

Audit and Standards Committee

Date: Thursday 19 May 2022
Time: 10.00 am
Venue: Committee Room 2, Shire Hall

Membership

John Bridgeman (Chair)
Councillor John Cooke
Councillor Sarah Feeney
Councillor Bill Gifford
Councillor Brian Hammersley
Councillor Christopher Kettle
Councillor Bhagwant Singh Pandher
Robert Edwards Zara (Independent member)

Items on the agenda: -

- 1. General**
 - (1) Apologies**
 - (2) Disclosures of Pecuniary and Non-Pecuniary Interests**
 - (3) Minutes of the previous meeting** 5 - 10
- 2. Annual Governance Statement 2021/22** 11 - 14
- 3. Internal Audit Annual Report 2021-22** 15 - 26
- 4. Audit and Standards Committee - Annual Report 2020/21** 27 - 34
- 5. Work Programme and Future Meeting Dates** 35 - 36
To consider items for the Committee's Work Programme and note the dates of future meetings to be held at Shire Hall, Warwick, at 10am as follows:
 - 21 July 2022
 - 27 September 2022
 - 3 November 2022
 - 24 March 2023
- 6. Any Other Business**

7. 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.’

8. Exempt Minutes of the Meeting of the Audit and Standards Committee Held on 25 March 2022 and Matters Arising

37 - 38

Monica Fogarty
Chief Executive
Warwickshire County Council
Shire Hall, Warwick

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Disclosures of Pecuniary and Non-Pecuniary Interests

Members are required to register their disclosable pecuniary interests within 28 days of their election of appointment to the Council. Any changes to matters registered or new matters that require to be registered must be notified to the Monitoring Officer as soon as practicable after they arise.

A member attending a meeting where a matter arises in which they have a disclosable pecuniary interest must (unless they have a dispensation):

- Declare the interest if they have not already registered it
- Not participate in any discussion or vote
- 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 relevant to the agenda 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.

COVID-19 Pandemic

Any member or officer of the Council or any person attending this meeting must inform Democratic Services if within a week of the meeting they discover they have COVID-19 or have been in close proximity to anyone found to have COVID-19.

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Audit and Standards Committee

Friday 25 March 2022

Minutes

Attendance

Committee Members

John Bridgeman (Chair)
Councillor Sarah Feeney
Councillor Brian Hammersley
Councillor Christopher Kettle
Robert Zara (Independent Member)

Officers

Virginia Rennie, Strategy and Commissioning Manager (Strategic Finance)
Paul Clarke, Deputy Internal Audit Manager
Jan Cumming, Senior Solicitor and Team Leader
Andrew Felton, Assistant Director - Finance
Rob Powell, Strategic Director for Resources
Andy Carswell, Democratic Services Officer

Others Present

Avtar Sohal, Director – Grant Thornton

1. General

The Chair welcomed the Committee's new independent panel member, Robert Zara, to the meeting. Robert Zara said he had been a solicitor in Coventry for many years before being appointed as a district judge, and felt his skillset from his previous employment would suit him to being a panel member.

The Committee was also introduced to Avtar Sohal of Grant Thornton. Avtar Sohal said he had recently been added as a signatory for Warwickshire County Council and the Pension Fund. He said he had 14 years' experience working in local government audit and said he was looking forward to working with members.

(1) Apologies

Apologies were received from Councillors Parminder Singh Birdi, Bill Gifford, John Horner and Andy Jenns.

(2) Disclosures of Pecuniary and Non-Pecuniary Interests

There were none.

(3) Minutes of the previous meeting

The minutes of the meeting of the Audit and Standards Committee held on 4 November 2021 were agreed as an accurate record to be signed by the Chair.

2. Warwickshire Pension Fund - External Audit Annual Plan and Risk Assessment 2021/22

The Chair noted that on page 20 it stated the Audit and Standards Committee was charged with governance of the Warwickshire Pension Fund; he said this should be amended to state the Committee shared in the governance. The Chair also noted that on page 25 it stated the primary responsibility for the prevention and detection of fraud lay with the Committee and management; he said this should say that responsibility lay with management. Councillor Chris Kettle said the Pension Fund relied on the expertise of auditors to help with the process of identifying and uncovering risks and fraud. He said was keen for the Committee to push back against any attempts made by an auditor to shirk its responsibilities in verifying the data, otherwise there was no point in having an auditor. He said it was an area the Committee needed to be careful about, but said there was nothing in the wording of the report that caused him concern. Andy Felton (Assistant Director, Finance) said there was an obligation for the Fund to provide as full a body of evidence as possible regarding governance, and this would be supplemented by the external auditor. He said the fact the auditor had not found anything of material concern should reassure members, and it was for the members of the panel to satisfy themselves that the information they had been presented with made sense.

Responding to a question from Robert Zara, Andy Felton explained that Border to Coast was a cooperative of 11 Pension Funds that had been pooled together, The Funds manage more than £50billion of assets collectively with around £35bn managed directly by Border to Coast. All local authorities were expected to be a member of a pension pool. Responding to a query made by Councillor Chris Kettle, Andy Felton said although a majority of the Funds that were part of the Border to Coast pool were based in the north, there are Funds spread across the country. Warwickshire's membership was not based on geography but a shared strategy and ethos amongst the 11 members. He said although there were some pools based on geography, these had not tended to work as well due to conflicting philosophies between Funds. Additionally Border to Coast has a very strong reputation and is a top three performing pool.

Robert Zara noted that inflation had not been referenced in the report, and stated his belief it was a fairly significant risk and could have perhaps been worthy of inclusion. Andy Felton said inflation was more of an issue for future liabilities and contribution rates, it doesn't impact the Fund in the same way it would the Council's accounts, hence not being flagged as a risk around the closure of accounts information for the last year. He said Warwickshire's funding was nearly 100 per cent compared to some partners having funding rates of 110 or 115 per cent, whilst others are lower, so Warwickshire is in a good position. It was currently unclear if the conflict in Ukraine would have an impact on the Fund. Andy Felton said however that if there was to be an impact, he would expect this to be within the parameters of what would be expected over a long-term period from the investment strategy scenario modelling Hyman's have done.

