

# Audit and Standards Committee

Date: Thursday 25 March 2021  
Time: 10.00 am  
Venue: Microsoft Teams

## Membership

John Bridgeman (Chair)  
Councillor Parminder Singh Birdi  
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

To confirm the minutes of the meeting held on 5 November 2020.

- |  |           |
|--|-----------|
| <b>2. Assessing the Audit Risk - Warwickshire County Council</b>   | 13 - 60   |
| The report and appendix document from the External Auditor (Informing the Audit Risk Assessment for Warwickshire County Council 2020/21) are attached.   |           |
| <b>3. Assessing the Audit Risk - Warwickshire Pension Fund</b>   | 61 - 90   |
| The report and appendix document from the External Auditor (Informing the Audit Risk Assessment for Warwickshire Pension Fund 2020/21) are attached.   |           |
| <b>4. External Auditors' Annual Audit Letter 2019/20</b>   | 91 - 108  |
| The report and appendix document (Annual Audit Letter for Warwickshire County Council and Warwickshire Pension Fund) are attached.   |           |
| <b>5. External Auditors' Progress Report and Sector Update</b>   | 109 - 124 |
| The report and appendix document (External Auditor's Progress Report and Sector Update) are attached.  |           |
| <b>6. Code of Corporate Governance</b>   | 125 - 144 |
| The report and appendix are attached.  |           |
| <b>7. Member Code of Conduct</b>   | 145 - 174 |
| The report and appendices are attached.  |           |
| <b>8. Strategic Risk Management Framework</b>  | 175 - 198 |
| The report and appendix are attached.  |           |
| <b>9. Internal Audit Plan 2021-22</b>  | 199 - 236 |
| The report and appendices are attached.  |           |
| <b>10. Work Programme and Future Meeting Dates</b>   | 237 - 238 |
| To consider items for the Committee's Work Programme and the dates of future meetings 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"><li>• 10 June 2021</li><li>• 27 July 2021</li><li>• 4 November 2021</li><li>• 24 March 2022</li></ul>  |           |
| <b>11. Any Other Business</b>  |           |

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

To consider passing the following resolution:

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

## **13. Internal Audit Update Report**

239 - 254

The report and appendix are attached.

## **14. Exempt Minutes of the meeting of the Audit and Standards Committee held on 5 November 2020 and matters arising**

255 - 258

The minutes are attached.

**Monica Fogarty**  
Chief Executive  
Warwickshire County Council  
Shire Hall, Warwick

To download papers for this meeting scan here with your camera



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### Webcasting and permission to be filmed

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### Disclosures of Pecuniary and Non-Pecuniary Interests

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These should be declared at the commencement of the meeting

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 and Standards Committee

Thursday 5 November 2020

## Minutes

### Attendance

#### Committee Members

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

#### Officers

Helen Barnsley, Democratic Services Officer  
Ben Brook, Assistant Chief Fire Officer  
Paul Clarke, Internal Audit Manager, Delivery Lead  
John Cole, Trainee Democratic Services Officer  
Sarah Duxbury, Assistant Director, Governance and Policy  
Andrew Felton, Assistant Director, Finance  
Carl Hipkiss, Development and Analysis Team Manager  
Chris Norton, Strategy and Commissioning Manager, Treasury, Pension, Audit & Risk  
Ben Odams, Policy Lead, Corporate Policy  
Jane Pollard, Legal Services Manager  
Rob Powell, Strategic Director, Resources  
Virginia Rennie, Strategy and Commissioning Manager (Strategic Finance)  
Steve Smith, Assistant Director, Commissioning Support Unit  
Gereint Stoneman, Strategy and Commissioning Manager (Corporate Policy)  
Jonathon Toy, Service Manager (Trading Standards & Community Safety)  
Nichola Vine, Strategy and Commissioning Manager (Legal and Democratic)

#### Others Present

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

### 1. General

#### (1) Apologies

Apologies were received from Councillor Dirveiks, Councillor Holland was present as a substitute.

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

There were none.

## **(3) Minutes of the previous meeting and matters arising**

### **Resolved:**

That the minutes of the meeting held on 28 September 2020 be approved as an accurate record.

There were no matters arising.

## **2. External Auditors' Progress Report and Sector Update**

Grant Patterson (Grant Thornton) introduced the report, stating that a draft version had previously been presented to the Committee. He highlighted the areas of the report which had been updated.

Grant Patterson confirmed that, since the last meeting of the Committee, the external auditor had completed its audit of the 2019/20 Financial Statements of both the County Council and the Pension Fund. The auditor's report for both entities was unqualified, including an unqualified value for money conclusion. However, in both the County Council's Statement of Accounts and the Pension Fund's accounts, an emphasis of matter had been included in relation to material valuation uncertainties (an 'emphasis of matter' is added to indicate a matter which has been disclosed appropriately in the Council and Pension Fund Financial Statements but considered by Auditors to be fundamental to readers' understanding; in this case, the potential increased volatility of property valuations).

Grant Patterson confirmed that the external audit had now been completed and, following approval of the Statement of Accounts by the Council, Grant Thornton had issued its opinion.

Grant Patterson reported that planning and interim work was underway for the 2020/21 Financial Statements Audit; a draft plan would be presented at the next meeting of the Committee. He advised that a focus on property, plant and equipment, as well as net pension liability, was likely to remain in place. However, a new code of audit practice had been issued which would see a shift away from the identification of residual risks in favour of a more holistic, narrative approach to value for money assessments. He advised that an 'Auditor's Annual Report' would be produced by the end of September 2021, this would replace the existing 'Annual Audit Letter' arrangement.

Grant Patterson reported that remote working during the period of coronavirus meant that audits were taking longer to complete across the public and private sector. This could result in an increase in the audit fee, however, Grant Thornton would strive to offset the increased costs of remote auditing.

In response to Councillor Horner, Grant Patterson stated that local authorities were facing challenges to manage available resources across statutory and discretionary services. He commented that WCC had maintained good levels of reserves which improved the outlook, however, early decision-making to prioritise services would be required to ensure that

arrangements were in place to manage cashflow effectively. The revised narrative approach to value for money assessments would help to inform this process.

Councillor Gifford stated that, given the budgetary implications of ensuring continued delivery of social care services, even a moderate reduction in overall funding could present significant challenges.

Rob Powell (Strategic Director, Resources) stated that the government's green paper on social care funding was anticipated with interest. He commented that the Authority had a good record in maintaining services, with investment in highway maintenance and continued support for the Warwickshire Local Welfare Scheme. He advised that the Medium Term Financial Strategy would be presented to members to enable an assessment of the adequacies of funding across all areas.

**Resolved:**

That the Audit and Standards Committee:

- a) Notes the External Auditors' Progress Report and Sector Update; and
- b) Notes the updated Audit Findings report for the County Council and the Warwickshire Pension Fund.

**3. Local Authority Financial Reporting and External Audit: Independent Review**

Andrew Felton (Assistant Director, Finance) introduced the report, stating that the recommendations emerging from the Redmond Review were generally supported by the Council. He advised that many of the recommendations were already observed by the Authority, which placed it among the better performing councils within the scope of the inquiry. He added that the narrative statement produced by the Authority was comprehensive and complied with many of the standards recommended by Sir Tony Redmond's report.

Andrew Felton summarised the implications of the Redmond Review's recommendations, including a recognition of funding requirements for external audit services and the likelihood of an increase in fees. Attention would also be given to governance arrangements to secure channels of communication between the external auditor and statutory officers within the Authority.

Andrew Felton commented that the new standardised statement called for by the Review would result in significant additional work, however, it would lead to greater consistency in reporting across local authorities. He added that the formation of a new national audit body was welcomed in principle, however, there was a concern that it could lead to an arrangement which replicated the defunct Audit Commission.

The Chair observed that the narrative statement produced by the Authority was orientated to be accessible and readily understandable to members of the public without specialist technical knowledge. He noted that a substantially expanded Statement could result in additional challenges to facilitate public engagement with often complex information.

Consideration was given to the profile of the work of the Audit & Standards Committee and the relatively short amount of time spent at meetings of the full Council to examine audit-related matters.

The Chair stated that the members of the Committee were trusted by their colleagues to act responsibly. It was observed that the nature of the material considered by the Committee did not always generate widespread interest, despite its importance.

Councillor Singh Birdi stated that training for new members was beneficial to help to ensure that councillors were equipped with the specialist knowledge required to make important judgements on often complex and technical matters.

Councillor Reilly stated that the recommendations emerging from Westminster should take account of the role of councillors, many of whom came from different backgrounds with different levels of expertise. In many instances, the role of a councillor was to be 'a jack of all trades'; it was reasonable to expect guidance from professionals with expertise in budgetary and financial matters.

Councillor Horner stated that the Committee should exercise caution in its engagement with independent experts, stating that an undue dependency upon third party external advice to understand relevant issues introduced a risk. He observed that the Council had engaged the services of Grant Thornton to seek an objective opinion; this was consistent with good practice across most large organisations.

Councillor Holland stated that the role of the Audit & Standards Committee was to provide assurance to the public that the relevant procedures were in place and being adhered to, and that the role of a councillor was to represent the view of a reasonable member of the public; in this sense being a 'jack of all trades' could be construed to be an asset.

Rob Powell (Strategic Director, Resources) highlighted that two places on the Committee were reserved for independent members, with recruitment ongoing for the vacant position. This provided scope for independent input whilst maintaining the democratic role of elected members within the Committee.

In response to the Chair, Andrew Felton stated that the recommendations of the Review were broadly welcomed. However, they represented a mixed picture overall, some of the recommendations related to practices the Council had already adopted, others required legislation to be enacted before they could be formally adopted by local authorities.

Rob Powell indicated that elements of the Review had been welcomed, particularly simplification of the current system and improved links between internal and external audit. He stated that any increase in fees would result in an expectation to see extra value in the delivery of external audit services.

**Resolved:**

That the Audit & Standards Committee notes the recommendations of the Redmond Review and supports the view of the Strategic Director for Resources as set out in the report.

#### **4. Warwickshire County Council: Changes to Accounting Policies**

Virginia Rennie (Strategy and Commissioning Manager, Strategic Finance) introduced the report, stating that the approval of the Committee was required in order to adhere to accounting standards procedures.

Virginia Rennie commented that the report was technical in nature and directed members' attention to a change in the leasing policy; the effect of which was to ensure that any leased assets were declared on the balance sheet on the basis that they represented an ongoing commitment. She highlighted changes to the production of group accounts, which would be required in anticipation of the creation of the Warwickshire Property and Development Company.

#### **Resolved:**

That the Audit & Standards Committee:

- a) Agrees that the accounting policy for group accounts outlined in paragraph 2.7 of the report should be used as the basis for the preparation of the 2020/21 Warwickshire County Council Statement of Accounts, or any subsequent year thereafter should the criteria for the production of group accounts be met;
- b) Agrees that the accounting policy for leases outlined in paragraph 3.13 of the report should be used as the basis of the preparation of the 2021/22 Warwickshire County Council Statement of Accounts and the additional disclosure notes required in 2020/21;
- c) Notes the amendments to the presentation of the statement of accounts in paragraphs 2.8 and 3.17 of the report that will result from the changes in accounting policy.

#### **5. Update on Preparations for EU Transition**

Gereint Stoneman (Strategy and Commissioning Manager, Corporate Policy) introduced the report, stating that it acted as a prelude to a more developed report due to be presented at the Full Council meeting in December 2020. He advised that a member briefing session regarding the Council's preparations for the end of the EU transition period would be scheduled later in November 2020.

Gereint Stoneman advised that the report provided a status update on conditions as they currently stood; due to the fluid nature of conditions surrounding the end of the EU transition period, it was likely that more information would become available over the coming months. He stated that the Committee could be assured that processes were in place to react promptly to any developments.

In response to the Chair, Gereint Stoneman stated that the Trade and EU Matters Group had addressed the issue from a 'worst case scenario' and had examined contingencies that would be required should no agreement be reached following international negotiations.

Councillor Gifford commented that he was sympathetic to the challenges associated with producing a report of this type, given the level of uncertainty involved. He observed that the report had not referred to the possible implications for the agricultural sector.

Ben Odams (Policy Lead, Corporate Policy) stated that the importance of this issue was acknowledged and was included in the more detailed analysis that officers had undertaken.

In response to the Chair, Jonathon Toy (Service Manager, Trading Standards & Community Safety) advised that all aspects of the food chain had been examined, leading to the formation of small team within Trading Standards to provide guidance to businesses during a period of uncertainty.

Jonathon Toy agreed to highlight the issue of live animal exports and animal welfare in transit to Councillor Crump, the lead Cabinet member for this area.

In response to Councillor Reilly, Gereint Stoneman advised that a Risk Register had been produced as a working document to take account of the risks associated with Brexit across the organisation. This would be used to highlight crucial issues for members' attention.

**Resolved:**

That the Committee notes the approach being taken in preparation for EU Transition.

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

The Committee noted the Work Programme and future meeting dates.

**7. Any Other Business**

Consideration was given to the report, Committee on Standards in Public Life, Best Practice Recommendations – Member Code of Conduct, which had been circulated in advance of the meeting as an agenda addendum.

Jane Pollard (Legal Services Manager) introduced the report, stating that in 2019, the Committee on Standards in Public Life had issued its Local Government Ethical Standards Report which presented a variety of best practice recommendations to local authorities. Feedback was sought from local authorities in respect of whether these recommendations had been adopted.

Jane Pollard advised that the Council was largely compliant with the proposed best practice recommendations, however there were three main areas where the Authority's practices differed:

- At present, the Council did not operate a gifts and hospitality register. Jane Pollard advised that the Local Government Association (LGA) was currently consulting on a model member code of conduct with a proposed financial threshold of £25, whereas the Committee on Standards in Public Life recommended a threshold of £50. In the interests of consistency, it would be appropriate to revisit this issue once the outcome of the LGA's consultation was known.

- It was felt that an annual governance report to the Audit & Standards Committee to include complaints under the member code of conduct would improve practices. However, discretion should be retained to allow for anonymity in cases where no breach of the code was found or where individual circumstances justify such an approach
- At present, the Code of Conduct was subject to review only when there appeared to be some necessity to do so, either by national changes or local difficulties. It was felt that this approach remained reasonable and proportionate, however, an opinion was sought from the Committee in respect of the recommendation of the Committee on Standards in Public Life for codes of conduct to be reviewed annually.

Councillor Reilly indicated that it would be prudent to wait for the outcome of the LGA Model Code of Conduct consultation prior to implementing a change to existing arrangements.

In response to the Chair, Jane Pollard confirmed that complaints under the Member Code of Conduct were currently managed on a case by case basis; anonymity was maintained where no breach of the code was found. Under the existing arrangement, a complainant was entitled to request that anonymity be maintained in cases where fault had been found.

Councillor Reilly stated that anonymity was of fundamental importance; publication of allegations prior to a thorough investigation could lead to misuse of a complaints procedure with the intention of damaging a councillor's reputation. He stated that openness and transparency should be maintained in cases where fault had been found.

In response to Councillor Horner, Jane Pollard advised that it was unusual for a complainant to request that details of an upheld complaint be withheld from the public. However, in circumstances when the individual was satisfied with the outcome and the matter had been resolved privately, it was felt that a request for anonymity to be maintained should be respected.

Sarah Duxbury (Assistant Director, Governance and Policy) advised that the Code of Conduct allowed scope for the Authority to exercise discretion and resolve complaints on a case by case basis. The Authority's response advocated the introduction of measures to promote improved transparency whilst maintaining a focus on high-level details rather than necessarily the identity of those individuals affected which in some cases justified anonymity.

Sarah Duxbury commented that, by moving away from the discretion to approach this on a case by case basis, the Authority stood to lose some of the good standards that had been implemented and, to a large extent, adhered to.

The Committee indicated approval for the proposed response in respect of complaints under the Code of Conduct, with the exception of Councillor Horner, who stated that if a member was found to be at fault it was reasonable for the public to be informed, irrespective of other considerations.

Consideration was given to the schedule for review of the Code of Conduct. The Chair suggested that the appointment of a new council would provide a timely opportunity for any modifications to the Code to be considered, whilst retaining scope for officers to bring any proposed changes to members' attention on an 'as needs arise' basis.

Councillor Holland stated that it would be reasonable to timetable review of the Code on a four-yearly basis. However, he suggested that this take place at the end of a four-year cycle, rather than at the beginning, to utilise the expertise of experienced councillors.

It was determined that a review of the Code of Conduct on a four-yearly basis would be appropriate.

**Resolved:**

That the Committee notes the response to the Committee on Standards in Public Life and endorses the response at Appendix 1 of the report.

There was no other business.

**8. 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.

**9. Internal Audit Progress Report**

The Committee received a confidential briefing.

**10. Exempt Minutes of the meeting of the Audit and Standards Committee held on 28 September 2020 and matters arising**

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

There were no matters arising.

The meeting rose at 11:53.

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Chair



## **Audit and Standards Committee**

**25 March 2021**

### **External Auditors Report – Warwickshire County Council Risk Assessment 2020/21**

#### **Recommendations**

The Audit and Standards Committee is asked to:

- a) Consider the interim Audit Risk Assessment for 2020-21, attached at Appendix A; and
- b) Note that the Strategic Director for Resources will update this assessment, if any further information becomes available between this Committee and the draft 2020-21 Statement of Accounts being issued, with any changes being reported to the next meeting of the Committee.

#### **1. Purpose of the Report**

- 1.1. The purpose of this report is to contribute towards the effective two-way communication between Warwickshire County Council's external auditors and Warwickshire County Council's Audit and Standards Committee, as 'those charged with governance'.
- 1.2. As part of the auditors' risk assessment procedures they are required to obtain an understanding of management processes and the Council's oversight of the following areas:
  - General Enquiries of Management;
  - Fraud;
  - Laws and Regulations;
  - Related Parties; and
  - Accounting Estimates.

1.3. **Appendix A** covers some important areas of the auditor risk assessment and the management response for 2020-21. 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.

1.4. The Audit Engagement Lead will attend the meeting to support the presentation of the report attached at Appendix A.

## 2. Financial Implications

2.1. There are no financial implications arising from this report.

## 3. Environmental Implications

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

## 4. Background Papers

4.1. None.

	<b>Name</b>	<b>Contact Information</b>
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Elected Members have not been consulted in the preparation of this report.

# Informing the audit risk assessment for Warwickshire County Council

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2020/21

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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's external auditors and Warwickshire County Council'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), (ISA(UK)) auditors have specific responsibilities to communicate with the Audit & Standards Committee. ISA(UK) 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 Council's oversight of the following areas:

- General Enquiries of Management
- Fraud,
- Laws and Regulations,
- 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'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
<p>1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2020/21?</p>	<p>The effects of the Covid-19 and oil prices on global markets and the stock market will potentially impact investment fund values. Their effect in triggering a more general economic slowdown will potentially impact on asset values. More generally any costs to the Authority of providing services to vulnerable people whilst the Covid-19 pandemic continues will impact on our risk reserves and reduce our capacity to take forward our planned change agenda in the short term. Over the medium term our priorities will be updated to reflect the need to support recovery and those most adversely impacted by the pandemic across Warwickshire. The extent of these impacts will be determined by the pace of economic recovery locally, nationally and internationally from the pandemic and the levels of longer term support needed for vulnerable individuals and communities.</p> <p>We have separately reported to management, on a monthly basis, any spend or income impacts which are Covid and non-Covid related so we can understand the impact of Covid on our reserves, the MTFS and BAU.</p>
<p>2. Have you considered the appropriateness of the accounting policies adopted by Warwickshire County Council?</p> <p>Have there been any events or transactions that may cause you to change or adopt new accounting policies?</p>	<p>The accounting policies are reviewed annually to ensure they are relevant and complete. We have agreed a new policy for Group Accounts have amended our leasing policy to be consistent with the new accounting standard for leases. These amendments were both approved by the Audit and Standards Committee on 20 November 2020. These will not directly affect the financial statements for 2020-21.</p> <p>We will be preparing Group Accounts in 2021-22 consolidating the Warwickshire Property and Development Company (WPDC) in our financial statements and the new Leasing Standard IFRS16 is currently planned for implementation from 1 April 2022.</p>
<p>3. Is there any use of financial instruments, including derivatives?</p>	<p>Yes. The County Council's financial instruments consist of investments with fund managers, building societies and other local authorities, cash and cash equivalents, short term debtors and creditors and borrowings with the Public Works Loan Board. In 2020-21 we are lending monies to Coventry &amp; Warwickshire Reinvestment Trust (CWRT) as part of the Government backed CBILs loan scheme to give access to local businesses to loan facilities during the pandemic.</p> <p>We do not make use of derivatives directly, however some funds invested in through fund managers could make use of derivatives to achieve their overall objectives.</p>



# General Enquiries of Management

Question	Management response
<p>4. Are you aware of any significant transactions outside the normal course of business?</p>	<p>We are not aware of any significant transactions outside the normal course of business. The pandemic has led to the introduction of a range of additional services being introduced. These have all been funded from additional Government grant received to support Covid-response and/or temporary use of our cash balances. The 'new' services we have provided have included:</p> <ul style="list-style-type: none"> <li>• Additional shared regional mortuary capacity</li> <li>• Shielding hubs</li> <li>• Test and trace</li> <li>• Short term changes to supplier payment terms to help businesses cash flows and rental dispensations.</li> </ul>
<p>5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets?</p>	<p>We are not aware of any changes in circumstances that would impair our non-current assets.</p>
<p>6. Are you aware of any guarantee contracts?</p>	<p>We are not aware of any contracts where WCC guarantees the performance of third parties. As part of the preparation of the statement of accounts we will be assessing whether there are any guarantees we need to be aware of and disclose.</p>
<p>7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements?</p>	<p>We are not aware of any loss contingencies and/or unasserted claims that would be material to the financial statements.</p>
<p>8. Other than in house solicitors, can you provide details of those solicitors utilised by Warwickshire County Council during the year. Please indicate where they are working on open litigation or contingencies from prior years?</p>	<p>We use:</p> <ul style="list-style-type: none"> <li>• Solicitors for our insurers on pot hole claims etc.</li> <li>• Solicitors for the disposal of land (not a contingency or a claim)</li> <li>• Solicitors for land development disposal and project work (not a contingency or a claim)</li> </ul>

# General Enquiries of Management

Question	Management response
<p>9. Have any of the Warwickshire County Council's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements?</p>	<p>None that we are aware of.</p>
<p>10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?</p>	<ul style="list-style-type: none"> <li>• Treasury management consultants on market movements, PWLB and CIPFA consultations, Treasury Management Service Strategy and Investment Strategies and forecasting as part of an ongoing service contract</li> <li>• Various Counsel on various matters where required (i.e. employment advice, legal interpretation of contracts/legislation etc)</li> <li>• Specialist advisors on the development of the Authority's new risk framework and approach to risk management</li> <li>• Specialist advisors on the delivery of procurement savings and better contract management</li> <li>• Various subject matter experts to support the Authority's change programme.</li> <li>• Property, legal and subject matter experts to support the business cases for the creation of Warwickshire Recovery and Investment Fund (WRIF) and WPDC</li> <li>• Specialist advisors on local government reorganisation in Warwickshire</li> <li>• Specialist advisors to support the valuations in the Statement of Accounts including actuarial support and property valuations.</li> </ul>

# Fraud

## Issue

### Matters in relation to fraud

ISA (UK) 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'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's management.

# Fraud risk assessment

Question	Management response
<p>1. Have Warwickshire County Council 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 the Council's risk management processes link to financial reporting?</p>	<p>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.</p> <p>Our process for identifying and responding to the risk of fraud is undertaken via the Preventing Fraud, Bribery and Corruption Framework and the Council's Whistleblowing policy. We have reviewed fraud risk using the results of national studies and local experience. Awareness of the most significant fraud areas has been promoted through the staff magazine Working for Warwickshire, the intranet and Yammer. We have also promoted a specific fraud awareness online training module which is available to all staff. On the basis of these policies and frameworks we have assessed the risk of material misstatement due to fraud as low.</p> <p>All reports to decision-makers and those charged with governance include a financial implications section that is signed-off in advance by the senior managers in the Finance Service.</p> <p>Significant risks are actively managed by Corporate Board through the Strategic Risk register, using a consistent approach to financial risk assessment, and are reported to Members on a quarterly basis alongside the financial monitoring information. Furthermore, Council requires that Corporate Board take the key strategic risks and any mitigating action needed into account as part of preparing the annual MTFS refresh.</p>

## Fraud risk assessment

Question	Management response
<p>2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?</p>	<p>Some of the key fraud risk areas were identified and highlighted in the Fraud Awareness Week. These were Procurement Fraud and Social Care Fraud. These were covered along with fraud methods which were Cyber Fraud, Social Engineering and Insider Fraud.</p> <p>The need for fraud awareness on these issues has been highlighted on the Intranet and Yammer and two articles in Working for Warwickshire:</p> <p><a href="https://warwickshiregovuk.sharepoint.com/SitePages/Fraud-Awareness-Week.aspx">https://warwickshiregovuk.sharepoint.com/SitePages/Fraud-Awareness-Week.aspx</a></p> <p><a href="https://web.yammer.com/main/threads/eyJfdHlwZSI6IlRocmVhZCIsImkljoiMTA1MzExMTU2NjYzOTEwNCJ9?search=fraud">https://web.yammer.com/main/threads/eyJfdHlwZSI6IlRocmVhZCIsImkljoiMTA1MzExMTU2NjYzOTEwNCJ9?search=fraud</a></p> <p><a href="https://w4w.warwickshire.gov.uk/issue-4-16-april-2020/welcome/fraud-and-scams-be-vigilant">https://w4w.warwickshire.gov.uk/issue-4-16-april-2020/welcome/fraud-and-scams-be-vigilant</a></p> <p><a href="https://w4w.warwickshire.gov.uk/issue-43-29-january-2021/news-round-up-1/fraud-awareness-week">https://w4w.warwickshire.gov.uk/issue-43-29-january-2021/news-round-up-1/fraud-awareness-week</a></p>
<p>3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within Warwickshire County Council as a whole or within specific departments since 1 April 2020?</p> <p>As a management team, how do you communicate risk issues (including fraud) to those charged with governance?</p>	<p>We are not aware of any instances of actual, suspected or alleged fraud. Risk issues are reported at a strategic level in quarterly monitoring reports. Fraud issues are reported to the relevant senior management and to the Audit &amp; Standards Committee as appropriate. Control issues, fraud, risks and errors captured through the planned internal audit activity and through investigations are reported to management and reported in summary to the Audit &amp; Standards Committee.</p> <p>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.</p> <p>Governance challenges are reflected in the organisation's strategic risk register. The strategic risk register highlights the actions taken and successes achieved in addressing the challenges of the past twelve months.</p> <p>A prime purpose of the governance framework is to minimise the occurrence of strategic risks and to ensure that any such risks arising are highlighted so that appropriate mitigating action can be taken. We are satisfied that the challenges identified are addressed by council plans that the actions identified in those plans will address the issues highlighted in our review of effectiveness.</p> <p>The Code of Conduct and Council Policies require matters to be reported to the Monitoring Officer. Monitoring Officer reports to a bi-monthly statutory officers meeting those matters which are required to be disclosed. Monitoring officer has statutory duties in terms of review and investigation.</p>

# Fraud risk assessment

Question	Management response
<p>4. Have you identified any specific fraud risks?</p> <p>Do you have any concerns there are areas that are at risk of fraud?</p> <p>Are there particular locations within Warwickshire County Council where fraud is more likely to occur?</p>	<p>There is always a risk of fraud in such a large and complex organisation. However, the governance and control environment, supported by the preventing fraud, bribery and corruption framework helps to mitigate the risk both in terms of the likelihood and impact.</p> <p>We have no particular concerns of areas or locations at risk of fraud that would not be identified through our frameworks.</p>
<p>5. What processes do Warwickshire County Council have in place to identify and respond to risks of fraud?</p>	<p>Preventing Fraud, Bribery and Corruption framework – published on the intranet outlines policies and procedures including the escalation procedure if required.</p> <p>We also participate in the National Fraud Initiative to ensure any risks of fraud are identified through partnership and data sharing arrangements.</p>
<p>6. How do you assess the overall control environment for Warwickshire County Council, including:</p> <ul style="list-style-type: none"> <li>• the existence of internal controls, including segregation of duties; and</li> <li>• the process for reviewing the effectiveness the system of internal control?</li> </ul> <p>If internal controls are not in place or not effective where are the risk areas and what mitigating actions have been taken?</p> <p>What other controls are in place to help prevent, deter or detect fraud?</p> <p>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)?</p>	<p>Our approach is set out in the Annual Governance Statement – which is reviewed by Audit &amp; Standards Committee and approved by Council following lengthy consultation with senior managers across the organisation.</p> <p>Independent assurance is provided through Internal Audit reviews.</p> <p>External Audit provide an Annual Audit Letter to the Committee highlighting any areas of concern and recommendations following the annual audit of accounts.</p> <p>Procedures and processes are designed to minimise the potential for the override of controls. Financial reporting involves a broad spectrum of individuals with differing roles and responsibilities, and this spectrum of input minimises the risk of inappropriate influence over financial reporting.</p>

## Fraud risk assessment

Question	Management response
7. Are there any areas where there is potential for misreporting?	We have not identified any areas where there is a potential for misreporting.
<p>8. How do Warwickshire County Council 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>	<ul style="list-style-type: none"> <li>• Staff Code of Conduct, Member Code of Conduct and Contracts Standing Orders – reviewed each year and where major changes to structures and/or legislation etc.</li> <li>• Fraud Awareness Week and Do the Right Thing Week</li> <li>• Staff Register of interests and additional declarations for Members and senior officers</li> <li>• Register of gifts and hospitality</li> <li>• On-line fraud awareness training</li> <li>• Workers who are not employees of the County Council are required to sign a “code of conduct for workers”</li> </ul> <p>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 we work and through which we account to, engage with and lead our communities.</p> <p>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: <a href="http://www.Warwickshire.gov.uk/corporategovernance">http://www.Warwickshire.gov.uk/corporategovernance</a></p> <p>We have a whistleblowing policy in place with an emphasis on behaviours, governance and the employee code of conduct. We also have a Fraud Hotline.</p> <p>Employees are encouraged to report all concerns and that these will then be dealt with as appropriate. This is covered by council intranet page “What should I do if I suspect fraud”.</p> <p>No significant issues have been reported.</p>

## Fraud risk assessment

Question	Management response
<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>High risk posts are all posts capable of having significant individual influence/control over resources in the absence of adequate controls and division of duties. Risks are managed through general controls such as division of duties, procedures to manage resources, reporting requirements, IT security arrangements, training and professional qualification requirements, risk based internal auditing activity planning, and whistleblowing procedures.</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 related to related party relationships and transactions?</p>	<p>We are not aware of any related party relationships or transactions that could give rise to instances of fraud.</p> <p>We have a Register of Interests and senior officer and Member additional declarations are completed annually.</p> <p>All staff and Members are required to declare any interests with related parties that could impact on their role within WCC and also ongoing in any involvement in the procurement of services or where that relationship may have other affects on their work.</p>
<p>11. What arrangements are in place to report fraud issues and risks to the Audit &amp; Standards Committee?</p> <p>How does the Audit &amp; 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>Terms of Reference for Audit &amp; Standard Committee – extract from Constitution  <a href="https://warwickshireintranet.moderngov.co.uk/documents/s1400/Section%207%20Responsibilities%20of%20the%20Audit%20and%20Standards%20Committee.pdf">https://warwickshireintranet.moderngov.co.uk/documents/s1400/Section%207%20Responsibilities%20of%20the%20Audit%20and%20Standards%20Committee.pdf</a></p> <p>Reporting on fraud is incorporated into the regular Internal Audit reporting to the Audit &amp; Standards Committee.</p>



