

Audit and Standards Committee Annual Report 2020/21

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 2020/21 was:

John Bridgeman CBE	-	(Independent Member and Chair)
Councillor Parminder Singh Birdi	-	(Conservative)
Councillor Mark Cargill*	-	(Conservative)
Councillor Neil Dirveiks	-	(Labour)
Councillor Bill Gifford	-	(Liberal Democrat)
Councillor John Horner	-	(Conservative)
Councillor David Reilly	-	(Conservative)

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

Councillor Mark Cargill withdrew from the Committee following changes to appointments to committees at the Annual Council meeting in July 2020.

Efforts have been made to appoint a new independent member of the Committee following a delay due to the outbreak of coronavirus. The position has been advertised; however, a suitable candidate has not yet come forward. The recruitment process is ongoing, with alternative strategies under consideration to promote the opportunity. This will be actively progressed in the coming months.

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.

What the Committee did over the last year

The Committee met four times during the 2020/21 year, with the meeting in May 2020 cancelled due to the COVID-19 Pandemic.

In common with other meetings held by the Authority during the COVID-19 period, the Committee has met remotely during 2020/21, making use of virtual meeting technology. This has required an adaptable approach and the Committee has continued to provide effective oversight despite the challenges of operating virtually.

During the year, alongside the regular external and internal audit monitoring reports, the Committee was able to consider a variety of governance and emerging national issues, including the Member Code of Conduct, the implications of the UK's departure from the European Union, the recommendations emerging from the Redmond Review, and the proposed Strategic Risk Management Framework.

The Committee was pleased to support the Annual Governance Statement 2019/20, 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. More information about the Committee's key activities over the past 12 months is set out below.

External Audit

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

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

- The longer-term implications of COVID-19 – including the economic impact of the Pandemic, government funding schemes, and spending pressures for local authorities. Scenario planning has been utilised to project possible outcomes.
- The effect of COVID-19 on working practices – where lessons can be learned drawing upon the challenges and positive experiences of the Pandemic, such as the wider adoption of digital technology and agile working which has prompted many local authorities to review their estate requirements.

- Details of the implications for local government, including financial considerations, ahead of the government's then anticipated White Paper on 'Devolution and Local Recovery' (which it is now understood will now be focused on the government's proposals for 'levelling up').
- Information in respect of strategies to address the national housing crisis.
- Uncertainty regarding the outcome of EU Exit negotiations between the government and European Union. This was an ongoing concern for much of the year prior to ratification of a trade agreement in December 2020.

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 was managing its finances well, having achieved around 85% of the savings required over the period of the last organisational plan. This compared favourably to other local authorities. 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. Valuations for Council and Pension Fund assets had been determined on the basis of 'material valuation uncertainty'. As a result, it was considered necessary by the external auditor to include an 'emphasis of matter' within the County Council's Statement of Accounts and the Pension Fund's accounts to highlight material uncertainty disclosures. However, this did not necessitate a modification or qualification of the audit opinion.

The Committee was pleased to learn that it was judged that the Council had enacted value for money arrangements that secured economy, efficiency, and effectiveness in the use of resources. The external auditor was satisfied that the Council had robust arrangements in place to achieve its financial objectives and plan for future financial sustainability, notwithstanding the additional pressures presented by COVID-19.

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. These tend to be considered by the Committee in closed session owing to the nature of the matter being addressed.

During 2020/21, Internal Audit carried out a series of service and process reviews with a focus on specific areas, including:

- Waste Management – Trade Waste
- Strategic Property
- Pension Administration
- Fire & Rescue - HMICFRS Inspection Action Plan
- Safeguarding
- The Blue Badge Scheme

Internal Audit is acting as a 'critical friend' throughout the development of the Warwickshire Property Development Group (WPDG). Briefing papers were focused on the development of the business case and first business plan for WPDG and highlighted areas for consideration by management and the project team. Positive responses were obtained, and action taken where considered appropriate.

The Internal Audit Team also focused upon the organisation's response to COVID-19. This encompassed scrutiny of control and process changes, workforce implications, financial planning and budgetary control, supply chain considerations, and the requirements to meet COVID-19 grant conditions.

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

Code of Conduct

In December 2020, the Local Government Association (LGA) published its new Model Code of Conduct in response to recommendations made by the Committee on Standards in Public Life (CSPL).

Earlier in the year, the Committee had taken the opportunity to review the LGA's initial work in this area, and members' comments formed the basis of the Council's response to the LGA's Model Code of Conduct consultation.

In March 2021, the Committee was presented with an updated Member Code of Conduct. 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, it was not proposed to adopt the new LGA Code on a wholesale basis. Instead, a considered approach was suggested with amendments drawn from the new Code incorporated into the existing arrangements where it was considered that they added value and clarity.

The Committee reviewed and discussed the matter in detail, taking account of the advantages of existing arrangements, procedural considerations for the resolution of complaints, and the importance of training for new councillors. The Committee resolved to commend the proposed revised Code of Conduct to Cabinet and Council.