Members noted the content of the report.

3. Warwickshire County Council Audit Risk Assessment 2021/22

Page 2

Audit and Standards Committee

25.03.22

Virginia Rennie (Strategy and Commissioning Manager, Strategic Finance) introduced the item and said the only material change from the risk assessment reviewed by the Committee last year was the introduction of the 'Going Concern' section at pages 69-73. She explained this piece of work had always been produced as part of the final accounts working papers but was now being included as part of the upfront risk assessment. Members noted the contents of the report and considered the responses were consistent with their understanding of the County Council.

4. Annual Audit Report 2020/21

Members began by reviewing the management responses and proposed actions set out in Appendix B of the report. Regarding the management actions on page one, the Chair asked who was overseeing the operation of the Special Educational Needs & Disabilities Written Statement of Action steering group. Virginia Rennie said the programme was being led by Nigel Minns, with support from John Coleman and Chris Baird. The makeup of the steering group would be confirmed and sent to members.

There were no comments from members in relation to the responses and actions listed on pages two and three.

Regarding the management response and actions on page four, Councillor Chris Kettle noted the statement that more work needed to be done relating to this section of the plan and asked what timescales were being worked to. Rob Powell (Strategic Director, Resources) said a lot of the work had already taken place, with some tweaking of the controls relating to staffing and budgetary needs taking place in order to better understand the changing shape and size of the organisation. Rob Powell said recruitment had been challenging for local authorities, particularly for specialist roles, and there was a concern that skills shortages could impede the Council in its ability to make the changes it wanted to.

Regarding the management response and actions on page five, it was confirmed that the highlighted section should have been deleted from the document. It had been intended for it to be replaced with the words in the second paragraph on the page.

There were no comments from members in relation to the management response and actions listed on pages six and seven.

Robert Zara said he had not yet been provided with the training materials available on the Council's intranet that were referenced on page 102 of the report. Members were told that a refresh of member training was taking place. The Chair said it would be useful for all members to undertake critical self-assessments to help them better discharge their duties as a Committee. It was agreed that training for members would be looked into and discussions would take place in due course regarding what was available and could be delivered.

Responding to a question from Councillor Chris Kettle regarding budget monitoring and budget statements, Rob Powell said all accounts were prepared in line with the agreed CIPFA code and Warwickshire was no different to any other local authority. Avtar Sohal said an EFA summary was provided in each set of financial statements, which looked at budgeting information. This would be reconciled prior to being published and shared with members to ensure consistency in what was recorded. Any errors would also be reported to members and commented on. Andy Felton said the

information shared at Cabinet and Full Council would be presented in such a way that it could be easily understood. He explained that a lot of technical adjustments that were made, but did not have a direct impact on the quality of the information being reported, would not be included in the final accounts as they were essentially meaningless to members for management purposes.

Councillor Chris Kettle said it would be comforting to know that the auditors were satisfied with the information presented to them, and robust processes were in place to provide an external reassurance the information on accruals was being presented on a consistent and accurate basis. He queried the consistency of the information provided to Corporate Board and Cabinet in relation to accruals. Andy Felton said managers were generally over-prudent on what they would forecast to spend and there would be accruals of expenses at year end. Although there had been some issues with forecasting and fluctuations, it was felt there were sufficient assurances in place to ensure consistency in the reporting of accruals and forecasts. Avtar Sohal said there was a robust system of reconciling accounting against CIPFA accounting that would ensure any discrepancies would be noticed, although he stated he was not able to comment on the processes in place at Warwickshire County Council as he was new to the role. He said the auditor would examine the accounts on the basis that the information was materially correct and in line with the financial statements, and would look at any errors that had been identified. Councillor Chris Kettle said he was not suggesting there were no robust systems in place, but said it would be comforting to know that there were external reassurances that nothing was being missed during the reconciliation process. It was suggested this process be looked at in more detail at a future meeting.

Members noted the contents of the report.

5. Audit Update Report

Avtar Sohal introduced the item and explained this report related to progress up to March 2022. More information relating to identified risks and completed risk assessments would be available at the next meeting. Avtar Sohal said the work relating to teachers' pension certification had been completed.

The Chair noted there had been resource issues with the auditor last year that had led to a mismatch in expectations of when information would become available. He asked for members to be informed as early as possible if such a situation were to arise again this year. Avtar Sohal said this was now in the process of being looked at. He said the deadline for providing the financial statements had been extended to 30 November, which would allow greater capacity for the auditor to complete the required work. He stated his belief the final accounts would be completed ready for approval at Full Council in December. Rob Powell clarified this was a national deadline extension and staff at the Warwickshire Fund would aim to complete the audit as soon as possible to allow the auditor more time to complete its review.

Members noted the contents of the report.

6. CIPFA Financial Management Standards – 2021/22 Self-Assessment

Virginia Rennie introduced the item and stated there were no major updates to the report. The authority was complying with the required level of financial management standards, and it was following a process of continual improvement each year. The delivery of the 2021/22 improvement

plan in the on-going difficult circumstances was a testament to the importance of financial management to the leadership and culture of the organisation.

Responding to a question from Robert Zara, Virginia Rennie said Power BI referred to in the report was a business intelligence system that pulled together information from a range of sources and presented it in an easy-to-understand manner.

Members noted the contents of the report and agreed with its recommendations.

7. Internal Audit Plan 2022/23

Paul Clarke (Internal Audit Manager) introduced the item and informed members a draft plan of work for 2022/23 had been produced, which set out possible risks and the strategy for the year ahead. These risks were presented in Annex 1. The plan was kept under review over the course of the year as circumstances and priorities changed. Paul Clarke said it had not been possible to include all risks due to the level of resources available, but the strategy provided a good balance of work across many areas. Paul Clarke said the audit charter set out in Appendix B had been reviewed and no amendments had been deemed necessary.