# Fraud risk assessment

Question	Management response
12. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?	No
13. Have any reports been made under the Bribery Act?	No

# Law and regulations

## Issue

### Matters in relation to laws and regulations

ISA (UK) 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'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 County Council have in place to prevent and detect non-compliance with laws and regulations?</p> <p>Are you aware of any changes to the Council's regulatory environment that may have a significant impact on the Council's financial statements?</p>	<p>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, standing orders, codes of conduct and protocols on member / officer relations are documented.</p> <p><a href="http://www.warwickshire.gov.uk/constitution">http://www.warwickshire.gov.uk/constitution</a></p> <p>A formal induction programme for members is undertaken following each quadrennial election which covers the legal principles governing decision-making and the code of conduct.</p> <p>All our reports to member bodies receive financial and legal checks prior to submission to ensure they comply with regulatory requirements.</p> <p>Each year Cabinet receives the Local Government and Social Care Ombudsman (LGSCO) annual review letter which contains a summary of statistics on the complaints made about the Council for the year ended 31 March.</p> <p>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 processes to deal with reporting any breaches. All staff complete information compliance e-learning as part of our induction processes.</p> <p>We have consistent governance arrangements for our trading companies and wholly owned companies:-</p> <ul style="list-style-type: none"> <li>• We have shareholder agreement with each company which governs our relationship with the company and sets out which decisions require shareholder approval;</li> <li>• Annual General Meetings are held to ensure the Council is fully informed of the company's performance; and</li> <li>• Directors of each company have received "conflict of interest" awareness training and we actively monitor the risk of potential conflicts.</li> </ul>

## Impact of laws and regulations

Question	Management response
	<p>Assurance is managed by ensuring we have the appropriate people in roles and that the necessary induction has taken place. In addition we operate general controls such as division of duties, procedures to manage resources, reporting requirements, IT security arrangements, training and professional qualification requirements, risk based internal auditing activity planning, and whistleblowing procedures.</p> <p>3<sup>rd</sup> line of defence – internal audit reviews, e.g. pensions administration</p> <p>We are not aware of any changes. Governance issues and local government challenges from new legislation, funding and other pressures are set out at section 5 of the Annual Governance statement.</p> <p>We recognise that the final resolution of the McCloud pensions case is still to be determined. We will be preparing a separate paper setting out our proposed accounting treatment on this issue.</p> <p>We undertake monthly financial reporting to Directorate Management Teams and Corporate Board, where the financial challenge identifies any issues. Separately we have bi-monthly statutory officers meetings, that all legal and senior managers input to, where such issues, if they exist, are raised. Our Monitoring Officer receives weekly reports to alert them to any regulatory issues.</p> <p>Services that are subject to statutory and regulatory regimes (i.e. health and safety/construction/public health/trading standards) liaise closely with legal and have their own reporting processes.</p> <p>Any Local Government and Social Care Ombudsman determinations that are adverse are reported to members and remedial actions followed. None are significant or likely to effect accounts for this year.</p>

# Impact of laws and regulations

Question	Management response
<p>2. How is the Audit &amp; Standards Committee provided with assurance that all relevant laws and regulations have been complied with?</p>	<ul style="list-style-type: none"> <li>• Regular reporting to committee on all matters covered by forward plan and audit workplan.</li> <li>• Through the Annual Governance Statement and through the planning and reporting of a risk based programme of internal audit work each year.</li> <li>• Attendance by the Monitoring Officer or Deputy Monitoring Officer and S151 or Deputy S151 as well as Tier 3 Managers for Finance and Audit. Other Assistant Directors attend as required. This ensures committee can ask the question they feel important to ensure that they have assurance of compliance.</li> </ul> <p>Audit &amp; Standards approve draft Contract Standing Orders and must recommend them for approval to Council – this allows them to be robustly challenge officers regarding the compliance with regulations regarding spend.</p> <p>Separately, any key decision is also required to follow constitutional Key Decision procedure which ensures Member involvement and oversight.</p>
<p>3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2020 with an on-going impact on the 2020/21 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><i>To be updated as part of the final risk assessment to be reported in June 2021.</i></p>

## Impact of laws and regulations

Question	Management response
<p>5. What arrangements does Warwickshire County Council have in place to identify, evaluate and account for litigation or claims?</p>	<p>We undertake monthly financial reporting to Directorate Management Teams and Corporate Board, where the financial challenge identifies any issues. Separately we have bi-monthly statutory officers meetings, that all legal and finance senior managers input to, where such issues, if they exist, are raised.</p> <p>Constitutionally, litigation to be commenced requires delegated authority of the Chief Executive or their nominee. Responses to formal claims are routed via Legal and all appropriate senior managers (including the Monitoring Officer and S151 Officer) are alerted.</p> <p>Employment settlements are subject to approval via a vires arrangement by the Monitoring Officer and S151 Officer.</p>
<p>6. Have there been any report from other regulatory bodies, such as HM Revenues and Customs which indicate non-compliance?</p>	<p>We have undergone a routine tax inspection by HMRC (covering VAT and PAYE) during 2020/21 which has yet to be fully completed. To date no significant issues have been identified.</p> <p>An OFSTED inspection was started in late 2019/20 but was then paused as a result of Covid. We do not yet know when this will be restarted/completed.</p>

# Related Parties

## Issue

### Matters in relation to Related Parties

Warwickshire County Council are required to 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 Warwickshire County Council;
- associates;
- joint ventures;
- an entity that has an interest in the Council that gives it significant influence over the Council;
- 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 Council, or of any entity that is a related party of the Council.

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

ISA (UK) 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.

## Related Parties

Question	Management response
<p>1. Have there been any changes in the related parties disclosed in Warwickshire County Council's 2020/21 financial statements?</p> <p>If so please summarise:</p> <ul style="list-style-type: none"> <li>the nature of the relationship between these related parties and Warwickshire County Council</li> <li>whether Warwickshire County Council has entered into or plans to enter into any transactions with these related parties</li> <li>the type and purpose of these transactions</li> </ul>	<p>Warwickshire Property and Development Company – Approval to set up the company and to the first annual business plan was agreed by Cabinet in January 2021. The company has yet to be incorporated. <i>Further information including the incorporation date will be updated as part of the final risk assessment to be reported in June 2021.</i></p> <p>Coventry &amp; Warwickshire Reinvestment Trust (CWRT) – CBILS loan arrangement. This is a loan arrangement set up to provide businesses operating in Warwickshire with access to loans during the pandemic. CWRT is the lender and is a registered and approved commercial lending body. The scheme is backed by the Government backed British Business Bank. The authority is providing funds to CWRT. Loans will be repaid over 5 years with interest. The Government is guaranteeing 80% of the value of loans in instances of default and the Council has set up an earmarked risk reserve of £0.350m as further financial cover for losses.</p>
<p>2. What controls does Warwickshire County Council have in place to identify, account for and disclose related party transactions and relationships?</p>	<p>As part of the closedown of accounts a number of processes have been put into place to determine any related parties and the nature of the relationships that exist for both the authority and staff. As part of those Governance arrangements we request register of interests declarations are made by all Members and senior officers in addition to those that all staff are required to complete to declare any interest or relationships that exist which may affect the authority. We also canvass annually Legal Services and key finance and management staff to identify any partnerships or other related parties and ensure the appropriate disclosures are reported in the financial statements. Key codes of conduct outline responsibilities of those parties in recording and identifying those related parties and interests appropriately.</p>



## Related Parties

Question	Management response
3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?	Any significant transactions and arrangements with related parties outside of the budgetary framework would require approval in line with financial regulations and the Constitution.
4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?	Any significant transactions and arrangements outside of the normal course of business would be outside of the budgetary framework would require approval in line with financial regulations and the Constitution.

# Accounting estimates

## Issue

### Matters in relation to Related Accounting estimates

ISA (UK) 540 (Revised December 2018) requires auditors to understand and assess an entity's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the entity's risk management process identifies and addresses risks relating to accounting estimates;
- The entity's information system as it relates to accounting estimates;
- The entity's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit & Standards Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?

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

# Accounting Estimates - General Enquiries of Management

Question	Management response
1. What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures?	<p>Covid-19 and the impact it has had on the value of financial assets volatility is a circumstance that the authority will need to consider and report on within the financial statements. Any accounting estimates and judgements and the consequential disclosures will be made in a way that has appropriate regard to the circumstances.</p> <p>Details of the basis for Level 2 and 3 investments (those where clearly quoted and fully observable valuation data is not available) will be included in the notes to the accounts.</p>
2. How does the Council's risk management process identify and addresses risks relating to accounting estimates?	<p>Senior management and the S151 officer will consider the risk and judgements of material accounting estimates during the production of the accounts and ensure that the basis for the estimates and the effects of any judgements made and their associated risks are transparently reported.</p>
3. How do management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?	<p>Key management staff engage with the experts, where they are involved, in clearly defining and reviewing the basis and appropriateness of assumptions and source data for use in key accounting estimates used in the financial statements, such as the valuation of property, plant and equipment and pensions liabilities. This is done on an annual basis as the first stage of the preparation for closedown. The discussion and challenge is documented. In other areas, where other key accounting estimates are material, senior finance staff ensure there is a robust system of review and challenge in assuring the appropriateness of methods, assumptions and source data of those estimates. Again the review and challenge process is documented.</p>
4. How do management review the outcomes of previous accounting estimates?	<p>Management review material estimates as part of the hot review of the accounts process at the end of May. This is documented and will be used to inform an updated risk assessment of the material judgements and estimates within the financial statements prior to the publication of the draft accounts. This will be shared with the auditors and reported to Audit and Standards Committee for their consideration in June 2021.</p>
5. Were any changes made to the estimation processes in 2020/21 and, if so, what was the reason for these?	<p>No material changes are expected at this stage. <i>Any changes will be included as part of the final risk assessment to be reported in June 2021</i></p>

# Accounting Estimates - General Enquiries of Management

Question	Management response
6. How do management identify the need for and apply specialised skills or knowledge related to accounting estimates?	We use experts for the valuation of property, plant and equipment and pensions liabilities as these are material estimates and are recognised as key areas where an in-depth technical knowledge/specialism is required to provide adequate assurance over the validation of assumptions and required specialist knowledge is not be readily available in the Authority. Where specialist skills are required we have clear contracting requirements and a documented system of review and challenge.
7. How does the Council determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?	Where specialist skills are required the contracting requirements set out the assumptions, control activities and the format of the outputs required to enable an effective review and challenge process. Where controls are system driven these are documented and reviewed for appropriateness, with management oversight providing a separate professional view that the controls have been actioned appropriately and therefore that reliance can be placed on the figures.
8. How do management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?	We document the review and challenge oversight by senior management. This includes independent verification of estimates and discussions with experts to understand the processes they have used and the reliability of the results.
9. What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including: <ul style="list-style-type: none"> <li>• Management's process for making significant accounting estimates</li> <li>• The methods and models used</li> <li>• The resultant accounting estimates included in the financial statements.</li> </ul>	<p>The nature and extent of the oversight in relation to accounting estimates includes:</p> <ul style="list-style-type: none"> <li>• The agreement of assumptions in advance, including their appropriateness</li> <li>• Verification of the underlying data in advance</li> <li>• The methodology to be used to determine the value of estimates and its appropriateness</li> <li>• Review of the results for reasonableness, including comparative analysis with previous years</li> <li>• Sensitivity of the results to the key assumptions to assess materiality</li> <li>• Senior management sign-off of the outcomes of the quality assurance process</li> </ul> <p><i>Any additional specific oversight will be updated as part of the final risk assessment to be reported in June 2021.</i></p>

# Accounting Estimates - General Enquiries of Management

Question	Management response
10. 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)?	We are not aware of any such transactions at the moment. <i>This will be reviewed as part of the final risk assessment to be completed as part of the final accounts process and reported in June 2021.</i>
11. Are the management arrangements for the accounting estimates, as detailed in Appendix A reasonable?	Yes, we believe the arrangements are reasonable.
12. How is the Audit & Standards Committee provided with assurance that the arrangements for accounting estimates are adequate ?	<p>We quantify the financial impact of estimation and uncertainty. This is reported to Audit and Standards as part of the Statement of Accounts.</p> <p>We report this risk assessment to Audit and Standards Committee and provide them with the opportunity to consider and comment if it does not align to their understanding of the organisation. To reach this stage the risk assessment has been through an internal assurance process through senior management within the Finance Service.</p>

## Appendix A Accounting Estimates

Estimate	Question	Management response
Property Plant & Equipment Valuations / Impairments	1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	No.
Property Plant & Equipment Valuations / Impairments	2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used?  Were any changes made to these methods or models in 2020/21, and if so what was the reason for the change?	Models used agreed with independent valuation experts and assessed to comply with the Code.  No changes were made to these methods or models in 2020/21.
Property Plant & Equipment Valuations / Impairments	3. How do management select the assumptions used in respect of this accounting estimate?  Were any changes made to these assumptions in 2020/21, and if so what was the reason for the change?	Assumptions discussed with independent valuation experts and assessed to comply with the Code.  No changes were made to these assumptions in 2020/21.
Property Plant & Equipment Valuations / Impairments	4. How do management select the source data used in respect of this accounting estimate?  Were any changes made to this source data in 2020/21, and if so what was the reason for the change?	Source data is from the opening balances on the Authority's financial systems, reconciled to the audited balance sheet and asset register.  Data is also sourced from the property system (floorspace etc) and the education service (census and pupil rolls) and provided to the external experts. Data is reviewed for consistency with previous years and the reason for any material changes documented.  No changes were made to the sources of data in 2020/21.

## Appendix A Accounting Estimates

Estimate	Question	Management response
Property Plant & Equipment Valuations / Impairments	5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?	We employ specialist valuers to undertake annual valuations and rely on expert opinion. These were procured using an agreed valuation process specification and timetable. All material land and building assets are being valued in 2020-21. We ask our Property experts and others holding assets within the authority to review assets for impairment.
Property Plant & Equipment Valuations / Impairments	6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?	All data submissions received internally and from our expert valuers is reviewed and assessed against data provided to ensure accuracy, completeness and reasonableness. We obtain a valuation certificate and report on their results underlying the basis, assumptions and estimates used in the financial statements upon which we rely.
Property Plant & Equipment Valuations / Impairments	7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?	Yes.
Property Plant & Equipment Valuations / Impairments	8. Were any changes made to the key control activities this year? If so please provide details.	No.

## Appendix A Accounting Estimates

Estimate	Question	Management response
Property Plant & Equipment Valuations / Impairments	9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?	Based on advice and discussions with independent valuation experts, our internal experts and professional best practice. Consistency and sensitivity are also assessed and narrative included as part of the accounts to enable readers to understand the impact of the estimation uncertainty.
Property Plant & Equipment Valuations / Impairments	10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?	Based on advice and discussions with independent valuation experts, our internal experts and professional best practice.



## Appendix A Accounting Estimates

Estimate	Question	Management response
Estimated remaining useful lives of PPE / Depreciation	1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	No.
Estimated remaining useful lives of PPE / Depreciation	2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used?  Were any changes made to these methods or models in 2020/21, and if so what was the reason for the change?	Methods and models used agreed with independent valuation experts and assessed for compliance with the Code.  No changes were made to these models and methods in 2021.
Estimated remaining useful lives of PPE / Depreciation	3. How do management select the assumptions used in respect of this accounting estimate?  Were any changes made to these assumptions in 2020/21, and if so what was the reason for the change?	Assumptions used agreed with independent valuation experts and assessed for compliance with the Code.  No changes were made to these assumptions in 2021.
Estimated remaining useful lives of PPE / Depreciation	4. How do management select the source data used in respect of this accounting estimate?  Were any changes made to this source data in 2020/21, and if so what was the reason for the change?	Source data is from the opening balances on the Authority's financial systems, reconciled to the audited balance sheet and asset register.  Data is also sourced from the property system (floorspace etc) and the education service (census and pupil rolls) and provided to the external experts. Data is reviewed for consistency with previous years and the reason for any material changes documented.  No changes were made to the sources of data in 2020/21.

## Appendix A Accounting Estimates

Estimate	Question	Management response
Estimated remaining useful lives of PPE / Depreciation	5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?	Yes, independent valuation experts. Procured through standard WCC procurement processes by the Property team in conjunction with Finance.
Estimated remaining useful lives of PPE / Depreciation	6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?	All data submissions received internally and from our expert valuers is reviewed and assessed against data provided to ensure accuracy, completeness and reasonableness. We obtain a valuation certificate and report on their results underlying the basis, assumptions and estimates used in the financial statements upon which we rely.
Estimated remaining useful lives of PPE / Depreciation	7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?	Yes.
Estimated remaining useful lives of PPE / Depreciation	8. Were any changes made to the key control activities this year? If so please provide details.	No.

## Appendix A Accounting Estimates

Estimate	Question	Management response
Estimated remaining useful lives of PPE / Depreciation	9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?	Based on advice and discussions with independent valuation experts, our internal experts and professional best practice.
Estimated remaining useful lives of PPE / Depreciation	10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?	Based on advice and discussions with independent valuation experts, our internal experts and professional best practice.

## Appendix A Accounting Estimates

Estimate	Question	Management response
Measurement of Financial Instruments	1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	No risks are expected but we will use management review and challenge alongside advice from experts, where appropriate to provide assurance over any accounting estimates or to quantify and material uncertainty, judgements and qualifications in the accounts.
Measurement of Financial Instruments	2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used?  Were any changes made to these methods or models in 2020/21, and if so what was the reason for the change?	We review financial instruments to ascertain the model appropriate methods and models for valuations on an annual basis, considering alternatives and using expert advice where appropriate.  We do not expect any changes in 2020-21. <i>Any changes will be documented as part of the preparation of the accounts and reported as part of the updated risk assessment.</i>
Measurement of Financial Instruments	3. How do management select the assumptions used in respect of this accounting estimate?  Were any changes made to these assumptions in 2020/21, and if so what was the reason for the change?	Assumptions are based on the professional and sector knowledge of treasury management staff, drawing on external expert advisors where appropriate.  We do not expect any changes in 2020-21. <i>Any changes will be documented as part of the preparation of the accounts and reported as part of the updated risk assessment.</i>
Measurement of Financial Instruments	4. How do management select the source data used in respect of this accounting estimate?  Were any changes made to this source data in 2020/21, and if so what was the reason for the change?	<i>To be documented as part of the preparation of the statement of accounts and reported as part of the updated risk assessment.</i>

## Appendix A Accounting Estimates

Estimate	Question	Management response
Measurement of Financial Instruments	5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?	We use specialist treasury management advisors to: <ul style="list-style-type: none"> <li>• assess the fair values of financial assets and liabilities</li> <li>• inform our assessments of potential credit losses and</li> <li>• provide regular investment information through the year to monitor and assess trends and emerging issues.</li> </ul>
Measurement of Financial Instruments	6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?	<i>Work is still underway in this area and will be documented as part of the preparation of the statement of accounts and reported as part of the updated risk assessment.</i>
Measurement of Financial Instruments	7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?	<i>Work is still underway in this area and will be documented as part of the preparation of the statement of accounts and reported as part of the updated risk assessment.</i>
Measurement of Financial Instruments	8. Were any changes made to the key control activities this year? If so please provide details.	<i>Work is still underway in this area and will be documented as part of the preparation of the statement of accounts and reported as part of the updated risk assessment.</i>

## Appendix A Accounting Estimates

Estimate	Question	Management response
Measurement of Financial Instruments	9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?	<i>Work is still underway in this area and will be documented as part of the preparation of the statement of accounts and reported as part of the updated risk assessment.</i>
Measurement of Financial Instruments	10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?	<i>Work is still underway in this area and will be documented as part of the preparation of the statement of accounts and reported as part of the updated risk assessment.</i>

## Appendix A Accounting Estimates

Estimate	Question	Management response
Provisions for liabilities	1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	The basis, methodology and appropriateness of provisions will be assessed as part of the closedown of the accounts. Senior finance staff will ensure that this is documented and reviewed which will mitigate any risk of material misstatement.
Provisions for liabilities	2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used?  Were any changes made to these methods or models in 2020/21, and if so what was the reason for the change?	The design and methods used are determined by senior finance staff and assessed by management as part of the as part of the review of material provisions during closedown.  <i>Any changes will be assessed as part of the closedown process to ensure that methods and models are still appropriate and alternatives have been considered.</i>
Provisions for liabilities	3. How do management select the assumptions used in respect of this accounting estimate?  Were any changes made to these assumptions in 2020/21, and if so what was the reason for the change?	Management are advised by appropriate qualified and experienced finance staff.  <i>Any changes will be assessed as part of the closedown process.</i>
Provisions for liabilities	4. How do management select the source data used in respect of this accounting estimate?  Were any changes made to this source data in 2020/21, and if so what was the reason for the change?	Management are advised by appropriate qualified and experienced finance staff.  <i>Any changes will be assessed as part of the closedown process.</i>

## Appendix A Accounting Estimates

Estimate	Question	Management response
Provisions for liabilities	5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?	Specialist skills will be procured, if required. At this stage we do not expect any to be required but will report as part of the updated risk assessment if this changes.
Provisions for liabilities	6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?	Management monitor the operation of control activities by having clear annual review processes in place in respect of assessing provisions as part of the closedown process and ensuring senior finance staff review the basis, method and calculations.
Provisions for liabilities	7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?	Yes, through the annual review process. New provisions have to be agreed by senior management in Strategic Finance.
Provisions for liabilities	8. Were any changes made to the key control activities this year? If so please provide details.	No.



## Appendix A Accounting Estimates

Estimate	Question	Management response
Provisions for liabilities	9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?	Management are advised by appropriate qualified and experienced finance staff as part of the as part of the review of material provisions during closedown. This includes the consideration of estimation uncertainty and selecting the point estimate to use.
Provisions for liabilities	10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?	Management are advised by appropriate qualified and experienced finance staff as part of the as part of the review of material provisions during closedown. This includes the consideration of the sensitivity of the estimate to the methods and assumptions used and whether an estimate is sufficiently material for disclosure in the financial statements.

## Appendix A Accounting Estimates

Estimate	Question	Management response
Accruals	1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	There are a number of different types of accounting accrual and the basis and any judgements used in assessing each of these are varied. Management will ensure that there is a process in place for documenting rationale, estimation techniques, calculations and sensitivity. A challenge process will ensure accruals are both reasonable and materially accurate.
Accruals	2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used?  Were any changes made to these methods or models in 2020/21, and if so what was the reason for the change?	Various senior finance staff will ensure that the design, methods and models used in assessing accounting estimates of accruals are sound. Material accruals will be reviewed by more senior finance staff and management will ensure these processes have taken place.  All methods and models will be reviewed are part of closedown to ensure they remain sound and are a suitable basis for the accounts.
Accruals	3. How do management select the assumptions used in respect of this accounting estimate?  Were any changes made to these assumptions in 2020/21, and if so what was the reason for the change?	Assumptions are selected and/or reviewed by appropriately qualified and experienced finance staff.  Any changes to the assumptions and the effect of these will be assessed as part of the closedown process.
Accruals	4. How do management select the source data used in respect of this accounting estimate?  Were any changes made to this source data in 2020/21, and if so what was the reason for the change?	The source data is selected and/or reviewed by appropriately qualified and experienced finance staff.  Any changes to the source data and the effect on the accruals will be assessed as part of the closedown process.

## Appendix A Accounting Estimates

Estimate	Question	Management response
Accruals	5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?	<p>Staff with suitable qualifications and experience will be involved in the accounting estimates of accruals. Where material or significant judgements are involved in those estimates they will be reviewed by more senior finance staff.</p> <p>Additional specialist skills will be procured as and when appropriate, although we do not expect any to be needed at this stage.</p>
Accruals	6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?	Management monitor the operation of control activities by having clear annual review processes in place in respect of assessing accruals as part of the closedown process and ensuring senior finance staff review the basis, method and calculations.
Accruals	7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?	Yes, the adequacy and robustness of controls is considered as part of the annual review process.
Accruals	8. Were any changes made to the key control activities this year? If so please provide details.	At this stage we do not expect any changes to key control activities but will report on any changes that emerge during the closedown process as part of the updated risk assessment.

## Appendix A Accounting Estimates

Estimate	Question	Management response
Accruals	9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?	Management are advised by appropriate qualified and experienced finance staff as part of the as part of the review of material accruals during closedown. This includes the consideration of estimation uncertainty and selecting the point estimate to use.
Accruals	10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?	Management are advised by appropriate qualified and experienced finance staff as part of the as part of the review of material provisions during closedown. This includes the consideration of the sensitivity of the estimate to the methods and assumptions used and whether an estimate is sufficiently material for disclosure in the financial statements.

## Appendix A Accounting Estimates

Estimate	Question	Management response
Pension Fund (LGPS) Actuarial gains/losses	1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	<p>Investment performance - We will use updated investment performance as at 31 March in order to minimise the impacts of estimated data.</p> <p>Employee data – We will use actual data to the end of January and then projected data for the final two months of the year. There is a risk the actual salary estimates for the last two months to ensure the information on actuarial gains and losses is timely. We will assess the reasonableness of any difference between the actual and projected data as part of the closure of the accounts.</p> <p>No other risks have been identified.</p>
Pension Fund (LGPS) Actuarial gains/losses	<p>2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used?</p> <p>Were any changes made to these methods or models in 2020/21, and if so what was the reason for the change?</p>	<p>We commission the Warwickshire Pension Fund actuary to undertake this work on our behalf, in accordance with the Code and accounting standards.</p> <p>We are not aware of any changes to these methods or models in 2020/21.</p>
Pension Fund (LGPS) Actuarial gains/losses	<p>3. How do management select the assumptions used in respect of this accounting estimate?</p> <p>Were any changes made to these assumptions in 2020/21, and if so what was the reason for the change?</p>	<p>The assumptions are developed by our actuaries who are experts in their field. The starting point is to use assumptions appropriate for an average LGPS employer with broadly our liability profile. Assumptions are assessed for reasonableness through discussion with the actuary, including consideration of alternative assumptions tailored to the organisation. These are then finalised is a report prior to the actuarial gains and losses at 31 March are assessed.</p> <p>Any changes to assumptions will be detailed as part of this report.</p>

## Appendix A Accounting Estimates

Estimate	Question	Management response
Pension Fund (LGPS) Actuarial gains/losses	<p>4. How do management select the source data used in respect of this accounting estimate?</p> <p>Were any changes made to this source data in 2020/21, and if so what was the reason for the change?</p>	<p>The source data is held by Warwickshire Pension Fund. Data submitted to the actuary is audited by the Funds auditors.</p> <p>Investment performance - We will use updated investment performance as at 31 March in order to minimise the impacts of estimated data.</p> <p>Employee data – We will use actual data to the end of January and then projected data for the final two months of the year to ensure the information on actuarial gains and losses is timely. We will assess the reasonableness of any difference between the actual and projected data as part of the closure of the accounts.</p> <p>This is the same approach used in 2019/20.</p>
Pension Fund (LGPS) Actuarial gains/losses	5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?	Yes. We commission the Warwickshire Pension Fund actuary to undertake this work on our behalf, in accordance with the Code and accounting standards.
Pension Fund (LGPS) Actuarial gains/losses	6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?	<p>There is an annual internal audit plan for Warwickshire Pension Fund that provides a level of assurance over control activities. Findings reported to the Local Pension Board and through updates to the Audit and Standards Committee.</p> <p>Employee data from the pensions systems is reconciled to payroll data.</p> <p>We receive a report from the Fund's actuary that provides an explanation of the key movements over the year and the impact of different market movements. We will then meet with the actuary to discuss these as part of our management oversight, if required.</p>

## Appendix A Accounting Estimates

Estimate	Question	Management response
Pension Fund (LGPS) Actuarial gains/losses	7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?	Yes, assurance is placed on the expertise of the actuaries appointed by the Warwickshire Pension Fund. We assess the robustness of the controls through the additional reports we commission and meetings held to discuss the results.
Pension Fund (LGPS) Actuarial gains/losses	8. Were any changes made to the key control activities this year? If so please provide details.	We are not aware of any changes in the key control activities.
Pension Fund (LGPS) Actuarial gains/losses	9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?	<p>Assurance is placed on the expertise of the actuaries appointed by the Warwickshire Pension Fund. We assess the robustness of the controls through the additional reports we commission and meetings held to discuss the results.</p> <p>Assumptions are assessed for reasonableness through discussion with the actuary, including consideration of alternative assumptions tailored to the organisation. We receive a report from the Fund's actuary that provides an explanation of the key movements over the year and the impact of different market movements. We use these reports and any meetings to provide assurance over the point estimate we use.</p>
Pension Fund (LGPS) Actuarial gains/losses	10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?	These are calculated by the funds actuary, based on the agreed assumptions and the source data provided by the Warwickshire Pension Fund. and included within the reporting.





## **Audit and Standards Committee**

**25 March 2021**

### **Warwickshire Pension Fund Audit Risk Assessment 2020/21**

#### **Recommendation**

- 1) The Audit and Standards Committee is asked to consider the Audit Risk Assessment for 2020/21, attached at Appendix A.
- 2) That authority is delegated to the Strategic Director for Resources to sign off an updated risk assessment before the draft accounts are published (the updated version will be reported to Audit and Standards Committee).

#### **1. Purpose of the Report**

- 1.1. The Pension Fund is asked by the external auditors to provide an audit risk assessment to help to inform external auditors of risks and issues that may impact on the accounts and therefore help external audit in focusing attention on key issues. 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.
- 1.2. The document has been prepared on the basis of information available at the time of writing, however there may be estimates or judgements made in the production of the accounts where updated commentary can be provided to the external auditors when that work is being or has been done. Therefore it is proposed that an updated risk assessment is provided to external auditors in due course prior to the publication of the draft accounts and that this is then reported to the June Audit and Standards Committee.
- 1.3. The external auditors are developing an audit plan and this is expected to be reported to the June Audit and Standards Committee Meeting.

## 2. Financial Implications

- 2.1. There will be an audit fee in respect of external audit work. This will be reported to the June Audit and Standards Committee. There may be additional funding as a result of the Redmond Review that may cover some additional fees.

