

Audit and Standards Committee

Date: Friday 24 September 2021
Time: 10.00 am
Venue: Committee Room 2, Shire Hall

Membership

John Bridgeman (Chair)
Councillor Parminder Singh Birdi
Councillor Sarah Feeney
Councillor Bill Gifford
Councillor Brian Hammersley
Councillor John Horner
Councillor Christopher Kettle

Items on the agenda: -

(3) Minutes of the Previous Meeting

3 - 8

Resolved:

That the minutes of the meeting held on 10 June 2021 be approved as an accurate record.

Matters arising

The Chair welcomed Ciaran McLaughlin (Grant Thornton) to the meeting. Ciaran McLaughlin advised that he had recently been appointed as Grant Thornton's engagement lead for WCC. The Chair asked that the Committee's good wishes be conveyed to the outgoing engagement lead, John Gregory.

Monica Fogarty
Chief Executive
Warwickshire County Council
Shire Hall, Warwick

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Audit and Standards Committee

Friday 24 September 2021

Minutes

Attendance

Committee Members

John Bridgeman (Chair)
Councillor Parminder Singh Birdi
Councillor Bill Gifford
Councillor John Horner
Councillor Sue Markham

Officers

Barnaby Briggs, Assistant Chief Fire Officer
Paul Clarke, Internal Audit Manager, Delivery Lead
John Cole, Democratic Services Officer
Sarah Duxbury, Assistant Director, Governance and Policy
Andrew Felton, Assistant Director, Finance
Deborah Moseley, Senior Democratic Services Officer
Chris Norton, Strategy and Commissioning Manager, Treasury, Pension, Audit & Risk
Rob Powell, Strategic Director for Resources
Virginia Rennie, Strategy and Commissioning Manager, Strategic Finance

Others Present

Jim McLarnon, Audit Senior Manager – Grant Thornton
Ciaran McLaughlin, Key Audit Partner – Grant Thornton

1. General

(1) Apologies

Apologies were received from Councillor Brian Hammersley; Councillor Sue Markham was present as a substitute. Apologies were also received from Councillor Sarah Feeney and Councillor Christopher Kettle.

(2) Disclosures of Pecuniary and Non-Pecuniary Interests

There were none.

(3) Minutes of the Previous Meeting

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Matters arising

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2. Warwickshire County Council and Warwickshire Pension Fund Statement of Accounts 2020/21 - Progress Update

Jim McLarnon (Grant Thornton) introduced the external auditor's Progress Report stating that, while it was Grant Thornton's intention to deliver its audit findings by the deadline of 30 September 2021, it was evident by the end of July 2021 that this would not be possible. He apologised for the delay, stating that progress had been impeded by the impact of COVID-19 leading to delays of other public sector audits which preceded that of WCC and Warwickshire Pension Fund. This had been discussed with WCC management in July 2021 and a revised timetable had been agreed for audit completion by October 2021. He provided assurance that the Council would still be able to meet its statutory duty to publish its accounts by 30 September 2021 provided draft accounts were published on-line alongside a note stating that the audit had been delayed.

Jim McLarnon reported that, in recognition of regulatory changes which required Grant Thornton to undertake a more detailed assessment of value for money arrangements, a revised deadline had been set for certification of work in this area. Resources would be focused on the delivery of opinions on the financial statements; the extended deadline for value for money assessment would be no more than three months after the date of the opinion on the financial statements. He advised that audit findings would be reported to the Audit and Standards Committee at the meeting in November 2021. The Auditor's Annual Report, including a commentary on arrangements to secure value for money, would coincide with the anticipated date for audit sign-off in December 2021.

The Chair stated that the agreement for delivery of audit findings had been reached on an understanding that Grant Thornton was adequately resourced to complete the work.

In response to the Chair, Ciaran McLaughlin (Grant Thornton) advised that Grant Thornton had recruited intensively over a three-year period, including appointment of graduate trainees. He stated that the firm was among the largest employers of Chartered Institute of Public Finance and Accountancy (CIPFA) qualified personnel nationally. However, he advised that there was a shortage of individuals with the requisite skills to undertake public sector audit work. This was an acknowledged problem affecting suppliers across the market.

Ciaran McLaughlin advised that Grant Thornton had benchmarked its offer to prospective employees against other firms in the sector to ensure that it was competitive within the recruitment market.

The Chair requested that the Committee's concerns be raised with the external auditor's Regional Director. He recognised the challenges faced by the engagement team, stating that ultimate accountability for the failure to meet agreed deadlines rested with the Regional Director.