The Chair noted the comment on page 185 of the agenda regarding schools continuing to experience financial difficulties, and that no individual school audits were planned. Paul Clarke said this was an ongoing area of work and a range of controls had been suggested in order to identify schools potentially at risk of financial difficulty as soon as possible. Andy Felton said a strategic action group, which included educational, finance, HR and legal professionals, has been established for a number of years to review the financial circumstances of particular schools. If any issues were identified then a specialist team would be put in place to resolve the problems with the school, and this team would have a range of powers, including the ultimate ability to remove people from school Governing Boards or leadership roles if necessary..

Councillor Brian Hammersley said there appeared to have been a recent exodus of headteachers from schools nationally, and this had been mentioned at a recent Overview and Scrutiny Committee. Andy Felton said he was not aware of an issue regarding headteachers in Warwickshire. However, he said Warwickshire was part of a group of councils towards the lower end of the spectrum in terms of funding for schools.

Responding to a question from the Chair about schools doing their own critical self-assessments, Andy Felton said this would be expected to occur through the annual Schools' Financial Values Survey (SFVS). This would start the process of raising awareness of any financial issues but was dependent on the awareness and honesty of those undertaking the survey. Responding to a question from Councillor Chris Kettle about schools' ability to accurately take part in the survey, Andy Felton said school finances were not managed by the County Council and the surveys would generally be compiled by a bursar or finance manager and has to be approved by the governing body. However, this was sometimes an issue in smaller schools where some members of staff had multiple roles.

Responding to a point raised by Councillor Sarah Feeney regarding the SEND Improvement Programme, Paul Clarke confirmed this was under consideration and work on the this would be taking place in the next financial year as it was top of the list of additional risks that had not been included within the current plan. Councillor Sarah Feeney said SEN requirements put additional

financial strain onto schools, which could be further exacerbated if a pupil was made the subject of an Education Health and Care Plan.

Councillor Chris Kettle noted the topics listed on page 202 that were not being audited in the current financial year and asked if there were any additional topics not listed, and which, if any, would have been prioritised if the resources were available. Paul Clarke said a range of works that provided a good balance across all areas of the Council's work had been included, and the areas of highest priority had been selected. Andy Felton highlighted that the scope of the audit plan proposed offered sufficient coverage to allow Paul Clarke to provide a valid audit opinion on the overall Council control environment at the end of the financial year in which the audits will take place.

Members noted the contents of the report and appendices.

8. Reports Containing Exempt or Confidential 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.

9. Internal Audit Update Report

The Committee received a confidential update.

The meeting rose at 11.02am.

.....
Chair

Audit and Standards Committee
Annual Governance Statement 2021/22

19 May 2022

Recommendations

That the Committee endorses the draft Annual Governance Statement at Appendix 1 for onwards consideration by the Council's external auditors

1. Executive Summary

- 1.1 The Accounts and Audit Regulations 2015 require the authority to conduct a review, at least once in a year, of the effectiveness of its system of internal control and to prepare an Annual Governance Statement (AGS).
- 1.2 The Draft AGS at Appendix A has been informed by input from a cross-council AGS Evaluation Panel and oversight by the Assistant Director Governance & Policy (as Monitoring Officer), and the Assistant Director Finance (Deputy S151 Officer).
- 1.3 The Draft AGS represents the governance framework as operating throughout 2021/2022 and it has been assessed by the AGS evaluation and assurance gathering process, that there are no significant governance issues or governance failures to report.

2. Financial Implications

- 2.1 None

3. Environmental Implications

- 3.1 None

4. Supporting Information

- 4.1 The AGS is produced in accordance with the CIPFA/SOLACE Delivering Good Governance in Local Government: Framework (2016). The Council's Local Code of Corporate Governance underpins the AGS and sets out the seven core principles of governance and the Council's governance arrangements against each principal. The Council's Code of Corporate

Governance was updated in 2021 and approved by Cabinet in April 2021. The full details of our current code and how we meet the seven Principles of Good Governance can be found on our website here:

<http://www.warwickshire.gov.uk/corporategovernance>

- 4.2 The AGS aims to complement the governance arrangements detailed in the Local Code of Corporate Governance. It should be an open and honest self-assessment of the organisation’s performance over the year and key challenges against these principles.
- 4.3 Assistant Directors and the Director of Public Health have completed assurance statements, confirming their understanding and compliance with the Council’s approach to the management of risk and good governance in their services.

5. Timescales associated with the decision and next steps

- 5.1 The timetable for producing an approved draft AGS for public inspection and then publication, complies with the amended Accounts & Audit Regulations with key timings being:
 - Corporate Board endorsed the draft 2021/22 AGS for consideration by the Audit & Standards Committee;
 - Following consideration and endorsement by the Audit & Standards Committee, the draft 2021/22 AGS will be shared with our external auditors;
 - The final AGS, incorporating any required post audit amendments, will be presented to Audit & Standards and Cabinet in September 2022 to recommend for approval by Full Council in October 2022.

Appendices

Draft 2021/22 Annual Governance Statement

Background Papers

None

	Name	Contact Information
Report Author	Chris Dickens	chrisdickens@warwickshire.gov.uk
Assistant Director	Andrew Felton	andrewfelton@warwickshire.gov.uk
Lead Director	Strategic Director for Resources	robpowell@warwickshire.gov.uk
Lead Member	Portfolio Holder for Finance and Property	peterbutlin@warwickshire.gov.uk

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

Local Member(s): n/a

Other members:

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Audit and Standards Committee

19 May 2022

Internal Audit Annual Report 2021-22

1. Recommendation(s)

That the Audit and Standards Committee considers and comments upon the results of internal audit work completed during 2021/2022

2. Executive Summary

- 2.1 This report summarises the results of internal audit work carried out in the year ended 31 March 2022 and provides an overall opinion of **Substantial Assurance** on the Authority's control environment. This opinion reflects improvements since the 2020-21 report where a Moderate Assurance opinion was given.

