems had operated in practice. More information about our key activities is set out below.

External Audit

The Committee receives updates at every meeting from Grant Thornton who are the external auditors for both the Council and the Warwickshire Local Government Pension Fund.

Members also had the opportunity to consider emerging national issues and developments brought to their attention by the external auditors (and others). This enables the Committee to seek assurances that the Council is aware of and considering the potential challenges which include:

- Financial Sustainability – addressing funding gaps and balancing needs against resources;
- Service Sustainability – particularly in relation to Adult Social Care funding gaps and pressure on Education, Housing, Transport;
- Transformation – new models of delivery, greater emphasis on partnerships, more focus on economic development;
- Technology – cyber security and risk management.

At a wider level, the political environment throughout 2019/20 has remained complex, not only with the uncertainties posed by Brexit but in the later months with the increasing challenges created by the Coronavirus pandemic. Issues arising from the audit of the Council's financial statements were examined by members, as well as the content of the Authority's Letter of Representation.

We were also briefed on the need to make changes to the estimates of future pension liabilities during the period of the audit of the 2018/19 accounts. Two national legal judgements have ruled there was discrimination in the way transitional protections were applied to changes in public sector pension schemes over recent years. These judgements required changes to the accounts in relation to both the firefighters pension scheme and the Local Government Pension Scheme although there was no resource impact on the accounts. The Auditor noted that the Pension Fund account has a strong asset balance of £2,165.7m and the net return on investments of £141.9m is in excess of benefits paid by £57.1m.

We were pleased to note that Grant Thornton had provided unqualified opinions for both the Council and Pension fund accounts. They also provided assurances that the Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources. This includes achievement of the 2018/19 financial plan which demonstrated an ability to manage resources in order to meet targets set, as well as having the appropriate mechanisms in place to develop robust medium term strategies based on reasonable underlying assumptions. In addition to this, the financial position of the Council at 31 March 2019 was strong and compares favourably to peers in the sector providing further comfort over financial sustainability.

Grant Thornton judged that overall the Council had adequate arrangements in place to ensure ongoing financial sustainability. Regarding savings, the Authority delivered £1.3m in 2018/19 ahead of schedule.

In respect of the Medium Term Financial Plan (MTFP), Grant Thornton concluded that the Council had undertaken a significant amount of work in 2018/19 to develop its transformation programme which would lay the foundations for the medium term outlook. Grant Thornton noted that, while resources continued to increase, so too did cost pressures and rise in demand. As an outcome, a cumulative £30m gap in the budget by 2025 was forecast. It was proposed that this would be met by savings over the lifetime of the MTFP.

Internal Audit

A professional, independent and objective internal audit service is one of the key elements of good governance, as recognised throughout the UK public sector. The Council's Internal Audit Team carries out reviews of the Council's services throughout the year, identifying where there are issues and making recommendations. The Internal Audit Team operates in accordance with CIPFA guidance and the Public Sector Internal Audit Standards.

The outcomes of internal audits are reported to the Committee. On occasions these are considered by the committee in closed session owing to the commercial or personal sensitivity of the matter being addressed.

During 2019/20 Internal Audit carried out a series of service and process reviews with a focus on specific areas, including:

- Waste Management
- Business Continuity
- BACS and CHAPS procedures
- Investment Management

The Committee has followed progress against recommendations where issues were identified by audit outcomes. It has raised queries and conducted oversight when necessary.

Going Forward

The Committee's membership for the coming year (2020/21) is:

John Bridgeman CBE	-	(Independent Member and Chair)
Councillor Parminder Singh Birdi	-	(Conservative)
Councillor Mark Cargill	-	(Conservative)
Councillor Neil Dirveiks	-	(Labour)
Councillor Bill Gifford	-	(Liberal Democrat)
Councillor John Horner	-	(Conservative)
Councillor David Reilly	-	(Conservative)

The focus will remain on the supporting of good governance and strong financial management.

