

# Audit and Standards Committee

Thursday 25 March 2021

## Minutes

### Attendance

#### Committee Members

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

#### Officers

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  
Jane Pollard, Legal Services Manager  
Rob Powell, Strategic Director, Resources  
Virginia Rennie, Strategy and Commissioning Manager (Strategic Finance)  
Lynn Todman, Technical Specialist – Risk Manager, Internal Audit  
Nichola Vine, Strategy and Commissioning Manager (Legal and Democratic)

#### Others Present

John Gregory, Engagement Lead – Grant Thornton  
Jim McLarnon, Engagement Manager – Grant Thornton

### 1. General

#### (1) Apologies

No apologies were received for the meeting.

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

There were none.

### **(3) Minutes of the Previous Meeting**

#### **Resolved:**

That the minutes of the meeting held on 5 November 2020 be approved as an accurate record.

#### Matters Arising

In relation to the item 'Update on Preparations for EU Transition', the Chair asked if confirmation had been received that the issue of live animal exports, including animal welfare in transit, had been highlighted to the lead cabinet member for this area, Councillor Crump. It was agreed that clarification would be sought.

In response to the Chair, Rob Powell (Strategic Director, Resources) advised that in December 2020, a report on EU Exit had been considered by full Council which summarised the key EU exit risks, drawing upon the information referred to at the previous meeting, including the Risk Register.

## **2. Assessing the Audit Risk - Warwickshire County Council**

John Gregory (Grant Thornton) introduced the item, stating that, in adherence with International Standards on Auditing (UK), the Committee's view was sought in respect of the responses to a series of questions received from the Council's management in order to highlight any issues which were not consistent with the Committee's knowledge and understanding.

John Gregory highlighted the expanded emphasis placed on accounting estimates within the report. This was in recognition of revised auditing standards which assigned a greater onus on the Authority to demonstrate an understanding of the estimates included within accounts and to examine any alternative estimates which may have been made. He stated that Grant Thornton was satisfied that the content of the document did not present any concerns in respect of how the Authority was being run.

The Chair drew attention to the statement within the report that "the primary responsibility to prevent and detect fraud rests with both the Audit & Standards Committee and management". He stated that, by definition, 'primary' responsibility could rest with one of these bodies alone. It was his view that the role of the Committee was to help to investigate, facilitate remedy, and ensure prevention; the responsibility to identify fraud rested with management.

John Gregory stated that it was understood that the Committee's role was to provide oversight. The requirements of the International Standard on Auditing (UK) 240 would need to be considered prior to clarification of this distinction within future reports.

In response to Councillor Dirveiks, Rob Powell (Strategic Director, Resources) advised that there was no facility for resources from Warwickshire Pension Fund to be utilised in support of Warwickshire Property and Development Group Company (WPDGC).

John Gregory advised that he had been fully apprised of arrangements for WPDGC based upon detailed discussion with officers.

In response to Councillor Gifford, Andrew Felton (Assistant Director, Finance) advised that the arrangement in place with Coventry & Warwickshire Reinvestment Trust (CWRT) would contribute a sum of approximately £3.5million to the Coronavirus Business Interruption Loan Scheme (CBILS). WCC was liable for 20% in instances of default and the earmarked risk reserve of £350,000 covered around 50% of that total liability. He advised that CWRT had strong criteria for lending with an anticipated default rate of around 15% to 20%. The risk reserve was judged to be an appropriate provision for the amount the Authority had invested.

**Resolved:**

That the Committee:

- a) Notes the interim Audit Risk Assessment for 2020-21, attached at appendix A of the report; and
- b) Notes that the Strategic Director for Resources will update this assessment, if any further information becomes available prior to the draft 2020-21 Statement of Accounts being issued, with any changes being reported at the next meeting of the Committee.

**3. Assessing the Audit Risk - Warwickshire Pension Fund**

John Gregory (Grant Thornton) introduced the item, advising a view was sought in respect of the responses to a series of questions received from the management of Warwickshire Pension Fund in order to highlight any issues which were not consistent with the Committee's knowledge and understanding.

The Chair reiterated his assertion that 'primary responsibility' to identify fraud rested with the Pension Fund's management, rather than the Audit and Standards Committee.

In response to the Chair, Chris Norton (Strategy and Commissioning Manager, Treasury, Pension, Audit & Risk) advised that Warwickshire Pension Fund encompassed approximately 200 organisations. He stated that a potentially fraud-related issue had been detected within an employer organisation. This was being investigated. The outcome of the investigation would be closely monitored, and the issue had been highlighted to Internal Audit, Legal Services, and this Committee.