3. Financial Implications

- 3.1 None

4. Environmental Implications

- 4.1 None

5. Supporting Information

- 5.1 Not applicable

6. Timescales associated with the decision and next steps

- 6.1 Not applicable

Appendices

1. Appendix 1 Annual Report 2021-22

Background papers

1. None

	Name	Contact Information
Report Author	Paul Clarke	01926 412897 paulclarkere@warwickshire.gov.uk
Assistant Director	Andrew Felton	01926 412441 andrewfelton@warwickshire.gov.uk
Strategic Director	Rob Powell	01926 412045 robpowell@warwickshire.gov.uk
Portfolio Holder	Cllr Peter Butlin	01926 632679 peterbutlin@warwickshire.gov.uk

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

Internal Audit Annual Report 2021/22

“Providing assurance on the management of risks”



Internal Audit Annual Report 2021/22

“Providing assurance on the management of risks”

This document summarises the results of internal audit work during 2021/22 and as required by the Accounts and Audit Regulations 2015 gives an overall opinion of the Authority’s control environment.

Opinion

Based upon the results of work undertaken during the year my opinion is that the Authority’s control environment provides **substantial assurance** that the significant risks facing the Authority are addressed.

Context

This report outlines the work undertaken by Internal Audit between 1 April 2021 and 31 March 2022.

Management is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements i.e. the control environment. Internal Audit plays a vital part in advising the organisation that these arrangements are in place and operating properly. On behalf of the Authority, Internal Audit review, appraise and report on the efficiency, effectiveness and economy of these arrangements.

Internal Audit is required by professional standards to deliver an annual internal audit opinion and report to those charged with governance timed to support the Annual Governance Statement. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control. The annual report must incorporate:

- the opinion;
- a summary of the work that supports the opinion; and
- a statement on conformance with the Public Sector Internal Audit Standards.

The primary role of Internal Audit is to provide assurance to the organisation (chief executive, strategic 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. The service helps the Council achieve its objectives and provides assurance that effective and efficient operations are maintained. The assurance work culminates in an annual opinion on the adequacy of the Authority’s control environment which feeds into the Annual Governance Statement.

Internal audit work during 2021/22

The underlying principle to the 2021/22 plan was risk and accordingly audits were focussed on areas that represented an identified risk.

The methodology adopted in preparing the plan, and the plan itself, were approved by the Audit and Standards Committee on 25 March 2021.

Since the original plan was approved a number of additional audits have proved necessary and some planned audits were no longer required. Variations to the plan during the year are inevitable if the plan is to adequately reflect changing circumstances and the changing organisation.

Summary of assurance work

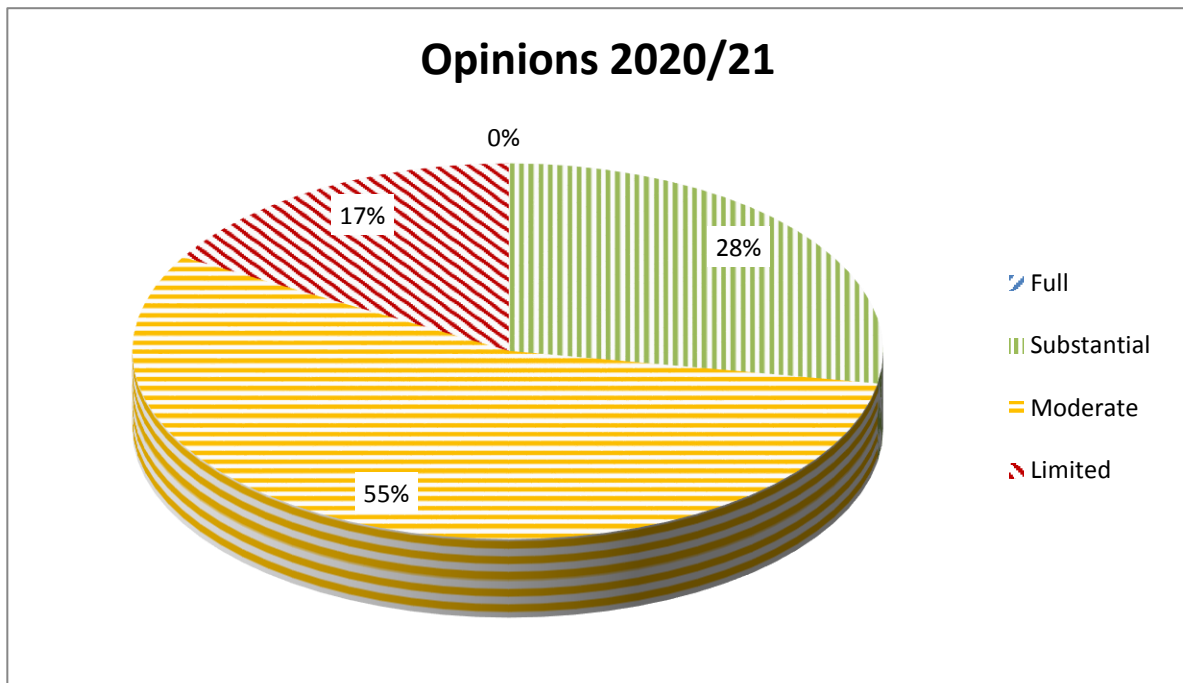
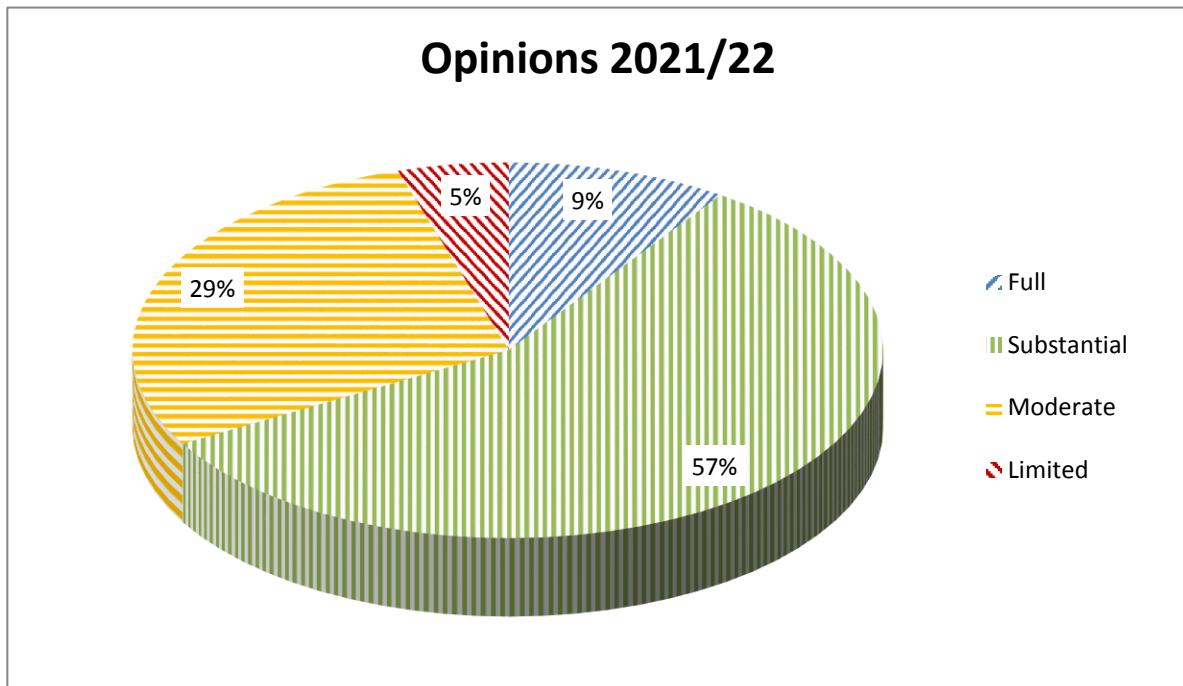
The key outcome of each audit is an overall opinion on the level of assurance provided by the controls within the area audited. Audits are given one of four levels depending on the strength of controls and the operation of those controls. The four categories ranging from the lowest to highest are Limited, Moderate, Substantial and Full. The opinion reflects both the design of the control environment and the operation of controls. The Audit and Standards Committee has received regular reports during the year summarising audits undertaken.

