

Audit and Standards Committee

Thursday 25 May 2023

Minutes

Attendance

Committee Members

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

Officers

Amy Bridgewater-Carnall, Senior Democratic Services Officer
Paul Clarke, Internal Audit Manager
Sarah Duxbury, Assistant Director - Governance & Policy
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)

Others Present

Avtar Sohal, Grant Thornton

1. General

The Chair welcomed everyone to the meeting and noted that, following the recent Annual Council meeting, there had been some membership changes to the Committee.

He highlighted that the Committee would be welcoming Councillor Ian Shenton to future meetings. Councillor Shenton would be replacing Councillor Chris Kettle, who had been elected as Chairman of Warwickshire County Council for the next civic year.

John Bridgeman proposed that the Committee thank Councillor Kettle for his special contribution to the Committee having been a committee member for a number of years.

(1) Apologies

An apology for absence was received from Councillor Ian Shenton.

(2) Disclosures of Pecuniary and Non-Pecuniary Interests

None.

(3) Minutes of the previous meeting

The Committee received the minutes of the meeting held on 11 January 2023.

The Chair expressed his disappointment that the Overview and Scrutiny Working Group had been unable to convene as originally planned and he hoped that Councillors would recognise the importance of giving this some focus. He stated that the Overview and Scrutiny process was essential and individuals needed to be informed and use the position of scrutiny as a 'critical friend' robustly. He hoped that the workshop would take place before the next Audit and Standards Committee in September.

John Bridgeman reminded the meeting that many investigations of high profile issues had shown that mistakes made could have been avoided if scrutiny had been working effectively.

The minutes of the meeting held on 11 January 2023 were agreed as written and signed by the Chair as a correct record.

2. External Auditor's Annual Audit Report 2021/22 - County Council Management Response and Action Plan

The Committee received a report which asked Members to consider the management response to the recommendations in the external auditors report along with the final 2021/22 Audit Findings report.

Virginia Rennie, Strategy & Commissioning Manager - Finance, introduced the report, signposting Members to the highlighted areas which were the amendments carried out between January and March this year. In summary the report addressed all of the amendments and notified of the progress made in completing the work.

Councillor Feeney made comment on one of the items listed in Appendix B which related to the 'Gifts and Hospitality Policy'. She did not feel that the £5 value was a lot of money and advised that, in her experience, she was not aware of individuals being given costly gifts. Virginia Rennie explained that a review of the policy had taken place and the updated version was available on the intranet.

Councillor Gifford was pleased to see a response from officers relating to the issue of funding for Special Education Needs and Disabilities (SEND) services. He reiterated the importance of adequate funding for the service and the need to ensure it was delivered robustly.

Having considered the report, the Audit & Standards Committee

Resolved that

- 1) the final 2021/22 Audit Findings report attached at Appendix A, is noted; and
- 2) the management response to the recommendations in the external auditors reports as set out in Appendix B, is noted.

3. External Auditor's Annual Audit Report 2021/22 - Warwickshire Pension Fund Management Response and Action Plan

The Committee received a report which asked Members to consider the management response to the recommendations in the external auditors report along with the final 2021/22 Audit Findings report.

The Chair invited Grant Thornton's representative, Avtar Sohal, to speak to the report and he advised that there were no changes from the original report.

Chris Norton, Strategy & Commissioning Manager (Treasury, Pensions, Audit, Risk & Insurance), introduced the report and highlighted the management response to the original recommendations, attached at Appendix 2.

Councillor Gifford raised a query relating to the IT General Controls and Journals Review and Approval entry. In response, Chris Norton explained that having the correct IT was key but had to work alongside the controls that officers exercised over journals, processes and IT together.

Virginia Rennie addressed a subsequent query relating to the move to a cloud-based solution and whether this would change any processes. Virginia explained that the move was planned for the Autumn, and whilst it would change some processes, officers were very mindful of the need to ensure that the authorisation of journals remained robust. She assured the Committee that a member of the Internal Audit team was involved in the project planning and would be keeping an eye on progress.

Councillor Feeney asked if there was ongoing dialogue between WCC's IT department and Grant Thornton's IT team in relation to the IT General Controls management response. Avtar Sohal advised that good communication between all parties was a key part of the process.

Avtar Sohal assured the meeting that there had been no incidents of override found nor failures in the journals process but it was the Auditor's role to look at potential weaknesses.