Over 2020/21 the Committee intends to take a more in-depth look at Financial Regulations and Contract Standing Orders. The Committee will continue to receive

updates from our External Auditors and from the Council's Internal Audit Team in line with the published work plan.

Audit and Standards Committee

LGA Consultation Member Code of Conduct

20 July 2020

Recommendation(s)

1. That the Committee considers and comments on the draft model code of conduct
2. That the Strategic Director for Resources is authorised to make a response to the Local Government Association consultation which incorporates the comments of the Committee

1. Executive Summary

- 1.1 The Local Government Association (LGA) has committed to reviewing the current model member code of conduct, as recommended by the Committee on Standards in Public Life's report into [Local Government Ethical Standards](#). The LGA held an event on [Civility in Public Life](#) with a range of stakeholders at the end of last year and three consultation workshops at the beginning of this year. Their consultants have also examined examples of good practice, both in local government and other professions.
- 1.2 The LGA [consultation draft model member code of conduct](#) (attached as Appendix 1) is the result of this initial work. The LGA intends to create additional guidance, working examples and explanatory text. The LGA has indicated that it would very much welcome comment on the consultation draft. It would particularly like to know if it stands up to the new ways of working that have been introduced and gives enough of a steer on social media and online activity.
- 1.3 The consultation on the draft member code of conduct will run for 10 weeks from **Monday 8 June** until **Monday 17 August**.
- 1.4 To facilitate the consultation the LGA have produced an [online consultation questionnaire](#) (Questions are reproduced at Appendix 2).
- 1.5 The LGA are also happy to receive narrative responses from councils or stakeholder groups via email ModelCode@local.gov.uk.

2. Financial Implications

None

3. Environmental Implications

None.

4. Supporting Information

- 4.1 The role of councillor in all tiers of local government is a vital part of our system of democracy. In voting for a local councillor, the public is imbuing that person and position with their trust. As such, it is important that councillors can be held accountable and all adopt the behaviours and responsibilities associated with the role. The conduct of an individual councillor affects the reputation of all councillors. The role of councillor should be one that people aspire to and want to participate with. It is important that we continue to attract individuals from a range of backgrounds and circumstances who understand the responsibility they take on and are motivated to make a positive difference to their local communities.
- 4.2 All councils are required to have a local Member Code of Conduct. This Model Member Code of Conduct has been developed by the LGA in consultation with the local government sector and is offered as a template for councils to adopt in whole and/or with local amendments. The LGA indicates that it will undertake an annual review of the Code to ensure it continues to be fit-for-purpose, particularly with respect to advances in technology, social media and any relevant changes in legislation.

5. Timescales associated with the decision and next steps

- 5.1 Feedback from the consultation will help the LGA develop a final draft, which will be reviewed by the LGA's Executive Advisory Board before being presented to the next LGA General Assembly, which they hope will be held in the Autumn of 2020.

Appendices

1. Appendix 1 Draft Model Code of Conduct
<https://www.local.gov.uk/sites/default/files/documents/LGA%20Model%20Member%20Code%20of%20Conduct.pdf>
2. Appendix 2 Consultation Questions

Background Papers

1. [Local Government Ethical Standards Report](#)
2. [Civility in Public Life event](#)

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

Local Member(s):

Other members:

Local Government Association Model Member Code of Conduct

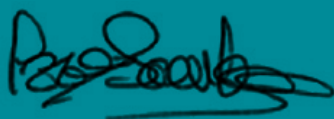
Introduction

The Local Government Association (LGA) is providing this Model Member Code of Conduct as part of its work on supporting the sector to continue to aspire to high standards of leadership and performance.

The role of councillor in all tiers of local government is a vital part of our country's system of democracy. In voting for a local councillor, the public is imbuing that person and position with their trust. As such, it is important that as councillors we can be held accountable and all adopt the behaviours and responsibilities associated with the role. The conduct of an individual councillor affects the reputation of all councillors. We want the role of councillor to be one that people aspire to and want to participate with. We want to continue to attract individuals from a range of backgrounds and circumstances who understand the responsibility they take on and are motivated to make a positive difference to their local communities.