As shown in the following chart the outcome of the majority of this year's audits are positive having a moderate, substantial or full opinion. The proportion which are Substantial or Full was 66%. There is a fall in the proportion of audits where controls provided only Limited assurance that significant risks were being addressed (from 17% to 5%). The Limited assurance report related to a specific area rather than representing an across the board breakdown in controls. The key issues arising from finalised limited opinion audits have been reported to the Audit & Standards Committee.

For 2021/22 the opinions were:

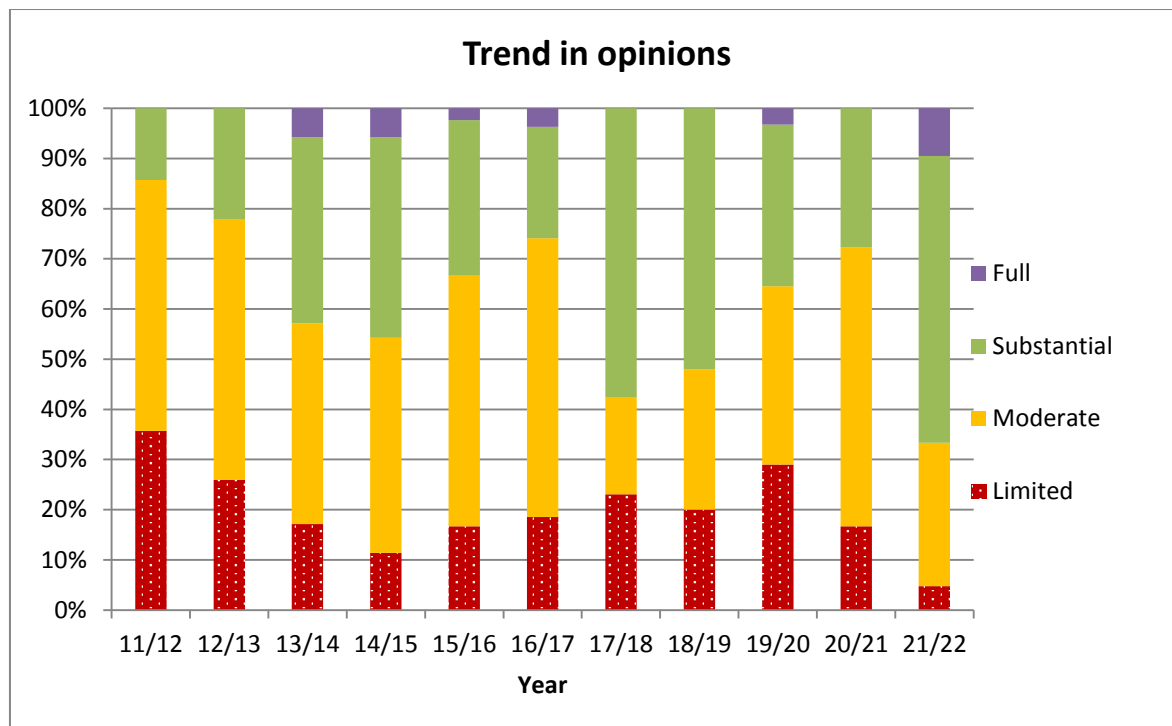
- Full Assurance (2 audits)
- Substantial Assurance (12 audits)
- Moderate Assurance (6 audits)
- Limited Assurance (1 audit)

The comparative proportions are illustrated in the following pie chart:



A full list of the assurance work undertaken during the year is given in Appendix A.

The proportion of audits in each category is illustrated in the following chart which shows the year on year trend over the period from 2011/12 to 2021/22.



When comparing the ratings across years it should be noted that of course the audit plan includes different topics each year so caution is needed when interpreting this chart. Some “limited” opinions are to be expected each year especially as the audit planning processes and our limited resources means that increasingly only those areas with a high degree of change or risk are included in the plan. The increasing pressures and extent of change facing the Authority may also be a factor. In overall terms the picture is positive. The proportion of Limited opinions has decreased, and the proportion of audits resulting in a Substantial or Full opinion was over 60%.

Recommendations are categorised according to the risks they are intended to mitigate. Categorising recommendations also assists managers in prioritising improvement actions. The current categories used, in increasing order of importance are: Merits Attention, Significant and Fundamental.