The Chair highlighted the actuarial challenges faced by pension funds in the wake of coronavirus. He stated that there was speculation that the Pandemic could lead to a long-term impact on lifetime expectations which would have a significant bearing on pension fund liabilities. This was being examined by Warwickshire Pension Fund.

**Resolved:**

That the Committee:

- a) Notes the Audit Risk Assessment for 2020/21, attached at appendix A of the report; and
- b) Consents to the delegation of authority to the Strategic Director for Resources to sign-off an updated risk assessment prior to the publication of draft accounts (requesting that the updated version be reported to the Audit and Standards Committee).

#### **4. External Auditors' Annual Audit Letter 2019/20**

Jim McLarnon (Grant Thornton) introduced the item, stating that the Annual Audit Letter summarised the findings of the External Auditor for both Warwickshire County Council and Warwickshire Pension Fund within the 2019/20 period. The document was orientated to be accessible to members of the public. He stated that the Letter replicated the findings previously reported to the Committee in September and November 2020.

Jim McLarnon stated that the document set out Grant Thornton's audit fees for the period including the proposed additional fees arising from the impact of coronavirus. He advised that the additional fees had been agreed by Public Sector Audit Appointments Ltd (PSAA) and would be referred to WCC management as well as the Audit & Standards Committee alongside the fee proposal for the current audit year.

Councillor Gifford praised the contribution of the Council's Finance Team, whose efficient response had enabled Grant Thornton to issue its audit opinions ahead of the national deadline.

The Chair agreed that this was a positive outcome, stating that the Finance Team had demonstrated an effective response to the challenges of working remotely; this was pertinent to the issue of increased external audit fees in response to COVID-19. He stated that it was likely that the Pandemic would impact upon working practices in the long-term. It would be necessary to adapt to these conditions in a way that did not incur additional costs.

Andrew Felton (Assistant Director, Finance) highlighted that within the Society of County Treasurers, WCC had been first to publish its accounts. This, alongside the unqualified opinion, constituted a very good outcome. He thanked his team and Grant Thornton for their hard work.

In respect of increased fees, Andrew Felton advised that the issue had been discussed in detail with Grant Thornton. WCC had submitted a robust challenge to the initial fee increase. Grant Thornton had supplied a good level of evidence attesting to the additional work undertaken during the COVID-19 period. He added that Grant Thornton had undertaken to mitigate some of the additional costs incurred before passing on the balance of the fees. He advised that coronavirus grant funding could be utilised to finance the additional costs, and that there was a consensus at officer-level that the increase was valid and justified.

The Chair emphasised the importance of adapting effectively to the new conditions to prioritise a return to originally agreed external auditing costs. He commented that the Annual Audit Letter was an important document which would be of interest to all members of the Council.

#### **Resolved:**

That the Committee notes the External Auditors' Annual Audit Letter 2019/20.

#### **5. External Auditors' Progress Report and Sector Update**

Jim McLarnon (Grant Thornton) introduced the report. He highlighted ongoing working arrangements, stating that it was anticipated that the first audit planning stage would be undertaken remotely with scope for an onsite presence in summer 2021, depending upon COVID-19 safety.

Jim McLarnon reported that, since the last meeting of the Committee, certification of the Teachers' Pension Claim had been completed. Delays had been experienced, however, he expressed confidence that management had taken the appropriate remedial action to ensure that Grant Thornton could meet the certification deadline for any future claims.

Jim McLarnon reported that planning for interim audits for the 2020/21 period was underway. The findings would be reported at the meeting of the Committee in June 2021 alongside a formal Audit Plan.

Jim McLarnon advised that a new Code of Audit Practice had come into effect which would significantly change how value for money assessments were undertaken. Work in this area would be more extensive and provide a commentary on arrangements across all key criteria, rather than a focus on significant risks, as previously undertaken.

In response to the Chair, John Gregory (Grant Thornton) advised that value for money assessments would take account of the Authority's communication strategies, including how to reach out to sections of the population who did not make use of digital resources.

Rob Powell (Strategic Director, Resources) advised that the Authority utilised a diverse range of communication strategies. He stated that a high proportion of people accessing information on-line enabled resources to be made available to target groups unable to engage digitally. Innovative approaches had been adopted during the Pandemic to broaden communication strategies. He stated that substantial funding had been made available to engage with difficult to reach groups; much of this work had been undertaken off-line.

### **Resolved:**

That the Committee notes the External Auditors' Progress Report and Sector Update.

