

# Audit and Standards Committee

Thursday 4 November 2021

## Minutes

### Attendance

#### Committee Members

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

#### Officers

Barnaby Briggs, Assistant Chief Fire Officer  
Paul Clarke, Internal Audit Manager, Delivery Lead  
Andrew Felton, Assistant Director, Finance  
Chris Norton, Strategy and Commissioning Manager – Treasury, Pension, Audit & Risk  
Rob Powell, Strategic Director, Resources  
Virginia Rennie, Strategy and Commissioning Manager (Strategic Finance)  
Nichola Vine, Strategy & Commissioning Manager - Legal and Democratic

#### Others Present

Jim McLarnon, Engagement Manager – Grant Thornton  
Grant Patterson, Engagement Lead – Grant Thornton

### 1. General

#### (1) Apologies

Apologies were received from Councillors John Horner, Brian Hammersley and Andy Jenns.

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

Noting the reference on page 295 of the document pack to the closure of the Marle Hall Outdoor Education Centre Councillor Bill Gifford reminded members that he had been one of the signatories to the call in of the Cabinet decision.

Councillor Chris Kettle informed the committee that he had previously been an employee of the auditors Grant Thornton. He has no connection with the company now.



### **(3) Minutes of the previous meeting**

The minutes of the meeting of the Audit and Standards Committee held on 24 September 2021 were agreed as an accurate record to be signed by the Chair.

Under matters arising Mr John Bridgeman (Chair of the Committee) asked Jim McLarnon and Ciaran McLaughlin of Grant Thornton whether the concerns raised previously by the committee regarding delays had, as requested, been relayed to the Regional Director of Grant Thornton. The committee was informed by Ciaran McLaughlin that this had been the case. The Regional Director had stated that Grant Thornton, recognises that the situation is not ideal and is seeking to recruit more staff to manage workloads. In response the Chair asked that if there is an indication that deadlines will not be met the County Council is given as much notice of this as possible.

## **2. Warwickshire County Council Statement of Accounts 2020/21**

NOTE – The business of the day was conducted in an order different to that set out on the agenda. In accordance with convention these minutes retain the order on the agenda.

Andy Felton (Assistant Director, Finance) introduced the report explaining that efforts had been made to simplify the accounts. Virginia Rennie (Strategy and Commissioning Manager, Strategic Finance) illustrated this by stating that consideration is frequently given to what is material to the account. Related party transactions are a case in point.

With reference to page 24 of the document pack Councillor Bill Gifford highlighted a significant increase in reported borrowing (to be repaid from revenue resources). In 2020/21 this was £1.7m. In 2022/23 this will be £107.9m. Councillor Gifford stated that the report does not make it clear why this figure had gone up adding that it should be made clear to the public. It was agreed that the diagram would have been improved by the addition of some commentary. A similar point was made by the Chair concerning the diagram on page 26. In this instance the forecast increase in reserves merit some explanation. On the subject of reserves, Councillor Sarah Feeney asked why available reserves have increased. The committee was informed that as part of the Reserves Strategy an assessment of the risks concluded that there was not the need to hold as much in reserve as was the case. As a consequence, funds were released to become available to use.

Concerning the table on page 71 of the document pack Councillor Chris Kettle questioned why significant adjustments had been required following approval by Cabinet. He asked whether reports to Cabinet should reflect these changes. In reply the committee was informed that the quarterly reports to Cabinet focus on how Council Tax is spent. The further adjustments in the Statement of Accounts are purely year end accounting adjustments for things like asset revaluations at the 31 March of each year. Andy Felton observed that revenue implications of mainly balance sheet movements reflected in the Statement of Accounts would not give Members a sensible understanding of service costs against Council Tax if included in the quarterly monitoring reports, also these figures are only calculated at year end.

Turning to page 85 of the document pack Councillor Bill Gifford expressed some concern over the change of definition of assets held (i.e. move from short term to long term). In reply the committee was informed that it had been necessary to take a view concerning the uncertainties caused largely by the Pandemic.



Concluding this item Rob Powell (Strategic Director for Resources) reminded the committee that the accounts are prepared under the CIPFA code. The Council has no control over this and has to comply or risk a qualified external audit opinion. As a consequence, the Council cannot make changes to monitoring or accounting practice.

Resolved:

That the Audit and Standards Committee notes the 2020/21 Statement of accounts and recommends them to Council for approval.

### **3. Warwickshire Pension Fund Statement of Accounts 2020/21**

The report was introduced by the Chair who reminded the committee that the Firefighters' Pension fund is fully funded by the government. This ensures that it provides the service expected of it. The committee was also reminded that it is a statutory scheme.

Resolved:

That the Committee notes the 2020/21 Pension Fund Statement of Accounts and recommends them to Council for approval.

