

# **Audit and Standards Committee Annual Report 2022/2023**

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.

Meeting dates, minutes, agendas and reports can be found on the [Council's website](#). Meetings of the Committee are live-streamed; footage is available for a period of 12 months after each meeting and can be viewed on the website under individual meeting dates.

## **Who is on the Committee?**

The membership of the Committee during the municipal year 2022/23 was:

John Bridgeman CBE	(Independent Member and Chair)
Councillor John Cooke	(Conservative)
Councillor Sarah Feeney	(Labour)
Councillor Bill Gifford	(Liberal Democrat)
Councillor Brian Hammersley	(Conservative)
Councillor Christopher Kettle	(Conservative)
Councillor Bhagwant Singh Pandher	(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.

The Committee was saddened to receive news of the passing of Councillor John Horner in May 2022. Councillor Horner had been a longstanding and highly respected member of the Committee. At its meeting on 19 May 2022, the Committee recognised the outstanding contribution made by Councillor Horner.

Following a reallocation of committee memberships at the start of the municipal year, the Chair welcomed two new members at the May 2022 meeting - Councillor John Cooke and Councillor Bhagwant Singh Pandher.

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. At present, the Council's Grant Thornton LLP key audit partner is Avtar Sohal.

## **What did the Committee do over the last year?**

The Committee met five times during the 2022/23 municipal year, including a specially arranged meeting in January 2023 to review the financial statements for the County Council and the Warwickshire Pension Fund and recommend their approval to full Council.

During the year, alongside the regular external and internal audit monitoring reports, the Committee was able to consider the Council's wider governance arrangements and the impact of emerging national issues, including the impact of rising inflation, cost-of-living pressures, and the wider economic position and fiscal policy on governance. A detailed overview of significant issues has been set out later in this report.

The Committee was pleased to support the Annual Governance Statement 2022/23, and the Statement of Accounts for both the Council and the Warwickshire Pension Fund, based on its knowledge and experience of how the assurance systems had operated in practice.

## **External Audit**

The Committee receives updates at every meeting from Grant Thornton, who are the external auditors for both the Council and the Warwickshire Pension Fund.

Members also had the opportunity to consider emerging national developments brought to their attention by the external auditors. This provides an additional means for the Committee to keep abreast of changes affecting local government audit and governance practices, including:

- The proposal by the Department for Levelling Up, Housing and Communities (DLUHC) to establish a new local audit regulator, the 'Audit Reporting and Governance Authority' (ARGA). Plans for the new regulator have been developed in response to the findings of the Redmond Review which reported to DLUHC in September 2020.
- Publication by the Chartered Institute of Public Finance and Accountability (CIPFA) of the 'Internal Audit: Untapped Potential' research report, examining the impact of internal audit within public service organisations, how it could do more, and what is holding it back.

The September meeting of the Committee was cancelled due to a lack of business, as the date was originally set to meet the deadline for the publication of the annual accounts. Due to the COVID-19 pandemic and the lack of capacity in the public sector audit market this statutory deadline was moved to the end of November temporarily. The lack of public sector audit capacity combined with the backlog of audits still outstanding from previous financial years is an issue being experienced

by Grant Thornton and Members were kept informed as to how this was impacting on their responsibilities to the Council.

At the November meeting, the Committee was advised that Grant Thornton were not in a position to complete the audit by 30 November 2022. The delay was as a result of a national technical accounting valuation issue relating to how spend in previous years on infrastructure assets, such as roads, should be treated when subsequent maintenance activity was undertaken and how this should be reported within the accounts. At the time the Government was in the process of developing a statutory instrument which would resolve these audit challenges through a statutory override. It was noted that the override was expected to be issued by the end of the month and come into force on 25 December 2022. (The statutory override was subsequently issued as expected, coming into force on 25 December 2022 for four years, pending a permanent solution being identified). The Committee also considered the wording of the resulting "Delayed Opinion Notice" that would be put on the Council's website to explain the delay.

In January 2023, the external auditors advised that the audit was substantially complete and the value for money work completed with no significant weaknesses identified. At that time, there was one outstanding matter relating to the valuation of schools' assets, but it was hoped to have this resolved before the matter was considered at Council in February 2023. In addition, there was one outstanding objection to 2017/18 accounts reported; the Committee underlined the importance of seeking a prompt resolution to this issue. The Committee was assured by the external auditors that whilst they understood the concerns expressed by the Committee and they were also keen to see the matter resolved, it was not material to the Council's accounts and would not delay the issue of the audit opinion on the 2021/22 accounts.

The Committee was pleased to note that Grant Thornton had provided unqualified opinions for both the Council and Warwickshire Pension Fund accounts, including a positive value for money conclusion. Grant Thornton advised that it was satisfied that the Council had made proper arrangements for securing economy, efficiency, and effectiveness in its use of resources, with ratings of 'green' for financial sustainability and governance and 'amber' for improving economy, efficiency and effectiveness with a positive direction of travel.