Councillor Birdi highlighted the potential reputational damage to the Council caused by the delay. He emphasised the importance of preventing any reoccurrence of a failure to meet agreed



deadlines. He suggested that contractual arrangements be revised to this aim; a punitive element for non-delivery of agreed outcomes could provide a means to incentivise improved performance.

Councillor Gifford emphasised the importance of conveying a message to Warwickshire residents that the failure to publish audited accounts on schedule was not attributable to WCC personnel. He stated that it was surprising that Grant Thornton had not demonstrated a greater awareness of the risk of non-delivery at an earlier stage.

Andrew Felton (Assistant Director, Finance) stated that officers had a good working relationship with the external auditor's engagement team; efforts had been made to mitigate the impact of a potential delay resulting from wider circumstances. He emphasised that blame should not be placed on Grant Thornton personnel working directly with the Authority.

Rob Powell (Strategic Director for Resources) stated that the Finance Team had completed its work on schedule to a very high standard. He advised that a strongly worded letter had been sent to Grant Thornton expressing the Council's disappointment. However, there was a need to accept present circumstances; the external auditor was subject to genuine difficulties affecting availability of resources. He advised that this was a national, systemic problem within the public sector audit market. Many other local authorities had experienced similar delays. It was hoped that reforms to the national system would provide improved stability.

Councillor Horner highlighted the longstanding issues affecting resourcing within the audit sector. These predated the emergence of COVID-19. He suggested that an opportunity to consider the matter in detail could be presented if the Council resolved to join the national scheme for auditor appointments.

Attention was given to other areas covered by the Progress Report. Jim McLarnon stated that there were no areas of concern; however, he highlighted the adjustment identified in Level 3 investments within the Pension Fund. This would result in an adjustment to Pension Fund accounts with some impact on the accounts of the County Council and second tier authorities in the region due to the need to issue a revised valuation of pension fund liabilities. He emphasised that this was a timing issue; it was not indicative of a fundamental control weakness within the Pension Fund.

In response to the Chair, Andrew Felton advised that Level 3 investments constituted just under 10% of the total Pension Fund. He stated that within the last quarter an increase of around £50 million had been observed in Level 3 investments. This was a positive outcome.

Resolved:

That the Committee:

- a) Notes the progress on the Audit of the 2020/21 Statement of Accounts and the External Auditor's Progress Report and Sector Update; and
- b) Notes the proposed wording on the reason for the delay to the publication of the accounts with an audit opinion to be used on the Council's website, which will be finalised by the Strategic Director for Resources in line with statutory requirements.



3. Review of Overview and Scrutiny

Sarah Duxbury (Assistant Director, Governance and Policy) introduced the report, stating that an independent review had been commissioned to examine the Authority's approach to scrutiny and to consider opportunities to improve upon current arrangements.

Sarah Duxbury advised that an independent report had been produced by Dr Jane Martin, a former Local Government Ombudsman, following engagement with members and officers. The report and recommendations had been shared with the chairs of the four overview and scrutiny committees prior to formal consideration by each committee. Feedback from the scrutiny committees had been incorporated within a finalised report. In September 2021, Cabinet resolved to support the proposals. Following consideration by this Committee, approval would be sought from full Council.

The Chair observed that the initiative to review scrutiny arrangements had been prompted by publication of statutory guidance on overview and scrutiny and the Centre for Governance and Scrutiny (CfGS) issuing an updated 'Good Scrutiny Guide'. He drew members' attention to case studies included within the CfGS document which highlighted the advantages of scrutinising performance by looking outside of an organisation.

In response to the Chair, Sarah Duxbury advised that when supporting scrutiny committees and task and finish groups, Democratic Services officers would seek to gather information from external sources, including examples of good practice elsewhere. This approach had proved to be effective, notably during task and finish group work examining GP services, climate change adaptation and mitigation, and special educational needs. Scrutiny recommendations emerging from task and finish group work had supported the development of proposals progressed to Cabinet. She advised that training was provided to members to support continued development of scrutiny skills. Case studies, such as those outlined by CfGS, would be made available to members as part of the ongoing training programme.

Councillor Horner highlighted the valuable role scrutiny could play in the development of policy, as evidenced by task and finish group work. However, there were inherent political challenges to overcome. He underlined the importance of external training for members, including opportunities for liaison with members of other local authorities to compare approaches to scrutiny. He stated that an overtly inward-looking approach could act as a barrier to effective scrutiny.