All councils are required to have a local Member Code of Conduct. This Model Member Code of Conduct has been developed in consultation with the sector and is offered as a template for councils to adopt in whole and/or with local amendments. The LGA will undertake an annual review of the Code to ensure it continues to be fit-for-purpose, particularly with respect to advances in technology, social media and any relevant changes in legislation. The LGA can also offer support, training and mediation to councils and councillors on the application of the Code, whilst the National Association of Local Councils (NALC) and the county associations of local councils can offer advice and support to town and parish councils.

As a councillor we all represent local residents, work to develop better services and deliver local change. The public have high expectations of us and entrust us to represent everyone (in our ward/town/parish), taking decisions fairly, openly, transparently and with civility. Councillors should also be treated with civility by members of the public, other councillors and council employees. Members have both individual and collective responsibility to maintain these standards, support expected behaviour and challenge behaviour which falls below expectations. This Code, therefore, has been designed to protect our democratic role, encourage good conduct and safeguard the public's trust in local government.



Councillor Izzi Seccombe OBE
Leader, LGA Conservative Group



Councillor Nick Forbes CBE
Leader, LGA Labour Group



Councillor Howard Sykes MBE
Leader, LGA Liberal Democrats Group



Councillor Marianne Overton MBE
Leader, LGA independent Group

Purpose

The purpose of this Code of Conduct is to assist councillors in modelling the behaviour that is expected of them, to provide a personal check and balance, and to set out the type of conduct against which appropriate action may be taken. It is also to protect yourself, the public, fellow councillors, council officers and the reputation of local government. It sets out the conduct expected of all members and a minimum set of obligations relating to conduct. The overarching aim is to create and maintain public confidence in the role of member and local government.

Application of the Code

The Code of Conduct applies to you when you are acting [or claiming or giving the impression that you are acting]¹ in [public or in]² your capacity as a member or representative of your council, although you are expected to uphold high standards of conduct and show leadership at all times. The Code applies to all forms of member communication and interaction, including written, verbal, non-verbal, electronic and via social media, [including where you could be deemed to be representing your council or if there are potential implications for the council's reputation.] Model conduct and expectations is for guidance only, whereas the specific obligations set out instances where action will be taken.

The seven principles of public life

Everyone in public office at all levels – ministers, civil servants, members, council officers – all who serve the public or deliver public services should uphold the seven principles of public life. This Code has been developed in line with these seven principles of public life, which are set out in appendix A.

Model member conduct

In accordance with the public trust placed in me, on all occasions I will:

- act with integrity and honesty
- act lawfully
- treat all persons with civility; and
- lead by example and act in a way that secures public confidence in the office of councillor

In undertaking my role, I will:

- impartially exercise my responsibilities in the interests of the local community
- not improperly seek to confer an advantage, or disadvantage, on any person
- avoid conflicts of interest
- exercise reasonable care and diligence; and
- ensure that public resources are used prudently and in the public interest

Specific obligations of general conduct

This section sets out the minimum requirements of member conduct. Guidance is included to help explain the reasons for the obligations and how they should be followed. These obligations must be observed in all situations where you act [or claim or give the impression that you are acting] as a councillor [or in public], including representing your council on official business and when using social media.

As a councillor I commit to:

Civility

- 1. Treating other councillors and members of the public with civility.**
- 2. Treating council employees, employees and representatives of partner organisations and those volunteering for the councils with civility and respecting the role that they play.**

Civility means politeness and courtesy in behaviour, speech, and in the written word. Debate and having different views are all part of a healthy democracy. As a councillor you can express, challenge, criticise and disagree with views, ideas, opinions and policies in a civil manner. You should not subject individuals, groups of people or organisations to unreasonable or excessive personal attack.

In your contact with the public you should treat them courteously. Rude and offensive behaviour lowers the public's expectations and confidence in its elected representatives.