## 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.

# Informing the audit risk assessment for Warwickshire Pension Fund

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2020/21

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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 Pension Fund's external auditors and Warwickshire 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), (ISA(UK)) auditors have specific responsibilities to communicate with the Audit & Standards Committee. ISA(UK) 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 Council's oversight of the following areas:

- General Enquiries of Management
- Fraud,
- Laws and Regulations,
- 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 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
<p>1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2020/21?</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 the volatility of asset values and the uncertainty it adds to the valuation of some types of asset class.</p>
<p>2. Have you considered the appropriateness of the accounting policies adopted by Warwickshire Pension Fund?</p> <p>Have there been any events or transactions that may cause you to change or adopt new accounting policies?</p>	<p>Yes, we consider the accounting policies appropriate.</p> <p>No.</p>
<p>3. Is there any use of financial instruments, including derivatives?</p>	<p>Financial Instruments form part of the Pension Fund's investments. The nature of these are determined by the Fund Managers and Custodian.</p> <p>Fund managers may make use of derivatives to achieve investment objectives. Derivative instruments have been used during the year.</p>
<p>4. Are you aware of any significant transaction outside the normal course of business</p>	<p>No transactions outside of normal business. Significant transactions have occurred in respect of Fund launches and transitions in respect of Border to Coast Pension Partnership and in achieving strategic asset allocation targets.</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 and will be valued at 31st March 2021.
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?	Burness Paull LLP (Solicitors) to the Partner Funds were engaged regarding Border to Coast Pensions Partnership Limited: Supplemental shareholders' agreement in September 2020

# General Enquiries of Management

Question	Management response
9. Have any of the 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?	A breach in respect of the timing of the issuing of Annual Benefits Statements was reported to the Pensions Regulator in 2020, however this has no impact on the accounts or the financial management arrangements of the Fund.
10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	Hymans Robertson – Fund Actuary and Investment Advisor consulted on investment, funding, and administrative activities. Independent Financial Advisors to the Pension Fund Investment Subcommittee – Karen Shackleton (MJ Hudson), Peter Jones, and Bob Swarup (Camdor Global Advisors)

# Fraud

## Issue

### Matters in relation to fraud

ISA (UK) 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 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 Pension Fund's management

# Fraud risk assessment

Question	Management response
1. Have Warwickshire Pension Fund assessed the risk of material misstatement in the financial statements due to fraud?	The pension fund produces a statement of accounts following accounting policies designed to ensure fair and consistent reporting of the financial position. The Fund utilises the same anti-fraud arrangements as the administrating authority.
How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process?	Internal Audit reviews provide assurance on the internal controls and systems which are used to deliver the accounts. Two internal audits have been completed during 2020/21, one in relation to investments and one in relation to administration.
How do the Council's risk management processes link to financial reporting?	The Pension Fund Investment Sub Committee review fund risks quarterly. The fund has operated a general fund at risk register and alongside that a specific Covid risk register during 202/21.
2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?	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.
	The administering authority ran a Fraud Awareness Week to raise the profile of fraud with staff.
	Risks 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.
	The internal officer signatory list was updated during the year and an updated scheme of delegation for the authorisation of transactions was approved by the Investment Subcommittee during the year.

# Fraud risk assessment

Question	Management response
<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 2020? As a management team, how do you communicate risk issues (including fraud) to those charged with governance?</p>	<p>The Fund is aware of a potential pension fund related fraud at an employer organisation that is being investigated.</p> <p>Breaches of the law in respect of pensions administration activity are reported to the Local Pension Board, and where appropriate to the Pensions Regulator.</p> <p>Any investment issues would be reported to the Pension Fund Investment Sub Committee (and to the Local Pension Board if the matter was a governance matter.</p> <p>Accounting issues or fraud issues would be reported to the Audit and Standards Committee, and also to pension committees and/or the Local Pension Board as appropriate.</p> <p>Internal audit reports may be reported to any of the above forums, and by default will automatically be reported to the Audit and Standards Committee. These reports may pick up issues to do with fraud, errors, controls, or other irregularities.</p> <p>Risk is reported to The Pension Fund Investment Subcommittee and the Local Pension Board quarterly. For the majority of the year, two risk registers were maintained, a general strategic risk register, and a specific Covid related risk register.</p>
<p>4. Have you identified any specific fraud risks?</p> <p>Do you have any concerns there are areas that are at risk of fraud?</p> <p>Are there particular locations within Warwickshire Pension Fund where fraud is more likely to occur?</p>	<p>Pension fund transfer scams (whereby unscrupulous companies persuade LGPS members to transfer their pension funds to other (generally higher risk and higher cost) pension schemes against the member's best interests.</p> <p>The Fund recognises that there are risks to the Fund, including the risk of fraud, and uses risk management and risk register to ensure that appropriate actions are in place to mitigate risks.</p> <p>No</p>
<p>5. What processes do Warwickshire Pension Fund have in place to identify and respond to risks of fraud?</p>	<p>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.</p>

# Fraud risk assessment

Question	Management response
<p>6. How do you assess the overall control environment for Warwickshire Pension Fund, including:</p> <ul style="list-style-type: none"> <li>the existence of internal controls, including segregation of duties; and</li> <li>the process for reviewing the effectiveness the system of internal control?</li> </ul> <p>If internal controls are not in place or not effective where are the risk areas and what mitigating actions have been taken?</p> <p>What other controls are in place to help prevent, deter or detect fraud?</p> <p>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)?</p>	<p>Controls mirror the County Council and independent assurance is provided through Internal Audit reviews.</p> <p>Internal Audit completed 2 audits in 2020/21. These covered administration and investment.</p> <p>Governance matters are reported to the Local Pension Board including the reporting of internal audit activity and findings. A key activity in 2020/21 was the implementation of actions arising from a governance review which assessed the governance arrangements in place against the Pensions Regulator Code 14 (Governance and Administration of Public Service Pension Schemes).</p> <p>External Audit provide an Annual Audit Letter to the Committee highlighting any areas of concern and recommendations following the annual audit of accounts.</p> <p>The administering authority's Annual Governance Statement is also applicable to the Pension Fund and is reported to Audit and Standards Committee.</p> <p>Procedures and processes are designed to minimise the potential for the override of controls. Financial reporting involves a broad spectrum of individuals with differing roles and responsibilities, and this spectrum of input minimises the risk of inappropriate influence over financial reporting. The Investment Subcommittee is independent of the officers and consultants who provide financial reports to it and is supported by independent financial advisers in assessing the financial reports that it receives.</p>
<p>7. Are there any areas where there is potential for misreporting?</p>	<p>Potential for misreporting is mitigated by processes and controls. The following groups report based on industry standards adopted:</p> <ul style="list-style-type: none"> <li>Managers – report based on guidelines</li> <li>Custodian controls</li> <li>Accounting protocols</li> <li>The involvement of a wide range of different professionals.</li> </ul> <p>The pension fund investment sub-committee has had 2 Independent Financial Advisers (reducing to 1 from January 2021) and this mitigates the risk of misreporting happening or going unnoticed.</p>

## Fraud risk assessment

Question	Management response
<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 Council 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, to 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>The Council operates a whistleblowing procedure.</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 ensures division of duties, and periodic internal audit assignments review the application of controls and their effectiveness. Staff are appropriately qualified with a requirement to meet professional standards of conduct.</p> <p>IT security controls access to electronic information. There are professional qualification requirements for certain posts.</p> <p>An updated scheme of delegation was reported to and approved by the Pension Fund Investment Subcommittee during the year.</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 related to related party relationships and transactions?</p>	<p>No</p> <p>If related party relationships were a feature of a transaction, conflicts of interest would be proactively identified and declared, and appropriate arrangements put in place to manage them.</p>

## Fraud risk assessment

Question	Management response
<p>11. What arrangements are in place to report fraud issues and risks to the Audit &amp; Standards Committee?</p> <p>How does the Audit &amp; 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 also exercised through Internal Audit assignments reporting to the Audit and Standards Committee (and also to the Local Pension Board).</p> <p>Completed audits have been reported to the Audit and Standards Committee, and to the Local Pension Board. Pension fund officers are in the process of implementing actions.</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) 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 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 the Council's regulatory environment that may have a significant impact on the Council's financial statements?</p>	<p>The Monitoring Officer and the Section 151 officer provide assurance that laws and regulations have been complied with. Our retained advisers also provide assurance, and we commission specialist advice where required.</p> <p>A Pension Fund governance review was carried out and reported to Local Pension Board in 2019 comparing practice with Pension Regulator requirements. An associated action plan has been implemented.</p> <p>The Fund maintains a register of breaches of the law.</p> <p>No</p>
<p>2. How is the Audit &amp; 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, the Annual Governance Statement, and the existence of policies and procedures to ensure compliance with the law (for example procurement policies).</p>
<p>3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2020 with an on-going impact on the 2020/21 financial statements?</p>	<p>A breach in respect of the timing of the issuing of Annual Benefits Statements was reported to the Pensions Regulator in 2020, however this has no impact on the accounts.</p>
<p>4. Is there any actual or potential litigation or claims that would affect the financial statements?</p>	<p>The McCloud and Goodwin cases, however the impact may be immaterial.</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.  The fund operates an Internal Dispute Resolution Procedure.
6. Have there been any report from other regulatory bodies, such as HM Revenues and Customs which indicate non-compliance?	None noted.

# Related Parties

## Issue

### Matters in relation to Related Parties

Warwickshire Pension Fund are required to 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 Warwickshire Pension Fund;
- associates;
- joint ventures;
- an entity that has an interest in the Council that gives it significant influence over the Council;
- key management personnel, and close members of the family of key management personnel, and
- post-employment benefit plans (Warwickshire Pension Fund) for the benefit of employees of the Council, or of any entity that is a related party of the Council.

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

ISA (UK) 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.

## Related Parties

Question	Management response
<p>1. Have there been any changes in the related parties disclosed in Warwickshire Pension Fund's 2019/20 financial statements?</p> <p>If so please summarise:</p> <ul style="list-style-type: none"> <li>the nature of the relationship between these related parties and Warwickshire Pension Fund</li> <li>whether Warwickshire Pension Fund has entered into or plans to enter into any transactions with these related parties</li> <li>the type and purpose of these transactions</li> </ul>	No
<p>2. What controls does Warwickshire Pension Fund have in place to identify, account for and disclose related party transactions and relationships?</p>	<p>Key officers and the members of pension fund committees and the Local Pension Board are required to declare any interests that cause a conflict of interest.</p> <p>Related parties are identified by officers and incorporated into the related parties disclosures in the accounts as appropriate.</p>
<p>3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?</p>	<p>Transactions are reviewed by appropriate officers. Significant transactions (e.g. large fund transfers) are subject to more detailed planning and process.</p> <p>Transactions are signed off by appropriate officers in line with an approved scheme of delegation.</p>
<p>4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?</p>	<p>Transactions are signed off by appropriate officers in line with an approved scheme of delegation. There is no facility to authorise transactions outside of this scheme of delegation.</p>

# Accounting estimates

## Issue

### Matters in relation to Related Accounting estimates

ISA (UK) 540 (Revised December 2018) requires auditors to understand and assess an entity's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the entity's risk management process identifies and addresses risks relating to accounting estimates;
- The entity's information system as it relates to accounting estimates;
- The entity's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit & Standards Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?

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

# Accounting Estimates - General Enquiries of Management

Question	Management response
<p>1. What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures?</p>	<p>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 related disclosures made will be made in a way that has appropriate regard to the circumstances.</p> <p>Details of the basis for accounting estimates for Level 2 and 3 investments are included as notes to the accounts.</p>
<p>2. How does the Council's risk management process identify and addresses risks relating to accounting estimates?</p>	<p>Fund officers will consider the risks of accounting estimates during the production of the accounts and how to ensure that the basis for the estimates and their associated risks are transparently reported.</p>
<p>3. How do management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?</p>	<p>The Fund asks fund managers to provide information as to their methods.</p>
<p>4. How do management review the outcomes of previous accounting estimates?</p>	<p>Fund managers review the updated accounting estimates and are aware of the differences in value to the estimates made at the accounting date (which were immaterial last year).</p>
<p>5. Were any changes made to the estimation processes in 2020/21 and, if so, what was the reason for these?</p>	<p>No.</p>

# Accounting Estimates - General Enquiries of Management

Question	Management response
<p>6. How do management identify the need for and apply specialised skills or knowledge related to accounting estimates?</p>	<p>For investments, the Fund relies upon fund managers whose investments are valued at fair value in accordance with their appropriate respective professional guidelines. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.</p> <p>Regarding non-investment related accounting estimates (for example debtors and creditors), the Fund will ensure appropriately qualified staff or advisers are engaged.</p>
<p>7. How does the Council determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?</p>	<p>The fund custodian applies a roll-forward valuation based on the 31st December 2020 statements, adjusting for cashflows. This is compared to the year-end statement once available.</p> <p>Internal control reports from managers are reviewed.</p>
<p>8. How do management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?</p>	<p>The fund works closely with the custodian.</p> <p>Fund managers are required to operate to relevant professional and regulatory standards.</p> <p>Fund officers meet periodically with Fund managers to discuss fund activity, however historically this has focused on investment performance and investment management.</p>
<p>9. What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including:</p> <ul style="list-style-type: none"> <li>- Management's process for making significant accounting estimates</li> <li>- The methods and models used</li> <li>- The resultant accounting estimates included in the financial statements</li> </ul>	<p>Reconciliations are carried out against custodian reporting.</p> <p>The accounts are reviewed by the Assistant Director of Finance and the Strategy and Commissioning Manager (Finance).</p> <p>Draft accounts are reported to the Audit and Standards committee for review and comment.</p>



# Accounting Estimates - General Enquiries of Management

Question	Management response
10. 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)?	No
11. Are the management arrangements for the accounting estimates, as detailed in Appendix A reasonable?	Yes, we believe they are reasonable.
12. How is the Audit & Standards Committee provided with assurance that the arrangements for accounting estimates are adequate ?	<p>We quantify the financial impact of estimation and uncertainty. This is reported to Audit and Standards as part of the Statement of Accounts.</p> <p>The use of appropriately experienced staff to prepare the accounts, reviews by professionally qualified more senior staff, external audit review, and the preparation of accounts in line with relevant accounting standards.</p>

## Appendix A Accounting Estimates

Estimate	Question	Management response
Valuation of Level 3 Investments	1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	Risks exist around the impact of C-19 on L3 investments. These risks are addressed by comparing against end March valuation.
Valuation of Level 3 Investments	2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used?  Were any changes made to these methods or models in 2020/21, and if so what was the reason for the change?	Management rely on managers whose investments are valued at fair value in accordance with their appropriate respective guidelines.
Valuation of Level 3 Investments	3. How do management select the assumptions used in respect of this accounting estimate?  Were any changes made to these assumptions in 2020/21, and if so what was the reason for the change?	Management rely on managers whose investments are valued at fair value in accordance with their appropriate respective guidelines.
Valuation of Level 3 Investments	4. How do management select the source data used in respect of this accounting estimate?  Were any changes made to this source data in 2020/21, and if so what was the reason for the change?	Source data originates from the L3 manager and is reflected into the ledger through our custodian reporting.  No change

## Appendix A Accounting Estimates

Estimate	Question	Management response
Valuation of Level 3 Investments	5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?	None procured.
Valuation of Level 3 Investments	6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?	Internal control reports and audited financial statements provide assurance in relation to controls.
Valuation of Level 3 Investments	7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?	Internal control reports and audited financial statements provide assurance in relation to controls.
Valuation of Level 3 Investments	8. Were any changes made to the key control activities this year? If so please provide details.	No

## Appendix A Accounting Estimates

Estimate	Question	Management response
Valuation of Level 3 Investments	9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?	There is some level of uncertainty which is inherent with L3 investment valuations. Management will consider estimation uncertainty, taking into account information provided by Fund managers and potentially undertaking exercises such as sensitivity analysis to inform reporting.
Valuation of Level 3 Investments	10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?	Management will consider the information provided by fund managers and may review sensitivity to assumptions if appropriate.



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## Audit and Standards Committee

25 March 2021

### External Auditors' Annual Audit Letters 2019/20

#### Recommendation

The Committee is asked to:

- Consider the Annual Audit Letter of the External Auditors, attached at Appendix A, including whether any executive action is required.

#### 1. Purpose of the Report

- 1.1. The Audit Commission's Code of Audit Practice requires auditors to prepare an annual audit letter and issue it to each audited body.
- 1.2. The purpose of preparing and issuing annual audit letters is to communicate to the audited body and key external stakeholders, including members of the public, the key issues arising from auditors' work, which auditors consider should be brought to the attention of the audited body. The annual audit letter covers the work carried out by auditors since the previous letter was issued.
- 1.3. The letter, for 2019/20, is attached at **Appendix A** and covers both the County Council and Warwickshire Pension Fund. It summarises all of the work completed as part of the 2019/20 annual audit and reported to this Committee in previous reports and provides a brief update on any issues since the last report to the Committee in November 2020.
- 1.4. The auditors will attend the meeting to present the report.

## 2. Financial Implications

- 2.1. There are no material financial implications for the authority as a result of the issues raised in this report. Page 14 of the Auditors report includes some commentary about the additional fees for the 2019/20 audit as a consequence of the impacts on the audit work of Covid 19. These will subject to a separate report on the Audit Plans and Audit fees on the agenda for the June meeting of this Committee.

## 3. Background Papers

- 3.1. None.

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### Local Members consulted

Not applicable

### Other Members consulted

None



# The Annual Audit Letter for Warwickshire County Council and Warwickshire Pension Fund

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## Appendices

A Reports issued and fees
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# Executive Summary

## Purpose

Our Annual Audit Letter (Letter) summarises the key findings arising from the work that we have carried out at Warwickshire County Council (the Council) for the year ended 31 March 2020, including our work on Warwickshire County Pension Fund (the Pension Fund).

This Letter is intended to provide a commentary on the results of our work to the Council and external stakeholders, and to highlight issues that we wish to draw to the attention of the public. In preparing this Letter, we have followed the National Audit Office (NAO)'s Code of Audit Practice and Auditor Guidance Note (AGN) 07 – 'Auditor Reporting'. We reported the detailed findings from our audit work to the Council's Audit & Standards Committee as those charged with governance in our Audit Findings Report on 28 September 2020 and Progress Report on 5 November 2020.

## Respective responsibilities

We have carried out our audit in accordance with the NAO's Code of Audit Practice, which reflects the requirements of the Local Audit and Accountability Act 2014 (the Act). Our key responsibilities are to:

- give an opinion on the Council financial statements (section two)
- assess the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion) (section three).

In our audit of the Council financial statements, we comply with International Standards on Auditing (UK) (ISAs) and other guidance issued by the NAO.

## Our work

<b>Materiality</b>	We determined materiality for the audit of the Council's financial statements to be £13.941m, which is 1.5% of the Council's prior year gross cost of services.
	We determined materiality for the audit of the Pension Fund's financial statements to be £20m, which is 1% of the Pension Fund's prior year net assets.
<b>Financial Statements opinion</b>	<p>We gave an unqualified opinion on the Council and Pension Fund's financial statements on 27 October 2020.</p> <p>We included an emphasis of matter paragraph in our report in respect of the uncertainty over valuations of the Council's land and buildings and the pooled property assets of the Pension Fund given the Coronavirus pandemic. This does not affect our opinion that the statements give a true and fair view of the Council and Pension Fund's financial position and their income and expenditure for the year.</p>
<b>Whole of Government Accounts (WGA)</b>	We completed work on the Council's consolidation return following guidance issued by the NAO.
<b>Use of statutory powers</b>	We did not identify any matters which required us to exercise our additional statutory powers.
<b>Value for Money arrangements</b>	We were satisfied that the Council put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources. We reflected this in our opinion on the Council's financial statements on 27 October 2020.
<b>Certificate</b>	We are unable to certify that we have completed the audit of the financial statements of Warwickshire County Council until we have finalised our work on an open objection.

# Executive Summary

## Working with the Council

The outbreak of the Covid-19 coronavirus pandemic has had a significant impact on the normal operations of the Council. As a key body in the frontline response to the pandemic, the Council has worked closely with key partners to provide public health advice, support care providers, establish shielding hubs, provide Personal Protective Equipment (PPE), support education and school planning and reassign staff to areas of need.

The Council has now established their formal recovery plan as the organisation make strides towards the next phase of the recovery and reorganisation from the pandemic.

Authorities were still required to prepare financial statements in accordance with the relevant accounting standards and the Code of Audit Practice, albeit with 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.

Restrictions for non-essential travel has meant both Council and audit staff have had to adapt to new remote access working arrangements. This has been driven primarily by the use of technology and regular communication between the teams. We have both utilised video calling, screen sharing and other means to the fullest of our ability in order to carry out audit procedures and verify the completeness and accuracy of information.

The draft financial statements were published and provided to the audit team on 26 June 2020 and the audit has been conducted on an almost entirely remote basis, with members of the Council finance team making a limited number of visits to County Hall where necessary. Fortunately, both the audit team and Council finance team avoided any significant challenges through staff illness and lack of availability which enabled us to issue our audit opinions on 27 October 2020, ahead of the national deadline.

We would like to record our appreciation for the assistance and co-operation provided to us during our audit by the Council's staff.

**Grant Thornton UK LLP**  
**December 2020**

# Audit of the Financial Statements

## Our audit approach

### Materiality

In our audit of the Council's and Pension Fund's financial statements, we use the concept of materiality to determine the nature, timing and extent of our work, and in evaluating the results of our work. We define materiality as the size of the misstatement in the financial statements that would lead a reasonably knowledgeable person to change or influence their economic decisions.

### Council

We determined materiality for the audit of the Council's financial statements to be £13.941m, which is 1.5% of the Council's gross cost of services for the prior year. We used this benchmark as, in our view, users of the Council's financial statements are most interested in where the Council has spent its revenue in the year.

We set a lower threshold of £697k, above which we reported errors to the Audit & Standards Committee in our Audit Findings Report.

We also set a lower level of specific materiality of £25k for senior officer remuneration. We consider the disclosures of senior manager's remuneration to be sensitive as we believe these disclosures are of specific interest to the reader of the accounts.

### Pension Fund

We determined materiality for the audit of the Pension Fund's financial statements to be £20m, which is 1% of the Pension Fund's net assets for the prior year. We used this benchmark as, in our view, users of the Pension Fund's financial statements are most interested in the value of assets available to fund pension benefits.

We set a lower threshold of £1m, above which we reported errors to the Audit & Standards Committee in our Audit Findings Report.

### The scope of our audit

Our audit involves obtaining sufficient evidence about the amounts and disclosures in the financial statements to give reasonable assurance that they are free from material misstatement, whether caused by fraud or error. This includes assessing whether:

- the accounting policies are appropriate, have been consistently applied and adequately disclosed;
- the significant accounting estimates made by management are reasonable; and
- the overall presentation of the financial statements gives a true and fair view.

We also read the remainder of the Statement of Accounts to check it is consistent with our understanding of the Council and the Pension Fund and with the financial statements included in the Statement of Accounts on which we gave our opinion.

We carry out our audit in accordance with ISAs (UK) and the NAO Code of Audit Practice. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

We identified key risks and set out overleaf the work we performed in response to these risks and the results of this work.

# Audit of the Financial Statements (continued)

## Council and Pension Fund Common Significant Audit Risks

These are the significant risks which had the greatest impact on our overall strategy and where we focused more of our work at both the Council and Pension Fund.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p><b>Covid-19</b> 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 expected current circumstances would 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"> <li>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</li> </ul> <p>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</p> <p>For instruments classified as fair value through profit and loss (mostly in the Pension Fund) there may be a need to review the Level 1-3 classification of the instruments if trading may have reduced to such an extent that, quoted prices are not readily and regularly available and therefore do not represent actual and regularly occurring market transactions.</p> <ul style="list-style-type: none"> <li>Financial uncertainty will require the Council's management to reconsider financial forecasts supporting their going concern assessment and whether material uncertainties have arisen;</li> <li>Whilst the nature of the Pension Fund and its funding position (i.e. not in a winding up position or no cessation event) means the going concern basis of preparation remains appropriate management may need to consider 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</li> <li>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.</li> </ul>	<p>We worked with management to understand the implications the response to the Covid-19 pandemic had on the organisation's ability to prepare the financial statements and update financial forecasts and assessed the implications for our materiality calculations</p> <p>We liaised with other audit suppliers, regulators and government departments to co-ordinate practical cross sector responses to issues as and when they arose.</p> <p>We have evaluated:</p> <ul style="list-style-type: none"> <li>the adequacy of the disclosures in the financial statements that arose in light of the Covid-19 pandemic</li> <li>whether sufficient audit evidence could be obtained in the absence of physical verification of assets through remote technology</li> <li>whether sufficient audit evidence could be obtained to corroborate significant management estimates such as asset valuations and recovery of receivable balances</li> <li>management's assumptions that underpin the revised MTFS and the impact on management's going concern assessment</li> </ul>	<p>Our audit work has not identified any specific issues in respect of Covid-19. However,</p> <ul style="list-style-type: none"> <li>In their report, the Council's external valuer confirmed that as a result of the Covid-19 pandemic and the subsequent lockdown and impact on market activity, less certainty – and a higher degree of caution – should be attached to their valuations than would normally be the case. Their valuations are reported on the basis of 'material valuation uncertainty'.</li> <li>Similarly, two of the Pension Fund's investment managers, Threadneedle and Schroders, have highlighted valuation material uncertainty disclosures associated with pooled property funds as a result of Covid-19.</li> </ul> <p>As a result we have included Emphasis of Matters paragraphs highlighting these matters within our auditor's reports. These do not affect our opinion that the statements give a true and fair view of the Council's and Pension Fund's financial position and their income and expenditure for the year but are added to indicate a matter which is disclosed appropriately but which we consider is fundamental to a readers' understanding of the financial statements.</p> <p>The Council has also updated its disclosure of post balance sheet events, to include information relating to funding received since 1 April 2020 and other significant events.</p>

# Audit of the Financial Statements (continued)

## Council and Pension Fund Common Significant Audit Risks (continued)

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p><b>Management override of controls</b> Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities.</p> <p>The Authority and the Pension Fund face external scrutiny of their 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 have:</p> <ul style="list-style-type: none"> <li>evaluated the design effectiveness of management controls over journals</li> <li>analysed the journals listing and determined the criteria for selecting high risk unusual journals</li> <li>tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration</li> <li>gained an understanding of the accounting estimates and critical judgements applied made by management and considered their reasonableness with regard to corroborative evidence</li> <li>evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.</li> </ul>	<p>Our audit work has not identified any issues in respect of management override of controls in both the Council and Pension Fund.</p>



# Audit of the Financial Statements (continued)

## Council Specific Significant Audit Risks

These are the risks which had the greatest impact on our overall strategy and where we focused more of our work on the Council.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p><b>Valuation of land and buildings</b></p> <p><b>Land and Buildings - £605.3m</b></p> <p><b>Surplus Assets - £1.4m</b></p> <p><b>Investment properties - £23.6m</b></p> <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.</p> <p>This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.</p> <p>Management 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 have:</p> <ul style="list-style-type: none"> <li>evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work</li> <li>evaluated the competence, capabilities and objectivity of the valuation expert</li> <li>written to the valuer to confirm the basis on which the valuation was carried out</li> <li>engaged 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.</li> <li>tested revaluations made during the year to see if they had been input correctly into the Authority's asset register</li> <li>evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end.</li> </ul>	<p>Management have demonstrated through correspondence with the valuer their challenge of assumptions used in the estimation of asset values.</p> <p>In line with RICS guidance, the Council's valuer disclosed a material uncertainty in the valuation of the Council's land and buildings at 31 March 2020 as a result of Covid-19. The Council has included disclosures in relation to estimation uncertainty at Note 25.</p> <p>As noted on Page 6 we have included an Emphasis of Matter – 'effects of Covid-19 on the valuation of land and buildings' within our Independent auditor's report. This highlights the Council's disclosures to users of the financial statements. Our opinion is not modified in respect of this matter.</p>



# Audit of the Financial Statements (continued)

## Council Specific Significant Audit Risks (continued)

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p><b>Valuation of net pension liability</b></p> <p><b>Net pension liability – £812.6m</b></p> <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 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 have:</p> <ul style="list-style-type: none"> <li>updated 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 evaluated the design of the associated controls;</li> <li>evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;</li> <li>assessed the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation;</li> <li>assessed the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability;</li> <li>tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary;</li> <li>undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and</li> <li>sought to 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.</li> </ul>	<p>The Council's total net pension liability at 31 March 2020 is £812.6m (PY £924.8m) comprising the Warwickshire Pension Fund Local Government Pension Scheme and unfunded defined benefit pension scheme obligations in relation to Firefighters and Teachers.</p> <p>A full actuarial valuation is required every three years. The latest full actuarial valuation was completed in 2019. A roll forward approach is used in intervening periods which utilises key assumptions such as life expectancy, discount rates, salary growth and investment returns. There has been a £160.7m net actuarial gain during 2019/20.</p> <p>Our audit work has not identified any issues in respect of the valuation of the pension fund net liability.</p>

# Audit of the Financial Statements (continued)

## Pension Fund Specific Significant Audit Risks

These are the risks which had the greatest impact on our overall strategy and where we focused more of our work on the Pension Fund.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p><b>Valuation of Level 3 Investments (Annual revaluation)</b></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 and the sensitivity of this estimate to changes in key assumptions.</p> <p>Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end.</p> <p>Management utilise the services of investment managers and/or custodians 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 have:</p> <ul style="list-style-type: none"> <li>evaluated management's processes for valuing Level 3 investments</li> <li>reviewed the nature and basis of estimated values and consider what assurance management has over the year end valuations provided for these types of investments; to ensure that the requirements of the Code are met</li> <li>independently requested year-end confirmations from investment managers and the custodian</li> <li>for all level 3 investment, tested 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. We have reconciled those values to the values at 31 March 2020 with reference to known movements in the intervening period</li> <li>we have evaluated the competence, capabilities and objectivity of the valuation expert in addition to the assurance gained from the audited accounts of the investment fund, and</li> <li>reviewed investment manager service auditor report on design effectiveness of internal controls.</li> </ul>	<p>The Pension Fund has investments in infrastructure, Private Debt and unquoted equity investments that in total are valued on the balance sheet as at 31 March 2020 at £271.7m. These investments are not traded on an open exchange/, market and the valuation of the investment is highly subjective due to a lack of observable inputs.</p> <p>In order to determine the value, management has employed expert fund managers who have the necessary experience and technical expertise to ensure the correct valuation of these investments in the year end accounts.</p> <p>The fund are also supported by investment advisors who are independent from the fund managers who can advise on the performance of this type of investments. The performance of these investments are scrutinised by the Pension Committee. The value of the investment increased by £60.5m at 31/3/20, however Level 3 investments still only account for 13% of the fund.</p> <p>As highlighted, our audit work focuses on looking at external confirmations from both investment managers and the custodian, and as a result there will always be differences, which are largely as a result of timing differences in when information is received compared to the information available when management are estimating the values for the accounts. For this year, we identified four differences and when taken together this shows that the management estimate of investment values at year end is £5.2m less than more recently updated information.</p> <p>There were also differences on some Level 1 and Level 2 investments where the management estimate of investment values at year end is £1m more than more recently updated information.</p> <p>The net position is therefore £4.2m less than recently updated information. Given that our headline materiality is £20m, we are comfortable that these differences do not present of a risk of material misstatement of the fair value of your investments. Management has determined not to adjust for these. The differences referenced above do not indicate any weakness in management's arrangements for estimating investment values at year end.</p>

# Audit of the Financial Statements (continued)

## Audit opinion

We gave an unqualified opinion on the Council and Pension Fund's financial statements on 27 October 2020.

## Preparation of the financial statements

The Council and Pension Fund presented us with draft financial statements in June in accordance with the agreed timescale, and provided a good set of working papers to support them. The finance team responded promptly and efficiently to our queries during the course of the audit.

Restrictions for non-essential travel has meant both Council and audit staff have had to adapt to new remote access working arrangements. This has been driven primarily by the use of technology and regular communication between the teams. We have both utilised video calling, screen sharing and other means to the fullest of our ability in order to carry out audit procedures and verify the completeness and accuracy of information.

## Issues arising from the audit of the financial statements

We reported the key issues from our audit to the Council and Pension Fund's Audit & Standards Committee on 28 September 2020 and 5 November 2020.