The Chair drew attention to the principle of 'transparency' recommended by the report, which stated that "the scrutiny function should shine a light internally and externally [as] an important vehicle for public consultation which should engage external partners, local people, and service users, and represent their views." This was a positive step.

Councillor Gifford stated that the introduction of the scrutiny function alongside executive arrangements had been a retrograde step for local authorities. He stated that a committee system enabling a focus on individual service areas provided a more effective means of monitoring performance. However, task and finish groups provided a means to examine good practices outside of Warwickshire.

Councillor Birdi highlighted the importance of timetabling meetings to best support pre-decision scrutiny. This had been recognised in the recommendations of the report. He emphasised the

importance of maintaining adequate officer resources in support of scrutiny. He stated that the recommendations of the report would put the Authority on the right path.

Councillor Horner stated that provision of officer support and resources for scrutiny were of critical importance. He suggested that development of the capacity of Internal Audit to provide information could offer a means to support scrutiny.

In response to Councillor Horner, Sarah Duxbury advised that the scrutiny function had previously been supported by a team of dedicated scrutiny officers. However, this arrangement had been curtailed in favour of a Democratic Services Team with responsibilities for supporting both committee work and scrutiny inquiries. This approach held advantages for staff recruitment and retention, as well as provision of a more agile Democratic Services team. She advised that the Democratic Services Team had recently been restructured and recruitment to fill a vacancy was underway. The effectiveness of the new structure would be reviewed once the new arrangements had fully embedded.

In response to the Chair, Sarah Duxbury advised that measuring the impact of scrutiny was inherently challenging. To determine whether the measures proposed had operated successfully, it would be necessary to seek the opinions of those members involved to determine whether they found the process to be impactful. Feedback from other participants would also support an examination of the effectiveness of the refreshed approach. The recently formed 'Voice of Warwickshire' residents panel provided a means to seek a view from members of the public on prospective scrutiny items. The updated Performance Framework would provide a means to measure the impact of scrutiny against Council Plan objectives.

Sarah Duxbury offered to provide a briefing note to members of the Committee outlining key measurable factors which could be utilised to gauge the impact and effectiveness of the proposed scrutiny measures to occur at the appropriate time.

The Chair summarised the points made by the Committee, stating that there was support for the proposals for scrutiny reform outlined within the report. However, the Committee would like attention to be given to definitions of success and for measures to be enacted to monitor the progress of the new arrangements. By doing so, it would be possible to ascertain whether the review of overview and scrutiny has achieved the desired outcome.

Resolved:

That the Committee:

- a) Supports the proposals for scrutiny reform as set out in the report and supports their recommendation to Council.
- b) Requests that attention to be given to the definitions of success and for the progress of scrutiny reform proposals to be monitored, enabling a review of their effectiveness at the appropriate time.



4. Work Programme and Future Meeting Dates

The Committee noted the Work Programme and future meeting dates.

5. Any Other Business

In response to the Chair, Barnaby Briggs (Assistant Chief Fire Officer) advised that Warwickshire Fire & Rescue Service (WFRS) was aware of a number of low-rise residential buildings in Warwickshire which had been modified with external cladding material (notably by borough and district councils for the purpose of energy efficiency). He stated that there was no evidence of a theme of developing fires caused by the cladding.

The Chair asked if residents of these buildings were likely to be economically disadvantaged by the presence of external cladding. Rob Powell (Strategic Director for Resources) advised that a note would be provided to the Committee to provide a response to this query.

6. 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 Part 1 of Schedule 12A of the Local Government Act 1972.

7. Exempt Minutes of the Meeting of the Audit and Standards Committee Held on 10 June 2021 and Matters Arising

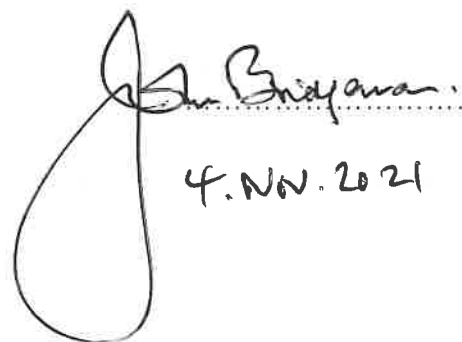
It was agreed that the exempt minutes be signed by the Chair as a true record.

There were no matters arising.

8. Internal Audit Progress Report

The Committee received a confidential update.

The meeting closed at 11:00.


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Chair
4. NOV. 2021