In return you have a right to expect courtesy from the public. If members of the public are being abusive, threatening or intimidatory you are entitled to close down any conversation in person or online, refer them to the council, any social media provider or if necessary, the police. This also applies to members, where action could then be taken under the Member Code of Conduct.

Bullying and harassment

- 3. Not bullying or harassing any person.**

Bullying may be characterised as offensive, intimidating, malicious or insulting behaviour, an abuse or misuse of power through means that undermine, humiliate, denigrate or injure the recipient. The bullying might be a regular pattern of behaviour or a one-off incident, happen face-to-face, on social media, in emails or phone calls, happen in the workplace or at work social events and not always be obvious or noticed by others.

The Equality Act 2010 defines harassment as 'unwanted conduct related to a relevant protected characteristic, which has the purpose or effect of violating an individual's dignity or creating an intimidating, hostile, degrading, humiliating or offensive environment for that individual'. The relevant protected characteristics are age, disability, gender reassignment, race, religion or belief, sex, and sexual orientation.

Impartiality of officers of the council

- 4. Not compromising, or attempting to compromise, the impartiality of anyone who works for, or on behalf of, the council.**

Officers work for the council as a whole and must be politically neutral (unless they are political assistants). They should not be coerced or persuaded to act in a way that would undermine their neutrality. Although you can question officers in order to understand, for example, their reasons for proposing to act in a particular way, or the content of a report that they have written, you must not try and force them to act differently, change their advice, or alter the content of that report, if doing so would prejudice their professional integrity.

Confidentiality and access to information

- 5. Not disclosing information given to me in confidence or disclosing information acquired by me which I believe is of a confidential nature, unless I have received the consent of a person authorised to give it or I am required by law to do so.**
- 6. Not preventing anyone getting information that they are entitled to by law.**

Local authorities must work openly and transparently, and their proceedings and

printed materials are open to the public except in certain circumstances. You should work on this basis but there will be times when it is required by law that discussions, documents and other information relating to or held by the council are treated in a confidential manner. Examples include personal data relating to individuals or information relating to ongoing negotiations.

Disrepute

7. Not bringing my role or council into disrepute.

Behaviour that is considered dishonest and/or deceitful can bring your council into disrepute. As a member you have been entrusted to make decisions on behalf of your community and your actions and behaviour are subject to greater scrutiny than that of ordinary members of the public. You should be aware that your actions might have an adverse impact on other councillors and/or your council.

Your position

8. Not using, or attempting to use, my position improperly to the advantage or disadvantage of myself or anyone else.

Your position as a member of the council provides you with certain opportunities, responsibilities and privileges. However, you should not take advantage of these opportunities to further private interests.

Use of council resources and facilities

9. Not misusing council resources.

You may be provided with resources and facilities by the council to assist you in carrying out your duties as a councillor. Examples include office support, stationery and equipment such as phones, and computers and transport. These are given

to you to help you carry out your role as a councillor more effectively and not to benefit you personally.

Interests

10. Registering and declaring my interests.

You need to register your interests so that the public, council employees and fellow members know which of your interests might give rise to a conflict of interest. The register is a document that can be consulted when (or before) an issue arises, and so allows others to know what interests you have, and whether they might give rise to a possible conflict of interest. The register also protects you. You are responsible for deciding whether or not you should declare an interest in a meeting, but it can be helpful for you to know early on if others think that a potential conflict might arise.

It is also important that the public know about any interest that might have to be declared by you or other members, so that decision making is seen by the public as open and honest. This helps to ensure that public confidence in the integrity of local governance is maintained. Discuss the registering and declaration of interests with your Monitoring Officer/Town or Parish Clerk and more detail is set out in appendix B.

Gifts and hospitality

11. Not accepting significant gifts or hospitality from persons seeking to acquire, develop or do business with the council or from persons who may apply to the council for any permission, licence or other significant advantage.

12. Registering with the monitoring officer any gift or hospitality with an estimated value of at least £25 within 28 days of its receipt.