## Annual Governance Statement and Narrative Report

We are also required to review the Council's Annual Governance Statement and Narrative Report. It published them on its website alongside the draft Statement of Accounts in June.

Both documents were prepared in line with the CIPFA Code and relevant supporting guidance. We confirmed that both documents were consistent with the financial statements prepared by the Council and with our knowledge of the Council.

## Pension fund accounts

We gave an unqualified opinion on the pension fund accounts of Warwickshire Pension Fund on 27 October 2020.

## Whole of Government Accounts (WGA)

We carried out work in line with instructions provided by the NAO . We issued an assurance statement that did not identify any issues for the group auditor to consider on 4 December 2020.

## Certificate of closure of the audit

We are unable to certify that we have completed the audit of the financial statements of Warwickshire County Council until we finalise our work an open objection.

# Value for Money conclusion

## Background

We carried out our review in accordance with the NAO Code of Audit Practice, following the guidance issued by the NAO in April 2020 which specified the 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.*

## Key findings

Our first step in carrying out our work was to perform a risk assessment and identify the risks where we concentrated our work. The risks we identified and the work we performed are set out below and overleaf.

### Overall Value for Money conclusion

**We are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2020.**

### Risks identified in our audit plan

#### Financial sustainability and delivery of long term plans

The Council has a good track record of delivering in year budgets and savings targets, it is forecast that a net underspend will be reported in 2019/20 and reserves will rise to £171m.

The medium term financial strategy has been updated to tie in with the 2020-25 Council Plan and will be updated annually to ensure it remains dynamic and robust.

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, Dedicated Schools Grant (DSG) and funding for pressures in the system such as adult social care.

In addition to this, to deliver a balanced budget, the Authority will need to deliver £6.2m of savings in 2020/21 increasing to £33m over the lifetime of the plan. This is considered to be a significant risk to achievement of the Medium Term Financial Strategy (MTFS).

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 have:

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

In light of the emerging issues of COVID-19, we have also had regard to the NAOs AGN 03 and considered two areas of potential VFM risk in relation to financial resilience and service failure.

# Value for Money conclusion

## Value for Money Risks (continued)

### How we responded to the risk

The Council has achieved the underspend forecast against the general fund budget in 2019/20. It has made positive contributions to reserves as well as carry forwards to the 2020/21 budget. This will be critical to future sustainability and addressing the cost pressures brought on by the COVID-19 Pandemic.

The savings plan for 2019/20 assumed £14.2m of savings would be delivered which compared to £10.5m actual achieved. The residual balance of £3.7m relates primarily to looked after children and has been earmarked for delivery in future years or replaced by budget allocations. Across the three period of the One Organisational Plan the Council achieved 85% of its savings target of £56.5m. The Council has now transitioned to a 5 year rolling MTFS model which sets a balanced budget through to 31 March 2025.

As part of the transformation of services and design of the new MTFS, there has been increased scrutiny of budgeting and focus on the accuracy of forecasting. This has been beneficial in minimising the variations in budgeted position between quarters and demonstrates that financial management is becoming stronger.

We have reviewed assumptions in relation to resources and funding, permanent spending needs, savings and reserves over the life of the plan and are satisfied that these are reasonable. In particular, allocations have been made to areas which are currently experiencing, and are predicted to continue to see, greater demand such as education and social care. The reserves of the Authority will reduce over the period of MTFS to £173.9m by March 2021 and £152.7m by 2025 through a mixture of investment and other use but are forecast to remain strong. The CIPFA financial resilience indicator currently puts the Council at the top end (lower risk) in terms of level of reserves and therefore this position is unlikely to deteriorate significantly based on the MTFS forecast.

### Findings and conclusions

In conclusion, we are satisfied that the Council has robust and appropriate arrangements in place to both deliver financial plans and plan for future financial sustainability, notwithstanding the additional pressures now presented by Covid-19.

In regard to the pandemic, the Council has been proactive in reshaping the MTFS, identifying emerging gaps in this and adding another dimension to quarterly and annual reporting which will be monitored as the organisation moves forward.

It is important however to recognise the significant challenges the Council faces and in particular the need to deliver £23m in savings plans in addition to those already identified in the MTFS. This is the primary risk to delivery of the plan and the Council must now work to mobilise the recovery plan and implement the framework it proposes.

Overall, there is a clear link between the overarching Council plan, MTFS and quarterly reporting, which has become further embedded during the year following the internal reorganisation and allows for easier alignment of these strands and a cohesive strategy.

## A. Reports issued and fees

We confirm below our fees charged and proposed for the audit and provision of non-audit services and final reports issued

### Fees

	PSAA Scale Fee £	Scope Changes Agreed £	Planned 2019/20 £	Impact of Covid-19 £	Proposed 2019/20* £	2018/19 Final Fees £
Statutory audit	72,795	15,000	87,795	13,169	100,964	81,795
Audit of Pension Fund	18,397	4,250	22,647	3,398	26,045	18,397
<b>Total fees</b>	<b>91,192</b>		<b>110,442</b>		<b>127,009</b>	<b>100,192</b>

### Audit fee variation

As outlined in our audit plan, the 2019-20 scale fee published by PSAA of assumes that the scope of the audit does not significantly change. There are a number of areas where the scope of the audit has changed, which has led to additional work and the recognition by the Council that the planned fee for 2019/20 reflected this. Subsequent to this, Covid-19 has impacted on the audit in several ways. These impacts include:

Revisiting planning - we have needed to revisit our planning and refresh risk assessments, materiality and testing levels. This has driven additional areas of audit work

Remote working – the most significant impact in terms of delivery is the move to remote working (both our teams and yours). We, as other auditors, are experiencing considerable delays as a result of remote working, including the delays in receiving accounts, quality of working papers, and delays in responses. These are understandable and arise from the availability of the relevant information and/or the availability of relevant staff (due to shielding, being diverted to other essential functions, or other additional Covid related demands). In many instances the delays are caused by our inability to sit with an officer to discuss a query or working paper. Gaining an understanding via Teams or phone is more time-consuming.

We have been discussing the impact Covid-19 has been having on audits with PSAA over the last few months and note that these issues are similar to those experienced in the commercial sector and NHS. In both sectors there has been a recognition that audits will take longer with commercial and local government audit deadlines being extended by 4 months and the NHS deadline by a month. The FRC also issued guidance to companies and auditors setting out its expectation that audit standards remain high and of additional work needed across all audits. The link attached <https://www.frc.org.uk/covid-19-guidance-and-advice> (see guidance for auditors) sets out the expectations of the FRC.

To date, we estimate that the issues highlighted above are increasing the time taken on audits by an average of 25%, in some cases higher. We understand from discussions with the ICAEW that this is similar to other firms. We have looked to mitigate this as far as possible through reduced travel time and travel costs and will absorb some of the remaining overrun ourselves. However, it is unlikely that this will not be sufficient to cover the full additional cost. We have proposed an additional 15% fee in relation to the impact of Covid-19 to bring the total audit fee up to £127,009.

\* It should be noted that all fee variations are subject to PSAA approval.

## A. Reports issued and fees (continued)

### Fees for non-audit services

Service	Fees £
<b>Audit related services</b>	4,200
- Certification of Teachers' Pension return	
<b>Non-Audit related services</b>	
- CFO Insights subscription	10,000
- Provision of IAS 19 Assurance to scheme employer auditors	7,000

### Non-audit services

Page 107 For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The table above summarises all non-audit services which were identified.

We have considered whether non-audit services might be perceived as a threat to our independence as the Council's auditor and have ensured that appropriate safeguards are put in place.

The above non-audit services are consistent with the Council's policy on the allotment of non-audit work to your auditor

### Reports issued

Report	Date issued
Audit Plan	26 March and 27 April
Audit Findings Report	28 September and 5 November
Annual Audit Letter	17 December



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## **Audit and Standards Committee**

**25 March 2021**

### **External Auditors' Progress Report and Sector Update**

#### **Recommendation**

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

#### **1. Purpose of the Report**

- 1.1. The purpose of this report is for our external auditors to provide a report to inform the 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 Audit Progress Report and Sector Update 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 ending 31 March 2021

25 March 2021

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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 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](http://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 March 2021

## Working with you

### Changes in the Engagement Team

Grant Patterson has served as engagement lead for the County Council and Pension Fund for the last five years and therefore in line with ethical standards will be stepping down as the Council's Engagement Lead (EL). John Gregory will be picking up those responsibilities from him. John has previously been the Council's EL but sufficient time has elapsed such that he is now able to return under ethical standards. John has extensive experience in the sector and looks forward to working with the Council again and forging strong working relationships with management and those charged with governance as the Council continues to navigate challenging times. John's CV can be found on page 11.

### Meetings

John has had introductory meetings with the finance team since the beginning of 2021. We also met with Finance Officers and the Strategic Director for Resources in March as part of audit planning for 2020/21. We continue to be in discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective.

### Events

Our annual chief accountant workshops have recently taken place. Delivered virtually this year, we offered break-out areas to provide opportunities for your finance officers to speak to peers across the sector in addition to gaining an understanding of the key changes impacting this year's accounts.

### Working Arrangements

We envisage having to continue to work completely remotely for a longer period. Working with the Council and Pension Fund we managed this well at the last audit and we will seek to be in regular contact with your finance team in respect of the logistics of these arrangements, recognising that staff welfare during the pandemic will be your priority.

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## 2019/20

### Certification of claims and returns

Following on from the meeting of the Audit and Standards Committee on 5 November 2020 we have now certified the Council's Teachers Pensions' EOYC form in accordance with agreed procedures. The certification work for the 2019/20 claim was not completed in line with the 30 November deadline and was signed off on 23 December 2020 due to delays in processing amendments required to the form. We are confident that management have a strong understanding of the actions required in the coming year to ensure this deadline is met for 2020/21.

## 2020/21

### Financial statements

Our formal planning work commenced during March. We have summarised our considerations at this time on page 5. In addition to this we will:

- continue to have regular discussions with management to inform our risk assessment for the 2020/21 financial and value for money audits
- review Council, Cabinet and committee papers and latest financial and operational performance reports
- consider any reports from regulators regarding your operational effectiveness.

Our planning work has started later than last year as a result of the pandemic and we expect to be in a position to be able to issue our audit plan summarising our approach to the significant audit risks at the June meeting of the Committee. Due to the unprecedented circumstances presented by the COVID-19 pandemic, we will be reviewing our establishment of significant risks to ensure these correspond to the arrangements which have been in place in the sector in 2020/21.

We hope to conduct early substantive testing of key areas including all revenue streams, operating expenditure, payroll costs and capital.

We will report any findings from our interim audit in these progress reports received at each meeting of the Audit and Standards Committee.

### Value for money

On page 6 we have summarised the refreshed value for money approach for members of the Audit and Standards Committee. We are in the process of requesting information and arranging meetings with key personnel at the Council in order to progress this work.

# Financial Statements Audit 2020/21

## Materiality

### The concept of materiality

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.

## Significant risks

Although we have started our planning work we are not at a stage where we can formally confirm the significant risks that we will be auditing. However, the sections below indicate likely areas that we will expect our work to focus on.

### Presumed significant risks

ISA (UK) 240 includes two presumed risks as follows:

- Revenue recognition may be misstated due to the improper recognition of revenue. This is a rebuttable risk if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition. We will consider the risk factors set out in ISA240 and the nature of the revenue streams at the Council and Pension Fund to determine whether there is a risk of fraud from revenue recognition. We are cognisant that the Council has been in receipt of additional revenue streams this year and we will be documenting the business processes of these and existing streams as part of our planning procedures to help inform our consideration of the revenue recognition risk.
- The risk of management over-ride of controls is present in all entities. The need to achieve a particular financial outturn could potentially place management under undue pressure in terms of how they report performance.

### Other potential significant risks at time of writing

**Valuation of land and buildings** - The Council revalues its land and buildings on an annual basis to ensure the carrying value in the Council financial statements is not materially different from the current value at the financial statements date. This valuation represents a significant estimate by management in the financial statements due to the value involved and the sensitivity of this estimate to changes in key assumptions. It is expected that the valuation of land and buildings will continue to be identified as a significant risk.

**Valuation of net pension liability** - The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements. The pension fund net liability is considered a significant estimate due to the size of the numbers involved in the Council's balance sheet and the sensitivity of the estimate to changes in key assumptions. It is expected that the net pension liability will continue to be identified as a significant risk.

**Valuation of level 3 investments** - The Pension 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. 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 and the sensitivity of this estimate to changes in key assumptions. It is expected that the valuation of level 3 investments will continue to be identified as a significant risk.

### Other expected areas of focus

- We set out on pages 8 and 9 detail pertaining to the new accounting standard on Estimates. This raises the bar in terms of what both we and management are required to do. Therefore while in the past, we have focussed on the valuation of property plant and equipment, the net pension liability as well level 3 investments for the pension fund, on the grounds that they are large and complex estimates in the accounts, this will occur to an even greater extent in 2020/21. This will also apply to any other material estimates made by management.
- *Practice Note 10: The application of auditing standards for public sector audits* was updated in November 2020. Revisions to PN 10 in respect of going concern are important and mark a significant departure from how this concept has been audited in the public sector in the past. In particular, PN 10 allows auditors to apply a 'continued provision of service approach' to auditing going concern, where appropriate. We are awaiting further NAO guidance but whilst our consideration of material going concern uncertainties will continue we do not anticipate this being a significant risk in 2020/21.

# Value for Money arrangements

## Revised approach to Value for Money work for 2020/21

On 1 April 2020, the National Audit Office introduced a new Code of Audit Practice which comes into effect from audit year 2020/21. The Code introduced a revised approach to the audit of Value for Money. (VFM)

There are three main changes arising from the NAO's new approach:

- A new set of key criteria, covering financial sustainability, governance and improvements in economy, efficiency and effectiveness
- More extensive reporting, with a requirement on the auditor to produce a commentary on arrangements across all of the key criteria, rather than the current 'reporting by exception' approach
- The replacement of the binary (qualified / unqualified) approach to VFM conclusions, with far more sophisticated judgements on performance, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

The Code requires auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under three specified reporting criteria. As follows:



### Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



### Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years)



### Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information





# Risks of significant VFM weaknesses

As part of our planning work, we will consider whether there are any risks of significant weakness in the body's arrangements for securing economy, efficiency and effectiveness in its use of resources that we need to perform further procedures on. We may need to make recommendations following the completion of our work. The potential different types of recommendations we could make are set out in the table below.

## Potential types of recommendations

A range of different recommendations could be made following the completion of work on risks of significant weakness, as follows:



### Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.



### Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.



### Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

# Revised auditing standard: Auditing Accounting Estimates and Related Disclosures

In the period December 2018 to January 2020 the Financial Reporting Council issued a number of updated International Auditing Standards (ISAs (UK)) which are effective for audits of financial statements for periods beginning on or after 15 December 2019. ISA (UK) 540 (revised): *Auditing Accounting Estimates and Related Disclosures* includes significant enhancements in respect of the audit risk assessment process for accounting estimates.

## Introduction

Under ISA (UK) 540 (Revised December 2018) auditors are required to understand and assess an entity's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the entity's risk management process identifies and addresses risks relating to accounting estimates;
- The entity's information system as it relates to accounting estimates;
- The entity's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?

## Additional information that will be required for our March 2021 audits

To ensure our compliance with this revised auditing standard, we will be requesting further information from management and those charged with governance during our audit for the year ended 31 March 2021 in all areas summarised above for all material accounting estimates that are included in the financial statements.

Based on our knowledge of the Council we have identified the following material accounting estimates for which this is likely to apply:

- Valuations of land and buildings and investment properties
- Depreciation
- Year end provisions and accruals
- Credit loss and impairment allowances
- Valuation of defined benefit net pension fund liabilities
- Fair value estimates
- Financial guarantees

## The Council's Information systems

In respect of the Council's information systems we are required to consider how management identifies the methods, assumptions and source data used for each material accounting estimate and the need for any changes to these. This includes how management selects, or designs, the methods, assumptions and data to be used and applies the methods used in the valuations.

When the models used include increased complexity or subjectivity, as is the case for many valuation models, auditors need to understand and assess the controls in place over the models and the data included therein. Where adequate controls are not in place we may need to report this as a significant control deficiency and this could affect the amount of detailed substantive testing required during the audit.

If management has changed the method for making an accounting estimate we will need to fully understand management's rationale for this change. Any unexpected changes are likely to raise the audit risk profile of this accounting estimate and may result in the need for additional audit procedures.

# Revised auditing standard: Auditing Accounting Estimates and Related Disclosures Cont'd

We are aware that the Council uses management experts in deriving some of its more complex estimates, e.g. asset valuations. However, it is important to note that the use of management experts does not diminish the responsibilities of management and those charged with governance to ensure that:

- All accounting estimates and related disclosures included in the financial statements have been prepared in accordance with the requirements of the financial reporting framework, and are materially accurate;
- There are adequate controls in place at the Council (and where applicable its service provider or management expert) over the models, assumptions and source data used in the preparation of accounting estimates.

## Estimation uncertainty

Under ISA (UK) 540 (Revised December 2018) we are required to consider the following:

- How management understands the degree of estimation uncertainty related to each accounting estimate; and
- How management address this estimation uncertainty when selecting their point estimate.

For example, how management identified and considered alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the point estimate used.

The revised standard includes increased emphasis on the importance of the financial statement disclosures. Under ISA (UK) 540 (Revised December 2018), auditors are required to assess whether both the accounting estimates themselves and the related disclosures are reasonable.

Where there is a material uncertainty, that is where there is a significant risk of a material change to the estimated carrying value of an asset or liability within the next year, there needs to be additional disclosures. Note that not all material estimates will have a material uncertainty and it is also possible that an estimate that is not material could have a risk of material uncertainty.

Where there is material estimation uncertainty, we would expect the financial statement disclosures to disclose:

- What the assumptions and uncertainties are;
- How sensitive the assets and liabilities are to those assumptions, and why;
- The expected resolution of the uncertainty and the range of reasonably possible outcomes for the next financial year; and
- An explanation of any changes made to past assumptions if the uncertainty is unresolved.

## How can you help

As part of our planning risk assessment procedures we routinely make a number of enquiries of management and those charged with governance, which include general enquiries, fraud risk assessment questions, going concern considerations etc. Responses to these enquires are completed by management and confirmed by those charged with governance at an Audit Committee meeting. For our 2020/21 audit we will be making additional enquires on your accounting estimates in a similar way (which will cover the areas highlighted above). We would appreciate a prompt response to these enquires in due course.

## Further information

Further details on the requirements of ISA (UK) 540 (Revised December 2018) can be found in the auditing standard on the Financial Reporting Council's website:

[https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-\(UK\)-540\\_Revised-December-2018\\_final.pdf](https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-(UK)-540_Revised-December-2018_final.pdf)

# Audit Deliverables

2020/21 Deliverables	Planned Date	Status
<p><b>Fee Letter</b></p> <p>Outlining the proposed audit fee for 2020-21.</p>	June 2021	Not yet due
<p><b>Audit Plan</b></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 Council and Pension Fund's 2020-21 financial statements and a Conclusion on the Council's Value for Money arrangements.</p>	June 2021	Not yet due
<p><b>Audit Findings Report (AFR)</b></p> <p>The Audit Findings Report will be reported to the Audit and Standards Committee.</p>	September 2021	Not yet due
<p><b>Auditor's Report</b></p> <p>This is the opinion on your financial statement, annual governance statement and value for money conclusion.</p>	September 2021	Not yet due
<p><b>Auditor's Annual Report</b></p> <p>This letter communicates the key issues arising from our work. The key output from local audit work on arrangements to secure VFM is an annual commentary on arrangements, which will be published as part of the Auditor's Annual Report (AAR). The AAR will be published at the same time as the Auditor's Report</p>	September 2021	Not yet due

# Your returning Engagement Lead



## Engagement Lead – John Gregory, Director (CPFA)

John has built his career around ensuring accountability in public services, having worked for many years at the Audit Commission and then Grant Thornton. He first became an Engagement Lead in 1997, and since that time has been responsible for the external audits of a wide range of local government and NHS bodies right across the Midlands, including county councils, metropolitan and unitary councils (including Birmingham) as well as a wide range of districts, police, fire and pension funds. His portfolio currently includes two other counties – Leicestershire and Nottinghamshire – as well as a range of other councils. In the summer of 2020, he wrote the Report in the Public Interest regarding the failing energy company at Nottingham City Council.

As well as his day-to-day portfolio, John is national lead within Grant Thornton on challenge and legality matters, providing advice to colleagues on handling objections to the accounts and potential exercise of statutory powers. He also leads on ensuring audit quality within the Grant Thornton Midlands public sector team.

John believes in having open relationships with the public bodies he audits, to ensure that potential issues are aired and resolved early, and looks forward to working with Warwickshire County Council once again.

# 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

# New NAO Code of Audit Practice for 2020-21

The NAO issued a new Code of Audit Practice which came into force on 1 April 2020 and applies to audits of 2020-21. The key change is an extension to the framework for VfM work.

The NAO has prepared Auditor Guidance Note (AGN 03), which sets out detailed guidance on what VfM work needs to be performed.

Public consultation on this ended  
2 September 2020.

The new approach to VfM re-focuses the work of local auditors to:

- promote more timely reporting of significant issues to local bodies;
- provide more meaningful and more accessible annual reporting on VfM arrangements issues in key areas;
- provide a sharper focus on reporting in the key areas of financial sustainability, governance, and improving economy, efficiency and effectiveness; and
- provide clearer recommendations to help local bodies improve their arrangements.

Under the previous Code, auditors had only to undertake work on VfM where there was a potential significant risk and reporting was by exception. Whereas against the new Code, auditors are required to undertake work to provide a commentary against three criteria set by the NAO – governance; financial sustainability and improving economy, efficiency and effectiveness.

A new Auditor's Annual Report presented at the same time as the audit opinion is the forum for reporting the outcome of the auditor's work on Value for Money. It is required to contain:



The 'Commentary on arrangements' will include a summary under each of the three specified reporting criteria and compared to how the results of VfM work were reported in previous years, the commentary will allow auditors to better reflect local context and also to draw attention to emerging or developing issues which may not represent significant weaknesses, but which may nevertheless require attention from the body itself. The commentary will not simply be a description of the arrangements in place, but an evaluation of those arrangements.

**Recommendations:** Where an auditor concludes there is a significant weakness in a body's arrangements, they report this to the body and support it with a recommendation for improvement.

**Progress in implementing recommendations:** Where an auditor has reported significant weaknesses in arrangements in the previous year, the auditor should follow up recommendations issued previously and include their view as to whether the recommendations have been implemented satisfactorily

**Use of additional powers:** Where an auditor uses additional powers, such as making statutory recommendations or issuing a public interest report, this needs to be reported in the auditor's annual report.

**Opinion on the financial statements:** The auditor's annual report also needs to summarise the results of the auditor's work on the financial statements. This is not a replacement for the AFR, or a verbatim repeat of it – it is simply a summary of what the opinion audit found

The new approach is more complex, more involved and will subsequently increase the cost of audit. We will be discussing this with the Chief Operating Officer shortly.

To review the new Code and AGN03 click [here](#)



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## Audit & Standards Committee

### Code of Corporate Governance

25 March 2021

#### Recommendation

That the Committee considers and endorses the draft Code of Corporate Governance for submission to Cabinet for approval.

#### 1. Executive Summary

- 1.1 The Code of Corporate Governance was last reviewed and approved by Cabinet December in 2016 following the issue by CIPFA of their revised framework and guidance (Delivering Good Governance in Local Government, based on seven principles of good governance).
- 1.2 The need to revise our present Code has arisen as a result of feedback from our Auditors through the Annual Governance Statement (AGS) examination. It has become increasingly apparent that as our current code combines two of the CIPFA principles (Principles B and G), our Auditors require our Annual Governance Statement to contain lengthier explanations about how we meet those principles so that they can more easily track our activity against the seven CIPFA principles.
- 1.3 The opportunity has therefore been taken to review and update the Code to reduce the increased burden in producing the annual AGS, to update the Code and to align it with our Integrated Planning Framework and approach. The 2020/21 AGS will review the effectiveness of governance arrangements during the period of the pandemic and will identify any actions that require a change to the proposed code.
- 1.4 The revised Code is attached at Appendix 1 together with “How we evidence our Code of Corporate Governance”. The revised Code has been benchmarked against the most recently issued codes of other authorities.
- 1.5 Subject to any comments made by the Committee, the next step would be to submit the draft to Cabinet in April 2021 for approval.
- 1.6 To ensure the Code remains current it is recommended that the Strategic Director for Resources is authorised by Cabinet to update the Code to reflect changes in our governance control processes on an ongoing basis. Formal reviews of the Code should continue to take place on a 4-year cycle unless there are significant changes warranting earlier review.

## 2 Financial Implications

None

## 3 Environmental Implications

None

## 4 Supporting Information

- 4.1 The suggested new code is based explicitly on the seven principles set out in the CIPFA guidance, which should reduce the burden on the need for additional explanation in the annual AGS. Much of the material will be familiar either from the current Code or the AGS.
- 4.2 The Code is aimed to be a fairly stable document not requiring annual reviews, only periodic reviews on a 4-year cycle or where there are major changes warranting earlier review.
- 4.3 The Code has been updated to reflect external assurance requirements, organisational arrangements, policies/strategies, systems, and protocols of the Council. These include:
- Adoption and re-writing of the Code, using the seven core principles in the CIPFA guidance.
  - Demonstrating how our governance arrangements secure economy, efficiency and effectiveness in our use of resources.
  - Updates to reflect organisational changes and current strategies and policies.
  - Update to the one page “How we Evidence our Code” summary.
  - Presentational changes to make the Code more user friendly.
- 4.4 A Communication and dissemination plan is being drawn up, aimed at:
- Raising general awareness of the Code and its relevance amongst staff and Members
  - Incorporating awareness and relevance within induction processes and linked to more detailed information for those needing it.
  - Developing e-learning packages and bite size training sessions
  - Continuing to raise its awareness through the annual ‘Do the Right Thing’ campaigns.
  - A common style and branding to cover the Code and the AGS.
  - Posting it on WCC’s intranet.
- 4.5 In revising the Code, it has become apparent that we will also need to update our Partnerships Governance Guide and it is intended that this will be done as the next phase, with an aim for its completion by December 2021,

including its dissemination and assurance trail to ensure robustness of governance arrangements within our key partnerships.

## 5 Timescales associated with the decision and next steps

- 5.1 If endorsed by the Committee the next step will be to seek Cabinet approval on 8 April 2021 and then develop the communication and dissemination plan.

## Appendices

- Appendix 1 Draft Code of Corporate Governance and Evidencing our Code of Corporate Governance Summary

## Background Papers

- CIPFA Delivering Good Governance in local Government Framework 2016 Edition and Guidance Notes for English Authorities 2016 Edition

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

Local Member(s): N/A

Other members: N/A

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# DO THE RIGHT THING

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The Code of  
Corporate  
Governance for  
Warwickshire  
County Council

# 1. What is 'governance'?

- 1.1** Governance is about how the County Council ensures it is doing the right things, in the right way, at the right time to deliver our objectives. It is made up of all the systems, processes, culture and behaviours which direct and control the way in which we work and through which we account to, engage with and lead our communities.
- 1.2** This Code of Corporate Governance applies to the Council's elected members, officers and partnership arrangements. This Code is accessible on the Council's intranet and internet.

# 2. Why we do it?

- 2.1** The way in which Warwickshire County Council is 'governed', affects our performance and the outcomes we deliver. Good governance ensures our resources are directed in accordance with our priorities and that we make the best use of those resources. It determines our ability to achieve our vision through sustainable economic, social and environmental outcomes for our customers and communities.
- 2.2** Good governance is about delivering on our promise to make a real and lasting positive difference to the people living and working in Warwickshire and it is about doing that in a timely, inclusive, open, honest and accountable manner.
- 2.3** Governance is about the way that WCC is directed and controlled and through which it is accountable to and engages with the community.



# 3. What is our framework:

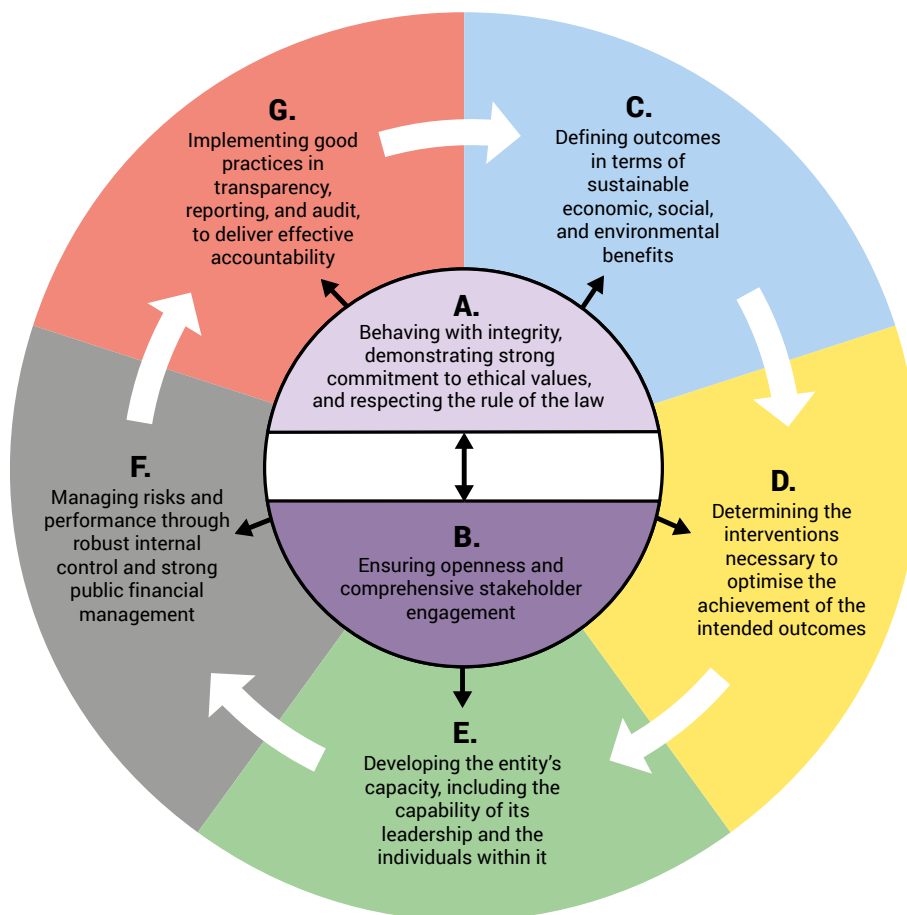
**The Governance Framework comprises the Governance principles, systems, processes, culture and values by which the Council is directed, controlled and through which it is accountable to and engages with the communities of Warwickshire. The key policies and systems which underpin and evidence the Code are in Appendix 1.**

Our code is aligned to the CIPFA/SOLACE Framework Delivering Good Governance in Local Government (2016) and illustrated here. Principles A and B, in the inner circle, permeate and are evidence in how we apply Principles C to G.

Good Governance is dynamic, as illustrated, and is based on continuous review and evaluation. A description of the arrangements which we

have put in place to secure robust corporate governance against each of the seven principles is summarised in Section 4.