### **4. External Auditor's Governance Report 2020/21 - Warwickshire County Council**

Mr Ciaran McLaughlin (Key Audit Partner, Grant Thornton) introduced the published report and identified a series of highlights from it. The committee was informed that the work is substantially complete, that no modifications are required, and it is planned that an unqualified opinion and certificate will be issued. The work that continues involves the valuers and the need for more information concerning the matrices used by them. Value for money work will be completed in November with a view to the final report being presented to Council in the middle of December 2021. It has not been necessary for the auditors to exercise their powers and there has been plenty of support provided by officers in the finance team.

There is nothing to report or update on concerning standard risks around revenue and expenditure, but discussions are ongoing concerning the valuation of land and buildings.

Some control weaknesses have been discovered around ICT (Page 187 of the document pack) but these are not considered to be material.

The auditors have maintained their independence and followed the Financial Reporting Council's Ethical Standard.

Audit adjustments have been made as indicated on page 202 of the document pack and the final fee will be in line with what was expected.

In conclusion an unmodified opinion has been reached and the Letter of Representation will be issued with no additions.



The Chair thanked Grant Thornton for its work.

Rob Powell updated the committee on the ICT control risks identified in the report. Two have been closed off with another expected to be so by the end of November. At least two of the remainder will be so treated by the end of the financial year. The committee was informed that these are not new issues. Rather they had not been picked up in previous years when the issue received a lighter touch review.

In reply to a question from Councillor Chris Kettle the committee was informed that the adjustment to the pensions liability as reported on page 186 of the document pack was required owing to the information not being available when the draft Accounts were produced. The increase reported is good news for the pension fund. Andy Felton added that consideration is being given to whether the information can be obtained sooner in future years.

Regarding the Value for Money report the committee was assured that this will be completed by the end of November.

The committee discussed an issue that remains outstanding from 2017/18. The Chair stated that he recalled being informed that this matter had been resolved. In response the committee was told that the matter has been resolved and the final statement of reasons is currently going through the approval process.

Members asked whether, given that there remain some outstanding issues, the Audit Findings Report can be endorsed or whether a further meeting would be required. Andy Felton advised that if any material issues are revealed at a later date it may be necessary to meet to discuss them. It will be a case of waiting to see what transpires.

Councillor Bill Gifford expressed some reservations over the work being undertaken around the valuation of land and buildings. The committee, he said, has been told that the work has yet to be completed but is progressing well. Concerning the process followed for the valuations Jim McLarnon stated that Bruton Knowles, the Council's property valuer has been asked to clarify the basis of the valuations. A sample has been selected based on market data. It was acknowledged that the current Pandemic presents a false picture although in practice the revaluation of a school is of little interest to most people.

Councillor Sarah Feeney asked for a position statement on the Value for Money work. She was informed that this has commenced with no significant risks being identified to date. There is now a need to progress more detailed work.

Concerning the Letter of Representation Virginia Rennie provided assurances that prior to it being signed, the entire process will be checked by actuaries and quality assurance experts as well as the Council's in house Legal experts. It is important to ensure that nothing significant has changed since the end of March 2021.

Councillor Chris Kettle expressed some concern over the responsibility being placed on the Audit and Standards Committee to approve the accounts. The committee, he said, does not comprise financial experts but the auditors place the onus onto the committee. By way of reply the Chair stated that the letter will be signed by Rob Powell and by Councillor Peter Gilbert in his role as Chair of Council. In addition, Andy Felton assured members that the accounts are subject to a rigorous process of checking with Virginia Rennie, Andy Felton and Rob Powell undertaking



the final quality control. Councillor Kettle commended the Council officers for their diligence but wondered whether it should not be for the auditors to take that final responsibility. It was further clarified that the need for Audit Committee sign off is dictated nationally and not something imposed by the Auditors.

Rob Powell indicated that he was comfortable with signing the letter and reminded the committee that the auditors and officers of the council can all be challenged if necessary. He was not minded to revise the letter at this stage but suggested that this could be looked at in 2022.

Resolved:

That the Audit and Standards Committee:

- 1) Endorses the Audit Findings Report of the External Auditors for Warwickshire County Council, attached at Appendix A.
- 2) Approve, subject to any changes which may be necessary to the final draft, the wording of the Letter of Representation, attached at Appendix B.

#### **5. External Auditors Governance Report 2020/21 - Warwickshire Pension Fund**

Ciaran McLaughlin introduced the report stating that the audit report opinion will be unmodified. Work is being completed on journals and testing. In addition, some tidying up is required concerning level 3 investments. In response to a question from the Chair the committee was informed that a level of volatility is to be expected amongst level 3 investments. These are monitored over a number of years to make sure there is a degree of consistency between portfolio clients.

Resolved:

That the Committee:

1. Endorses the Audit Findings Report of the External Auditors for Warwickshire County Council, attached at Appendix 1.
2. Approves, subject to any changes which may be necessary to the final draft, the wording of the Letter of Representation, attached at Appendix 2.

#### **6. Appointment of External Auditors**

Virginia Rennie explained that it is considered appropriate and sensible to join the national procurement process for external auditors. The committee was informed that there are only nine firms nationally that offer the services that the County Council would require. The specifications for contracts are set out by the National Audit Office and there is no scope due to statute to build penalty clauses into contracts. Most councils will go down the route of joining the national procurement process.