You should exercise caution in accepting any gifts or hospitality which are (or which you reasonably believe to be) offered to you

because you are a member. However, you do not need to register gifts and hospitality which are not related to your role as a member, such as Christmas gifts from your friends and family, or gifts which you do not accept. However, you may wish to notify your monitoring officer of any significant gifts you are offered but refuse which you think may have been offered to influence you.

Note – items in square brackets [x] refer to recommendations made by the Committee on Standards in Public Life and may be part of a future Government consultation. This includes possible future sanctions and appeals processes.

Breaches of the Code of Conduct

Most councillors conduct themselves appropriately and in accordance with these standards. Members have both individual and collective responsibility to maintain these standards, support expected behaviour and challenge behaviour which falls below expectations.

Section 27 of the Localism Act 2011 requires relevant authorities to promote and maintain high standards of conduct by members and co-opted members of the authority. Each local authority must publish a code of conduct, and it must cover the registration of pecuniary interests, the role of an 'independent person', and sanctions to be imposed on any councillors who breach the Code.

The 2011 Act also requires local authorities to have mechanisms in place to investigate allegations that a member has not complied with the Code of Conduct, and arrangements under which decisions on allegation may be made.

Failure to comply with the requirements to register or declare disclosable pecuniary interests is a criminal offence. Taking part in a meeting or voting, when prevented from doing so by a conflict caused by disclosable pecuniary interests, is also a criminal offence.

Political parties may have its own internal standards and resolution procedures in addition to the Member Code of Conduct that members should be aware of.

Example LGA guidance and recommendations

Internal resolution procedure

Councils must have in place an internal resolution procedure to address conduct that is in breach of the Member Code of Conduct. The internal resolution process should make it clear how allegations of breaches of the Code of Conduct are to be handled, including the role of an Independent Person, the appeals process and can also include a local standards committee. The internal resolution procedure should be proportionate, allow for members to appeal allegations and decisions, and allow for an escalating scale of intervention. The procedure should be voted on by the council as a whole.

In the case of a non-criminal breach of the Code, the following escalating approach can be undertaken.

If the breach is confirmed and of a serious nature, action can be automatically escalated.

1. an informal discussion with the monitoring officer or appropriate senior officer
2. an informal opportunity to speak with the affected party/ies
3. a written apology
4. mediation
5. peer support
6. requirement to attend relevant training
7. where of a serious nature, a bar on chairing advisory or special committees for up to two months
8. where of a serious nature, a bar on attending committees for up to two months.

Where serious misconduct affects an employee, a member may be barred from contact with that individual; or if it relates to a specific responsibility of the council, barred from participating in decisions or information relating to that responsibility.

Endnotes

1. CSPL recommend that “Section 27(2) of the Localism Act 2011 should be amended to state that a local authority’s code of conduct applies to a member when they claim to act, or give the impression they are acting, in their capacity as a member or as a representative of the local authority”.
2. CSPL recommend that “councillors should be presumed to be acting in an official capacity in their public conduct, including statements on publicly accessible social media. Section 27(2) of the Localism Act 2011 should be amended to permit local authorities to presume so when deciding upon code of conduct breaches.”
3. Subject to footnotes 1 and 2 above
4. See CSPL website for further details www.gov.uk/government/news/the-principles-of-public-life-25-years
5. ACAS’s definition of bullying

Appendices

Code Appendix A

The principles are :

Selflessness

Holders of public office should act solely in terms of the public interest.

Integrity

Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships.

Objectivity

Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.

Accountability

Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.

Openness

Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.

Honesty

Holders of public office should be truthful.

Leadership

Holders of public office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.

Code Appendix B

Registering interests

1. Within 28 days of this Code of Conduct being adopted by the council or your election or appointment to office (where that is later) you must register with the Monitoring Officer the interests which fall within the categories set out in Table 1 (Disclosable Pecuniary Interests) and Table 2 (Other Registerable Interests).
2. You must ensure that your register of interests is kept up-to-date and within 28 days of becoming aware of any new interest in Table 1 or 2, or of any change to a registered interest, notify the Monitoring Officer.

