

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.