We are committed to ensuring our approach to Corporate Governance is understood by all, actively communicated and is easily accessible by our staff and the community. The Code will be shared widely with the Community on-line and with our partners and stakeholders. We will also use a variety of communications, messages and channels to promote some common themes which underpin the code (such as trust in WCC to deliver, integrity, accountable, solutions-based approach) and can also maximise opportunities to make links with our Council Plan/Covid-19 Recovery Plan and strategic priorities.



**Figure 1**  
**CIPFA's Principles of Good Governance**

## Our Behaviours and Values

**3.1** How we behave underpins how we govern ourselves. We put people at the heart of everything we do and are committed to following behaviours and shared values that help to define our culture. We aim to apply these behaviours to everything we do, including how we engage with our partners, stakeholders and our customers. We ensure our expected behaviours are kept in view when we review our performance.

### Our Behaviours



Figure 2 Warwickshire's Six Key Behaviours

### Our Values



Figure 3 Warwickshire's Five Key Values



# 4. How we do it and do it right?

## 4.1 Our Corporate Governance Arrangements

We are committed to ensuring we are doing the right things, in the right way for the benefit of our communities. This means having good governance arrangements in place that deliver the Core principles of the CIPFA Framework.

Sub Principles	Arrangements the Council has in place
<b>Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law</b>	
<b>Behaving with integrity</b>	<ul style="list-style-type: none"> <li>• Integrity is embedded in our Six Behaviours and the supporting Values of being accountable and trustworthy.</li> <li>• To ensure our behaviours are upheld we have codes of conduct for officers and members, registers of gifts and hospitality, registers of financial interests, and policies on anti-fraud and whistleblowing. <a href="#">Constitution</a></li> </ul>
<b>Demonstrating strong commitment to ethical values</b>	<ul style="list-style-type: none"> <li>• We include ethical values in policies and procedures for all areas including procurement and partnership working. <a href="http://www.warwickshire.gov.uk/conduct">http://www.warwickshire.gov.uk/conduct</a></li> <li>• We have a 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. <a href="http://www.warwickshire.gov.uk/complaints">http://www.warwickshire.gov.uk/complaints</a></li> <li>• We appreciate the diversity of our customers, workforce and the wider Warwickshire community and are committed to Equality, Diversity and Inclusion and fulfilling our Public Sector Equality Duty. This is integral to everything we do including policy development, service delivery and partnership working to ensure that we do not unlawfully discriminate in the services we deliver or commission. <a href="http://www.warwickshire.gov.uk/equality">http://www.warwickshire.gov.uk/equality</a></li> </ul>
<b>Respecting the rule of law</b>	<ul style="list-style-type: none"> <li>• Our Constitution sets out the decision-making framework to ensure that all officers, key post holders and Members are able to fulfil their responsibilities in accordance with legislative requirements <a href="#">Constitution</a></li> <li>• All our reports to member bodies receive financial and legal checks prior to submission to ensure they comply with regulatory requirements.</li> <li>• Our Monitoring Officer receives weekly reports to alert her to any legal issues. The Head of Paid Service, Section 151 Officer and Monitoring Officer meet regularly to ensure any regulatory requirements are addressed.</li> </ul>

Sub Principles	Arrangements the Council has in place
	<ul style="list-style-type: none"> <li>• A formal induction programme for members is undertaken following each quadrennial election which covers the legal principles governing decision-making and the code of conduct. All officers with budget responsibilities receive training on financial policies, procedures and propriety.</li> <li>• 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.</li> <li>• We have adopted the model publication scheme produced by the Information Commissioner's Office (ICO), in accordance with the Freedom of Information Act 2000. <a href="https://www.warwickshire.gov.uk/Publications-scheme-and-transparency">https://www.warwickshire.gov.uk/Publications-scheme-and-transparency</a></li> <li>• We have consistent governance arrangements for our trading companies and wholly owned companies: <ul style="list-style-type: none"> <li>◦ We have a shareholder agreement with each company which governs our relationship with the company and sets out which decisions require shareholder approval;</li> <li>◦ Annual General Meetings are held to ensure the Council is fully informed of the company's performance; and</li> <li>◦ Directors of each company have received "conflict of interest" awareness training and we actively monitor the risk of potential conflicts.</li> </ul> </li> </ul>
<b>Principle B: Ensuring openness and comprehensive stakeholder engagement</b>	
<b>Openness</b>	<ul style="list-style-type: none"> <li>• We have a Consultation and Engagement Framework for public engagement which provides staff with up to date guidance and tools for planning and conducting consultation activities. The Ask Warwickshire website is a portal for public consultation exercises taking place within Warwickshire. <a href="http://www.warwickshire.gov.uk/ask">www.warwickshire.gov.uk/ask</a></li> <li>• The Warwickshire Youth Council, represents the voice of young people in Warwickshire about their priorities. The Youth Council are elected by young people aged 11-18. Each area of Warwickshire also has a youth forum which represents young people at a more local level. <a href="https://www.warwickshire.gov.uk/services-children-young-people/targeted-youth-support-tys/4">https://www.warwickshire.gov.uk/services-children-young-people/targeted-youth-support-tys/4</a></li> <li>• We have an active COMPACT with the voluntary and third sector and an overarching COMPACT with Town and Parish Councils.</li> </ul>

Sub Principles	Arrangements the Council has in place
<p><b>Engaging with stakeholders effectively, including our local communities, our customers and our employees.</b></p>	<ul style="list-style-type: none"> <li>• We have an Employee Engagement Strategy to 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 staff forums and regular staff surveys, check in surveys which measure employee engagement and our direction of travel against a number of staff related measures. <a href="https://www.warwickshire.gov.uk/employeeengagement">https://www.warwickshire.gov.uk/employeeengagement</a></li> <li>• Regular feedback is provided to staff through various mechanisms, for example through briefings, Working 4 Warwickshire, staff intranet pages etc.</li> <li>• 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. <a href="http://www.warwickshire.gov.uk/partnerships">http://www.warwickshire.gov.uk/partnerships</a></li> <li>• WCC, as “Corporate Parents”, have high aspiration for our children in care and care experienced young people. We are committed to hearing the voice of children in care through engagement with the Children in Care Council who seek to improve services for children. <a href="https://www.warwickshire.gov.uk/childrenincare">https://www.warwickshire.gov.uk/childrenincare</a></li> <li>• The Warwickshire Pension Fund engages with its employers and members through the LGPS 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. <a href="#">LGPS Local Pension Board</a></li> </ul>
<p><b>Principle C: Defining the vision and outcomes for the local area and determining the actions necessary to achieve the intended outcomes</b></p>	
<p><b>Defining outcomes</b></p>	<ul style="list-style-type: none"> <li>• The Council Plan/Covid-19 Recovery Plan has been developed with members and in consultation with our stakeholders and communities and defines priority outcomes and key strategic objectives. <a href="https://www.warwickshire.gov.uk/strategies">https://www.warwickshire.gov.uk/strategies</a></li> <li>• The Council Plan is supported by specific Strategies, Strategic Plans and programmes, all geared to delivering our Council Plan/Covid Recovery plan outcomes.</li> </ul>
<p><b>Determining actions for the delivery of outcomes</b></p>	<ul style="list-style-type: none"> <li>• The Strategies are supported by Business Plans, key change projects and investments to develop the actions needed to deliver the outcomes. Projects and investments are scrutinised to ensure they deliver required outcomes.</li> <li>• The Council has 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.</li> <li>• The Council’s Capital Programme is directed by our Integrated Capital Strategy, aligned to the Council Plan.</li> </ul>

Sub Principles	Arrangements the Council has in place
	<ul style="list-style-type: none"> <li>In 2019 the Council declared a climate emergency. Priorities and a programme of actions for addressing the climate emergency are included in the Council Plan/Covid-19 Recovery Plan and all Council reports identify financial and environmental implications.</li> </ul>
<b>Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes</b>	
<b>Determining interventions</b>	<ul style="list-style-type: none"> <li>Arrangements are in place to report critical management information on the key aspects of the delivery of the Council Plan, including finance, risk and performance to Corporate Board and on a quarterly basis to Cabinet and Overview &amp; Scrutiny Committees.</li> <li>Our Performance Framework, supports the delivery of the Council Plan, and includes mechanisms to assess progress, inform actions and interventions to achieve intended outcomes.</li> <li>Outcome Delivery Groups, supported by the Programme Management Office, monitor project delivery against plans and flag actions needed to manage escalated risks and deliver project objective.</li> <li>Each Directorate has escalation arrangements in place to its Directorate Leadership Team.</li> <li>Our Service Business Continuity Plans and procedures set out mitigating actions and contingency plans in response to business interruption events.</li> <li>We work in partnership with Coventry and Solihull Councils as part of the CSW Resilience Team, linking with the Warwickshire Local Resilience Forum to actively manage Civil Contingency requirements and responses. <a href="https://cswprepared.org.uk/">https://cswprepared.org.uk/</a></li> </ul>
<b>Optimising outcomes</b>	<ul style="list-style-type: none"> <li>Delivery of our Council Plan outcomes is achieved through our business plans, strategies and programmes/projects and our Strategy and Commissioning and performance management frameworks.</li> <li>This is supported by our Target Operating Model, our Commissioning Support units, including business insight and strategy and policy functions.</li> <li>We have an appraisal system which links the Council objectives to the personal objectives and personal development plans of individuals.</li> <li>All proposed and active projects, funded through our investment funds, are managed in the VERTO system, which includes change control and reporting functionality to track the delivery of realisable benefits and outcomes.</li> <li>Our Strategies and programmes address specific challenges and opportunities as they arise.</li> </ul>

Sub Principles	Arrangements the Council has in place
<b>Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it.</b>	
<b>Developing capacity</b>	<ul style="list-style-type: none"> <li>• Our People Strategy ensures our workforce can deliver the organisation's Target Operating Model and stays aligned with our vision and outcomes. Direction and progress continues to be governed and monitored by the How We Work/ Outcome Delivery Group. The Staff and Pensions Committee provides overall oversight.</li> <li>• Our How We Work programme invests in and delivers the right resources and tools to work as efficiently and effectively as possible. It promotes and encourages the behaviours that help to define our culture.</li> <li>• Our Agile Working Principles set out how employees can work as efficiently and productively as possible, whilst maintaining a priority focus on service needs.</li> </ul>
<b>Developing the capability of the Council's elected Members and employees</b>	<ul style="list-style-type: none"> <li>• Our People Strategy recognises our staff as being our primary talent to enable the delivery of exceptional services to our communities. It is aimed at delivering our vision for the Council to be a great place to work where diverse and talented people are enabled to be their best. The Strategy is our mechanism to have an effective approach to workforce planning, reward and recognition, embedding our values, behaviours and a high-performance culture, leadership and talent development and supporting our organisational design.</li> <li>• We have a corporate process for annual appraisals and Personal Development Plans 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.</li> <li>• Our corporate appraisal process is aligned to the Behaviours Framework and our recruitment process for senior managers applies a behavioural assessment process, which included leadership capability and identifies personal development areas.</li> <li>• We have a Senior Leadership Forum of our top three management tiers for sharing, shaping and developing our strategic direction, change plans and to support the delivery of those plans.</li> <li>• A member induction and development programme is arranged each year to ensure the core development needs of members, aligned to their respective roles, are met and to take account of new and emerging issues.</li> <li>• We invest in the health and wellbeing of our employees with a Workplace Wellness Strategy, and supporting processes including those to manage sickness absence and return to work.</li> </ul>

Sub Principles	Arrangements the Council has in place
<b>Principle F: Managing risks and performance through robust internal control and strong public financial management</b>	
<b>Strong public financial management</b>	<ul style="list-style-type: none"> <li>• Strong financial management is achieved through a robust Medium-Term Financial Strategy process which includes comprehensive involvement of our Members and Corporate Board to enable the delivery of the outcomes and objectives we set out in our Council Plan and achieving a balance between robustness of financial management and achieving our ambitions.</li> <li>• Our Budget is set as part of a 5-year Medium Term Financial Strategy and reviewed annually to ensure we remain prudent, robust and ambitious, whilst being flexible and responsive to emerging situations.</li> <li>• Our robust and integrated approach to achieving strong financial management includes: <ul style="list-style-type: none"> <li>◦ Agreed strategies and approaches to Treasury Management, Investment, Capital resources, the effective use of Reserves and Council taxation to ensure an appropriate balance in delivering our medium term goals and long term sustainability.</li> <li>◦ Attracting Inward Investment to the County and maximising social value for our communities through our Commercial Strategy.</li> <li>◦ Achieving the best use of both capital and revenue investment funding by ensuring all investment proposals are supported by robust business cases and realisable benefits to enable decisions on funding.</li> <li>◦ Continuing our drive to achieve efficiencies and savings and deliver services in more cost-effective ways through our plans to change and transform services, utilise technology, agile working and innovative ways of doing things.</li> </ul> </li> <li>• Specific policies, processes and practices supporting all this include: <ul style="list-style-type: none"> <li>◦ Regular budget monitoring and variance reporting at service and corporate level, ensuring the Council is alert to and managing emerging financial risks.</li> <li>◦ Corporate Board undertaking deep dive analysis of problematic budget areas alongside the plans to manage these in order to inform further actions.</li> <li>◦ Financial Regulations and our financial management framework guide adherence to policies, procedures and propriety. They outline the financial roles and responsibilities for staff and Members and provide a framework for financial decision-making. Where there are specific statutory powers and duties the Financial Regulations seek to ensure these are complied with, as well as reflecting best professional practice and decision-making. <a href="https://www.warwickshire.gov.uk/standingorders">https://www.warwickshire.gov.uk/standingorders</a></li> <li>◦ Contract Standing Orders promote good procurement practice, public accountability. <a href="#">Contract Standing Orders</a></li> <li>◦ Our S48 Scheme of Delegation for maintained schools, enables assurance of schools management of delegated budgets.</li> <li>◦ Robust management of Pension Fund Investment through our Investment Strategy Statement and our Responsible Investment and Climate Risk Policy. The Pension Fund Investments Sub Committee is supported by external financial advisers and additional independent financial advisers. <a href="#">Pension Fund Investments</a></li> </ul> </li> </ul>

Sub Principles	Arrangements the Council has in place
<b>Robust internal control</b>	<ul style="list-style-type: none"> <li>• Internal audit provide advice to service areas and change projects to ensure the control environment remains strong.</li> <li>• We have adopted the CIPFA Code of Practice for Managing the Risk of Fraud &amp; Corruption and this is reflected in our anti-fraud policy. <a href="http://www.warwickshire.gov.uk/antifraud">http://www.warwickshire.gov.uk/antifraud</a></li> <li>• Regular reporting on audit assurance outcomes to A&amp;S</li> <li>• We gain assurances on internal control from:               <ul style="list-style-type: none"> <li>○ Assistant Director annual assurance statements</li> <li>○ Social care quality assurance policy and procedures</li> <li>○ External sources of assurance including external audit opinions, statutory inspections and whole council or service specific peer reviews.</li> </ul> </li> </ul>
<b>Managing Risk</b>	<ul style="list-style-type: none"> <li>• Risk management is an integral part of good management and corporate governance and is therefore at the heart of what we do. Our approach to managing risk is explained in the Risk Management Framework. <a href="http://www.warwickshire.gov.uk/riskmanagementstrategy">http://www.warwickshire.gov.uk/riskmanagementstrategy</a></li> </ul>
<b>Managing Performance</b>	<ul style="list-style-type: none"> <li>• Our Performance Framework, supports the delivery of the Council Plan/ Covid-19 Recovery, and includes the following mechanisms to assess progress, inform actions and interventions to achieve intended outcomes:               <ul style="list-style-type: none"> <li>○ progress against the Council Plan and the MTFS is assessed through Key Business Measures (KBMs) to assess the delivery of outcomes for reporting to Overview &amp; Scrutiny Committees and Cabinet on a quarterly basis.</li> <li>○ 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 and identify any interventions needed</li> </ul> </li> <li>• Programme and Project performance is monitored by Delivery Groups</li> <li>• Actions plans arising from peer reviews and inspections are owned and monitored by Directorate Leadership Teams.</li> </ul>
<b>Principle G: Implementing good practices in transparency, reporting and audit to deliver effective accountability</b>	
<b>Good practice in transparency and reporting</b>	<ul style="list-style-type: none"> <li>• We have a forward plan which provides information about the key decisions that the Council has scheduled.</li> <li>• 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. Live and recorded Webcasts of formal public meetings are available. <a href="http://www.warwickshire.gov.uk/democracy">http://www.warwickshire.gov.uk/democracy</a></li> <li>• Each year we publish information on our website outlining how we spend Council Tax income. <a href="http://www.warwickshire.gov.uk/counciltaxspending">http://www.warwickshire.gov.uk/counciltaxspending</a></li> </ul>

Sub Principles	Arrangements the Council has in place
	<ul style="list-style-type: none"> <li>• We are implementing a council-wide lessons learnt approach that embeds lesson capture within all projects and regularly surfaces actions and lessons to decision makers and project teams.</li> </ul>
<p><b>Assurance and effective accountability</b></p>	<ul style="list-style-type: none"> <li>• Our Corporate Board, supported by Directorate Leadership Teams, take responsibility for providing overall leadership and setting the strategic direction and specifically, for ensuring:               <ul style="list-style-type: none"> <li>○ That the Council meets its statutory obligations and exercises sound corporate governance and effective resource management</li> <li>○ The performance of the Authority is managed effectively, including the delivery of key aspects of our change programs.</li> </ul> </li> <li>• Overview and Scrutiny Committees act as a critical friend and hold Cabinet to account for its decisions. The terms of reference for all O&amp;S Committees are defined in the Constitution. <a href="http://www.warwickshire.gov.uk/scrutiny">http://www.warwickshire.gov.uk/scrutiny</a></li> <li>• 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. <a href="#">Audit &amp; Standards Committee</a></li> <li>• All Council Decision reports are subject to Finance and Legal Services approval before they are published.</li> <li>• The Internal Audit Manager is designated as the Head of Internal Audit. There is an Internal Audit Board and the internal audit service is subject to PSIAS external quality assessments. <a href="http://www.warwickshire.gov.uk/audit">http://www.warwickshire.gov.uk/audit</a></li> </ul>



## 4.2 Oversight of the Governance Framework

The Council has put in place the following arrangements to review the effectiveness of the Code of Corporate Governance.

### A The Council:

- is responsible for approving key corporate governance documents and policies such as the Council's Constitution and its Standing Orders
- appoints an Audit and Standards Committee which includes independent members
- considers the Council's annual governance statement which is based on assurance statements from Assistant Directors
- receives annual reports on the effectiveness and impact of scrutiny
- receives annual reports on the work of the Audit and Standards Committee.

### B The Audit and Standards Committee:

- has an independent Chair and a second independent member
- is responsible for maintaining and promoting high standards of conduct and for compliance issues
- has responsibility for monitoring the operation of Codes of Conduct, assessing the effectiveness of the Council's control environment, risk management and corporate governance arrangements
- receives regular reports on internal audit assurance work including an internal audit annual report.

### C Our External Auditor:

- provides an overall opinion on the Council's control environment and
- the annual accounts, value for money and the Annual Governance Statement.

### D The Leader and Cabinet:

- have collective responsibilities for corporate governance and law and probity
- appoints an executive portfolio holder with a governance brief
- monitors progress through the Council's performance management arrangements
- approves amendments to the Code of Corporate Governance.

### E Overview and Scrutiny Committees:

- report annually to full Council on the effectiveness of scrutiny;
- monitor the performance of the Council to identify areas for improvement
- publish the outcomes of their reviews.

### F Internal Audit:

- undertakes risk-based reviews of internal control procedures across all Directorates and across all functions of the Council, in line with the Internal Audit Charter
- gives opinions on the standards of internal control as part of the review process
- reports on the standards of the Council's internal control arrangements to the Audit and Standards Committee
- the Internal Audit Manager undertakes an annual review of the effectiveness of internal control.

### 4.3 The Annual Governance Statement

Each year the Council publishes an Annual Governance Statement (AGS) to accompany the Annual Accounts. The AGS is audited by the Council's external auditors, scrutinised by the Audit & Standards Committee and approved by Council before it is published.

The Statement provides an overall assessment of the Council's Corporate Governance arrangements and its adherence to the Governance standards and principles set out in this Code. Evidence to support the assessment is gathered, reviewed and analysed to assess the robustness of the governance arrangements.

The assessment includes an appraisal of the key controls in place to manage the Council's principal governance risks and the effectiveness of systems and processes in place to govern decision making, performance and financial management.

The Statement identifies any significant governance issues, challenges and areas where improvements to governance arrangements can be made to better control risks. Since 2019-20, actions to deliver improvements are captured in an Annual Governance Plan.

(Updated 2021)

# Appendix 1. How we evidence our Code of Corporate Governance

1. Integrity & Ethics	2. Openness & Engagement	3. Vision & Outcomes
<p>Our Behaviours and Values                      Member Code of Conduct                      Employee Code of Conduct                      Registers of Interests                      Declarations of Interests                      Whistleblowing Code                      Anti-Fraud &amp; Corruption Policy                      Member &amp; Officer Protocols                      Complaints Policy                      Equality, Diversity and Inclusion policies and impact assessment (decisions)                      Audit &amp; Standards Committee                      Constitution</p>	<p>Forward Plan                      Published agendas, reports, minutes                      Standing Orders                      Information governance policies                      Publication Scheme and Transparency                      Consultation and engagement framework                      Have your Say consultations                      Ask Warwickshire website                      Petitions Scheme                      Employee Engagement Strategy                      Voluntary and third sector compact                      Town and Parish Councils compact</p>	<p>Council Plan                      Business Plans                      Strategies:                      Medium Term Financial Strategy                      Capital Treasury Management &amp; Investment Strategy                      Commercial                      Property                      Our People                      Digital &amp; Technology                      Customer Experience                        CSW sub-regional Procurement                      Local Transport Plan &amp; supporting strategies                      CWLEP Strategic Economic Plan &amp; CWLEP Skills Strategy                      WCC Economic Growth, Visitor Economy &amp; Rural Growth Plan                      Warwickshire Municipal Waste Management and WCC Waste Core Strategy                      Flood Risk Management Strategy                      Community Safety Agreement                      Youth Justice Plan                      Warwickshire Education Strategy and Special Education Needs &amp; Inclusion, Nuneaton Education, Outdoor Education Strategies                      Warwickshire Careers Strategy                      Education Sufficiency Strategy                      Integrated Risk Management Plan (W Fire &amp; Rescue Services)                        Health and Wellbeing Strategy and supporting strategies                      Better Care Fund Plan                      Corporate Parenting Policy                      Early Help Strategy                      Joint Adult Learning Disability Statement of Intent &amp; Commissioning intentions                      Joint Adult Carers Strategy                      Connecting Communities, VCS Strategy                      Heritage &amp; Culture Strategy</p>

4. Determining Interventions	5. Capacity & Capability	6. Risk, Control, Performance & Finance	7. Assurance & Accountability
<p>Medium Term Financial Strategy                      Capital Programme                      Quarterly Performance reports                      Budget monitoring reports                      Performance dashboards                      Business Insight                      Verto Project Management system                      Complaints reports                      Risk Management Strategy                      Local Flood Risk Management Strategy                      Covid19 Recovery Plan                      Climate Change Emergency Plan                      Business Continuity Plans                      Civil Contingency Plan</p>	<p>Constitution                      Scheme of Delegations                      Induction Programmes                      Personal Development Plans                      Appraisals                      Partnership Working                      Our People Strategy                      How we work programme                      Workplace Wellness Strategy                      Apprenticeship Framework                      Commercial Strategy</p>	<p>Corporate Risk Register                      Service &amp; Project Risk Registers                      Financial Regulations                      Performance Management                      Contract Standing orders                      HR Policies &amp; Procedures                      Health &amp; Safety Policies                      Internal Audit Annual Plan                      Internal Audit Update Reports                      Data Protection Policy                      Treasury Management, Budget monitoring,                      Capital &amp; Revenue Investment Funds                      Performance, quarterly and year-end/out turn reports                      Safeguarding Policies and procedures                      Corporate Parenting Policy                      Committee/Cabinet report templates                      Safeguarding policies &amp; procedures                      Education Sufficiency Annual Update</p>	<p>Code of Governance                      Annual Governance Statement (AGS)                      Annual Internal Audit Report                      Annual External Audit Letter                      Statement of Accounts                      Council Tax Leaflet                      Pay Policy Statement                      Performance Reports                      Overview &amp; Scrutiny Committees                      Audit &amp; Standards Committee                      Internal Audit                      External Inspections                      Peer Reviews                      Annual Infrastructure Statement                      Warwickshire Safeguarding Annual Report</p>

## Audit and Standards Committee

25 March 2021

### Member Code of Conduct

#### Recommendation

That the Committee decides what observations or recommendations it would wish to make to Cabinet and Council on the proposals for a revised code of conduct as set out in Appendix 1.

#### 1. Executive Summary

- 1.1 The LGA published in December 2020 its new model code of conduct (Appendix 2). The new model code is guidance only and Councils are free to adopt any part or all of its content.
- 1.2 The Council adopted its current Code of Conduct in 2012 based on the then model code published by the LGA. Officers have reviewed the new model code of conduct published by the LGA against the Council's existing code and against the current legislative framework.
- 1.3 The legislation underpinning the Code remains unchanged. The Government response to the recommendations by the Committee on Standards in Public Life (CSPL) are still awaited. Some of the changes recommended by the CSPL can only be given effect by legislation. The Committee considered and endorsed a report at its November meeting on how the Council had responded to the recommendations made by the CSPL. This report formed the basis of a response to CSPL in relation to progress with implementing the recommendations.
- 1.4 The proposed changes to the Council's existing code are contained in Appendix 1. In making the proposed changes, officers have worked from the premise that our existing Code has provided a sound platform for both promoting high standards of conduct amongst members and enabling us to deal effectively with the very few complaints about members' conduct that the Council receives. The proposals therefore include some of the new additions from the model Code but do not propose that we adopt the new LGA Code on a wholesale basis.
- 1.5 In addition, there are some areas of the new model Code which we would not recommend implementing as they cannot be enforced under current legislation. Further analysis of these issues is addressed later in this report.
- 1.6 The LGA new model is attached as Appendix 2. A copy of our current code is attached for reference as Appendix 3.

- 1.7 The proposals have been shared with the Group Leaders of the political parties and the feedback received has been incorporated in Appendix 1. Due to the Council's quadrennial elections taking place in May 2021 proposals for changes to the existing code will be considered by the new Council. The observations from this Committee and any other feedback received will be considered for inclusion in the final proposals presented to Council for approval.

## **2. Financial Implications**

- 2.1 There are no direct financial implications arising from this report.

## **3. Environmental Implications**

- 3.1 None

## **4. Supporting Information**

- 4.1 The new model Code is a mix of guidance as well as 'promises' by the member concerned. It is therefore much lengthier than our current code. Officers are recommending retaining a code which is short and concise and focuses on the specific obligations of members and providing any guidance separately.
- 4.2 It should be noted that the new Model Code has had a mixed reception from Monitoring Officers nationally with only 20% of Monitoring Officers indicating they will adopt the Code, 25% indicating they may adopt some parts and 55% indicating that they will not seek to adopt the Code.
- 4.3 There are certain elements of the LGA code which we consider would require legislative change before they could be adopted and the additional classifications of other interests brings in our view an unwelcome level of complexity and bureaucracy into Code. These issues are discussed further in the following paragraphs.
- 4.4 Our existing Code has provided a solid platform for both promoting high standards of conduct amongst members and enabling us to deal effectively with the very few complaints about members' conduct that we receive. However, there are some amendments which it would be useful to incorporate into our Code. These are shown in red in Appendix 1.
- 4.5 We have removed the requirement in our current code for each councillor to sign and date the code as the Code automatically binds each member. As indicated above we consider that the guidance is best dealt with separately.

- 4.6 Certain elements of the code would in our view require legislative changes prior to adoption i.e.
- the implication in the wording of the model code that it may be appropriate in some circumstances for members to use council resources for political purposes when there is a statutory bar against doing so
  - including '[any unpaid directorship]' within the statutory pecuniary interests table as this is not a Disclosable Pecuniary Interest. Only DPIs are subject to criminal sanctions and this is likely to confuse.
  - the concept of bringing the Council into 'disrepute' as this may extend the code into members private lives and this currently could not be achieved without legislative change and would be misleading to members of the public.
- 4.7 The current Code only applies when a councillor is acting in their official capacity or on council business. It is quite possible that a councillor could commit an offence in their private life which is not actionable under the Code of Conduct. Extension of the code to private life would require primary legislation.
- 4.8 We consider other elements of the Code bring an unwelcome element of bureaucracy. In particular we are concerned about the approach to 'other interests'. These are potentially very wide ranging and cover many different types of circumstances. They also incorporate some of the previous definitions from the pre-2012 code which were difficult to interpret in practice e.g. 'close associate'.
- 4.9 The approach in the model code is to automatically bar members with an 'other interest' from speaking unless members of the public have rights to speak at that meeting and to bar them from voting without a dispensation. Officers do not consider that this approach provides any benefits over our current arrangements. We currently deal with such interests by bespoke advice tailored to the particular circumstances based on the application of the common law of bias and pre-determination. In addition our experience and organisational culture is that members readily declare such interests and readily seek advice on whether such interests prevent them from taking part in council meetings. Officers would therefore not recommend inclusion of
- The definition of 'other registrable interests' and the establishment of an 'other interests register'
  - The definition of 'non-registrable other interests'
- 4.10 The elements that we suggest are incorporated are set out below.
- Reframing the code so that councillors understand it automatically applies and is not a matter of choice.
  - Clarifying that where a member gives the impression s/he is acting as a councillor or misuses their position the Code will apply

- Including a specific requirement not to bully, harass or unlawfully discriminate against anybody or seek to compromise the impartiality of officers
- A requirement to register offers of gifts and hospitality with an estimated value of £50 even if declined
- A requirement not to prevent people from accessing information to which they are lawfully entitled
- Explicit requirements to undergo training, co-operate with investigations and not intimidate those who are involved in investigations.
- Explicit requirement to be truthful.

4.11 The elements that we prefer to leave unchanged in our current code subject to the above changes are

- Retaining the original definitions of the principles of public life
- Keeping the guidance elements separate from the Code itself

4.12 The Committee has previously taken the view that a cycle of 4-yearly reviews of the Code should be sufficient or where there is a need to do so due to local circumstances or statutory changes.

## 5. Timescales associated with the decision and next steps

5.1 It is proposed that the views of the Committee will be forwarded onto to Cabinet and Council.

## Appendices

1. Appendix 1 Revised Member Code of Conduct
2. Appendix 2 LGA Model Code of Conduct
3. Appendix 3 WCC Current Member Code of Conduct

## Background Papers

1. None

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

Local Member(s): N/A

Other members: Councillors Seccombe, Roodhouse, Adkins and Chilvers



## Appendix 1

### Member Code of Conduct 2021 Warwickshire County Council

This Code applies to all elected and co-opted members of the Warwickshire County Council. The term 'councillor' in this Code means both elected and co-opted members. This Code of Conduct applies when you are acting in your capacity as a councillor which may include when:

- you misuse your position as a councillor
- your actions would give the impression to a reasonable member of the public with knowledge of all the facts that you are acting as a councillor

#### As a Councillor:

1. I will represent the interests of the whole community and work constructively with our staff and partner organisations to secure better social, economic and environmental outcomes for all.

