

# Audit and Standards Committee

Thursday 5 November 2020

## Minutes

### Attendance

#### Committee Members

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

#### 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