Ciaran McLaughlin added that the auditors have to strike a balance between price and quality of service. They also have to ensure they have the resources to deliver on the contract.



Councillor Chris Kettle emphasised the need to obtain value for money in any contract. This had been picked up in a select committee report of 18 months ago.

Resolved:

That the Audit and Standards Committee recommends to full Council that Warwickshire County Council opt-in to the sector-led body procurement, conducted by Public Sector Audit Appointments Limited, for the appointment of the Authority's external auditors from April 2023.

## **7. Annual Governance Statement 2020-21**

Referencing page 269 of the document pack Councillor Sarah Feeney asked that the first sentence of the statement be changed to reflect that the County Council is a public service that supports the people of Warwickshire. It was agreed that this change be made.

The Chair observed that the document is a good reflection of the efforts made by the County Council during the Pandemic.

Resolved:

That the Committee endorses the 2020/21 Annual Governance Statement for onwards submission to Cabinet and for recommendation to Full Council for approval.

## **8. Annual Governance Report**

Following introductory comments from the Chair Councillor Bill Gifford welcomed the Councils "whistleblowing" policy adding that it is good to see it used.

Concerning complaints against elected members of the council Nic Vine (Strategy & Commissioning Manager - Legal and Democratic) informed the committee that to the end of March 2021 there had been 10 complaints. These had been reviewed and triaged by the Monitoring Officer. One complaint was upheld, four were withdrawn, one was considered to be out of scope and four were not withheld.

It was agreed that comparative figures from other local authorities on complaints against members would be reported to the next meeting of the Audit and Standards Committee.

Resolved:

That the Audit and Standards Committee notes the content of the report.

## **9. Contract Standing Orders**

Nic Vine introduced the report concerning Contract Standing Orders. The committee was informed that the review had not resulted in any substantial change to limits for authorisation or decision making. Rather the opportunity had been taken to simplify the language used and set out the process as a lifecycle. Thresholds for quotes have been increased. The threshold for one quote

has been raised to £25,000 and that for three quotes to £100,000. This is in line with practices followed by other local authorities.

As part of the tidy up an effort had been made to remove gender-based pronouns.

With reference to paragraph 1.5 on page 302 of the document pack Councillor Bill Gifford asked why this review had not been delayed given that Contract Standing Orders will require a further review once post EU transition procurement is known. In response the Committee was informed that as the Council's Constitution is also being reviewed the opportunity had been taken now to review the Contract Standing Orders element of it. The Council has taken the opportunity to respond to the government consultation on post EU procurement.

Regarding paragraphs 10.3 and 10.4 on page 324 Councillor Parminder Singh Birdi suggested that there appeared to be a contradiction. Paragraph 10.3 requires that the criterion for the award of a contract shall be the "most economically advantageous". These may include environmental considerations, aesthetic and functional characteristics, social value and others. Paragraph 10.4 states that selection criteria, "must not include non-commercial considerations".

By way of clarification, Nic Vine gave an example of a non-commercial consideration this being that the Council has worked with a company before. Andy Felton added that if the Council can add value to the local community then this is a non-commercial consideration. Every matter considered has to be quantified in the assessment criteria.

Regarding environmental criteria the Committee was informed that the Commissioning Support Unit and Procurement Team are working on a procurement strategy. This strategy will be considered by the Resources and Fire & Rescue Committee prior to going before Cabinet. As yet there is no date for when this will happen.

Councillor Chris Kettle asked how many contracts will fall into the £25,000 bracket for quotes. Andy Felton agreed to find this figure out as he did not have it to hand.

Councillor Chris Kettle also asked concerning the publication of details of transactions over £500. He was informed that although there are many hundreds of such transactions the mechanism for recorded and reporting them is straightforward. The purpose behind the exercise is to provide local suppliers with an opportunity to see what the Council is spending on.

Resolved:

That the revised Contract Standing Orders attached as Appendix 1 are recommended to Cabinet and to Council for approval.

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

The future meeting dates were agreed.

## **11. Any Other Business**

There was no additional business.



**12. Reports Containing Confidential or Exempt Information**

Resolved:

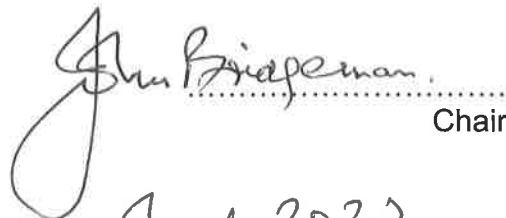
That members of the public be excluded from the meeting for the items mentioned below on the grounds that their presence would involve the disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972.'

**13. Exempt Minutes of the meeting of the Audit and Standards Committee held on 24 September 2021 and matters arising**

The exempt minutes of the meeting held on 24 September 2021 were agreed as an accurate record.

Paul Clarke (Internal Audit Manager, Delivery Lead) agreed to update the committee on the subject matter of the exempt minutes at its meeting on 24 March 2022.

The meeting rose at 11.45

  
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Chair

25th March 2022.