The External Auditor noted that 2021/22 had proved to be a highly unusual year for local government finances due to the continued strain of the COVID-19 Pandemic and rising cost pressures stemming from increased inflation. As a result, the 2021/22 period had ended with greater uncertainty around the financial sustainability of the sector. Despite these challenges, Grant Thornton concluded that the Council had maintained a strong financial position throughout 2021/22 and had planned well over the medium term. However, it was noted that the ability to make savings and balance planned expenditure against available funding would be vital to enable the Council to maintain financial sustainability in the face of financial pressures over the medium term.

The Committee was pleased to learn that it was judged that the Council had maintained effective governance arrangements during 2021/22. Grant Thornton

reported positive developments in this area which included the Independent Review of Overview and Scrutiny. Overall, it was concluded that the Authority had enacted good procedures around risk monitoring, budget setting, scrutiny, and governance arrangements.

## **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 2022/23, Internal Audit carried out a series of service and process reviews with a focus on specific areas, including:

- Pensions Administration
- Public Health
- Complaints
- The Community Supermarket
- Warwickshire Fire and Rescue Service Improvement Plan
- Risk Management
- IT Integration and Strategy Review (2021/22)
- Cloud Computing
- Information Governance

The Committee has followed progress against recommendations where issues were identified by audit outcomes. It has raised queries and conducted oversight when necessary.

At the Audit & Standards meeting in May 2023, the Internal Audit Service were congratulated for their high level of work which had been recognised in the External Quality Assessment of Conformance to the Public Sector Internal Audit Standards. The Chair and Members of the Committee agreed that the outcome of the external review, undertaken by the Chartered Institute of Public Finance and Accountancy (CIPFA), should be a matter of public interest and it is therefore being published alongside this Annual Report.

## **Oversight of Governance Arrangements**

Part of the Committee's remit is to monitor and review the governance arrangements of the Council, ensuring that robust systems of internal control are in place.

As part of this work, the Committee receive an Annual Governance Report which highlights the arrangements currently in place to enable the Committee to carry out its assurance role and explains the various systems and processes the Council use to ensure legal and regulatory compliance. This was considered in November 2022. Key details in the report included some of the external inspections and reviews that had taken place, including the Local Government Association Peer Challenge from March 2022 and the progress on the actions recommended, following that visit. A number of internal processes were reported on and discussed, including declarations of interest and the register of gifts and hospitality for staff and elected members, as well as Code of Conduct Complaints. Members noted the positive Ofsted inspection results and the feedback from the Local Government and Social Care Ombudsman annual review letter.

In March this year the Committee considered a report relating to the CIPFA Financial Management Code – WCC Self Assessment 2022/23. Robust discussions were held relating to the Authority's compliance with the standards set out in the Code, which provided assurance that the Council was making appropriate financial decisions and providing value for money with appropriate checks and balances being carried out to make good decisions and manage risk.

### **Review of Overview and Scrutiny**

Prior to the 2022/23 municipal year, an independent review had been commissioned to consider Warwickshire County Council's approach to scrutiny and to consider potential opportunities for enhancements in 2022. The Committee received a report back in March 2022 outlining the progress made in implementing the review, including measures of success.

The report provided the current position and commentary on each of the activities proposed. It was noted that the Annual Report on Overview & Scrutiny would be submitted to Council in May 2023.

Members had an open discussion about how scrutiny operated at the County Council and, in general, it was felt that the process was positive and robust, underpinning the values and culture of the authority. Members also felt it would be useful for a member of the Audit and Standards Committee to attend the workshop in May 2023, which would look at finessing the principles outlined in the report.

At the meeting in May 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 essential process due focus.

### **Impact of Grenfell**

This item had been added to the work programme some time ago and at the November 2023 meeting it was agreed that a briefing update could be circulated. This would give members the opportunity to decide if a formal agenda item was

necessary, whilst noting that the Grenfell Inquiry was ongoing with the 46 original recommendations being managed by key senior managers at Warwickshire Fire and Rescue Service (WFRS). The briefing note was circulated in December 2022 and advised that WFRS had undertaken gap analysis, developed a work programme and established a working group to oversee the work that had been rolled out over the past few years. The note also provided an update on the work undertaken with Warwick District Council in relation to major fire safety and refurbishment works to the seven high rise residential buildings in the District.

This was further discussed at the January 2023 meeting and the committee was satisfied with the information supplied whilst noting that there was still work to be undertaken.

## Looking Ahead

The Committee's membership for the coming year has been completed following Annual Council on 16 May 2023:

John Bridgeman CBE	Independent Member and Chair
Cllr John Cooke	Conservative
Cllr Brian Hammersley	Conservative
Cllr Ian Shenton	Conservative
Cllr Bhagwant Singh Pander	Conservative
Cllr Sarah Feeney	Labour
Cllr Bill Gifford	Liberal Democrat
Robert Edwards Zara	Independent Member

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. The Committee will also review the financial statements of the Council and Warwickshire Pension Fund and the Annual Governance Statement for 2022/23, prior to their submission to full Council for approval.

In addition, Members of the Committee are encouraged to propose items for the work programme that they feel would merit further discussion. For example, at the January 2023 meeting Councillor Gifford raised a query regarding how the Council manages the increasing financial costs associated with SEND services and it was agreed that this could be scheduled to be reported to a future meeting.