## **6. Code of Corporate Governance**

Before commencing this item, the Chair acknowledged the imminent retirement of Jane Pollard (Legal Services Manager) after almost four decades with WCC. On behalf of the Committee, he praised Jane Pollard's outstanding contribution, stating that she had demonstrated expertise, commitment, and great professionalism. She was a highly respected colleague. He conveyed the Committee's gratitude and best wishes.

Jane Pollard introduced the report, stating that the Code of Corporate Governance had been repackaged to more clearly align with the seven principles of good governance set out by the Chartered Institute of Public Finance and Accountancy (CIPFA). An opportunity had been taken to update the Code to reflect recent organisational changes and to link up with the Authority's Integrated Planning Framework. Dependent upon the view of the Committee, the revised Code would be submitted to Cabinet for approval on 8 April 2021.

The Committee considered the Code of Corporate Governance and was supportive of the revised document and its submission to Cabinet for approval. The quality of the updated Code of Corporate Governance was widely praised.

## **Resolved:**

That the Committee endorses the draft Code of Corporate Governance for submission to Cabinet for approval.

## **7. Member Code of Conduct**

Jane Pollard (Legal Services Manager) introduced the report, stating that the Local Government Association (LGA) had published its new Model Code of Conduct in December 2020 in response to recommendations made by the Committee on Standards in Public Life (CSPL). She advised that some of the recommendations made by CSPL would require changes in the law before they could be implemented. The new Model Code, which included principles as well as guidance, was substantially longer than its predecessor, which formed the basis of WCC's existing Code of Conduct.

Jane Pollard reported that the new Model Code had received a mixed response from monitoring officers nationally. Jane Pollard advised that it was considered that the Council's existing Member Code of Conduct had provided a sound platform upon which to promote high standards across the organisation. On that basis, she advised that it was not proposed to adopt the new LGA Code on a wholesale basis. However, some amendments drawn from the new Code had been incorporated into existing arrangements. The Committee's view was sought in respect of this revised Code of Conduct set out in Appendix 1 to the report.

Jane Pollard advised that it was proposed to introduce a requirement to register offers of gifts and hospitality with an estimated value of £50. Elements of the new LGA Model Code that required further legislation before implementation had not been incorporated within the updated WCC Code.

Councillor Gifford highlighted point 3(j) of the revised Code of Conduct, in which a member would consent to "not disclose confidential information ... Nor will I prevent people gaining access to information to which they are lawfully entitled." He suggested that these two points be separated to ensure clarity.

Councillor Gifford drew attention to point 3(m) which referred to training requirements alongside a commitment to "not intimidate or attempt to intimidate any person..." He suggested that these two elements be disaggregated.

In response to Councillor Gifford's observation that mediation was often the most effective means to resolve a complaint, Jane Pollard advised that, under the current arrangement, the monitoring officer was afforded flexibility in determining the appropriate course of action when a complaint was made, including the option to pursue mediation.

Sarah Duxbury (Assistant Director, Governance and Policy) stated that the approach that the Council has taken for many years has been to seek to resolve complaints at an early stage in a way that is acceptable to the complainant without requiring recourse to a formal hearing. The rights of the complainant, alongside the rights of elected members, had to be considered however the preferred outcome would be to resolve the complaint by agreement at the earliest possible stage. The Authority's track record showed the benefits of this approach and it was not proposed to depart significantly from arrangements which had proved to be effective.

In response to Councillor Reilly, Jane Pollard advised that the adequacy of sanctions within current arrangements had been considered by the LGA. This was among the elements of the Model Code that required legislative changes at a national level. She advised that there were certain sanctions that the Council could impose that did not require the agreement of the member concerned, such as censure at full council, or withdrawal of council resources.

Councillor Reilly highlighted the subjective nature of the Code of Conduct, stating that greater specificity could provide improved assurance for members.

Councillor Birdi stated that the proposed revised Code of Conduct constituted an improvement on existing arrangements. He emphasised the importance of training for councillors, particularly new members.

Councillor Horner acknowledged the subjective nature of a document of this type, stating that the revised Code was a product of wider societal values and influences; it was likely to continue to evolve. He commented that he was content with the proposed changes.

Councillor Dirveiks indicated his agreement that the approach outlined within the new LGA Model Code to automatically bar members with an 'other' interest from speaking was not proposed to be included in the revised Code. Councillors had been democratically elected and had a responsibility to hear all sides of an argument. He indicated his support for the updated Member Code of Conduct.