In response to a query from Robert Zara, Avtar Sohal explained that the reference to 'a UK sleeve' mentioned in the Audit Adjustments section was a technical term relating to equity funds.

In relation to the Pension Fund, the Chair queried how well funded the scheme was compared to other authorities but noted that Members recognised it as a very good scheme. The potential impacts of interest rate fluctuations were discussed and Members were assured that these issues were looked at in detail and monitored by the Pension Fund Investment Sub-Committee.

The importance of ongoing dialogue with all employers who were part of the scheme was noted along with the requirement to keep volatility low to protect taxpayers' money. It was explained that the scheme was made up of many employers, including for example the five District and Borough Councils and the Police amongst others and, therefore, there was a long-term strategy for managing it.

Councillor Hammersley asked for clarification on the 'Financial Statements – Significant Risks' section of Appendix A and was advised that the differences referred to were as a result of the time taken to receive information from fund managers between the first draft and the final version.

Councillor Feeney expressed her gratitude to Chris Norton and his team for good management of the Council's investments.

Having considered the report and having heard from the officers present, the Committee

Resolved that

- 1) the final 2021/22 Audit Findings report attached at Appendix A, is noted; and
- 2) the management response to the recommendations in the external auditors reports as set out in Appendix B, is noted.

4. Warwickshire County Council - External Audit Risk Assessment 2022/23

Virginia Rennie introduced the report which detailed the Audit Risk Assessment for 2022/23. She explained that this was an annual report which contributed towards the strong communication between the External Auditors and the Council. She advised that there were no major changes and only a few minor updates detailing differences in numbers. Members noted that this was a very detailed document and included information on external advisors used, as well as current figures on whistleblowing and fraud.

Avtar Sohal assured Members that the Council benefitted from good internal control measures and the responses in the report rarely changed.

In response to a query from Councillor Gifford relating to the detection of fraud, Virginia Rennie advised that incidents of this kind were very low but would normally be picked up through system controls, monthly reconciliations and the monitoring of bank accounts.

Paul Clarke supported the comments and explained that the overall control framework would identify anything that looked out of place. He also highlighted the importance of initiatives such as Fraud Awareness Week which raised awareness of the issue amongst staff.

Councillor Hammersley felt that there was a high level of monitoring at the Council with policies being refreshed and revisited regularly. Councillors Feeney and Gifford agreed that the organisation was well run and noted that individuals from outside of the Council were also a potential fraud risk.

The Chair referred to the growing threat of cyber-attack which appeared to be becoming increasingly sophisticated. Robert Zara highlighted the management response on page 109 of the pack which related to one instance of fraud being investigated. Paul Clarke advised that the incident was below the External Auditor's materiality scale.

Councillor Gifford highlighted the level of cost relating to SEND services as a risk and welcomed the provision made in the Medium-Term Financial Strategy to address this.

Rob Powell stressed how seriously the Council took the issue of fraud and reiterated that, despite the complex and multi-faceted make-up of the Council, officers were not complacent. In relation to cyber security, he agreed that this was a growing risk and, as the responsibility for this sat at a senior level through the Senior Information Risk Owner (SIRO) role, systems and defences were

revisited and updated frequently. He assured the Committee that, despite the number of attempts made, neither senior officers nor Corporate Board were naive about the risks, and he was confident that all involved were doing everything reasonably possible to mitigate them.

Having considered the report and having heard from the officers present, the Committee

Resolved that

- 1) the Audit Risk Assessment for 2022/23, attached at Appendix A, is noted; and
- 2) the Strategic Director for Resources will update this assessment if any further information becomes available between this Committee and the draft 2022/23 Statement of Accounts being issued, with any changes being reported to the next meeting of the Committee.

5. Warwickshire Pension Fund - External Audit Risk Assessment 2022/23

Chris Norton, Strategy & Commissioning Manager (Treasury, Pensions, Audit, Risk & Insurance), introduced the report which detailed the draft Audit Risk Assessment for 2022/23. He signposted Members to the summary of key issues and changes on page 133 of the document pack and the respective management response. The Committee were asked to consider the responses and advise of any further comments it wished to make prior to finalisation.

The Chair queried if all local authorities were carrying out the same work and wondered if there was a danger of duplication. Chris Norton responded, advising that it was logical that many of the LGPS funds faced similar issues, but each authority would need to focus on its own responsibilities.