Governance of Change Programme

In September 2020, the Committee received an update in respect of oversight arrangements for the recently introduced Change Portfolio. The Committee was advised that, as the organisation moved to establish a Council wide Change Portfolio, it had been necessary to ensure that appropriate governance arrangements were in place. This was especially relevant in recognition of coronavirus and the measures introduced by the COVID-19 Recovery Plan.

Attention was given to the soundness of governance arrangements, including the allocation of roles and responsibilities to ensure that decision-makers could be held to account. Members scrutinised the process by which proposals were assessed by a 'Gateway Group' of senior officers prior to recommendations being made to Corporate Board. This arrangement has enabled proposals to be progressed as required under constitutional arrangements, with decisions being sought from Cabinet and/or Council where necessary.

Local Authority Financial Reporting and External Audit: Independent Review

In November 2020, the Committee considered the findings of the independent review by Sir Tony Redmond into the effectiveness of external audit and transparency of financial reporting in local authorities. The 'Redmond Review' examined local authorities' arrangements for the reporting of annual accounts. It sought to assess the extent by which this information was presented in an accessible way for

members of the public who may not have specialist knowledge of local government financial processes.

Members considered the recommendations emerging from the Review. It was observed that the narrative Statement of Accounts produced by Warwickshire County Council was orientated to be readily understandable to a layperson and complied with many of the standards advocated by Sir Tony Redmond's report.

Consideration was given to the approaches available to a local authority to ensure that the right conditions were in place to enable audit and standards committees to make effective judgements. The importance of training for new members was highlighted; this helped to ensure that councillors were equipped with the specialist knowledge required to navigate information of an often complex and technical nature.

Preparations for European Union Transition

In November 2020, the Committee requested an update in respect of the approaches being taken by the Authority in anticipation of the end of the formal 'transition period', when the UK would leave the European Union (EU).

It was acknowledged that the outcome of national negotiations towards a trade deal with the EU would be key to the Council's future course of action. However, the Committee sought assurance that processes were in place to anticipate a range of potential outcomes, including contingencies in the event of no agreement being reached between the government and EU.

Members examined the robustness of risk management procedures and sought clarification in respect of potential impacts within the agricultural sector, including the movement of livestock and the implications for animal welfare.

The Committee was advised that Trading Standards had enacted measures to provide specialist support to industries across a range of sectors in readiness for the end of the transition period. This included provision of detailed guidance and holding of webinars. The Committee was assured that the importance of animal welfare, and the responsibilities of the Authority in this area, would not be overlooked and would be given consideration by Trading Standards officers.

Strategic Risk Management Framework

In March 2021, the Committee received details of the updated Strategic Risk Management Framework. Members examined a set of risk principles which were applicable across service settings. The Framework was orientated to set a risk appetite for various aspects of the organisation's objectives and services and 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.

The Committee recognised the importance of the Framework and the advantages it conferred to support decision-making and inform interventions. It was acknowledged that an entirely risk-averse stance constituted a risk in itself to a local authority. The quality of the Strategic Risk Management Framework was widely praised by the Committee and commended to Cabinet for approval.

Looking Ahead

The Committee's membership for the coming year (2021/22) is:

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)

Mr John Bridgeman CBE will maintain his role as Independent Member and Chair of the Committee.

The Committee will continue to seek to appoint a new independent member in the coming year.

With the appointment of some new members to the Committee, appropriate training is being scheduled as part of the member development programme. The Committee is also due to undertake its own self-assessment during the year as recommended by CIPFA.

The ongoing social and economic impact of COVID-19 will remain an area of interest in the coming year. The Committee will also seek to monitor the longer-term effect of the Pandemic on Warwickshire Pension Fund, taking account of the actuarial challenges faced by pension funds in the wake of coronavirus.

The Committee will seek to assess the additional obligations placed upon council services by the Pandemic, alongside funding uncertainties. The experience of other councils at risk remains a salutary reminder of the importance of maintaining an assiduous approach to the financial pressures ahead.

The organisational changes and accelerated transformation process observed in response to the Pandemic will be of interest in the coming year. The effect of new

and more agile ways of working on the Council's control and assurance framework will be an important factor to take into consideration. The Committee will take a keen interest in the workforce implications of widespread agile working (and homeworking), including approaches to remote auditing and any implications for governance and risk.

The Committee has maintained a close interest in the circumstances and implications of the Grenfell Tower fire. An update from Warwickshire Fire and Rescue Service on the measures in place to rigorously assess the safety of residential properties in Warwickshire was postponed in 2020/21 due to the outbreak of coronavirus. It will be rescheduled for the coming year.

The focus will remain on the supporting of good governance and strong financial management. Over 2021/22, the Committee intends to take a more in-depth look at Contract Standing Orders. Consideration of the audit on the organisation's use of interim, consultancy and agency staff has also been scheduled. The Committee will continue to receive updates from the external auditor and from the Council's Internal Audit Team in line with the published work plan.