

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

Present

Members:

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

Independent Members:

John Bridgeman CBE (Chair)
Bob Meacham OBE

Officers:

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

External Representatives:

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

1. General

(1) Apologies

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Resolved

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

3. Contract Standing Orders

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

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

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

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

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

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

Resolved

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

4. Self-Assessment

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

Resolved

That the Committee supports the inclusion of future agenda items in those areas in most need of addressing, as set out in paragraphs 2.3 and 2.4 of the report.

5. Work Programme and Future Meeting Dates

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

- 23 May 2019
- 24 July 2019
- 7 November 2019

6. Any Other Business

None

7. Reports Containing Confidential or Exempt Information

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

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

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

9. Internal Audit Progress Report

Resolved

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

The Committee rose at 11:46 am

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Chair