2. I will behave in a manner that is consistent with the following principles to achieve best value for all our residents and maintain public confidence in the Council, any other body to which I am appointed by the Council and the office of councillor:

**a. SELFLESSNESS:** I will act solely in terms of the public interest. I will not act in such a way as to gain financial or other material benefits for myself, my family, or my friends.

**b. INTEGRITY:** I will not place myself under any financial or other obligation to outside individuals or organisations that might seek to influence me in the performance of my official duties.

**c. OBJECTIVITY:** I will make choices on merit, in carrying out public business, including when making public appointments, awarding contracts, or recommending individuals for rewards and benefits

**d. ACCOUNTABILITY:** I will be accountable for my decisions and actions to the public and to the Council and must submit myself to whatever scrutiny is appropriate to my office.

**e. OPENNESS:** I will be as open as possible about all the decisions and actions I take. I will give reasons for my decisions and restrict information only when the wider public interest or the law clearly demands.

**f. HONESTY:** I will be truthful and I will declare any private interests relating to my public duties and take steps to resolve any conflicts arising in a way that protects the public interests.

**g. LEADERSHIP:** I will promote and support these principles by leadership and example.

**3. As a Councillor** I will act in accordance with the principles in paragraph 2 and in particular, I will

- a. Champion the needs of the whole community and all my constituents, including those who did not vote for me and put the public interest first.
- b. Deal with representations or enquiries from residents, members of our communities and visitors fairly, appropriately and impartially.
- c. **Not bully, harass or unlawfully discriminate against anyone or seek to compromise the impartiality of officers of the Council**
- d. Not allow other pressures, including the financial interests of myself or others connected to me, to deter me from pursuing constituents' casework, the interests of the Council or the good governance of the Council in a proper manner.
- e. Exercise independent judgement and not compromise my position by placing myself under obligations to outside individuals or organisations who might seek to influence the way I perform my duties as a **councillor. This includes not accepting gifts or hospitality which could give rise to a perception of influence over the way I perform my duties.**
- f. Take account of all relevant information, including advice from statutory and other professional officers. I will remain objective and make decisions on merit.
- g. Be accountable for my decisions and cooperate when scrutinised internally and externally, including by local residents.
- h. Contribute to ensuring that decision-making processes are as open and transparent as possible to make sure the community understands the reasoning behind decisions and are informed when holding me and other **councillors** to account.
- i. Behave in accordance with all my legal obligations, alongside any requirements contained within the Council's policies, protocols and procedures, including on the use of the Council's resources.

- j. Not disclose confidential information (be that confidential by virtue of legislation or otherwise) without express authority and/ or unless the law requires it. **Nor will I prevent people gaining access to information to which they are lawfully entitled.**
  - k. Value my colleagues and staff and engage with them in an appropriate manner and one that underpins the mutual respect between us that is essential to good local government.
  - l. Always treat people with respect, including the organisations and the public I engage with, fellow members and those I work alongside.
  - m. **Undertake Code of Conduct training provided by my local authority, cooperate with any Code of Conduct investigation and/or determination. I will not intimidate or attempt to intimidate any person who is likely to be involved with any investigation or proceedings.**
  - n. Provide leadership through behaving in accordance with these principles when championing the interests of the community with other organisations as well as within this Council.
4. I will register and disclose those interests that I am required by law to declare. I will complete and submit a signed declaration of my interests to the Monitoring Officer. I will keep the register updated and acknowledge that its contents are open to the public to inspect.
5. **I will register any gifts and hospitality I am offered (even if declined) with an estimated value of £50 or more within 28 days of receipt with the Monitoring Officer.**

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## **Local Government Association**

### **Model Councillor Code of Conduct 2020**

#### **Joint statement**

The role of councillor across all tiers of local government is a vital part of our country's system of democracy. It is important that as councillors we can be held accountable and all adopt the behaviors and responsibilities associated with the role. Our conduct as an individual councillor affects the reputation of all councillors. We want the role of councillor to be one that people aspire to. We also want individuals from a range of backgrounds and circumstances to be putting themselves forward to become councillors.

As councillors, we represent local residents, work to develop better services and deliver local change. The public have high expectations of us and entrust us to represent our local area; taking decisions fairly, openly, and transparently. We have both an individual and collective responsibility to meet these expectations by maintaining high standards and demonstrating good conduct, and by challenging behaviour which falls below expectations.

Importantly, we should be able to undertake our role as a councillor without being intimidated, abused, bullied or threatened by anyone, including the general public.

This Code has been designed to protect our democratic role, encourage good conduct and safeguard the public's trust in local government.

## **Introduction**

The Local Government Association (LGA) has developed this Model Councillor Code of Conduct, in association with key partners and after extensive consultation with the sector, as part of its work on supporting all tiers of local government to continue to aspire to high standards of leadership and performance. It is a template for councils to adopt in whole and/or with local amendments.

All councils are required to have a local Councillor Code of Conduct.

The LGA will undertake an annual review of this Code to ensure it continues to be fit-for-purpose, incorporating advances in technology, social media and changes in legislation. The LGA can also offer support, training and mediation to councils and councillors on the application of the Code and the National Association of Local Councils (NALC) and the county associations of local councils can offer advice and support to town and parish councils.

## **Definitions**

For the purposes of this Code of Conduct, a “councillor” means a member or co-opted member of a local authority or a directly elected mayor. A “co-opted member” is defined in the Localism Act 2011 Section 27(4) as “a person who is not a member of the authority but who

- a) is a member of any committee or sub-committee of the authority, or;
- b) is a member of, and represents the authority on, any joint committee or joint sub-committee of the authority;

and who is entitled to vote on any question that falls to be decided at any meeting of that committee or sub-committee”.

For the purposes of this Code of Conduct, “local authority” includes county councils, district councils, London borough councils, parish councils, town councils, fire and rescue authorities, police authorities, joint authorities, economic prosperity boards, combined authorities and National Park authorities.

## **Purpose of the Code of Conduct**

The purpose of this Code of Conduct is to assist you, as a councillor, in modelling the behaviour that is expected of you, to provide a personal check and balance, and to set out the type of conduct that could lead to action being taken against you. It is also to protect you, the public, fellow councillors, local authority officers and the reputation of local government. It sets out general principles of conduct expected of all councillors and your specific obligations in relation to standards of conduct. The LGA encourages the use of support, training and mediation prior to action being taken using the Code. The fundamental aim of the Code is to create and maintain public confidence in the role of councillor and local government.

### **General principles of councillor conduct**

Everyone in public office at all levels; all who serve the public or deliver public services, including ministers, civil servants, councillors and local authority officers; should uphold the [Seven Principles of Public Life](#), also known as the Nolan Principles.

Building on these principles, the following general principles have been developed specifically for the role of councillor.

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

- I act with integrity and honesty
- I act lawfully
- I treat all persons fairly and with respect; and
- I lead by example and act in a way that secures public confidence in the role of councillor.

In undertaking my role:

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

### **Application of the Code of Conduct**

This Code of Conduct applies to you as soon as you sign your declaration of acceptance of the office of councillor or attend your first meeting as a co-opted member and continues to apply to you until you cease to be a councillor.

This Code of Conduct applies to you when you are acting in your capacity as a councillor which may include when:

- you misuse your position as a councillor
- Your actions would give the impression to a reasonable member of the public with knowledge of all the facts that you are acting as a councillor;

The Code applies to all forms of communication and interaction, including:

- at face-to-face meetings
- at online or telephone meetings
- in written communication
- in verbal communication
- in non-verbal communication
- in electronic and social media communication, posts, statements and comments.

You are also expected to uphold high standards of conduct and show leadership at all times when acting as a councillor.

Your Monitoring Officer has statutory responsibility for the implementation of the Code of Conduct, and you are encouraged to seek advice from your Monitoring Officer on any matters that may relate to the Code of Conduct. Town and parish councillors are encouraged to seek advice from their Clerk, who may refer matters to the Monitoring Officer.

### **Standards of councillor conduct**

This section sets out your obligations, which are the minimum standards of conduct required of you as a councillor. Should your conduct fall short of these standards, a complaint may be made against you, which may result in action being taken.

Guidance is included to help explain the reasons for the obligations and how they should be followed.

### **General Conduct**

#### **1. Respect**

##### **As a councillor:**

**1.1 I treat other councillors and members of the public with respect.**

**1.2 I treat local authority employees, employees and representatives of partner organisations and those volunteering for the local authority with respect and respect the role they play.**

Respect 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 robust but civil manner. You should not, however, subject individuals, groups of people or organisations to personal attack.



In your contact with the public, you should treat them politely and courteously. Rude and offensive behaviour lowers the public's expectations and confidence in councillors.

In return, you have a right to expect respectful behaviour from the public. If members of the public are being abusive, intimidatory or threatening you are entitled to stop any conversation or interaction in person or online and report them to the local authority, the relevant social media provider or the police. This also applies to fellow councillors, where action could then be taken under the Councillor Code of Conduct, and local authority employees, where concerns should be raised in line with the local authority's councillor-officer protocol.

## **2. Bullying, harassment and discrimination**

### **As a councillor:**

**2.1 I do not bully any person.**

**2.2 I do not harass any person.**

**2.3 I promote equalities and do not discriminate unlawfully against any person.**

The Advisory, Conciliation and Arbitration Service (ACAS) characterises bullying as offensive, intimidating, malicious or insulting behaviour, an abuse or misuse of power through means that undermine, humiliate, denigrate or injure the recipient. 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 may not always be obvious or noticed by others.

The Protection from Harassment Act 1997 defines harassment as conduct that causes alarm or distress or puts people in fear of violence and must involve such conduct on at least two occasions. It can include repeated attempts to impose unwanted communications and contact upon a person in a manner that could be expected to cause distress or fear in any reasonable person.

Unlawful discrimination is where someone is treated unfairly because of a protected characteristic. Protected characteristics are specific aspects of a person's identity defined by the Equality Act 2010. They are age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.

The Equality Act 2010 places specific duties on local authorities. Councillors have a central role to play in ensuring that equality issues are integral to the local authority's performance and strategic aims, and that there is a strong vision and public commitment to equality across public services.

### **3. Impartiality of officers of the council**

**As a councillor:**

#### **3.1 I do not compromise, or attempt to compromise, the impartiality of anyone who works for, or on behalf of, the local authority.**

Officers work for the local authority 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. 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. However, 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.

### **4. Confidentiality and access to information**

**As a councillor:**

#### **4.1 I do not disclose information:**

- a. given to me in confidence by anyone**
- b. acquired by me which I believe, or ought reasonably to be aware, is of a confidential nature, unless**
  - i. I have received the consent of a person authorised to give it;**
  - ii. I am required by law to do so;**
  - iii. the disclosure is made to a third party for the purpose of obtaining professional legal advice provided that the third party agrees not to disclose the information to any other person; or**
  - iv. the disclosure is:**
    - 1. reasonable and in the public interest; and**
    - 2. made in good faith and in compliance with the reasonable requirements of the local authority; and**
    - 3. I have consulted the Monitoring Officer prior to its release.**

#### **4.2 I do not improperly use knowledge gained solely as a result of my role as a councillor for the advancement of myself, my friends, my family members, my employer or my business interests.**

#### **4.3 I do not prevent anyone from 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 legally defined 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 local authority must be treated in a confidential manner. Examples include personal data relating to individuals or information relating to ongoing negotiations.

## **5. Disrepute**

**As a councillor:**

### **5.1 I do not bring my role or local authority into disrepute.**

As a Councillor, you are trusted 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 you, other councillors and/or your local authority and may lower the public's confidence in you or your local authority's ability to discharge your/it's functions. For example, behaviour that is considered dishonest and/or deceitful can bring your local authority into disrepute.

You are able to hold the local authority and fellow councillors to account and are able to constructively challenge and express concern about decisions and processes undertaken by the council whilst continuing to adhere to other aspects of this Code of Conduct.

## **6. Use of position**

**As a councillor:**

### **6.1 I do not use, or attempt to use, my position improperly to the advantage or disadvantage of myself or anyone else.**

Your position as a member of the local authority provides you with certain opportunities, responsibilities, and privileges, and you make choices all the time that will impact others. However, you should not take advantage of these opportunities to further your own or others' private interests or to disadvantage anyone unfairly.

## **7. Use of local authority resources and facilities**

**As a councillor:**

### **7.1 I do not misuse council resources.**

### **7.2 I will, when using the resources of the local or authorising their use by others:**

- a. act in accordance with the local authority's requirements; and**
- b. ensure that such resources are not used for political purposes unless that use could reasonably be regarded as likely to facilitate, or be conducive to, the discharge of the functions of the local authority or of the office to which I have been elected or appointed.**

You may be provided with resources and facilities by the local authority to assist you in carrying out your duties as a councillor.

Examples include:

- office support
- stationery
- equipment such as phones, and computers
- transport
- access and use of local authority buildings and rooms.

These are given to you to help you carry out your role as a councillor more effectively and are not to be used for business or personal gain. They should be used in accordance with the purpose for which they have been provided and the local authority's own policies regarding their use.

## **8. Complying with the Code of Conduct**

### **As a Councillor:**

**8.1 I undertake Code of Conduct training provided by my local authority.**

**8.2 I cooperate with any Code of Conduct investigation and/or determination.**

**8.3 I do not intimidate or attempt to intimidate any person who is likely to be involved with the administration of any investigation or proceedings.**

**8.4 I comply with any sanction imposed on me following a finding that I have breached the Code of Conduct.**

It is extremely important for you as a councillor to demonstrate high standards, for you to have your actions open to scrutiny and for you not to undermine public trust in the local authority or its governance. If you do not understand or are concerned about the local authority's processes in handling a complaint you should raise this with your Monitoring Officer.

## **Protecting your reputation and the reputation of the local authority**

### **9. Interests**

#### **As a councillor:**

**9.1 I register and disclose my interests.**

Section 29 of the Localism Act 2011 requires the Monitoring Officer to establish and maintain a register of interests of members of the authority .

You need to register your interests so that the public, local authority employees and fellow councillors know which of your interests might give rise to a conflict of interest. The register is a public document that can be consulted when (or before) an issue arises. The register also protects you by allowing you to demonstrate openness and a willingness to be held accountable. You are personally responsible for deciding whether or not you should disclose 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 disclosed by you or other councillors when making or taking part in decisions, 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.

You should note that failure to register or disclose a disclosable pecuniary interest as set out in **Table 1**, is a criminal offence under the Localism Act 2011.

**Appendix B sets** out the detailed provisions on registering and disclosing interests. If in doubt, you should always seek advice from your Monitoring Officer.

## **10. Gifts and hospitality**

**As a councillor:**

- 10.1 I do not accept gifts or hospitality, irrespective of estimated value, which could give rise to real or substantive personal gain or a reasonable suspicion of influence on my part to show favour from persons seeking to acquire, develop or do business with the local authority or from persons who may apply to the local authority for any permission, licence or other significant advantage.**
- 10.2 I register with the Monitoring Officer any gift or hospitality with an estimated value of at least £50 within 28 days of its receipt.**
- 10.3 I register with the Monitoring Officer any significant gift or hospitality that I have been offered but have refused to accept.**

In order to protect your position and the reputation of the local authority, 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 councillor. The presumption should always be not to accept significant gifts or hospitality. However, there may be times when such a refusal may be difficult if it is seen as rudeness in which case you could accept it but must ensure it is publicly registered. However, you do not need to register gifts and hospitality which are not related to your role as a councillor, such as Christmas gifts from your friends and family. It is also important to note that it is appropriate to accept normal expenses and hospitality associated with your duties as a councillor. If you are unsure, do contact your Monitoring Officer for guidance.

## **Appendices**

### **Appendix A – The Seven Principles of Public Life**

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 disclose 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.

## Appendix B Registering interests

Within 28 days of becoming a member or your re-election or re-appointment to office you must register with the Monitoring Officer the interests which fall within the categories set out in **Table 1 (Disclosable Pecuniary Interests)** which are as described in “The Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012”. You should also register details of your other personal interests which fall within the categories set out in **Table 2 (Other Registerable Interests)**.

**“Disclosable Pecuniary Interest”** means an interest of yourself, or of your partner if you are aware of your partner’s interest, within the descriptions set out in Table 1 below.

**“Partner”** means a spouse or civil partner, or a person with whom you are living as husband or wife, or a person with whom you are living as if you are civil partners.

1. You must ensure that your register of interests is kept up-to-date and within 28 days of becoming aware of any new interest, or of any change to a registered interest, notify the Monitoring Officer.
2. A ‘sensitive interest’ is as an interest which, if disclosed, could lead to the councillor, or a person connected with the councillor, being subject to violence or intimidation.
3. Where you have a ‘sensitive interest’ you must notify the Monitoring Officer with the reasons why you believe it is a sensitive interest. If the Monitoring Officer agrees they will withhold the interest from the public register.

### Non participation in case of disclosable pecuniary interest

4. Where a matter arises at a meeting which directly relates to one of your Disclosable Pecuniary Interests as set out in **Table 1**, you must disclose the interest, not participate 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 disclose the nature of the interest, just that you have an interest. Dispensation may be granted in limited circumstances, to enable you to participate and vote on a matter in which you have a disclosable pecuniary interest.
5. Where you have a disclosable pecuniary interest on a matter to be considered or is being considered by you as a Cabinet member in exercise of your executive function, you must notify the Monitoring Officer of the interest and must not take any steps or further steps in the matter apart from arranging for someone else to deal with it

### Disclosure of Other Registerable Interests

6. Where a matter arises at a meeting which **directly relates** to one of your Other Registerable Interests (as set out in **Table 2**), you must disclose 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 disclose the nature of the interest.

## Disclosure of Non-Registerable Interests

7. Where a matter arises at a meeting which **directly relates** to your financial interest or well-being (and is not a Disclosable Pecuniary Interest set out in Table 1) or a financial interest or well-being of a relative or close associate, you must disclose the interest. You may speak on the matter only if members of the public are also allowed to speak at the meeting. Otherwise you 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 disclose the nature of the interest.
8. 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 relative, close associate; or
  - c. a body included in those you need to disclose under Other Registrable Interests as set out in **Table 2**

you must disclose the interest. In order to determine whether you can remain in the meeting after disclosing your interest the following test should be applied

9. Where a matter **affects** your financial interest or well-being:
  - a. to a greater extent than it affects the financial interests of the majority of inhabitants of the ward affected by the decision and;
  - b. a reasonable member of the public knowing all the facts would believe that it would affect your view of the wider public interest

You may speak on the matter only if members of the public are also allowed to speak at the meeting. Otherwise you 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 disclose the nature of the interest.

10. Where you have a personal interest in any business of your authority and you have made an executive decision in relation to that business, you must make sure that any written statement of that decision records the existence and nature of your interest.



**Table 1: Disclosable Pecuniary Interests**

This table sets out the explanation of Disclosable Pecuniary Interests as set out in the [Relevant Authorities \(Disclosable Pecuniary Interests\) Regulations 2012](#).

<b>Subject</b>	<b>Description</b>
<b>Employment, office, trade, profession or vocation</b>	Any employment, office, trade, profession or vocation carried on for profit or gain. [Any unpaid directorship.]
<b>Sponsorship</b>	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.
<b>Contracts</b>	Any contract made between the councillor or his/her spouse or civil partner or the person with whom the

	<p>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 —</p> <p>(a) under which goods or services are to be provided or works are to be executed; and</p> <p>(b) which has not been fully discharged.</p>
<b>Land and Property</b>	<p>Any beneficial interest in land which is within the area of the council.</p> <p>'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.</p>
<b>Licenses</b>	<p>Any licence (alone or jointly with others) to occupy land in the area of the council for a month or longer</p>
<b>Corporate tenancies</b>	<p>Any tenancy where (to the councillor's knowledge)—</p> <p>(a) the landlord is the council; and</p> <p>(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.</p>
<b>Securities</b>	<p>Any beneficial interest in securities* of a body where—</p> <p>(a) that body (to the councillor's knowledge) has a place of business or land in the area of the council; and</p> <p>(b) either—</p> <p>(i) the total nominal value of the securities* exceeds £25,000 or one hundredth of the total issued share capital of that body; or</p> <p>(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</p>

	spouses/civil partners has a beneficial interest exceeds one hundredth of the total issued share capital of that class.
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\* '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 Registrable Interests**

You have a personal interest in any business of your authority where it relates to or is likely to affect:

- a) any body of which you are in general control or management and to which you are nominated or appointed by your authority
- b) any body
  - (i) exercising functions of a public nature
  - (ii) any body directed to charitable purposes or
  - (iii) one of whose principal purposes includes the influence of public opinion or policy (including any political party or trade union)

## Appendix C – the Committee on Standards in Public Life

The LGA has undertaken this review whilst the Government continues to consider the recommendations made by the Committee on Standards in Public Life in their report on [Local Government Ethical Standards](#). If the Government chooses to implement any of the recommendations, this could require a change to this Code.

The recommendations cover:

- Recommendations for changes to the Localism Act 2011 to clarify in law when the Code of Conduct applies
- The introduction of sanctions
- An appeals process through the Local Government Ombudsman
- Changes to the Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012
- Updates to the Local Government Transparency Code
- Changes to the role and responsibilities of the Independent Person
- That the criminal offences in the Localism Act 2011 relating to Disclosable Pecuniary Interests should be abolished

The Local Government Ethical Standards report also includes Best Practice recommendations. These are:

**Best practice 1:** Local authorities should include prohibitions on bullying and harassment in codes of conduct. These should include a definition of bullying and harassment, supplemented with a list of examples of the sort of behaviour covered by such a definition.

**Best practice 2:** Councils should include provisions in their code of conduct requiring councillors to comply with any formal standards investigation and prohibiting trivial or malicious allegations by councillors.

**Best practice 3:** Principal authorities should review their code of conduct each year and regularly seek, where possible, the views of the public, community organisations and neighbouring authorities.

**Best practice 4:** An authority's code should be readily accessible to both councillors and the public, in a prominent position on a council's website and available in council premises.

**Best practice 5:** Local authorities should update their gifts and hospitality register at least once per quarter, and publish it in an accessible format, such as CSV.

**Best practice 6:** Councils should publish a clear and straightforward public interest test against which allegations are filtered.

**Best practice 7:** Local authorities should have access to at least two Independent Persons.

**Best practice 8:** An Independent Person should be consulted as to whether to undertake a formal investigation on an allegation, and should be given the option to

review and comment on allegations which the responsible officer is minded to dismiss as being without merit, vexatious, or trivial.

**Best practice 9:** Where a local authority makes a decision on an allegation of misconduct following a formal investigation, a decision notice should be published as soon as possible on its website, including a brief statement of facts, the provisions of the code engaged by the allegations, the view of the Independent Person, the reasoning of the decision-maker, and any sanction applied.

**Best practice 10:** A local authority should have straightforward and accessible guidance on its website on how to make a complaint under the code of conduct, the process for handling complaints, and estimated timescales for investigations and outcomes.

**Best practice 11:** Formal standards complaints about the conduct of a parish councillor towards a clerk should be made by the chair or by the parish council, rather than the clerk in all but exceptional circumstances.

**Best practice 12:** Monitoring Officers' roles should include providing advice, support and management of investigations and adjudications on alleged breaches to parish councils within the remit of the principal authority. They should be provided with adequate training, corporate support and resources to undertake this work.

**Best practice 13:** A local authority should have procedures in place to address any conflicts of interest when undertaking a standards investigation. Possible steps should include asking the Monitoring Officer from a different authority to undertake the investigation.

**Best practice 14:** Councils should report on separate bodies they have set up or which they own as part of their annual governance statement and give a full picture of their relationship with those bodies. Separate bodies created by local authorities should abide by the Nolan principle of openness and publish their board agendas and minutes and annual reports in an accessible place.

**Best practice 15:** Senior officers should meet regularly with political group leaders or group whips to discuss standards issues.

***The LGA has committed to reviewing the Code on an annual basis to ensure it is still fit for purpose.***

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**SECTION 1 - MEMBERS' CODE OF CONDUCT**

**Every county councillor and co-opted member is required to agree and sign the following:**

I.....

**being a duly elected councillor/co-opted member for Warwickshire County Council hereby declare that I will undertake my duties as follows:**

1. I will represent the interests of the whole community and work constructively with our staff and partner organisations to secure better social, economic and environmental outcomes for all.

2. **As a holder of public office** and as required by law I will behave in a manner that is consistent with the following principles to achieve best value for all our residents and maintain public confidence in the council, any other body to which I am appointed by the council and the office of councillor:

a. **SELFLESSNESS:** I will act solely in terms of the public interest. I will not act in such a way as to gain financial or other material benefits for myself, my family, or my friends.

b. **INTEGRITY:** I will not place myself under any financial or other obligation to outside individuals or organisations that might seek to influence me in the performance of my official duties.

c. **OBJECTIVITY:** I will make choices on merit, in carrying out public business, including when making public appointments, awarding contracts, or recommending individuals for rewards and benefits

d. **ACCOUNTABILITY:** I will be accountable for my decisions and actions to the public and to the Council and must submit myself to whatever scrutiny is appropriate to my office.

e. **OPENNESS:** I will be as open as possible about all the decisions and actions I take. I will give reasons for my decisions and restrict information only when the wider public interest or the law clearly demands.

f. **HONESTY:** I will declare any private interests relating to my public duties and take steps to resolve any conflicts arising in a way that protects the public interests.

g. **LEADERSHIP:** I will promote and support these principles by leadership and example.

3. **As a member of the Council** I will act in accordance with the principles in paragraph 2 and, in particular, I will:

a. Champion the needs of the whole community and all my constituents, including those who did not vote for me and put the public interest first.

- b. Deal with representations or enquiries from residents, members of our communities and visitors fairly, appropriately and impartially.
  - c. Not allow other pressures, including the financial interests of myself or others connected to me, to deter me from pursuing constituents' casework, the interests of the council or the good governance of the council in a proper manner.
  - d. Exercise independent judgement and not compromise my position by placing myself under obligations to outside individuals or organisations who might seek to influence the way I perform my duties as a member/co-opted member of the council.
  - e. Take account of all relevant information, including advice from statutory and other professional officers. I will remain objective and make decisions on merit.
  - f. Be accountable for my decisions and cooperate when scrutinised internally and externally, including by local residents.
  - g. Contribute to ensuring that decision-making processes are as open and transparent as possible to make sure the community understands the reasoning behind decisions and are informed when holding me and other members to account.
  - h. Behave in accordance with all my legal obligations, alongside any requirements contained within the council's policies, protocols and procedures, including on the use of the council's resources.
  - i. I will not disclose confidential information (be that confidential by virtue of legislation or otherwise) without express authority and/or unless the law requires it.
  - j. Value my colleagues and staff and engage with them in an appropriate manner and one that underpins the mutual respect between us that is essential to good local government.
  - k. Always treat people with respect, including the organisations and public i engage with, fellow members and those i work alongside.
  - l. Provide leadership through behaving in accordance with these principles when championing the interests of the community with other organisations as well as within this council.
4. I will register and disclose those interests that I am required by law to declare. I will complete and submit a signed declaration of my interests to the monitoring officer. I will keep the register updated and acknowledge that its contents are open to the public to inspect.
5. I will comply with any code of conduct for members that is properly established by the council.

**Signed:** .....



**Full name:** .....

**Date:** .....

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## Audit and Standards Committee

25 March 2021

### Strategic Risk Management Framework

#### Recommendation

1. That the Audit and Standards Committee consider and recommend to Cabinet for approval the Strategic Risk Management Framework (Appendix 1).

#### 1. Executive Summary

- 1.1 Audit & Standards Committee's oversight of the Council's approach to risk management is a key part of our governance arrangements.
- 1.2 The Strategic Risk Management Framework (the Framework), Appendix 1, has been developed within the Finance Change Programme. The new Strategic Risk Management Framework aims to build on our established risk management practice and strengths, by delivering improvements at a strategic and whole Council level. Marsh Risk Consulting Ltd have supported this work, starting with a risk maturity review in March 2019.
- 1.3 The Framework aims to improve our levels of risk management maturity by introducing new elements that strengthen our practice in the following areas:
  - An approach to articulate the council's risk appetite across a range of risk categories and establish levels of risk tolerance;
  - A set of guiding risk management principles that are applicable to all risk settings, including strategic, operational and project risk management;
  - An updated risk assessment matrix which allows for greater differentiation between levels of risk impact and probability. This will more finely tune our assessment and monitoring of high impact risks, such as safeguarding risks;
  - Escalation and de-escalation of risk by introducing directorate as well as service and strategic risk levels; and
  - Integration with quarterly performance management and business planning processes, adding to our suite of business intelligence tools that can support decision making and inform interventions.
- 1.4 The Framework uses a *Why, What, How* approach to strategy development. It clearly establishes the problem we are addressing and the benefits we expect to deliver. It establishes a set of principles we can all use to identify, assess and respond to risk, based on our values and behaviours. The aim is to guide and empower the organisation to be risk aware and consistent in responding

positively to risk, rather than prescribe a one size fits all approach that could constrain innovation and prompts risk avoidance. The principles are supported by functional tools that can be applied to any governance setting or arrangement (operational, strategic, project or investment opportunity) to capture and report risk. The framework also sets the foundations for a learning and engagement pathway that aligns with how we work.

- 1.5 Cabinet oversight of strategic risks is an important and integral part of our risk management approach and the development of the Framework has included their early involvement through a workshop in March 2020 which informed risk appetite levels. We intend to revisit risk appetite levels with Cabinet and the Leadership Team prior to the start of the 2022-23 business planning cycle.

## **2. Financial Implications**

- 2.1 Risk management includes the management of financial risks, and the risk assessment criteria include financial parameters for the impact of risks. Risk management will in future be a more integral part of medium term financial and business planning.

## **3. Environmental Implications**

- 3.1 None, however the proposed Strategic Risk Management Framework is intended to support the Council's response to the declared climate change emergency.

## **4. Supporting Information**

- 4.1 None.

## **5. Timescales associated with the decision and next steps**

- 5.1 The Framework was considered by Corporate Board on 25 February and recommended for consideration by the Audit and Standards Committee and onwards approval by Cabinet, subject to a risk assessment matrix being agreed with the Strategic Director, Resources. The risk assessment matrix has been appended to the Framework, which will be presented to Cabinet on the 8th April for final approval.
- 5.2 There is an Integrated Planning timeframe which sets key milestones for the implementation of the risk management framework, including:
  - A corporate risk register that includes the most significant strategic, cross cutting and operational risks, aligned to the Council's strategic objectives (Council Plan and Recovery Plan);

- Directorate risk profiles; and
- Populated risk appetite dashboards that apply metrics to monitor actual risk against agreed level of risk tolerances.

## Appendices

1. Appendix 1 – Strategic Risk Management Framework

## Background Papers

1. None

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

Local Member(s): n/a  
Other members: n/a

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# Warwickshire County Council

## Strategic Risk Management Framework

<p><b>Reviewer:</b> AD Finance/ AD Governance and Policy</p> <p>Signature:</p>	<p><b>Owner:</b> Strategic Director- Resources, WCC</p> <p>Signature:</p>
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## 1. Introduction

### Document Purpose

The purpose of this document is to introduce Warwickshire County Council's (WCC) Strategic Risk Management Framework, assist its communication and understanding and to provide guidance to those with responsibilities for ensuring that it is applied effectively and consistently.

As a Council, we are accountable for delivering in a complex and changing environment. Managing risk and uncertainty is critical to the successful delivery of the Council's Priority Outcomes.

The Strategic Risk Management Framework sets out an enhanced and integrated approach that builds on our existing risk management practice. The Framework is intended to support innovation and, in the medium term, support post Covid recovery.