Follow up exercises have been undertaken to provide feedback on the extent to which agreed actions have been implemented to address identified weaknesses. There is an ongoing cycle of follow up work during the year and the results are reported to the Audit and Standards Committee.

Recommendations are followed up to ensure that they are implemented and where there is delay this is reported to the Internal Audit Board and the Audit and Standards Committee. Those recommendations showing as “Outstanding” are therefore subject to scrutiny and the Audit and Standards Committee call in managers to explain delayed progress where appropriate.

Summary of non-assurance work

Advice

Internal audit is most efficient when its advice is utilised to ensure that appropriate controls are incorporated at an early stage in the planning of policy or systems development. This work reduces the issues that will be raised in future audits and contributes to a stronger control environment. During the year therefore the service continued to provide consultancy input into a number of topics. We provided advisory support on the following:

- Control over funding received for COVID purposes
- Warwickshire Property Development Group (WPDG)
- Warwickshire Recovery and Investment Fund (WRIF)
- Fire IT systems
- SEND programme
- External Funding governance
- Finance system enhancements
- Schools causing concern
- Mosaic development

Whilst the advisory work does not lead to a specific assurance opinion, our involvement does allow a view to be taken on where there are strengths and weaknesses. In particular I noted the following:

- With regards to the WPDG and WRIF we have seen the required scrutiny and challenge continue as the two projects have developed. Officers and members have been involved in discussions and decisions and at this stage there is nothing that raises any concerns. Continued scrutiny is critical as they become operational and new risks and challenges come to light.
- Our work on the Fire IT systems identified lessons and weaknesses which are being addressed as the projects progress.
- The external inspection of SEND highlighted issues which the SEND programme is to address and our work has seen evidence of the governance around this work.

Special investigations

The size and complexity of the County Council means that some irregularities are inevitable and therefore, in addition to planned assurance work, a small number of special investigations were needed during the year and updates were reported to the Audit and Standards Committee during the year. Where appropriate the Audit and Standards Committee considers reports on the circumstances of each case and the remedial action taken to address the control weaknesses identified. The control weaknesses identified by these issues are isolated to the teams concerned and hence do not impact the Council's overall control environment.

Suspected frauds can be reported to our dedicated fraud hotline 01926 412052 or by email to tellusaboutfraud@warwickshire.gov.uk

Certification

Audit is required to certify a number of grant claims the main ones relating to the Priority Families Programme but also covering Capital grants, Broadband implementation and Covid payments. The service also undertakes a small amount of work in relation to the certification of accounts for miscellaneous County Council related funds. These were all cleared satisfactorily.

Other Sources of Assurance

Whilst the key source of assurance which supports the annual opinion is the independent audits undertaken by the Internal Audit team, there are other sources of assurance which are helpful to provide support for the opinion on the council's Governance, Risk Management and Internal Control. For 2021/22 these have included the following:

- Inspection of Local Authority Children's Services (ILACS)
- Joint local area SEND inspection in Warwickshire
- Report of the Independent Inquiry into child sexual exploitation by organised networks
- Local Government Corporate Peer Challenge - March 2022
- HMICFRS Inspection of Fire and Rescue services

Effectiveness

This section of the report sets out information on the effectiveness of the service and focuses on compliance with the Public Sector Internal Auditing Standards (PSIAS) and customer feedback.

A full externally conducted quality assessment of the service was conducted during 2018. The report of that assessment states that the audit service "complies with the expectations of the Public Sector Internal Audit Standards and compares favourably to other provision within the sector."



In accordance with best practice there is a rigorous internal review of all work undertaken by senior staff and the results feed into the staff appraisal process.

Following most audits a “post audit questionnaire” is issued to the relevant managers asking for their views on the conduct of the audit. The questionnaire includes a range of questions covering the audit approach, reporting format, etc. A key feature of the audit role is the need to sometimes be critical of existing or proposed arrangements. There is therefore an inherent tension that can make it difficult to interpret surveys.

“...Requests for information were always very clear which demonstrated a strong understanding”

The post audit questionnaire responses returned continue to be good with the average score from all surveys returned during 2021/22 being 4.83 out of a maximum of five, (up from 4.65 in 2020/21) and a number of positive comments and compliments about the service provided have been received, including:

- “Auditors were very approachable and appeared interested and willing in finding out as much as they could about processes and procedures to support the audit.”
- “The review was carried out in a concise manner and the feedback received was in line with conversations had through the audit.”
- “maintained regular contact with me and my team... was very easy to work with. Requests for information were always very clear which demonstrated a strong understanding of the scheme and our processes”
- “Very timely...the review identified specific improvements that we could take forward as part of our business planning processes. I also appreciated the supportive way in which the review was carried out and the fact that the input of my wider team was included.”

It is clearly important for any audit service to keep abreast of best professional practice. The internal audit service is fortunate in having strong links with colleagues both within the midlands and nationally and these have continued in 2021/22. The Service has a group membership to the Institute of Internal Auditors providing its staff with technical and professional support. The secretary of the CIPFA audit panel regularly briefs heads of audit on new developments in the profession. At a regional level there are networking opportunities for auditors specialising in IT, fraud and police. As well as good opportunities for continuing professional development and sharing best practice these activities provide advance information on new developments which can be reflected in the audit plan.

The audit service has maintained adequate staffing levels including the recruitment of new staff during the year. The service has mainly been working remotely, which has required changes in approach to the collection and assessment of evidence, but site visits are undertaken where required and the team has adapted quickly, enabling audits to be completed to the required standards.

The Authority can be confident that a good quality internal audit service continues to be provided.

Opinion

It is the responsibility of the County Council to develop and maintain the internal control framework. In undertaking its work, Internal Audit has a responsibility under PSIAS to provide an annual internal audit opinion on the overall adequacy and effectiveness of the organisation's governance, risk and control framework (i.e. the control environment) and a summary of the audit work from which the opinion is derived.

