

# Audit and Standards Committee

24 July 2019

## Annual Report 2018/19

### Recommendation

That the Audit and Standards Committee notes and comments on the report.

### 1.0 Key Issues

- 1.1 The annual report highlights some of the work undertaken by the Committee through 2018/19 and looks ahead to issues that the Committee will look at in the coming year.

### 2.0 Financial Implications

- 2.1 None for this report.

	<b>Name</b>	<b>Contact Information</b>
Report Author	Tom McColgan	<a href="mailto:tommccolgan@warwickshire.gov.uk">tommccolgan@warwickshire.gov.uk</a> Tel: 01926 418079
Assistant Director	Sarah Duxbury	
Strategic Director	Rob Powell	

## **Audit and Standards Committee Annual Report 2018/19**

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

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

### **Who is on the Committee?**

The membership of the Committee during the municipal year 2018/19 was:

John Bridgeman CBE	-	(Independent member and Chair)
Bob Meacham OBE	-	(Independent member and Vice-Chair)
Councillor Parminder Singh Birdi	-	(Conservative)
Councillor Mark Cargill	-	(Conservative)
Councillor Bill Gifford	-	(Liberal Democrat)
Councillor John Holland	-	(Labour)
Councillor John Horner	-	(Conservative)
Councillor Jill Simpson-Vince	-	(Conservative)

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

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

### **What the Committee did over the last year...**

The Committee met four times during 2018/19 and considered a wide range of reports on various aspects of the Council's governance framework including the Annual Governance Statement, accounts and audit information. The Committee members were able to draw on their knowledge of how the assurance systems had operated in practice in order to contribute to the 2017/18 Annual Governance Statement.

This reports summarises the work of the Committee and highlights the role it plays in ensuring and promoting good governance. Key activities are set out below.

## **External Audit**

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

Members also regularly consider emerging national issues and developments which are brought to their attention by the external auditors (and others) so as to seek assurance that the authority is aware of and considering these issues. Issues brought to the attention of members during 2018/19 included school funding, social care trends, information governance and the current and future impact of Brexit.

Grant Thornton provided assurances that the Council was managing its finances well having met 90% of its savings targets in 2017/18. Although the Medium Term Financial Plan had been identified as an outstanding residual risk the Council is developing a 5 year MTFS as an integral part of the development of the Council Plan 2025. A rolling MTFS is being developed to ensure the council maintains a long term view on its financial position on an ongoing basis and that assumptions are updated and refreshed on an annual basis.

As anticipated, national sector wide issues such as demand pressures in social care and special educational needs spending were noted by the Auditors and will receive ongoing attention by the committee.

2018/19 saw a new tendering process for external audit contracts run by Public Sector Audit Appointments which resulted in the audit fee falling by almost a quarter against the previous year. While members were happy to see the council saving money they sought and were given assurance that the new reduced fee still included the robust audit approach that was needed for an organisation as large as Warwickshire County Council.

## **Internal Audit**

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

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

During 2018/19 Internal Audit carried out a series of service and process reviews including:

- Heritage and Environment
- County Highways
- Emergency Planning
- Business Centres

- Transitions and Care Leavers,
- Multi Agency Safeguarding Hub
- Payroll
- Information Governance and
- Treasury Management.

The majority of the audits undertaken resulted in a grading of “substantial” level of assurance being awarded this being the highest level of assurance that can be given. The Internal Audit Team felt that that was a positive outcome for the year. Where issues were identified by the audit, the Committee has followed progress against recommendations closely and raised queries and conducted oversight as needed.

### **Warwickshire County Council Transformation**

2018/19 saw the commencement of an organisation wide transformation programme across Warwickshire County Council, restructuring the senior management arrangements. The Committee has discussed the new model and the implications it has for financial reporting and contract management. The Committee has also reviewed the updated Contract Standing Orders as set out in the Constitution which were refreshed to reflect the new organisational structure and operating model.

### **Audit & Standards Committee Self-Assessment**

The Committee is also keen to ensure it operates as effectively as possible and in line with best practice. To that end, in November 2018 the Committee conducted an exercise to assess its own performance against the Chartered Institute of Public Finance and Accountancy evaluation framework. Members felt the Committee was performing well in:

- Promoting the principles of good governance and their application to decision making
- Contributing to the development of an effective control environment
- Supporting the quality of the internal audit activity
- Supporting the development of robust arrangements for ensuring value for money
- Helping the authority to implement the values of good governance

Members considered that the area where improvement was needed was ‘aiding the achievement of the authority’s goals and objectives’. The Committee agreed that it wished to focus on gaining assurance around major projects being undertaken by the Council and ensuring that lessons were being learnt and incorporated into the Council’s practices moving forward.

### **General Data Protection Regulation**

The Committee also considered, particularly in the context of the review of contract standing orders, the effect of the General Data Protection Regulation and Data Protection Act 2018 on the Council’s processes and services. The Committee considered the Council’s approach to and embedding of data governance principles and received updates from officers.

## Going Forward...

The Committee's membership for the coming year (2019/20) is:

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

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

Over 2019/20 the Committee intends to take a more in-depth look at contract management and the interrelationship between the Council's Contract Management Framework (which deals with the ongoing operation and management of contracts) and Contract Standing Orders (which deal with how contracts are procured).

Following the self-assessment exercise described above, members have also indicated that they would like to rebalance the agenda of the meetings so as to spend less time considering the mechanics of external audit, instead placing a greater focus on risk management and governance at each meeting. Members have also asked officers to provide an update on the change management framework and new project gateway arrangements to provide assurance around major projects.

The Committee is also keen to look in more detail at post completion reviews of major projects but are mindful of not duplicating the work of the Overview and Scrutiny function.

The Committee will continue to receive updates from Grant Thornton as External Auditors and from the Council's Internal Audit Team in line with the published work plan.