Councillor Hammersley raised a query relating to fraud attempts and whether other Local Authorities shared information to raise awareness. Chris Norton explained that some of the information would be a matter of public record, but officers may hear informally via internal networks, on occasion.

Paul Clarke, Internal Audit Manager, gave assurance that as members of the National Anti-Fraud Network, the Council would receive alerts when necessary.

Resolved that the Audit Risk Assessment for 2022/23, attached at Appendix 1, is noted.

6. Draft Annual Governance Statement 2022/23

The Chair introduced the report which outlined the Draft 2022/23 Annual Governance Statement (AGS) for consideration.

Robert Zara highlighted the duplication of wording on page 169 of the report pack which could be amended.

Chris Norton, Strategy & Commissioning Manager (Treasury, Pensions, Audit, Risk & Insurance), outlined the report and highlighted some of the key issues including the decreasing reference to Covid, how the governance principles were informed by the panel. He also advised that the report had received input from the Assistant Directors and drew members attention to the sections of the report that demonstrated the differences. Following a question relating to other Local Authorities

AGS's, Chris Norton explained that whilst there would always be similarities, the Council operated to its own corporate Code of Governance.

Avtar Sohal explained that CIPFA had a framework of good governance practices and, whilst the themes were similar, each authority would have different answers to reflect their differing practices.

In response to a query regarding standardisation, officers confirmed that the County Council worked to the national CIPFA standards in line with our own governance practices. It was noted that if compared, the Council did an exceptionally good job, with the strategic objectives as drivers and Council's priorities reviewed periodically.

The Chair agreed that this was what distinguished Warwickshire County Council from other authorities.

Resolved that the Draft 2022/23 Annual Governance Statement, attached at Appendix 1, is endorsed for onward consideration by the Council's External Auditor.

7. Audit & Standards Committee - Annual Report 2022/23

The Chair introduced the report which highlighted some of the work undertaken by the Committee during 2022/23. The report also looked ahead to issues that may be considered by the Committee in future months and would be submitted to Council in July 2023.

Councillor Gifford referred to the 'Looking Ahead' section which highlighted the SEND services report he had previously requested. He noted that this was listed on the Committee's work programme and asked if there was an update on when the report may come forward. In response, Rob Powell advised that this had been listed as 'To Be Confirmed' whilst the new Assistant Director for Education, Johnny Kyriacou, settled into post. He agreed to speak to Nigel Minns, Strategic Director for People, and consider when would be a suitable time for this to be programmed in.

Robert Zara suggested that the External Quality Assessment of the Internal Audit team could be added to the Annual Report prior to its submission to Council. He noted that whilst it had been referred to in the draft Annual Governance Statement earlier on the agenda, it would not hurt to draw focus to this positive assessment. He felt that the Internal Audit team had passed with flying colours and passed on his congratulations to them.

Rob Powell spoke in support of the comments made, congratulating the Internal Audit team on the excellent work undertaken. It was agreed that reference to the assessment would be included in the Annual Report and the CIPFA appendix included for information.

The Chair requested that reference to him attending the Overview & Scrutiny workshop be noted and raised a query relating to future training opportunities for the Audit & Standards Committee. He felt that it could be useful to hold a workshop to review the mandate of the Committee, particularly for new members of the Committee.

In response, Sarah Duxbury, advised that Members were encouraged to hold a workshop session on a two-year cycle, which included a self-assessment and a review of work undertaken. It was agreed that officers would look to programme this in for the future.

In summary, the Chair felt that the Annual Report was a good summary of the work undertaken and hoped that the positive work being carried out by all teams, gave everyone assurance that governance was strong.

Resolved that the report be amended to include the comments raised prior to submission to Council in July 2023.

8. Work Programme and Future Meeting Dates

The Work Programme was received and future agenda items noted.

9. Any Other Business

There was none.

10. Reports Containing Exempt or Confidential Information

That members of the public be excluded from the meeting for the following items 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.

11. Internal Audit Progress Report

The Committee received a confidential update.

Resolved that the report is noted.

12. Exempt Minutes of the Audit & Standards Committee

The confidential minutes of the meeting held on 11 January 2023 were agreed as written and signed by the Chair as a correct record.

13. Any Other Business

The Committee received a confidential update from officers.

The meeting ended at 11.50am