No system of control can provide absolute assurance against material misstatement / loss or eliminate risk, nor can Internal Audit give that assurance. The work of internal audit is intended only to provide reasonable assurance on controls. In assessing the level of assurance to be given, I have taken into account:

- all audits completed during the year;
- follow-up action taken in respect of audits from previous periods;
- any fundamental recommendations not accepted by management and the consequent risks;
- anticipated outcome from audits currently in draft;
- the effect of non-assurance work undertaken during the year;
- the content of the Annual Governance Statement which states that there have been no significant governance failures during the year;
- the other sources of assurance;
- the progress on implementation of a revised risk management strategy;
- the effect of any significant changes in the Authority's systems; and
- matters arising from previous reports to members.

Some significant issues have arisen during the year but action plans have been agreed with the relevant managers to address the weaknesses identified. Where weaknesses have been identified they have tended to relate to specific parts of the organisation rather than an across the board breakdown in controls. Those audits involving major control weaknesses are in the minority and in general terms, controls are sufficient to prevent or detect serious breakdowns in systems and procedures. However, it is clearly important that issues identified during the year are addressed.

I am satisfied that sufficient internal audit work has been undertaken to allow us to draw a reasonable conclusion as to the adequacy and effectiveness of the Council's governance, control and risk processes.

Based upon the results of work undertaken during the year my opinion is that the Authority's governance, control and risk management provides **substantial assurance** that the significant risks facing the Authority are addressed.

Paul Clarke
Internal Audit Manager
(Head of Audit)

Summary of audits completed during the year.¹

Assurance Audits		Level of Assurance
	Communities	
1.	EXOR - Highways Works Order System	Substantial Assurance
2.	COVID workforce implications	Substantial Assurance
3.	Highways contract	Moderate Assurance
4.	Grants to businesses	Full Assurance
5.	HMICFRS Action Plan	Substantial Assurance
6.	Great Alne Primary School	Limited Assurance
	People	
7.	Direct Payments	Moderate Assurance
8.	Fostering and SGO payments	Moderate Assurance
9.	Children with Disabilities	Moderate Assurance
10.	Re-commissioning	Substantial Assurance
	Resources	
11.	Budget management	Substantial Assurance
12.	Procurement	Moderate Assurance
13.	Accounts Payable	Substantial Assurance
14.	Performance management	Substantial Assurance
15.	Payroll	Substantial Assurance
16.	IT Licensing	Substantial Assurance
17.	Traded Services	Moderate Assurance (Draft)
18.	Treasury Management	Substantial Assurance
19.	COVID grant expenditure and governance	Full Assurance
20.	Pension counter-fraud arrangements	Substantial Assurance
21.	Pensions administration	Substantial Assurance

Certification Audits		Outcome
22.	Priority families (4 claims)	Certified
23.	CSW Broadband: BDUK End of Year Report	Certified
24.	Sports and Social Club	Certified
25.	Winter Grant scheme	Certified
26.	Arts Council Grant	Certified
27.	Children's Social Care - Covid Local Support Grant	Certified

¹ Note that some of these audits started in 2020/21

Audit and Standards Committee

19 May 2022

Audit and Standards Committee - Annual Report 2020/21

Recommendation

That the Audit and Standards Committee notes and comments on the report prior to submission to Council.

1. Executive Summary

- 1.1 The Annual Report highlights some of the work undertaken by the Committee through 2021/22 and looks ahead to issues that the Committee will examine in the coming year.

2. Financial Implications

- 2.1 None for this report.

3. Environmental Implications

- 3.1 None for this report.

4. Timescales and Next Steps

- 4.1 Subject to the report being approved by the Committee, the Annual Report will be submitted to Council for consideration on 19 July 2022.

Appendices

1. Annual Report of the Audit and Standards Committee 2021/22

	Name	Contact Information
Report Author	Andy Carswell	andrewcarswell@warwickshire.gov.uk
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Audit and Standards Committee Annual Report 2021/22

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 2021/22 was:

John Bridgeman CBE	-	(Independent Member and Chair)
Councillor Parminder Singh Birdi	-	(Conservative)
Councillor Sarah Feeney	-	(Labour)
Councillor Bill Gifford	-	(Liberal Democrat)
Councillor Brian Hammersley	-	(Conservative)
Councillor John Horner	-	(Conservative)
Councillor Christopher Kettle	-	(Conservative)
Robert Edwards Zara	-	(Independent Member)

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.

Following the local elections which took place in May 2021, two new members were appointed to the Committee. These are Councillor Sarah Feeney and Councillor Brian Hammersley. Additionally a new independent member, Robert Edwards Zara, was appointed to the Committee following a lengthy recruitment process. A retired solicitor and district judge, Mr Zara attended his first meeting of the Committee in March 2022.

The Internal Audit 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. Following the retirement of John Gregory the Committee welcomed a new representative from Grant Thornton, Avtar Sohal, and he attended his first meeting in March 2022.

What the Committee did over the last year

The Committee met four times during the 2021/22 municipal year. There was a welcome return to meeting in-person, with all four of the meetings taking place at Shire Hall following the disruption to the calendar in 2020/21 caused by the Covid pandemic. During the year, alongside the regular external and internal audit monitoring reports, the Committee was able to consider other governance and emerging national issues and the impact that these may have at a local level. There were significantly fewer major emerging issues compared to the previous year but it is anticipated there will be an increase in major issues to emerge over the forthcoming municipal and financial year. An overview of these are set out later in the report. Additionally, more information about the Committee's key activities over the past 12 months is set out below.

The Committee was pleased to support the Annual Governance Statement 2020/21, and the Statement of Accounts for both the Council and the Pension Fund based on its knowledge and experience of how the assurance systems had operated in practice.

The Committee had the opportunity to take part in a training and development session in July 2021. With a refresh of the member training portal also taking place in the coming months, Committee members will soon be able to undertake self-assessments and further training and development opportunities.

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 had the opportunity to consider emerging national issues and developments brought to their attention by the external auditors. This enables the Committee to seek assurances that the Council is aware of and considering potential challenges, including:

- The continuing long-term economic implications of Covid, which include, but are not limited to, spending pressures on local authority areas such as social care and education.
- Threats to cyber security, particularly those brought about through the use of shared accounts on various databases and operating systems, and assurances around information security.

