

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

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.

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Chair