It explicitly amplifies the strategic, holistic and organisation-wide focus on risk, setting out the ambition, motivation and principles that frame our approach.

We are committed to implementing an organisation-wide risk management culture that exemplifies high levels of risk maturity <sup>1</sup>and best practice in the identification, evaluation and effective management of risk in respect of current activities and new opportunities

The framework is designed to follow the Council's adopted *Why, What, How* model of strategy development. It is also a framework that will influence and interact with our core strategies and related frameworks to build a One Organisational approach and strengthen our strategic core.

In a climate of increased uncertainty alongside opportunities to innovate, this framework is considered critical to our future direction and progress as an organisation; it provides essential guidance by articulating our risk appetite, our risk management objectives and approach.

## 2. Overview of the Framework

**The Risk Management Framework (the Framework) is the council's policy document guiding our approach and practice. It has been developed following an independent risk maturity assessment and reflects current national and international good practice** [ footnote - Alarm/IRM/ HM Treasury].

The Framework is made up of three key elements:

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<sup>1</sup> ALARM National Performance Model



<b>Strategic Intent (why)</b>	Sets out the objectives for risk management to inform our strategic planning and decision-making and support the achievement of the Council Plan.
<b>What</b>	Sets out the tools and activities that we will use to deliver our objectives and management of risk.
<b>How</b>	Describes how we will implement and govern the Framework through relevant systems, procedures and practices.

### 3. Strategic intent and objectives

**The purpose of our risk management framework is to enable us deliver council priorities and respond to new opportunities that maximise outcomes for the Council.**

**This will be through the anticipation and management of risks to inform the decision making and planning process, acting as a driver for change and sustainable service delivery.**

Specifically, we seek to:

- Build our resilience and thrive within an uncertain operating environment by identifying both risks and new opportunities to drive improvement and maximise benefits and positive outcomes for the Council and our residents.
- Act strategically; understand and influence risks holistically by managing cross-cutting, shared and partnership risks, including understanding the aggregate risk level across directorates, services and projects.
- Embed the consideration of risks and opportunities into all our strategic decision-making processes, including investment decisions, business planning and our Change Portfolio.
- Manage risk in line with risk appetite and without breaching risk tolerances, ensuring that all necessary controls and processes are in place to anticipate and respond proactively to risks thereby minimising negative impacts.
- Enable a common and consistent approach to risk by ensuring our risk parameters are clearly communicated and understood and mitigation strategies are joined up across service areas.

- Create visibility by integrating risk management and the consideration of risk and control into assurance and reporting processes.
- Encourage effective risk intelligence sharing and collaboration across and between services, projects and other risk management disciplines, such as; Health & Safety, Business Continuity Planning, Treasury Management, Internal Audit and the PMO

## 4. What we will do to manage risks

**Our approach will be delivered through the following principles and functional components:**

- Risk Principles
- Risk Appetite Statements
- Corporate Risk Register
- Directorate, service and project risk profiles and control plans
- Partnership risk assurance

### Our Risk Principles

Our risk principles serve as best practice risk management rules by which we align our service and cross cutting risk management processes, allowing freedom for each Directorate whilst encouraging good practice and consistency. The following principles have guided the development of our framework:

<b>We are risk aware</b>	<ul style="list-style-type: none"> <li>• Staff are aware of, scan for emerging risks &amp; have visibility of risks and controls they have responsibility for</li> <li>• There is evidence of risk management training &amp; familiarisation on risk management</li> <li>• Staff are supported to report on risks, to learn and share</li> </ul>
<b>We understand our appetite to risk &amp; opportunity</b>	<ul style="list-style-type: none"> <li>• We monitor and manage our risks against risk appetite thresholds to achieve our goals</li> <li>• Decisions which could expose WCC to risks above acceptable/appetite are impact assessed and escalated</li> <li>• The escalation decision is documented</li> </ul>
<b>We think about risks &amp; opportunities</b>	<ul style="list-style-type: none"> <li>• Staff are encouraged to innovate, collaborate and be entrepreneurial where there are opportunities to be explored within a stated risk appetite.</li> <li>• Staff are encouraged to continually look for efficiency improvements without impacting front line services to ensure costs are in line with strategic objectives.</li> </ul>
<b>We own our risks</b>	<ul style="list-style-type: none"> <li>• Risk owners are clearly identified and accountable</li> </ul>

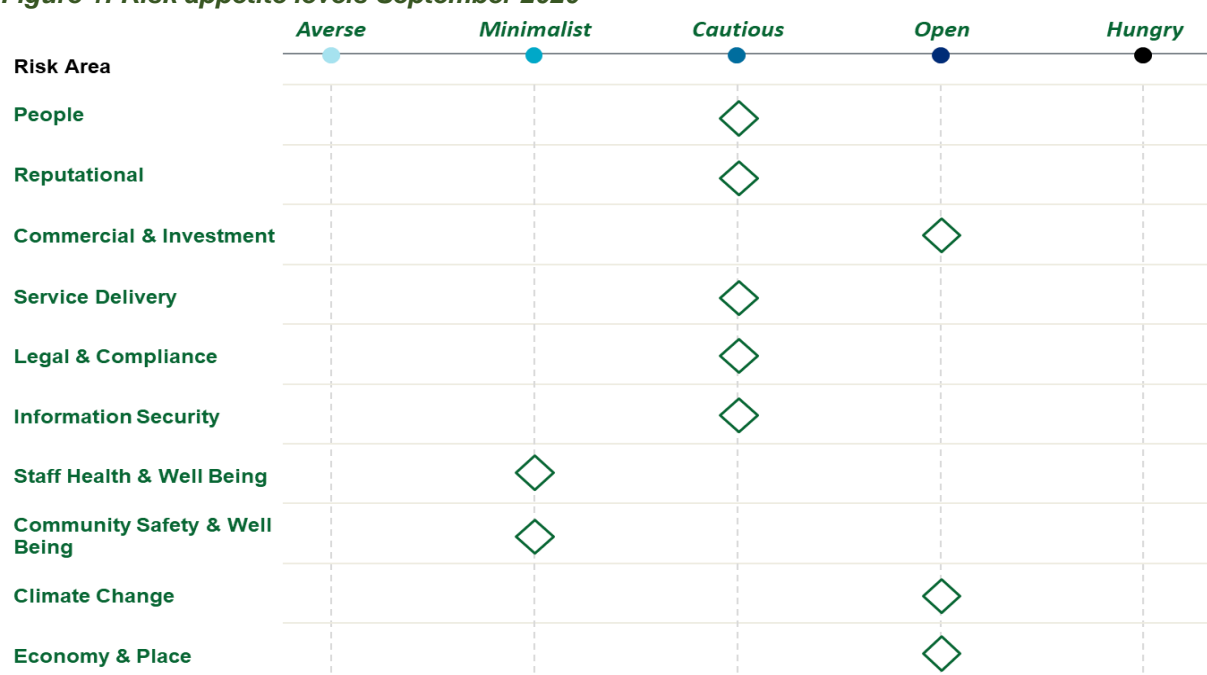
	<ul style="list-style-type: none"> <li>Risks requiring Corporate Board or Member oversight will be promptly presented by the relevant Strategic Director/Lead</li> </ul>
<b>We will respond proportionately.</b>	<ul style="list-style-type: none"> <li>All directors, managers and staff should feel empowered to mitigate risks to an appropriate level and/or de-escalate risks.</li> <li>We will report openly on risks and be supported as part of a learning culture</li> <li>We will encourage informed risk taking, management and learning but will not tolerate behaviours that breach our codes of conduct, governance and regulations</li> </ul>

## Risk Appetite

The Council is committed to ensuring that all risks are identified and mitigated to a level that is consistent with the types and amount of risk we are willing to operate within. To do this, we assess our risk appetite for key risk areas which align to the overall strategy of the Council.

We are willing to bear or retain risks that have been assessed as being within the levels set for each area.

**Figure 1: Risk appetite levels September 2020**



**Risk Appetite Statements** (Appendix 1) for each area of risk will help the Council achieve its risk management objectives and articulate risk for the benefit of our partners and stakeholders. Risk appetite for each area is defined by Corporate Board and Cabinet, reviewed at least annually or more frequently, if circumstances warrant.

**Risk Appetite Dashboards** for each area of risk will set thresholds for measuring the current level of risk against the appetite. Wherever possible, risk metrics are aligned with KBMs and KPIs. Any risks identified as having exposures above agreed appetite levels will have a **risk control action plan**. Those risks that cannot be mitigated are communicated through the performance framework to Corporate Board and members where necessary and identified stakeholders.

## Risk Framework Tools and Activities

The Strategic Risk Framework consists of the following functional components. Each component is facilitated and maintained with support from the Risk Management function and is performance monitored as part of the Council’s Integrated Strategic Planning Framework.

**Figure 2: Risk Framework Components and supporting elements**

Risk Appetite Levels	<ul style="list-style-type: none"> <li>• Risk appetite Statements</li> <li>• Risk appetite dashboards and threshold metrics</li> </ul>
Corporate Risk Register	<ul style="list-style-type: none"> <li>• strategic risks as assessed by Board at least 6 monthly</li> <li>• the most significant service and cross cutting risks</li> <li>• the most significant programme &amp; project risks</li> </ul>
Directorate Risk Profiles	<ul style="list-style-type: none"> <li>• Tracking risk exposure (net risk scores) against risk appetite thresholds</li> <li>• Net red service and cross cutting risks (performance)</li> </ul>
Service Risk Registers and Risk Control Plans	<ul style="list-style-type: none"> <li>• Operational and specific to that service area</li> <li>• Owned cross cutting risks</li> <li>• Health &amp; Safety and other regulatory compliance reporting</li> </ul>
Programme, Project & Change risks	<ul style="list-style-type: none"> <li>• PMO and Change risks and assurance</li> <li>• Capital Projects in receipt of CIF</li> <li>• Commercial initiatives, including Property Company</li> <li>• Ongoing projects in Directorates in Verto</li> </ul>
Partnership Risks	<ul style="list-style-type: none"> <li>• partnership board risk assurances</li> <li>• collaboration agreements and risk ownership</li> </ul>

## 5. How

We will implement the Framework through the following systems, procedures and practices:

- **Corporate risk identification, assessment and control**
- **Risk reporting using profiles and dashboards (with aggregated and cross cutting views for Corporate Board, Directorates, Services, Programmes and Partnerships)**
- **Including risk in business planning and quarterly performance reviews**
- **Being part of an integrated approach with strategic planning and performance management**

The application and effectiveness of the framework will be governed using a three lines model (figures 3 and 4)

### Corporate Risk Register

A key component will be to maintain a corporate risk register, as a tool that captures the **most significant risks and risk controls** at any point in time.

**The Corporate Risk Register will be updated at least quarterly** and more frequently if needed using a system of aggregated risk reporting and integrated risk controls and action plans. This will include directorates, services, change programmes, capital projects and partnerships.

Corporate Board will agree quarterly updates to the Corporate Risk Register and it will be presented to Cabinet at least annually.

From September 2021, the Corporate Risk Register will capture and be able to report on the management of risks in the following ways, depending on the purpose (e.g review or decision making) and audience:

- As critical themes, where there are similar causes or effects
- Against risk appetite threshold levels
- Against council priorities
- At Service, Directorate or Strategic Level, including the escalation of risk
- By Project and the relevant Outcome Delivery Group
- As Service and Corporate Risk Dashboards in Power BI (from September 2021)

### Corporate Risk Assessment Criteria

Corporate risk will be assessed consistently in its impact and likelihood using a risk assessment and evaluation matrix (Appendix 2).

We will use descriptions of our most significant areas of risk impact, aligned to our strategic objectives and timeframes, to inform our evaluation of risk.

We will be able to measure the effect of controls and risk treatments on risk impact and likelihood and substantiate these measures through links to risk control evaluations.

### **Service Risk Registers**

Each service will maintain its own service risk register, using the same format, functionality and assessment criteria as the Corporate Risk Register.

Service Risk Registers will capture:

- risks that impact on the successful delivery of Business Plans
- risks that materialise and require mitigation to stay within risk appetite levels
- the effectiveness of controls
- target levels of risk (based on the risk appetite)

### **Risk Control Actions**

Any risks that are not being managed within a risk appetite threshold will have a risk control action plan, integrated with the service risk register, that sets out mitigating strategies and specific actions to bring risk back within tolerance levels.

### **Reporting Risk - Risk Dashboards and Profiles**

Wherever possible we will use risk dashboards and risk profiles to report on the effectiveness of risk management and inform risk actions, to key audiences and key users of risk information, including; Cabinet, Corporate Board, Directorate Leadership Teams, Service Management Teams, Delivery Boards and Partnership Boards.

Risk management information will be accessible at all times to risk owners and those accountable for managing risk and providing assurance about the effectiveness of risk management.

### **Integrated Approach**

The Framework builds on our existing risk management good practice and processes and aims to fully integrate with the following corporate systems:

- Strategic Planning and MTFS
- Business Planning
- Quarterly performance reporting against the Council Plan
- Programme Management Office governance
- Investment decision making and governance
- Partnership governance arrangements

### **Embedding a Risk Aware Culture**

The Framework will be supported by a programme of risk management learning and development opportunities that will engage with services and activities across the

Council. This will cover all the Risk Principles and will align with Our People Strategy to develop :

- Risk leadership
- Risk awareness as part of innovation
- Resilience and capability in the face of change and uncertainty

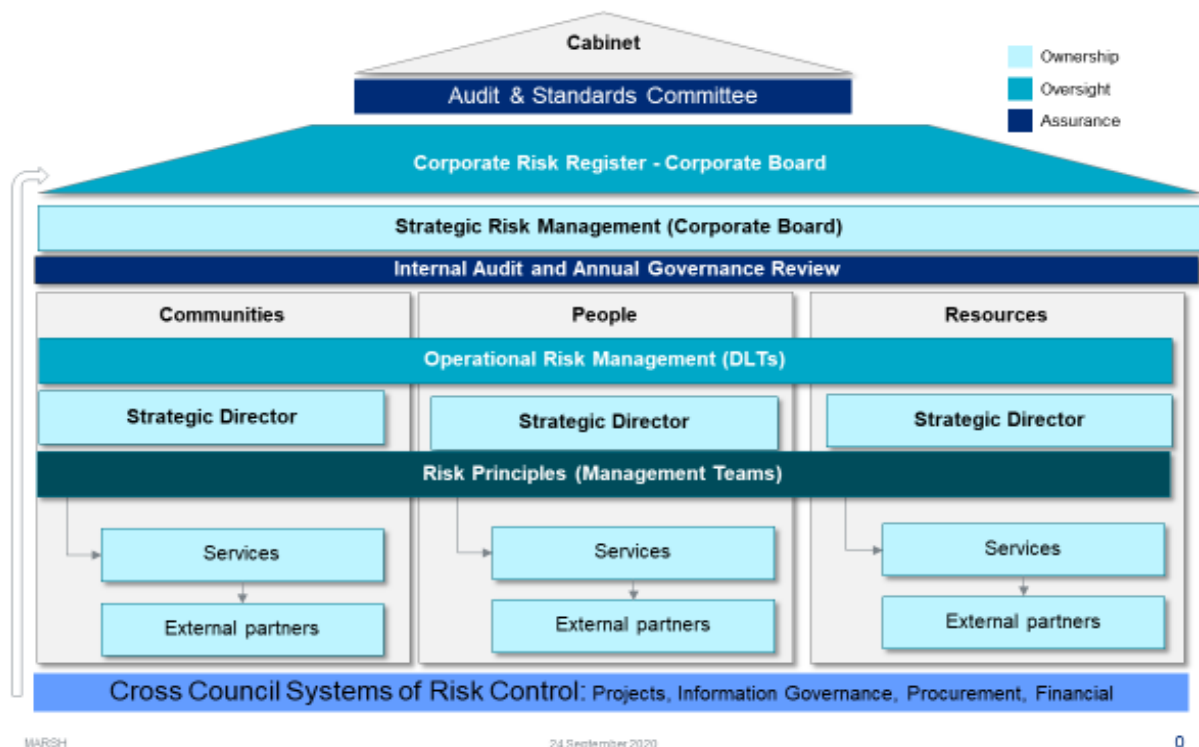
### Risk Management Governance

Risk management is recognised as a key component in our Code of Corporate Governance and is at the heart of the wider corporate assurance framework. As such, risk management will continue to respond and evolve to meet governance and assurance requirements.

A clear risk management governance structure along with roles and responsibilities through organisational tiers and across directorates will build ownership and accountability for risk management.

Risk management is delivered through a model of ensuring independent challenge on risk methodology, process and decision making. These can be represented as three levels of assurance which align to a broader three lines of defence assurance model (Figures 3 and 4).

**Figure 3: Risk Management Governance Model**



**Figure 4 Risk Management Assurance Model and Responsibilities**

<b>Ownership</b>	<b>Oversight and Challenge</b>	<b>Assurance</b>
<b>DLTs, Service Managers, Project and Programme Managers, Partnership Arrangements</b>	<b>Risk Management Commissioning (Governance &amp; Policy) and Delivery (Finance), Integrated Planning Forum, Delivery Boards and Corporate Board</b>	<b>Internal Audit Review/ reporting to Audit &amp; Standards Committee, External assessments and AGS review</b>
<ul style="list-style-type: none"> <li>• Perform service and change activities to fulfil strategic objectives, in line with risk appetite</li> <li>• Accountable for risks incurred in these activities</li> <li>• Manage risks through avoidance, mitigation, transfer or acceptance</li> <li>• Design and operate effective primary controls and procedures in line with frameworks and policies</li> </ul>	<ul style="list-style-type: none"> <li>• Support the establishment of an effective risk management framework and definition of risk appetite</li> <li>• Monitor risk profile and mitigation strategies, escalate or delegation as appropriate</li> <li>• Provide advisory support and challenge to risk owners.</li> </ul>	<ul style="list-style-type: none"> <li>• Independent review of adherence to risk and control standards and guidelines</li> <li>• Provide guidance on adequacy and effectiveness of 1st and 2nd line risk management approaches</li> <li>• Integrates with risk based audit planning and assurance work</li> </ul>

## Key Delivery Actions, Monitoring and Review

To progress the further development and delivery of the Strategic Risk Framework we are focused on delivering the following priority actions before the next framework review in September 2021.

- Finalising Risk Appetite Dashboards and metrics to measure risk tolerance
- Launching the integrated Corporate Risk Register tool with services
- Updating project risk tools in Verto
- Building the Corporate Risk Register, update and reporting process

Beyond September 2021 we will focus on how we embed good risk management practice with:

- Risk management guidance and e-learning opportunities
- Communication and engagement through business as usual activity
- Revisiting assurances from cross cutting risk and control assessments in procurement, project management, commercial and information management following an independent review in 2020.

The Framework will be monitored, reviewed, maintained and updated in line with the Integrated Planning Framework cycle. Updates to the Framework will be agreed by with Corporate Board and approved by Cabinet.

Audit & Standards Committee will maintain oversight of the Framework through annual assurance reporting (The Annual Governance Statement and Internal Audit Annual report).



## 6. Related Documents

### **Risk Related Documents and Sources:**

**WCC Risk Appetite Statement:** summary statement providing a high level of description of the organisations risk appetite, and detailed appetite statements for each risk area indicating the metrics by which WCC measures and controls exposures

**WCC Corporate Risk Register:** the database of risk information to be maintained and regularly reviewed and updated

### **Strategic and Directorate Risk Profiles**

**Change Portfolio project and programme risks**

**Corporate risk assessment and evaluation criteria (technical appendix)**

**Risk appetite dashboards (technical appendix)**

**Health & Safety Strategy (being updated)**

**Anti-Fraud and Corruption Strategy (fraud risk assessment)**

**Code of Corporate Governance and Annual Governance Statement**

Risk area	Definition	Appetite level	Commentary
<b>People</b>	The risk of loss of critical staff and/or reduction in staff morale	<b>Cautious</b>	WCC is a people-orientated organisation and our staff are one of our key assets, therefore engagement and retention of employees is imperative. We will seek to provide our staff with appropriate education to promote personal and workforce development and we understand this will also bring benefits to the organisation. We accept an amount of staff turnover in the organisation because we realise the benefit that new employees can provide to the business through original ideas and innovation. We are cautious to this risk and tolerance is limited.
<b>Reputational</b>	The risk of detriment to WCC's reputation locally and nationally	<b>Cautious</b>	Upholding the strong reputation of the Council is of paramount importance to us and is a key performance indicator for the organisation, therefore WCC is cautious to the risk of damaging this reputation; both locally and nationally. We seek to ensure that all customers and members of the public have a positive experience of our Services and identify the Council as a support mechanism for the entire Warwickshire community. Sustaining our reputation with both customers and the public is critical and there are inherent risks associated with aspects of Service delivery, therefore we reduce these to the best of our ability through well co-ordinated risk assessments and oversight.
<b>Commercial &amp; Investment</b>	The risk of financial loss from commercial decisions	<b>Open</b>	WCC is open to accepting a calculated level of risk in order to create positive rates of return and drive value for the Council, Warwickshire citizens, customers and employees. Through careful and strategic selection of commercial and investment opportunities that will benefit our Service delivery, we will have to accept significant financial risks and mitigate through strong financial controls. Whilst we are open to innovative opportunities we recognise the importance of the risk of financial loss and sustaining our financial health, therefore we have strong financial controls in place to ensure financial stability.
<b>Service Delivery</b>	The risk of disruption to council service delivery and operations from failed procedures, systems, policies or unsustainable demand	<b>Cautious</b>	The success of the Council depends on effective Service delivery. We are cautious to potential disruptions and ensure that we do everything possible to minimise disruptions to our statutory service obligations. Our procedures, systems and policies are robust and regularly reviewed for effectiveness, and there is sufficient resilience in place so that customers are always able to access our critical services and the information they require. It's important that as an organisation we place importance on developing our own workforce so that WCC has the right skills and capabilities to deliver services in-house.
<b>Legal &amp; Compliance</b>	The risk of loss from legal penalties or fines from non-compliance or legal cases	<b>Cautious</b>	WCC is cautious towards legal and compliance risk and recognises that having a strong culture towards managing this risk is fundamental to the way the Council operates. We aim to minimise our exposure to ombudsman complaints by ensuring that all of our Services and staff provide the highest level of support in every circumstance. We ensure that all of our staff have undertaken the necessary compliance training where required and periodically seek assurance to test effectiveness. The organisation takes a balanced view of contract risk and understands that our legal and contracting processes should enable fast and timely decision-making to support effective delivery of Services.

Risk area	Definition	Appetite level	Commentary
<b>Information Security</b>	The risk of breach of IT systems and/or data	<b>Cautious</b>	WCC will not compromise our customers' or employees' data, and we ensure it is stored within our IT and records infrastructure to meet international and UK regulatory standards. We have a strong policy to ensure that sensitive information is stored and used securely, and thorough processes exist for the identification and resolution of incidents that present a threat to information security. WCC recognises the wealth of data information we hold and the importance of sharing this with our partners to achieve service delivery. As such, WCC is more open in its approach to sharing data as we recognise the benefits that this can deliver when managed within a controlled framework.
<b>Staff Health &amp; Well Being</b>	The risk of uncertain outcomes relating to harm, injury or illness of WCC staff in the workplace	<b>Minimalist</b>	WCC has very limited appetite when considering the health, safety and wellbeing of our staff. We seek to promote health and safety for our staff and ensure that we regularly review any activities which may put our staff in danger or harm. As an organisation we will do everything possible to prevent serious harm or loss of life to our employees and third parties engaged with us. We promote staff mental health and wellbeing and will always provide our employees with the support they need.
<b>Community Safety &amp; Well Being</b>	The risk of uncertain outcomes relating to harm, injury or illness of communities (including children and vulnerable adults)	<b>Minimalist</b>	The safety and well being of the Warwickshire community is of paramount importance to us, therefore WCC has a very limited appetite for this risk. We will continually seek to avoid any activities that present a threat to the safety of the public, and we do everything possible to prevent the loss of life to anyone in the community. We also work with our partners to promote the physical and mental health and wellbeing of our communities. We are responsible for providing care to those who need it most, including children and vulnerable adults, and we endeavour to always provide the support and safety that these individuals require. Alongside this, we operate rigorous safeguarding measures to ensure the health and safety of Warwickshire citizens.
<b>Climate Change</b>	The risk of causing an adverse effect on the environment due to business activities	<b>Open</b>	WCC has a strong commitment to tackling Climate Change and seeking out opportunities to control our own emissions and encouraging businesses to also minimise their emissions. We aspire for sustainable levels of waste generated in the community and promote initiatives towards reusing and recycling as part of the wider circular economy. As an organisation we are conscious of the various benefits associated with high levels of biodiversity across the County and we regularly set and review targets to reduce our environmental footprint.
<b>Economy &amp; Place</b>	The risk of detrimental effect on the Warwickshire economy due to external factors	<b>Open</b>	Whilst economic growth is driven by external factors, WCC is open to accepting a calculated level of risk that may drive economic growth within the County. Whilst these decisions may carry greater risk, we closely monitor economic factors to determine their impact upon the County and continually seek to attract economic investment, business growth and talent across the County.

<b><u>Risk Appetite</u></b>	<b><u>Description</u></b>
<b>Averse</b>	<i>Avoidance of risk and uncertainty is a key organisational objective</i>
<b>Minimalist</b>	<i>Innovation is to be avoided unless essential; only prepared to accept the possibility of very limited financial loss</i>
<b>Cautious</b>	<i>Tolerance for risk taking is limited to those events where there is little chance of any significant downside impact</i>
<b>Open</b>	<i>Tolerance for decisions with potential for significant risk, but with appropriate steps to minimise any exposure and deliver benefits</i>
<b>Hungry</b>	<i>Eager to pursue options offering potentially higher rewards despite greater inherent risk</i>

Appendix 2

Risk Assessment and Evaluation Matrix

**Purpose:** Risks that have been identified need to be assessed so we can prioritise risk control actions and measure the effect of controls and risk treatments. We use the risk assessment matrix, set out below, to assist with evaluation so we can produce a:

- (i) **gross risk score** (before applying risk controls and actions)
- (ii) **net risk score after** applying controls actions

Both the **gross and net risks scores** will be recorded on **corporate and service risk registers** and used to produce directorate risk profiles.

**Risk Score:**

**(Impact score x Likelihood score) + Impact = Risk Score**

We score gross and net risks using a five point scale for Impact and Likelihood. An additional Impact weighting is applied, which helps us to capture and monitor our control of risks with a high impact/ low probability, such as safeguarding risks. All possible risk scores (net or gross) are summarised in a risk map, here:

Impact	Catastrophic	10	15	20	25	30
	Major	8	12	16	20	24
	Moderate	6	9	12	15	18
	Minor	4	6	8	10	12
	Insignificant	2	3	4	5	6
		Highly Unlikely	Unlikely	Possible	Probable	Very Likely
		Likelihood				

To assist us to evaluate risk from these two perspectives; **likelihood** (probability of the risk occurring) and **impact** (on the council and its objectives should be the risk occur), we use the following corporate assessment criteria:

**Likelihood Assessment Criteria**

Score	Description	Probability of Occurrence	Likelihood of Occurrence
1	Highly Unlikely	The event may occur in only rare circumstances (remote chance)	1 in 8 + years
2	Unlikely	The event may occur in certain circumstances (unlikely chance)	1 in 4-7 years
3	Possible	The event may occur (realistic chance)	1 in 2-3 years
4	Probable	The event will probably occur (significant chance)	1 in 1-2 years
5	Very Likely	The event is expected to occur or occurs regularly	Up to 1 in every year

Impact Assessment Criteria

Score	Financial Impact	Reputational	Safeguarding	Community Health & Well Being	WCC Staff	Service Delivery	Legal & Compliance
1 Insignificant	< £250,000 per annum	No public or customer awareness and contained internally within the Council, no complaints received from the Warwickshire community and insignificant impact on relationships with strategic partners.	No impact on the safety and wellbeing of vulnerable children and adults and no intervention required from the Council	No impact on the health and wellbeing on the Warwickshire community, no individuals are at risk of physical or mental harm and communities are able to thrive	No work-related fatalities and no impact on staff health and wellbeing, insignificant impact to staff morale and engagement, there is a diverse workforce where all staff feel equal and included	No impact to the quality and effectiveness of Service delivery, all demand for Services can be met and can be delivered in a sustainable manner	No legal proceedings brought against the Council and WCC is compliant with all required policies and procedures

Score	Financial Impact	Reputational	Safeguarding	Community Health & Well Being	WCC Staff	Service Delivery	Legal & Compliance
2	Minor £250,000 - £2,500,000 per annum	Minor public or customer awareness but no local media concern, low level of complaints received from the Warwickshire community and minor impact to some strategic partnerships	Minor impact on the safety and wellbeing of vulnerable children and adults resulting in isolated instances of harm or injury and short-term intervention required	Minor impact on the health and wellbeing of the Warwickshire community, a low level of individuals are at risk of physical or mental harm and communities are largely unaffected	No work-related fatalities however potential impact on staff health and wellbeing (e.g. shorter-term absences / sickness), minor impact to staff morale and engagement, there is a diverse workforce where the majority of staff feel equal and included	Minor impact to the quality and effectiveness of Service delivery however not resulting in any disruptions, minor impact to strategic partnerships, ability to meet nearly all demand for Services and with minimal environmental impact	No legal proceedings brought against the Council however minor breaches to some policies and procedures have occurred
3	Moderate £2,500,000 - £10,000,000 per annum	Limited local public and media concern with 'short lived' local coverage, moderate level of complaints received from the Warwickshire community and some strategic partnerships are moderately impacted	Moderate impact to the safety and wellbeing of vulnerable children and adults resulting in some level of harm or injury and requiring Council intervention	Moderate impact to the health and wellbeing of the Warwickshire community, some individuals are at risk of physical or mental harm and specific communities adversely impacted	No work-related fatalities however significant impact on staff health and wellbeing (e.g. longer term absences / sickness, increased number of vacancies, minor impact to staff morale and engagement, there is a relatively diverse workforce although not all staff feel equal and included	Moderate impact to the quality and effectiveness of Service delivery resulting in short term disruptions limited to a single Service, moderate impact to strategic partnerships, the majority of demand for most Services can be met and delivered with no environmental impact.	The Council is subject to a low number of legal proceedings and some policies and procedures have been breached



Score	Financial Impact	Reputational	Safeguarding	Community Health & Well Being	WCC Staff	Service Delivery	Legal & Compliance
4	Major	<p>£10,000,000 - £20,000,000 per annum</p> <p>Significant regional public and media concern with the potential to escalate to national coverage, significant level of complaints received from the Warwickshire and regional community and multiple strategic partnerships adversely impacted</p>	<p>Major failure to protect vulnerable children and adults resulting in avoidable injury or fatality and significant intervention required from the Council</p>	<p>Major failure to protect the health and well-being of the Warwickshire community, the physical and mental health of a high number of individuals is impacted and communities are unable to thrive</p>	<p>Potential work-related fatalities or serious injury and significant impact on staff health and well-being, significant impact to staff morale and engagement and short to medium term implications to WCC culture, the workforce lacks diversity and a significant number of staff are made to feel unequal/excluded</p>	<p>Major impact to the quality and effectiveness of multiple Services and long-term disruptions resulting in required standards, including environmental standards, not being met, multiple strategic partnerships affected, demand cannot be met for some key Services (e.g. Social Care), service provision.</p>	<p>The Council is subject to a significant number of legal proceedings which are likely to be successful, a number of policies and procedures have been breached by a significant number of WCC staff</p>

Score	Financial Impact	Reputational	Safeguarding	Community Health & Well Being	WCC Staff	Service Delivery	Legal & Compliance
5 Catastrophic Page 198	> £20,000,000 per annum	Sustained national public and media criticism resulting in long term adverse impacts for the Council, high levels of regional and national complaints and all strategic partnerships experience long term catastrophic impacts	Catastrophic failings to protect vulnerable children and adults resulting in multiple avoidable injuries or fatalities and long-term intervention from the Council required	Catastrophic failings to protect the health and wellbeing of the Warwickshire community, almost all communities experience significant physical or mental harm and communities suffer long term adverse impacts	Work related fatality / fatalities or multiple serious injuries and staff are affected across all Services. Long term impact to staff morale and engagement and sustained impact to WCC culture. The workforce lacks any diversity at all and the majority of staff feel unequal/excluded	Catastrophic impact to the quality and effectiveness of Service delivery for all Services, and key required standards, including environmental standards, are consistently not met, all strategic partnerships are significantly affected with long term adverse impacts, demand cannot be met for Services	The Council is subject to a high number of high profile legal proceedings all of which are likely to be successful, there has been organisational breaches of all major policies and procedures which will in turn likely lead to further legal proceedings .