Sarah Duxbury stated that a thorough examination of the LGA's Model Code had been undertaken; liaison with other councils had helped to inform the Authority's view. She stated that a number of Councils were not proposing to adopt the LGA Model Code wholesale and that for Warwickshire, taking into account its track record, adopting the new LGA Model Code could be considered to introduce an unnecessary level of bureaucracy. She acknowledged Councillor Reilly's observation, stating that a degree of subjectivity was inevitable when determining complaints.

Councillor Reilly stated that he was content to endorse the revised Member Code of Conduct. However, he commented that he had observed instances at other authorities where the code of conduct had been misused with the deliberate purpose of undermining members. He observed that there was an opportunity to examine the code of conduct for officers to ensure consistency and parity.

The Chair summarised the consensus view of the Committee and indicated his own support for the selective approach taken in drafting the revised Member Code of Conduct.

#### **Resolved:**

That the Committee commends the proposed revised Code of Conduct, as set out in Appendix 1 of the report, to Cabinet and Council.

## **8. Strategic Risk Management Framework**

Chris Norton (Strategy and Commissioning Manager, Treasury, Pension, Audit & Risk) introduced the report, stating that the Authority's Risk Framework was last reviewed in 2014. The report was

the product of a project undertaken over the past 12 months led by the Risk Manager seconded from Internal Audit with key contributions from colleagues in the Corporate Policy team. Marsh Risk Consulting had provided input during the early stages of the work.

Chris Norton advised that the report presented a set of risk principles which were applicable across service settings. A risk appetite had been set for various aspects of the organisation's objectives and services. The Framework was based on the principle that risk is rewarded. It did not advocate risk for its own sake but recognised the importance of exposure to risk in order to access opportunities.

Chris Norton advised that a more sophisticated risk assessment matrix had been devised, providing a high level of detail to monitor risk. A new layer of reporting of risk registers at directorate level had been introduced. Risk management would be integrated within performance management and business planning processes to support decision-making and inform interventions.

Councillor Gifford commented that an entirely risk-averse stance constituted a risk in itself. This underlined the importance of the Framework.

The quality of the report was widely praised, and the Committee indicated its support for the proposals.

**Resolved:**

That the Committee commends the Strategic Risk Management Framework to Cabinet for approval.

**9. Internal Audit Plan 2021-22**

Paul Clarke (Internal Audit Manager, Delivery Lead) advised that the report set out the proposed Internal Audit Plan for 2021/22. He advised that this was a risk-based Plan which sought to establish links with the Strategic Risk Register.

Paul Clarke reported that consultation across service areas had informed development of the Audit Plan, identifying areas of risk and organisational change. The outcome was a Plan which provided a breadth of coverage and depth where required.

Paul Clarke reported that the consultation had shown that some Council services (particularly Public Health and Customer Services) remained significantly impacted by the response to COVID-19. As a result, he advised that adjustments to the Plan may be required later in the year; the Committee would be notified of any proposed changes.

The Audit Charter, also included within this report, had been approved by the Committee in July 2020 and brought forward unamended to enable comments to be received.

The Chair praised the quality of the Plan, which was supported by the Committee.

## **Resolved:**

That the Committee:

- a) Endorses the proposed Internal Audit Plan for 2021-22 2; and
- b) Confirms its continued endorsement of the Audit Charter.

## **10. Work Programme and Future Meeting Dates**

The Committee noted the Work Programme and future meeting dates.

## **11. Any Other Business**

Councillor Horner stated that he had recently received a Council Tax Demand Notice from Stratford-on-Avon District Council (SDC) which included an entry to advise that a 1% contribution for 'Warwickshire County Council Adult Social Care' had been applied. He commented that this was inaccurate and provided a misleading impression to members of the public. The actual proportion of council tax revenue allocated to Adult Social Care (ASC) was much higher; the notice should have specified that the 1% related to the ASC surcharge.

Councillor Gifford advised that the Council Tax Demand Notice issued by Warwick District Council referenced the surcharge. It was suggested that the matter should be referred to SDC.

Councillor Horner stated that the Notice also referred to a charge made for 'Strategic Commissioner for Communities Directorate', which was meaningful for those with knowledge of local government but unhelpful for other members of the public. He suggested that consideration be given to revising the terminology for documents of this type.

Andrew Felton (Assistant Director, Finance) advised that the matter would be given attention for future years.

## **12. 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'.

## **13. Internal Audit Update Report**

The Committee received a confidential update.

## **14. Exempt Minutes of the meeting of the Audit and Standards Committee held on 5 November 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 11:50.

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Chair