

# Audit and Standards Committee

Thursday 26 January 2023

## Minutes

### Attendance

#### Committee Members

John Bridgeman (Chair)  
Councillor John Cooke  
Councillor Sarah Feeney  
Councillor Bill Gifford  
Councillor Brian Hammersley  
Councillor Christopher Kettle  
Councillor Bhagwant Singh Pandher  
Robert Zara (Independent Member)

#### Officers

Amy Bridgewater-Carnall, Senior Democratic Services Officer  
Andrew Felton, Assistant Director – Finance  
Chris Norton, Strategy and Commissioning Manager (Treasury, Pensions, Audit, Risk & Insurance)  
Rob Powell, Strategic Director for Resources  
Virginia Rennie, Strategy and Commissioning Manager (Strategic Finance)  
Nic Vine, Strategy & Commissioning Manager, Legal and Democratic

#### Others Present

Jim McLarnon, Grant Thornton  
Avtar Sohal, Grant Thornton

### 1. General

The Chair welcomed everyone to the meeting.

#### (1) Apologies

None.

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

None.

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

The minutes of the Audit and Standards Committee held on 3 November 2022 were received.

It was noted that a number of non-material amendments had been sent through by officers

which related solely to technical wording. The Chair advised that these would be amended, recirculated for information and, subject to these amendments, the minutes were agreed.

## **2. County Council Audit Findings Report for 2021/22**

The Committee received a report from the Council's External Auditors, Grant Thornton which reported on issues arising from the audit of the County Council's financial statements, before issuing their final opinion.

It was noted that this report was in addition to the Annual Audit Letter, also on the agenda for this meeting. The 2021/22 Audit Findings report was attached as Appendix A to the report.

Grant Thornton were represented at the meeting by Avtar Sohal and Jim McLarnon.

Avtar Sohal, introduced the report, advised that the audit was substantially complete and signposted Members to the headlines on page 17 of the document pack. He referred to the outstanding matters detailed and explained that some progress had been made since the report was written. With regard to the valuation of schools' assets, he explained that this had progressed to the internal quality control stage within Grant Thornton and, before the opinion was issued, the auditors wanted to ensure the correct checks had taken place internally.

Following a query from the Chair, Jim McLarnon advised that Grant Thornton would strive to have the matter concluded in time for the Council papers to be issued, but this may not be possible. The Chair stressed the desire to keep any incomplete issues to a minimum.

Avtar Sohal assured the meeting that the aim was to sign off the audit opinion as soon as possible and advised that the audit had gone smoothly with good cooperation from Council officers. The value for money work had been completed with no significant weaknesses identified.

Jim McLarnon summarised the audit findings and significant risks identified. Each risk identified was accompanied by a commentary resulting in a conclusion from the auditors, along with any recommendations, if appropriate. The report highlighted that, in relation to the Collection Fund, the auditors recognised that the County Council was only able to work with the best information available and returns from District and Borough Councils were often late. This resulted in accounting entries being based on estimates but the auditors were satisfied that this would not result in a material difference.

Jim McLarnon outlined the audit adjustments on page 41 of the document pack and stated that the threshold for further detailed work no longer applied to the Council. He referred to the Value for Money work which was a separate report on the agenda and confirmed Grant Thornton's fee proposals as laid out.

The Chair raised a concern that there was still an outstanding objection to the 2017/18 accounts, made by an elector, which the Committee had been assured in November 2021 would be dealt with and closed off. Avtar Sohal explained that the responsibility for this sat with Grant Thornton's previous engagement lead but assured the meeting that he would again urge the engagement lead to close this off as soon as possible.

The Chair stressed his disappointment that the accounts could not be closed off due to internal administrative/quality assurance processes at Grant Thornton. He also felt that Warwickshire residents would be concerned that there was an outstanding objection five years on. Avtar Sohal explained that complaints had to progress through various quality controls but agreed to raise this again with the officers concerned.

Following queries raised by the Vice Chair, Robert Zara, officers provided clarification on the Financial Statements – Significant Risks and advised that Price Waterhouse Coopers were engaged centrally as a port for auditors and all estimates were in line with their expert opinion.