- Ongoing commentary on securing value for money, following changes that were implemented as a result of the new Code of Audit Practice taking effect.
- Ongoing volatility and uncertainty in the property markets.
- Uncertainty in investments and other potential indirect consequences caused by the ongoing conflict in Ukraine, leading to a withdrawal in capital from Russia-based investments.

The Committee was pleased to note that Grant Thornton had provided unqualified opinions for both the Council and Pension Fund accounts, including an unqualified value for money conclusion. Based upon examination of the Medium Term Financial Strategy (MTFS), Grant Thornton provided assurance that the Council and associated Pension Funds were being well managed. Assurances were given that the Council had provided a true and fair view of its financial position and that it compared favourably to other local authorities, some of whom had funding levels of more than 100 per cent. However, the external auditor highlighted the challenges ahead such as the proposed increased use of reserves and the difficult choices faced by the organisation to meet updated savings targets.

The Committee was advised that due to the impact of lockdown on market activity, less certainty could be attached to valuations than would ordinarily be the case. Extended deadlines had been given in order to provide assessments of the value for money being provided by the Council and the associated Pension Fund. Valuations for Council and Pension Fund assets had been determined on the basis of 'material valuation uncertainty'. However, this did not mean that any significant concerns had been raised and there was no requirement for any modification or qualification of the audit opinion being given.

The Committee was pleased to note that the Council had been judged by the external auditors as having enacted value for money arrangements that secured economy, efficiency, and effectiveness in the use of resources. The external auditors were satisfied that the Council had robust arrangements in place to achieve its financial objectives and plan for future financial sustainability.

Grant Thornton stated that the Council had acted proactively in reshaping the MTFS in response to the ongoing effects of the Pandemic. A clear link was discernible between the overarching Council Plan, MTFS and quarterly reporting, allowing for easier alignment of these strands within a cohesive strategy.

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 2021/22, Internal Audit carried out 21 assurance audits across all Directorates, including in relation to grants to businesses, procurement, and fostering payments.

Additionally cyber security risks around a number of IT operating systems were audited, along with an increase in scrutiny of the Warwickshire Property and Development Group and the Warwickshire Recovery and Investment Fund.

The Committee has followed progress against recommendations where issues were identified by audit outcomes. It has raised queries and conducted oversight when necessary.

Review of Overview and Scrutiny

An independent review was commissioned to consider Warwickshire County Council's approach to scrutiny and to consider potential opportunities for enhancements. The review had been prompted by the publication of statutory guidance on overview and scrutiny, along with the 'Good Scrutiny Guide' that was published by the Centre for Governance and Scrutiny (CfGS). This had been considered and commented on by the Committee previously.

Members welcomed the opportunity to consider the outcomes of the scrutiny review before they were approved by full Council. They recognised the value that scrutiny adds to the operation of the Council and the constructive approach taken to scrutiny which was highlighted by the review, such as the use of task and finish groups and identifying best practice from elsewhere to improve service delivery. They also welcomed the recommendations proposed by the independent review to enhance the overview and scrutiny function. The Committee commented on the importance of officer support as part of the overview and scrutiny process and the measures of success to monitor the progress and impact of the enhanced arrangements. It was noted that the measures of success would be developed further as the

implementation plan was rolled out but would likely include member satisfaction, feedback from participants and consideration of outcomes of scrutiny and their impact, and that the Council's refreshed Performance Framework would also provide a helpful frame of reference. It was hoped that the recently formed 'Voice of Warwickshire' residents' panel would provide a way of gathering ideas from members of the public as to possible future scrutiny items.

Contract Standing Orders

In November the Committee was provided with an update to the Council's Contract Standing Orders, which had been undertaken as part of a wider refresh of the Council's Constitution. The updates were designed to refresh thresholds for quotes which were due for review, and to simplify the language used in the standing orders. It had not meant any substantial change to limits for authorisation or decision making.

As well as simplifying the language and setting out the process as a lifecycle, an effort had been made to remove gender-based pronouns. It was recognised however that a further opportunity to review the standing orders would need to be made once the results of the government consultation on post EU procurement were known. The Council had taken part in this consultation. Additionally, a procurement strategy which includes environmental criteria for assessing the award of contracts, is being developed and awareness would be raised across relevant officers.

Looking Ahead

The continuing impact of the Covid-19 pandemic is likely to remain an area of interest in the coming year. Progress is being made on the Estates Masterplan, which will examine in detail the Council's property assets and the implications home working and other ways of operating will have on the organisation. Additionally there could be longer-term effects of the pandemic caused to the Warwickshire Pension Fund, such as actuarial challenges and new approaches to remote auditing, which the Committee will continue to monitor.

The impact on the Fund caused by the conflict in Ukraine is likely to be of significant interest. Already the Fund has sought to remove its investment from Russian-based organisations, and as the conflict continues there could be further repercussions for investments. There could be direct and indirect consequences on the Fund as the conflict continues, such as issues relating to cyber security, and this will be something that will need to be addressed.

Rising interest rates could be an issue with consequences on the Fund and is a matter the Committee may wish to be mindful of in considering future reports.

The Levelling Up White Paper was published in February, requiring a focused, long-term plan of action to identify and act upon social disparity. Consideration of the Council's approach and activity in support of Levelling Up is likely to be an ongoing issue for external and internal auditors.

The Committee will continue to receive updates from the external auditors and from the Council's Internal Audit Team in order to continue its support of good governance and strong financial management for the year ahead.

**Audit and Standards Committee
Updated Work Programme 2022 - 2023**

Item	Lead Officer	Date of meeting
Scrutiny Review – Key measurable factors to assess effectiveness of revised arrangements	Sarah Duxbury / Nic Vine	Briefing Note (to be followed by agenda item - date TBC)
Impact of Grenfell – an update from WFRS regarding flammable cladding on residential properties in Warwickshire.	WFRS	TBC
Annual Audit Plan and Fee Letter	Grant Thornton	July 21 st 2022
Member complaints	Sioned Harper	November 3 rd 2022

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By virtue of paragraph(s) 1, 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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