Declaring interests

3. Where a matter arises at a meeting which directly relates to an interest in Table 1, you must declare the interest, not participate in any discussion or vote on the matter and must not remain in the room unless granted a dispensation. If it is a 'sensitive interest', you do not have to declare the nature of the interest.
4. Where a matter arises at a meeting which directly relates to an interest in Table 2, you must declare the interest. You may speak on the matter only if members of the public are also allowed to speak at the meeting but otherwise must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation. If it is a 'sensitive interest', you do not have to declare the nature of the interest.

5. Where a matter arises at a meeting which directly relates to your financial interest or well-being (and is not a Disclosable Pecuniary Interest) or a financial interest or well-being of a relative or close associate, you must declare the interest. You may speak on the matter only if members of the public are also allowed to speak at the meeting but otherwise must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation. If it is a 'sensitive interest', you do not have to declare the nature of the interest.
6. Where a matter arises at a meeting which affects –
 - a. your own financial interest or well-being;
 - b. a financial interest or well-being of a friend, relative, close associate; or
 - c. a body covered by table 1 below

you must disclose the interest.

7. Where the matter affects the financial interest or well-being to a greater extent than it affects the financial interests of the majority of inhabitants of the ward affected by the decision and a reasonable member of the public knowing all the facts would believe that it would affect your view of the wider public interest you must declare the interest. You may speak on the matter only if members of the public are also allowed to speak at the meeting but otherwise must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation. If it is a 'sensitive interest', you do not have to declare the nature of the interest.

Table 1: Disclosable Pecuniary Interests

Subject	Description
Employment, office, trade, profession or vocation	Any employment, office, trade, profession or vocation carried on for profit or gain. [Any unpaid directorship.]
Sponsorship	Any payment or provision of any other financial benefit (other than from the council) made to the councillor during the previous 12-month period for expenses incurred by him/her in carrying out his/her duties as a councillor, or towards his/her election expenses. This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992 .
Contracts	Any contract made between the councillor or his/her spouse or civil partner or the person with whom the councillor is living as if they were spouses/civil partners (or a firm in which such person is a partner, or an incorporated body of which such person is a director* or a body that such person has a beneficial interest in the securities of*) and the council — (a) under which goods or services are to be provided or works are to be executed; and (b) which has not been fully discharged.
Land and Property	Any beneficial interest in land which is within the area of the council. ‘Land’ excludes an easement, servitude, interest or right in or over land which does not give the councillor or his/her spouse or civil partner or the person with whom the councillor is living as if they were spouses/civil partners (alone or jointly with another) a right to occupy or to receive income.
Licences	Any licence (alone or jointly with others) to occupy land in the area of the council for a month or longer.
Corporate tenancies	Any tenancy where (to the councillor’s knowledge)— (a) the landlord is the council; and (b) the tenant is a body that the councillor, or his/her spouse or civil partner or the person with whom the councillor is living as if they were spouses/civil partners is a partner of or a director* of or has a beneficial interest in the securities* of.
Securities	Any beneficial interest in securities* of a body where— (a) that body (to the councillor’s knowledge) has a place of business or land in the area of the council; and (b) either— (i) the total nominal value of the securities* exceeds £25,000 or one hundredth of the total issued share capital of that body; or (ii) if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which the councillor, or his/her spouse or civil partner or the person with whom the councillor is living as if they were spouses/civil partners has a beneficial interest exceeds one hundredth of the total issued share capital of that class.

*'director' includes a member of the committee of management of an industrial and provident society.

*'securities' means shares, debentures, debenture stock, loan stock, bonds, units of a collective investment scheme within the meaning of the Financial Services and Markets Act 2000 and other securities of any description, other than money deposited with a building society.