Councillor Kettle raised a concern that the wording in the report, in particular the references to 'trivial', may be read negatively by residents and requested if this could be changed. Avtar Sohal explained that, as discussed last year, these were technical terms used in the accounting standards on an industry-wide basis and so were a correct usage. In response, Rob Powell (Strategic Director, Resources) proposed that an additional paragraph could be added to future reports explaining the terminology used and its context.

Councillor Kettle expressed his concern that the work was incomplete despite the auditors knowing about the meeting dates in advance. In response, Avtar Sohal reiterated that they were working hard to resolve the outstanding issues but highlighted that the steps involved in the quality control stages could not be changed. Councillor Kettle was assured that the auditors were not waiting for any outstanding information from the Council.

Rob Powell explained that the outstanding issues were not in the control of the local team and reminded those present of the hard work and professionalism of our local audit team. The Chair acknowledged the concerns raised and expressed his disappointment that some matters remained open.

Councillor Feeney acknowledged the explanation provided with regard to the valuation of land and buildings but felt it was unusual because schools were unlikely to be sold as a going concern. Avtar Sohal explained that any such asset had to have a valuation to support the entry in the accounts.

Councillor Kettle addressed the meeting and referred to the prudent Minimum Revenue Provision and the IT general controls audit risk highlighted in the 2020/21 report. Andy Felton updated Councillor Kettle on the current position and level of risk. The Chair suggested that an additional sentence could be added to outline the management response.

Following an additional query from Councillor Kettle, Jim McLarnon provided assurance that the two audit adjustments detailed on page 40 of the document pack were immaterial to the results of the Council and its financial position.

The Chair signposted Members to the letter of representation detailed in the report and no comments or concerns were raised.

Further discussion took place with regard to the outstanding issues within the report and whether some Members were comfortable to agree the recommendations until these had been resolved. Rob Powell felt that the audit team's approach was reasonable and no changes were expected, and as such it was reasonable to approve the recommendations. In addition, Andy Felton

explained that with regard to the valuation of schools, the prior year methodology was being questioned, not the figures, and would not result in a material change.

Having received the assurances of officers, the Committee

**Resolved** that

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

### **3. County Council Statement of Accounts for 2021/22**

The Committee received a report from Virginia Rennie (Strategic Finance Manager) which presented the County Council Statement of Accounts for 2021/22 for consideration. The report requested that, if content, the Committee recommend them to Council for approval, highlighting any issues they wished to bring to Council's attention.

The Statement of Accounts was attached at Appendix A to the report, which explained the key features of the primary statements and notes that made up the statement of accounts.

Virginia Rennie introduced the report which she recognised included a lot of technical information. She signposted Members to the narrative statement in the report and thanked officers for their input and hard work.

The Chair addressed Virginia Rennie and asked her to pass the Committee's gratitude on to the team. In response to a query, Rob Powell advised that the papers had been in the public domain since the agenda for this meeting was published a week ago. The draft accounts were published in July 2022 for public inspection.

Councillor Gifford felt that it was a good set of accounts which was readable and understandable by the public. It was noted that the draft accounts had been in the public domain since July and during the course of the meeting officers advised that the specific page on the Council's website detailing the accounts had been accessed 386 times since July 2022.

Robert Zara recognised the assets of schools and noted that eight had chosen to take up academy status in 2021/22. Officers confirmed that in these instances, the value of that asset was removed from the accounts.

Councillor Kettle noted with interest that Adult Social Care was no longer the most expensive revenue spend by service and had been superseded by Children and Education. He queried if this was due to a change in volume or inflation but was advised that it may be down to the difference between gross and net spend. Virginia Rennie provided further clarification on the figures involved which were gross expenditure, and the Children and Education figures combined the two service areas and also included school budgets. Adult Social Care remained the highest area of net revenue spend by Council service.

In response to a query from Robert Zara relating to the policies used in Treasury Management, Chris Norton (Strategy & Commissioning Manager - Treasury, Pension, Audit & Risk) advised that these were followed and updated regularly with the strategy being revisited on an annual basis. Members noted the problems that some local authorities had experienced due to poor decision making in relation to borrowing and investing. Andy Felton added that the governance process around investments was quite tight and due diligence followed.