### Reviewing Risk Assessment Criteria:

Risk assessment criteria are informed by Council Plan priorities and risk appetite levels. Both likelihood and impact assessment criteria will be reviewed and updated at least annually to ensure continued alignment.

Updates to risk assessment criteria will be agreed by Corporate Board, alongside any updates to the Strategic Risk Management Framework.

## Audit and Standards Committee

25 March 2021

### Internal Audit Plan 2021-22

#### 1. Recommendations

That the Committee:

1. endorses the proposed Internal Audit plan for 2021-22
2. confirms its continued endorsement of 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 it 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 explicitly link the internal audit plan with critical risks.
- 2.4 Based upon the discussions to date and our professional judgement an indicative priority and an estimated number of days has been allocated to each potential topic. This takes into account a range of factors including: when the topic was last audited, complexity of the topic, and the level of change. The list of potential topics arising from the planning process is included in the attached audit plan document (Appendix A) together with those topics we are unable to cover during the year based on existing level of resources. The aim is to give a high-level overview of audit areas. The Committee will note that as in past years whilst we are able to cover key aspects of very high risk areas we are not able to cover lower rated risks.

The Committee is able to accept a plan on this basis, provided this matches its “risk appetite” for independent assurance, also recognising that management have the prime accountability for managing processes and risks (and therefore assurances can be obtained directly from them where necessary).

- 2.5 Good practice requires us to recognise that the plan should be responsive to changes in risks during the year and it will therefore be reviewed at intervals throughout the year to ensure it remains relevant.
- 2.6 The Internal Audit function is governed by its Audit Charter, which is a requirement of the Public Sector Internal Audit Standards (PSIAS) and sets out the purpose, authority and responsibility of internal audit. As the Committee will appreciate, it has to be formally agreed and approved by the organisation and periodically reviewed. The Charter establishes the position of internal audit 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.
- 2.7 In accordance with best practice the existing Audit Charter, which was approved in July 2020, has been reviewed ensure it reflects the current structure, practice and legislation. No changes are being recommended following the recent review and it is included for completeness. **(Appendix B)**
- 2.8 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 A: Internal Audit Strategy and Plan 2021/22
2. Appendix B: Audit Charter

## Background papers

None

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

# Internal Audit Strategy and Plan 2021/22

“Providing assurance on the management of risks”



# Internal Audit Strategy and Plan 2021/22

## “Providing assurance on the management of risks”

This document sets out the Internal Audit Strategy and proposed Plan of work for 2021/2022 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.

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### The Role of Internal Audit

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

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



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

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

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

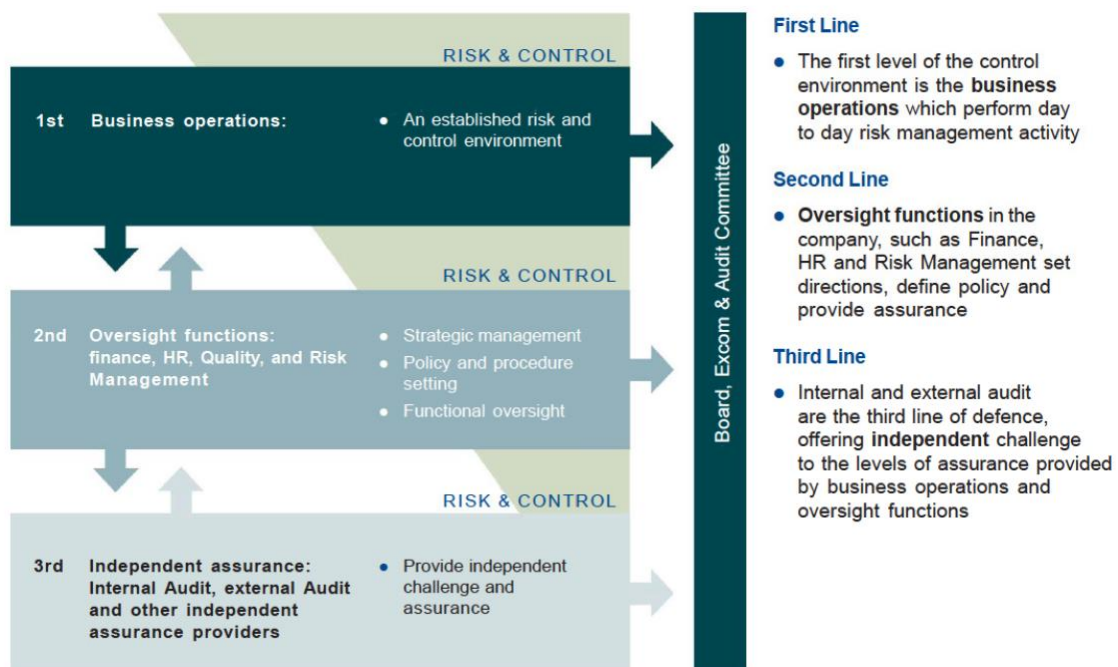
### Definition of Internal Auditing

“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**



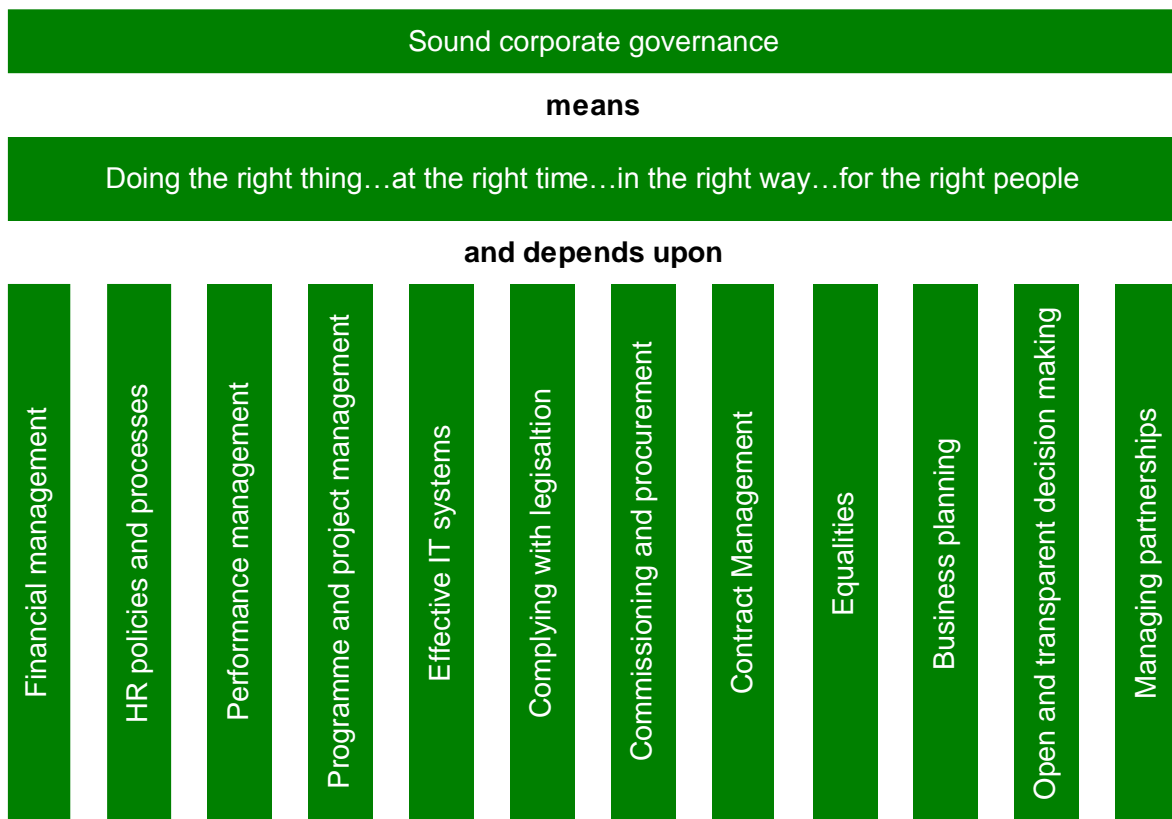


The management of risks is the responsibility of every manager. Sitting outside the processes of the first two lines of assurance, audit's main roles are to ensure that the first two lines are operating effectively and advise how they could be improved.

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.

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## Vision, purpose and values

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

As a modern effective risk and assurance service we:

- Act as a catalyst for improvement 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:

- The response to COVID-19 and the longer term economic and social impact
- 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 customers' 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.

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## 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.

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## Plan 2021 / 2022

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 impact of Covid has been considered in shaping the plan of assurance work for 2021-22 and a number of smaller areas have been combined into a section of corporate reviews to provide assurance and identify lessons for the future.

### 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 2021, identified six Top risks from the survey, as follows:

- Cybersecurity and data security
- Regulatory change and compliance
- Digitalisation, new technology and artificial intelligence
- Financial, capital and liquidity risks
- Human capital and talent management
- Disasters and crisis response

## National

Like the rest of the world, since last year Local Government has been greatly impacted by Covid 19. The latest Mazars Horizon Scanning review 2020 sets out a large number of on-going challenges and this included a number of new areas for focus. Those relevant for the county were:

- COVID-19
- The changing high street
- Domestic violence
- Council staff – homeworking, capacity and wellbeing
- Discretionary services

## County Council

The national and international perspectives highlighted above are reflected in the challenges faced by the county council. Regarding the aspects of financial risk, these have been identified by the Council in setting the budget and MTFS.

### 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 report identifies the following financial risks, along with mitigation measures:

- Delivery of the Planned Budget Reductions
- On-going Impact of the Covid-19 pandemic
- Repayment of Overspends
- Dedicated Schools Grant Deficits
- Treasury Management
- Uncertainty of the National Funding Position
- Local Government Funding Reform
- Pensions
- Impact on the Medium Term Financial Strategy

## 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:

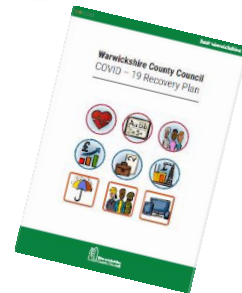
- Warwickshire’s communities and individuals are supported to be safe, healthy and independent; and
- Warwickshire’s economy is vibrant and supported by the right jobs, training, skills and infrastructure



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.

## Recovery Plan

The Recovery Plan is an important document for us an organisation as we look to a future where we must balance our ongoing response to the pandemic with implementing our recovery approach.



It sets out 10 clear priorities that are aligned with our Council Plan and sets out some immediate actions.

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 2021-22 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. 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 schools experiencing financial difficulties. 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 2020/21 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 undertake an assessment of fraud risk 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.

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## 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)**

**March 2021**



## Strategic Risks

Extract from Council's strategic risk register		Independent Assurance Sources	
	Strategic Risk description and impact	Other sources of assurance	Examples of proposed internal audit role / planned assignments
1	Risk of a prolonged Covid pandemic persisting into 2021, with continued risk of transmission and infections, resulting in adverse impacts on the health & well-being including mental health, of Warwickshire communities and increasing demand for Council & public services of Warwickshire communities.		COVID response/ spending
2	Risk of post-pandemic widening of social, health and economic inequalities, and inability to catch up, resulting in worsening outcomes for our communities.		WRIF, COVID response/ spending, schools
3	Risk of failings in the protection of vulnerable children in our communities and the potential for legal and reputational damage to the Council.	Ofsted	Children with disabilities, SEND programme, Contract management – Quality Assurance (care sector)
4	Risk of failings in the protection of vulnerable adults in our communities and the potential for legal and reputational damage to the Council.	CQC	Contract management – Quality Assurance (care sector)
4	Delays to social care reform and continued disruption to care markets (supply and cost pressures) impacting on sustainability of council services, service standards, service accessibility/continuity and affordability, resulting in negative outcomes for service users.		Re-commissioning (People)
5	Risk of a deep and prolonged downturn in the local economy, resulting in: <ul style="list-style-type: none"> <li>(i) longer lasting negative impacts on businesses sustainability in effected sectors/localities, including town centres and the visitor economy</li> <li>(ii) reduced employment levels impacting on household incomes and well being</li> <li>(iii) Reduced/ changing tax base to fund Council services.</li> </ul>		WRIF, Grants to businesses
6	Risk of education and skills gaps widening and inability to catch up resulting in worsening outcomes for current student cohorts, particularly for disadvantaged students.	Ofsted	COVID response/ spending

Extract from Council's strategic risk register		Independent Assurance Sources	
Strategic Risk description and impact		Other sources of assurance	Examples of proposed internal audit role / planned assignments
7	Risk of being unable to deliver our ambitions on the Climate Emergency declaration resulting in negative outcomes for our communities, businesses and environment and reputational damage.		Climate change
8	Risk of continued uncertainty about external factors such as Government policies economic outlook, impacting on our ability to carry out longer-term planning, secure sufficient funding, meet demand and sustain key services.		External funding governance
9	Risk of Staff health and wellbeing continuing to be affected negatively, impacting our resilience and capacity to deliver services and address new challenges.		Wellbeing
10	Risk of failing to sustain and progress change, to modernise, innovate and take advantage of technology-driven solutions, resulting in inefficient, unsustainable services, unrealised benefits and outcomes		IT integration/ strategy, Cloud computing, Estates rationalisation, Change programme
11	Risk of legal, regulatory, Information security non-compliance, impacting on the Council's reputation and loss of trust in public service delivery and the potential for financial penalties.		Cyber security
12	Risk of negative results from our commercial and investment activities, impacting on reputation and loss of trust in public service delivery.		Property Co, WRIF, Commercial energy
13	The risk of detriment to our reputation (including that of financial loss from commercial activities), locally, nationally and with partners and our community.		Property Co, WRIF, Commercial energy

Planned Work 2021/22

COVID-19 risks and recovery

Directorate	Service	Topic	Potential Control / Governance Issue	Proposed Audit Coverage	Indicative Timing (Qtr)
Council-wide	Council-wide	COVID Grants	Requirement to meet grant conditions.	Independent assurance around grant expenditure and governance during the pandemic and lessons for the future. Also, governance, risk management and control advisory support.	1-4
		COVID secure office accommodation	Keeping staff safe and complying with changing requirements	Assurance over the arrangements to ensure that Covid requirements are met for council premises.	2-3
		Workforce implications	Impact on wellbeing of staff and future shape of ways of working	Review of effective application of risk mitigations for temporary Covid working arrangements and learning for the future to be an attractive employer.	1-2

**Council Plan Priority Outcome:**

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

Directorate	Service	Topic	Potential Control / Governance Issue	Proposed Audit Coverage	Indicative Timing (Qtr)
People	Children	Fostering and SGO payments	Inaccurate payments, inconsistent policy implementation	Review of the controls including application of new policy including discretionary payments	1-2
People	Children	Performance data quality	Quality of data used for decision making and reporting	Issues being tackled over accuracy of reports. Assurance to follow this work	3-4
People	Children	Children with disabilities	Assessments not meeting timeliness performance targets.	Review of the arrangements and service performance	1-2
People	Adult	Direct payments	Complex control area with potential fraud risk	Assurance around controls and governance	2-3
People	Commissioning	Re-commissioning	Re-commissioning was paused in places due to Covid.	Management of risks and future programming	2
Communities	Education	SEND programme	On-going programme of important projects.	Scope to be determined based on 2020-21 work and progress of programme	2-3
Resources	CSU	Contract management	Assurance required around quality of care delivered through contracts	Quality assurance focus, including particularly the care sector	3-4

**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	Highways contract	Contract management and adjustments	Significant area of spend. Detailed scope to be agreed	1-2
Communities	Communities	Grants to businesses	New scheme	Advisory - balance of ease of application for businesses Vs control	1
Communities	Communities	WRIF (Warwickshire Recovery and Investment Fund)	Significant and complex new area	Advisory support	1-2
Communities	Communities	External funding governance	Significant financial area with need for good communications and oversight	Assurance over governance arrangements	2-3
Communities	Education	Schools in difficulties	Previous Limited assurance audit	Assurance following Limited assurance audit in 2019-20	3-4
Communities	Education	Schools thematic review	Financial planning and control	Thematic review, looking at root causes/ risk factors for deficits	3-4
Communities	Fire and Rescue	Vision and Farynor IT systems	Systems at end of life.	Review of approach to managing the risks and finding sustainable solutions	1-2
Communities	Fire and Rescue	Fire service training	External high cost training and options to deliver in-house	Review of the mitigation of financial and service risks around training.	2-3
Resources	Commissioning Support Unit	Treasury management	Changes in approach and staffing.	Assurance on controls design and application	1-2
Resources	Finance	Traded Services	Need for appropriate governance and impact of COVID on trading	Scope to be determined but to include governance and sustainability	2-3

Directorate	Service	Topic	Potential Control / Governance Issue	Proposed Audit Coverage	Indicative Timing (Qtr)
Resources	Finance	Commercial energy	New area with financial, control and governance requirements	Advisory role	1-4
Resources	Finance	Property Company	Establishment of new Property Co	Client side of expected new company. Also broader assurance that the new Co. is assuring itself - governance	3-4
Resources	Governance & Policy	Property – Estates rationalisation	WCC estate under review for rationalisation	Advisory role	1-4

**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)
Resources	Enabling Services	Cyber security	Heavy reliance on IT for services	Cyber risk governance maturity assessment	3
Resources	Enabling Services	Cloud computing	Identification and management of risks in cloud environment	Assurance on clarity of risks and management of these	3-4
Resources	Enabling Services	IT integration/ strategy	Need for planned and joined up approach to IT	Planning and resourcing of ongoing systems and future development	2-3
Resources	Enabling Services	Payroll	External review has identified weaknesses which are now being addressed. Assurance required that the control improvements are embedded and effective.	Full review of Payroll system.	3-4
Resources	Finance	Budget management	Effective budget management is key to sustainable service delivery	2019-20 Moderate opinion. Focus on quality of forecasting and understanding of cost drivers	3-4
Resources	Finance	Finance system	Agresso system developments	Advisory work on Agresso developments	1-4
Resources	Finance	Pension Administration	Further audit following limited opinion	Assurance review	2-3
Resources	Finance	Pension counter-fraud arrangements	Important area for periodic review	Assurance review	3-4

Directorate	Service	Topic	Potential Control / Governance Issue	Proposed Audit Coverage	Indicative Timing (Qtr)
Resources	Finance	Risk management	Updated Risk Management Strategy	Revised strategy effectiveness	4
Resources	Governance & Policy	Strategy consistency and harmonisation	Consistent strategies required to optimise outcomes	Advisory work on review of Council strategies	1-2
Resources	CSU	Data strategy	New strategy being developed	Advisory	1-3
Resources	CSU	Performance management	Revised performance framework	Advisory	1-3
Resources	CSU	Change programme	Control of key change projects	Review of sample of key projects	3-4



**Council Plan: Responding to climate change:**



**UN Sustainable development Goals**

Directorate	Service	Topic	Potential Control / Governance Issue	Proposed Audit Coverage	Indicative Timing (Qtr)
All (Lead – Communities)	All (Lead – Communities)	Council response to climate change	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. Specific scope to be subject to further consultation.	3

### Illustration of auditable topics not planned for 2021-22

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 2021/22. Based upon the planning discussions with senior management, our professional judgement and the results of previous audits the following topics are not planned for 2021/22. However, should planned audits not take place topics from this list can be substituted.

Directorate	Area
Resources	BAIC
Resources	Capital schemes
Resources	Property - Education S106 etc.
Resources	Information Governance
Resources	Recruitment
Resources	Budget delivery – savings
Resources	Facilities Management and Caretaking
Resources	Release Management
Communities	Yotta IT system
People	Implementation of cashless payment processes
People	In-house care home
People	Payment process - Domiciliary care
Resources	MTFS
Resources	Insurance
Communities	Home to school/ SEND transport

## 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

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**Appendix B**

# **Audit Charter**

“Providing assurance on the management of risks”



# Audit Charter

## “Providing assurance on the management of risks”

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

This document was approved by the Internal Audit Board on \*\*\* and endorsed by the Audit and Standards Committee on \*\*\* and applies until amended.

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### Context

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

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

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

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

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

Internal audit services for the County Council are provided by the Internal Audit Team within the Resources Directorate.

## Definitions

The role of the “Board” outlined in the PSIAS is fulfilled by Corporate Board. The role of senior management is fulfilled by Corporate Board. The role of the Chief Audit Executive is fulfilled by the Internal Audit Manager.

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## Purpose

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

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

The key word in the definition is assurance; the role of audit is primarily to provide reasonable assurance to the organisation (the Board, managers, 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 IIA standards, on which PSIAS are based, define the mission of an effective internal audit function as:

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

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

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

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

The PSIAS includes a mandatory Code of Ethics (based on international IIA standards) covering integrity, objectivity, confidentiality and competency. All internal auditors in the public sector must also have regard to the Committee on Standards of Public Life’s Seven Principles of Public Life – the Nolan principles.



The service also assists the Strategic Director - Resources in discharging his responsibilities under Section 151 of the Local Government Act 1972 which requires that authorities:

“make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs”.

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## Scope and Responsibility

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

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

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

### Consultancy / Advisory work

The service also undertakes consultancy and advisory work designed to add value and offer insights that should improve the effectiveness of risk management, control and governance processes at the request of the organisation, subject to the availability of skills and resources.

Due to its detailed knowledge of systems and processes internal audit is well placed to provide advice and support to managers on the implications of changes to policy or processes. As such, the service must be informed and consulted about plans for major or complex changes to systems. The service will advise / comment on proposed changes and the controls to be incorporated in new and revised systems when invited to do so or where agreed in the annual plan but the final decision on whether to accept the audit advice rests with the relevant manager(s). However, where appropriate the Internal Audit Manager may escalate the issue to more senior management. The provision of such advice does not prejudice the service's right to evaluate the established systems and controls at a later date.

### Fraud

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

Smaller, less complicated investigations will be undertaken by the relevant managers but the service will investigate the more complicated or large cases of suspected fraud and other irregularities. It is the responsibility of the relevant line manager to determine what action to take as a result of the investigation.

Managers should immediately inform the Internal Audit Manager if a fraud or other irregularity is suspected who will then inform the Internal Audit Board of significant allegations. Managers should also ensure that:

- any supporting documentation or other evidence is secured; and
- confidentiality is maintained so as not to prejudice any subsequent investigation.

The service is responsible for reviewing the Authority's response to fraudulent activity in order to ensure that appropriate action has been taken. Once an investigation is concluded, the service will undertake a review to determine whether controls should be strengthened.

The Internal Audit Manager is responsible for reporting frauds and subsequent liaison with the Police and other investigative agencies.

### Value for money

The service will offer advice and insight concerning instances of over control, or inefficiency, but will not specifically examine or evaluate the extent that value for money is achieved as part of our routine reviews.

Where specifically agreed in the audit plan the service will, subject to availability of resources, also:

- undertake or participate in specific value for money / service reviews; and
- facilitate the introduction of best practices across the Authority.

The scope of a value for money / service review will not normally overlap with the scope of an audit. However, the service will take account of the timing and scope of such reviews when planning its work.

Where a review team is actively looking at options that have a material impact on risks and controls the Internal Audit Manager must be informed at an early stage. Where requested, and subject to the agreement of the relevant manager, the service will assist reviewers by supplying information and knowledge gained during audits where this is relevant to the scope of the review.

### Other

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

Wherever possible staff responsible for providing advice on a particular topic will not undertake assurance work on that topic for at least 12 months. Where this is unavoidable management supervision will ensure that no conflict of interest arises and objectivity is maintained.

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

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## Independence

The service is managed by the Internal Audit Manager who is professionally qualified as required by PSIAS. Although the Internal Audit Manager's direct reporting line is to the Strategy and Commissioning Manager (Treasury, Pensions, Audit, and Risk) he also reports functionally to the Internal Audit Board and has the right of direct access to members of the leadership team. The service also provides regular reports to the Council through its Audit and Standards Committee which has responsibility for overseeing audit arrangements.

The service does not have any executive responsibilities and is independent of the activities that it audits. This enables it to provide impartial and unbiased professional opinions and recommendations.

The service is free to plan, undertake and report on its work, as the Internal Audit Manager deems appropriate, in consultation with relevant managers and the Board.

Line managers are fully responsible for the quality of internal control within their area of responsibility. They should ensure that appropriate and adequate control and risk management arrangements exist without depending on internal audit activity.

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

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## Audit and Standards Committee

The Council is responsible for maintaining an audit committee which complies with all relevant guidance. The committee's responsibilities include reviewing and commenting upon:

- formally approving the audit charter;
- formally approving (but not directing) the overall internal audit strategy and programme of audits to ensure that it meets the council's overall strategic direction (paying particular attention to whether there is sufficient and appropriate coverage);
- reviewing and commenting on summaries of work done, key findings, issues of concern and action in hand as a result of audit work; and
- receiving and reviewing the annual report from the Internal Audit Manager in order to reach an overall opinion on the internal control environment and the quality of internal audit coverage.

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## Right of access

To undertake their work the service has unrestricted access to all the Authority's personnel, premises, documents, records, information and assets including those of

partner organisations<sup>1</sup>. The service has authority to access all relevant computer data as part of their work, including that registered under the Data Protection Act.

The service is authorised to obtain the information and explanations they consider necessary from any employees, partners or agents of the Authority to fulfil their objectives and responsibilities. Managers must ensure that internal audit access is considered when preparing partnership agreements or contracts for the purchase or supply of goods and services.

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

The Internal Audit Manager has the right of direct access to the Leader, Chief Executive, Strategic Directors, Chair of the Audit and Standards Committee and Assistant Directors.

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## Standards

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

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

Internal auditors are expected to:

- exercise due professional care based upon appropriate experience, training, ability, integrity and objectivity;
- maintain and keep up to date their professional knowledge and skills and to participate in any continuing professional development scheme (CPD) operated by their professional body;
- participate in the Warwickshire County Council's staff appraisal scheme;
- comply with the Authority's rules about declaring interests; and
- obtain and record sufficient audit evidence to support their findings and recommendations.

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

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## Planning

Internal audit work is planned at all levels of operation in order to establish priorities, achieve objectives and ensure the efficient and effective use of audit resources.

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

The Internal Audit Manager produces annual plans. These plans are developed in consultation with senior managers and take account of the Authority's aims, strategies, key objectives, associated risks, and risk management processes.

The Board agrees each year's plan which is endorsed by the Audit and Standards Committee. These plans will normally include an element of contingency to allow internal audit to be responsive to changing conditions and requests for assistance from managers. It is the responsibility of the Board to ensure that the budget and resources allocated to internal audit are sufficient to ensure that these plans can be delivered. This is assessed as part of the business planning process.

The Internal Audit Manager is authorised to amend the plan during the year as necessary to reflect changes to systems or processes or in the risks facing the Authority. Any significant changes will be reported to the Board. All managers are expected to notify the service of any issues that may potentially require a change in the plan as soon as they become aware of them.

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

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

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## Reporting

All findings are reported to appropriate managers. Significant issues are reported in writing. The reports include an opinion on the adequacy of controls in the area reviewed, make recommendations for improvement and specify the officer responsible for implementation. Opinions on individual assignments feed into the overall opinion given in the annual report. Recommendations are prioritised.

Reports will usually be agreed with the relevant manager and the final agreed report will be copied to the relevant assistant director and strategic director. Reports identifying significant financial issues will also be copied to the Strategic Director - Resources.

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

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

## Co-operation

The Internal Audit Manager co-ordinates internal audit plans and activities with other internal and external providers of assurance, to ensure the most efficient use of the total resources devoted to audit. However, as recognised in professional standards (ISA 610) external audit and internal audit have different objectives and priorities. The Internal Audit Manager is authorised to share information with external auditors and the Cabinet Office (for the purposes of the National Fraud Initiative). The Internal Audit Manager will liaise as appropriate with those involved in risk management and other policy and assurance providers, internal and external, sharing information and co-ordinating work as far as is practicable, in line with appropriate professional standards and other confidentiality considerations.

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

It is the responsibility of every manager to be open, frank and honest at all times about any risks, concerns or problems that may exist and should provide more detailed information and evidence to internal audit within a reasonable time scale.

Where services are provided by or to other organisations the Internal Audit Manager is authorised to agree the responsibility for internal audit of those services with the internal auditors of those organisations and to share relevant information. Managers setting up a shared service / partnership must consider the requirement for assurances in relation to what they are doing, including the option of internal audit work, and must include appropriate assurance obligations and internal audit access rights in any agreement.

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## Quality of service

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

The service takes the following steps to provide a quality service:

- adopts a flexible risk driven approach;
- works in partnership with managers and staff to develop and maintain adequate and reliable systems of internal control;
- continually seeks to improve the efficiency of its services in consultation with managers from across the Authority; and
- regularly reviews its procedures to ensure that they remain appropriate.

The quality assurance programme includes:

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

The Internal Audit Manager will investigate and respond promptly to all complaints about internal auditors or the service provided.

**Paul Clarke**  
**Internal Audit Manager**

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**Audit and Standards Committee  
Updated Work Programme 2021 - 2022**

Item	Lead Officer	Date of meeting
LGA Member Code of Conduct Consultation (Review of Councillor Code of Conduct)	Jane Pollard	25 March 2021
Internal Audit Plan 2021-22	Paul Clarke	25 March 2021
Updated Code of Corporate Governance	Sarah Duxbury	25 March 2021
Annual Audit Letter (Grant Thornton)	Virginia Rennie	25 March 2021
Strategic Risk Management Framework	Lynn Todman / Chris Norton	25 March 2021
Audit Plan and Audit Fee Letters (Warwickshire County Council) (Grant Thornton)	Virginia Rennie	10 June 2021
Audit Plan and Audit Fee Letters (Warwickshire Pension Fund) (Grant Thornton)	Virginia Rennie	10 June 2021
Q4 Internal Audit Progress Report (Exempt)	Paul Clarke	10 June 2021
2020 – 21 Internal Audit Annual Report	Paul Clarke	10 June 2021
Audit and Standards Committee Annual Report 2020 – 21	John Cole	10 June 2021
Constitution Refresh (including Contract Standing Orders)	Nichola Vine	10 June 2021

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of the Local Government Act 1972.

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