Table 2: Other Registerable Interests

Any Body of which you are a member or in a position of general control or management and to which you are appointed or nominated by the council;	
Any Body—	(a) exercising functions of a public nature;
	(b) directed to charitable purposes; or
	(c) one of whose principal purposes includes the influence of public opinion or policy (including any political party or trade union)
of which you are a member or in a position of general control or management.	



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For a copy in Braille, larger print or audio,
please contact us on 020 7664 3000.
We consider requests on an individual basis.

Consultation Questions

Q1. To what extent do you support the proposal that councillors demonstrate the behaviours set out in the Code when they are publicly acting as, identifying as, and/or giving the impression that they are acting as a councillor, including when representing their council on official business and when using social media?

- To a great extent
- To a moderate extent
- To a small extent
- Not at all
- Don't know/prefer not to say

Q1a. If you would like to elaborate on your answer please do so here:

Q2. Is it sufficiently clear which parts of the Model Code are legal requirements, which are obligations, and which are guidance?

- Yes
- No
- Don't know

Q3. Do you prefer the use of the personal tense, as used in the Code, or would you prefer the passive tense?

- Personal tense ("I will")
- Passive tense ("Councillors should")
- No preference

Specific obligations

The Code lists 12 specific obligations – these set out a minimum standard councillors are asked to adhere to. Each obligation or group of obligations is put into a wider context to explain why that particular obligation is important.

Q4. To what extent to you support the 12 specific obligations?

Obligation	To a great extent	To a moderate extent	To a small extent	Not at all	Don't know / Prefer not to say
1. Treating other councillors and members of the public with civility.					
2. Treating council employees, employees and representatives of partner organisations and those volunteering for the councils with civility and respecting the role that they play.					
3. Not bullying or harassing any person.					
4. Not compromising, or attempting to compromise, the impartiality of anyone who works for, or on behalf of, the council.					
5. Not disclosing information given to me in confidence or disclosing information acquired by me which I believe is of a confidential nature, unless I have received the consent of a person authorised to give it or I am required by law to do so.					
6. Not preventing anyone getting information that they are entitled to by law.					
7. Not bringing my role or council into disrepute.					
8. Not using, or attempting to use, my position improperly to the advantage or disadvantage of myself or anyone else.					

Obligation	To a great extent	To a moderate extent	To a small extent	Not at all	Don't know / Prefer not to say
9. Not misusing council resources.					
10. Registering and declaring my interests.					
11. Not accepting significant gifts or hospitality from persons seeking to acquire, develop or do business with the council or from persons who may apply to the council for any permission, licence or other significant advantage.					
12. Registering with the monitoring officer any gift or hospitality with an estimated value of at least £25 within 28 days of its receipt.					

Q5. If you would like to propose additional or alternative obligations, or would like to provide more comment on a specific obligation, please do so here:

Q6. Would you prefer to see the obligations as a long list followed by the guidance, or as it is set out in the current draft, with the guidance after each obligation?

- As a list
- Each specific obligation followed by its relevant guidance
- No preference

Q7. To what extent do you think the concept of 'acting with civility' is sufficiently clear?

- To a great extent
- To a moderate extent
- To a small extent
- Not at all
- Don't know/prefer not to say

Q7a. If you would like to suggest an alternative phrase that captures the same meaning, or would like to provide a comment on this concept, please do so here:

Q8. To what extent do you think the concept of 'bringing the council into disrepute' is

sufficiently clear?

- To a great extent
- To a moderate extent
- To a small extent
- Not at all
- Don't know/prefer not to say

Q8a. If you would like to suggest an alternative phrase that captures the same meaning, or would like to provide a comment on this concept, please do so here:

Q9. To what extent do you support the definition of bullying and harassment used in the code in a local government context?

- To a great extent
- To a moderate extent
- To a small extent
- Not at all
- Don't know/prefer not to say

Q9a. If there are other definitions you would like to recommend, please provide them here.

Q10. Is there sufficient reference to the use of social media?