**Recommended** the County Council Statement of Accounts 2021/22 to Council for approval.

#### **4. 2021/22 Annual Governance Statement**

The Committee received a report from Chris Norton (Strategy & Commissioning Manager - Treasury, Pension, Audit & Risk) which presented the 2021/22 Annual Governance Statement (AGS), attached at Appendix 1 to the report, for approval.

The report advised that as a result of the AGS evaluation and assurance gathering process, there were no significant governance issues or failures to report. The results of the review had been considered by the Committee on 19 May 2022 and the draft kept in review, however, no further changes were required.

Chris Norton introduced the report and outlined the evaluation process which, following consultation, had received no changes. The Chair thanked the team for a good report.

Councillor Feeney recognised the areas of challenge listed in the Governance issues and challenges section of the report. In particular, she highlighted the work undertaken to promote the vaccination and booster programme and noted the risks relating to SEND provision.

The Chair highlighted the reference to the HMICFRS Inspection which had proposed 41 areas of improvement following their evaluation of the service in Spring 2021. He felt that this section of the governance report could be updated to reflect the significant progress made since the review. In response, Rob Powell acknowledged the monitoring visits carried out by the inspectorate and felt it would be prudent to wait and not pre-empt the next stage of the inspection process.

Following on from this discussion, Councillor Feeney queried if the Chief Fire Officer could update the Committee once the actions arising from the inspection had been actioned in March 2023. Rob Powell felt this may be possible but recognised that it may be more appropriate for the CFO to report to the Resources Fire and Rescue Overview and Scrutiny Committee.

The Chair spoke to the section of the report detailing the Independent Inquiry into Child Sexual Abuse. He requested that the wording in the penultimate sentence be amended to state "We have considered the findings of the report". He felt this would give a better impression to readers. In addition, the Chair noted that the annual report of the Audit and Standards Committee would be forthcoming in May and would review activities over the past year.

**Resolved** that the 2021/22 Annual Governance Statement be endorsed and **Recommended** it to Council for approval.

## 5. External Auditor's Governance Report

The Committee received a report from the Council's External Auditors, Grant Thornton which reported on issues arising from the audit of the Warwickshire Pension Fund financial statements before issuing their final opinion.

The report highlighted that the External Auditors required written confirmation about the fairness of various elements of the financial statements, known as the "Letter of Representation". The Committee were asked to approve the wording of the letter, attached as Appendix 2 to the report, subject to any necessary changes.

Avtar Sohal introduced the report and highlighted the minor mislabelling of the report, which should be the External Audit Report on the Pension Fund Financial Statements. He signposted Members to the Headlines of the report which advised that the work was substantially complete, with no matters requiring modification. The report went on to detail three outstanding matters: receipt of the management representation letter, review of the Annual report for consistency with the audited financial statements and review of the final set of financial statements.

Following a question from the Chair, there was not a cap on Level 3 investments, but the pension fund set targets, with allocations to different asset types.

Councillor Gifford queried the reference to management override of controls and noted that there was no evidence of misuse. He therefore queried whether this was a computer system issue. In response, Rob Powell advised that this was a standard audit test for all entities and went beyond computer systems. This related to override of standard controls and was not specific to Warwickshire.

Jim McLarnon provided further assurance that no instances of management override of controls had been identified and the auditors were comfortable that there were other robust, compensatory measures in place to mitigate any risk. Jim McLarnon went on to highlight the work that the IT Audit team had undertaken, with many of the points raised having already been remedied and addressed by management. He concluded by stating that there was nothing else to draw Members' attention to other than the information with regard to fees and independence, with additional appendices at the back of report.

In response to a question from the Chair, officers confirmed that KPMG were the auditors used by Border to Coast Pensions Partnership and Grant Thornton only had minimal contact with them.

Members noted the Letter of Representation along with the appendix detailing the unadjusted misstatements.

Having received no questions from the Committee, it was

**Resolved** that

- 1) the Audit Findings Report of the External Auditors for the Warwickshire Pension Fund, attached at Appendix 1, is endorsed; and
- 2) the wording of the Letter of Representation, attached at Appendix 2 to the report, is approved, subject to any changes which may be necessary to the final draft.

## **6. Warwickshire Pension Fund Statement of Accounts 2021/22**

The Committee received a report from officers which presented the Warwickshire Pension Fund Statement of Accounts 2021/22.

The report requested that, if content, the Committee recommend them to Council for approval, highlighting any issues they wished to bring to Council's attention.

The Warwickshire Pension Fund Statement of Accounts was attached at Appendix A to the report, which set out the financial position of the pension fund but did not cause any financial implications.

Chris Norton presented the report and advised that no feedback had been received from the consultation. Feedback had been submitted by Grant Thornton as detailed in section 5 of the report. The accounts had been published in draft form on the Council's website and would be issued as final version in due course. Following a query, Chris Norton advised that members of the Pension Scheme did not get sent the Statement of Accounts directly, but it could be accessed should they wish to view it along with the Annual Report.

Following a question raised by the Chair, Chris Norton advised that the pension fund took a long-term view and outlined the governance arrangements in place. These included the Investment Strategy, the Pension Fund Investment Sub-Committee who oversaw the work and the Funding Strategy.

Councillor Kettle raised a concern that at the last Pension Fund Annual General Meeting, members had to be advised that the accounts were not ready. He therefore requested assurance that they would be complete in time for the AGM this year. Avtar Sohal assured the meeting that the auditors would be aiming to have them complete by then but advised that it may depend on capacity.

**Recommended** the Warwickshire Pension Fund Statement of Accounts 2021/22 to Council for approval.

## **7. External Auditors' Annual Audit Letter 2021/22**

The Committee received a report which outlined the annual Audit Letter of the External Auditors, Grant Thornton, as attached at Appendix A to the report.

The Audit Commission's Code of Audit Practice required auditors to prepare an annual audit letter and issue it to each body. The Committee were asked to consider its content and decide whether any executive action was required.

Virginia Rennie introduced the report and advised that the Annual Audit Letter would be presented to full Council in February. This was one of the only occasions that the external auditors would attend to present the report to all Councillors and answer any questions. Officers felt this was a good report which demonstrated what was being done across the Council to improve value for money and reiterated that the direction of travel was very positive.

The Chair highlighted that the anticipated letter was included in the appendix to the report.

Nic Vine (Strategy & Commissioning Manager, Legal and Democratic) addressed the meeting and advised that the recommendation did not make reference of the need for the Annual Audit Letter to progress to Council for ratifying. She therefore suggested that the wording of the recommendation be amended to reflect this.

The Chair agreed to the amendment and noted the statement relating to reserves on page 7 and the improvement recommendations on page 19 of the report.

The Chair felt the report was readable and interesting and having received no questions or queries from the Committee, proposed the recommendation as amended.

**Resolved** that the Annual Audit Letter of the External Auditors, attached at Appendix A, and endorse it to Council with any comments it has on Executive actions that it considers prudent.

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

The work programme and future meeting dates were noted.

Councillor Gifford raised a concern regarding the substantial financial implications of providing SEND services and proposed adding an item to the work programme.

In response, Rob Powell advised that there would be further clarity after the budget setting process, whilst acknowledging there was a systemic national funding issue for these services. He agreed to take the request of a short paper back to Nigel Minns (Strategic Director for People) and requested that the timings be confirmed once he had liaised with officers.

Councillor Gifford agreed and noted the public interest in this area. The Chair clarified that the report would look at the governance issues associated with financing the service.

**Resolved** that the following items be added to the work programme:

- a) SEND Services – Financial implications
- b) Audit & Standards Committee Annual Report

## **9. Any Other Business**

None

## **10. Reports Containing Exempt or Confidential Information**

Agreed

## **11. Exempt Minutes of the previous meeting**

The exempt minutes of the Audit and Standards Committee held on 3 November 2022 were agreed and signed by the Chair as a correct record.

The meeting closed at 3:45.