- Yes
- No
- Don't know/prefer not to say

Q10a. Should social media be covered in a separate code or integrated into the overall code of conduct?

- Separate code
- Integrated into the code
- Don't know/prefer not to say

Q10b. If you would like to make any comments or suggestions in relation to how the use of social media is covered in the code please do so here:

Registration and declarations of interests

The law at present requires, as a minimum, registration and declaration of 'Disclosable Pecuniary Interests' - that is matters which directly relate to the councillor and their partner if applicable.

The LGA is proposing that all councillors are required to declare interests where matters also relate to or affect other family members or associates. The LGA has broadened the requirement to declare interests beyond this current statutory minimum in line with a recommendation from the Committee on Standards in Public Life. These specific provisions are set out in Appendix B of the Code.

Q11. To what extent do you support the code going beyond the current requirement to declare interests of the councillor and their partner?

- To a great extent
- To a moderate extent
- To a small extent
- Not at all
- Don't know/prefer not to say

Q11a. If you would like to elaborate on your answer please do so here:

Q12. Should the requirement to declare interests be in the main body of the code or in the appendix where the draft model code currently references it?

- In the main body of the code
- In the appendix
- Other (please specify below)
- Don't know/prefer not to say

Q12a. If you would like to make any comments or suggestions in relation to how the requirement to declare interests is covered in the code please do so here:

It is also suggested that more outside interests should be registered than is the current statutory minimum. These are set out in Table 2 of the Appendix and are designed to demonstrate to the community transparency about other bodies with which the councillor is engaged.

Q13. To what extent do you support the inclusion of these additional categories for registration?

	To a great extent	To a moderate extent	To a small extent	Not at all	Don't know / Prefer not to say
Any organisation, association, society or party of which you are a member or in a position of general control or management and to which you are appointed or nominated by the council					
Any organisation, association, society or party that exercises functions of a public nature of which you are a member or in a position of general control or management					
Any organisation, association, society or party directed to charitable purposes					
Any organisation, association, society or party of whose principal purposes includes the influence of public opinion or policy (including any political party or trade union)					

Q13a. If you would like to propose additional or alternative categories for registration, please provide them here:

Q14. To what extent to you support the proposed requirement that councillors do not accept significant gifts as set out in Obligation 11?

- To a great extent
- To a moderate extent
- To a small extent
- Not at all
- Don't know/prefer not to say

Q14a. If you would like to elaborate on your answer please do so here:

Q15. The draft code proposes £25 as the threshold for registering gifts and hospitality. Is this an appropriate threshold?

- Yes
- Yes, but the amount should be reviewed annually with the code's review
- No, it should be lower (please specify amount) _____
- No, it should be higher (please specify amount) _____
- Don't know/prefer not to say

Q16. The LGA will be producing accompanying guidance to the code. Which of the following types of guidance would you find most useful? Please rank 1-5, with 1 being the most useful.

- _____ Regularly updated examples of case law
- _____ Explanatory guidance on the code
- _____ Case studies and examples of good practice
- _____ Supplementary guidance that focuses on specific areas, e.g., social media
- _____ Improvement support materials, such as training and e-learning packages

Q16a. If you would like to suggest any other accompanying guidance please do so here:

Q17. If you would like to make any further comments about the code please do so here:

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**Audit and Standards Committee
Work Programme 2020 - 2021**

Item	Lead Officer	Date of meeting
WCC Statement of Accounts 2019/20	Virginia Rennie	28 September 2020
External Auditors Audit Risk Assessment Report (External Auditors Report informing those charged with governance the audit risk assessment for WCC and the Pension Fund 2019/20)	Virginia Rennie	28 September 2020
External Auditors Update Report (Report from the external auditors on emerging issues)	Virginia Rennie	28 September 2020
Audit Plan and Audit Fee (Report from the external auditors on the audit plan and audit fee)	Virginia Rennie	28 September 2020
Governance of Change Programme		28 September 2020
Consultation Refresh Including Contract Standing Orders	Nichola Vine	5 November 2020

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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