

# Audit and Standards Committee

Thursday 20 July 2023

## Minutes

### Attendance

#### Committee Members

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

#### Officers

Amy Bridgewater-Carnall, Senior Democratic Services Officer  
Paul Clarke, Internal Audit Manager  
Jan Cummings, Senior Solicitor  
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  
Hark Vaid, Grant Thornton

### 1. General

The Chair welcomed everyone to the meeting, in particular Councillor Shenton to his first meeting as well as Harkamal Vaid, from Grant Thornton.

#### (1) Apologies

There were none.

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

There were none.

#### (3) Minutes of the previous meeting held on 25 May 2023

The minutes of the meeting held on 25 May 2023 were agreed as written.

Under matters arising, the Chair reiterated the Committee's thanks to Councillor Kettle and asked that these be passed on to him. In addition, the Committee noted that the Committee's refreshed Annual Report would be considered at Council next week.

## **2. External Auditors Report - Warwickshire County Council Financial Year 2022/23 Audit Plan**

The Committee were asked to consider and comment on the Annual Audit Plan for the year ending 31 March 2023 from the External Auditors. The plan was attached at Appendix A to the report.

Following a query from the Chair, Avtar Sohal, Grant Thornton, advised that a closure certificate was still awaited on the 2018/19 accounts. He had spoken to the officer responsible for sourcing this who had assured that the process was 99% complete. He agreed to keep monitoring the situation as he was mindful of the Committee's discomfort about the issue. Avtar Sohal advised that workload pressures had been causing difficulty but it was hoped to be finalised in the next few months.

Avtar Sohal introduced the report and advised that the audit for the County Council accounts had begun with a good set of draft papers. Work was on track to deliver and sign off the accounts by the end of the year and he was confident that Grant Thornton had the resource to deliver this.

Hark Vaid, Grant Thornton, addressed the meeting and gave an overview of the headlines from the audit plan. He highlighted that materiality had increased to £17 million due to increased expenditure along with additional work required relating to audit standards.

The Chair mentioned the increased activity with regard to cyber security nationally and asked for assurance that rigorous examination would be afforded to this aspect. Avtar Sohal advised that the specialised in-house IT team would look at general controls but that experts would provide updates on any potential risks or improvement points identified.

Robert Zara queried the use of the wording relating to gross operating costs, asking if this should read expenditure. In addition, he pointed out the threshold for triviality which had increased by 15%. Hark advised that the triviality increase was as a result of the materiality cost increasing and clarified the terminology used relating to operating expenditure.

Following a query from Councillor Cooke relating to the variance in the value of land and buildings, officers explained how an asset could be valued as an existing use, such as a school, and the impact that increased replacement costs had on a valuation. Whilst some values were based on local market values, infrastructure was valued using national methodology. Avtar Sohal confirmed that auditors looked at national trends and corroborated their figures with other sources.

Councillor Hammersley commented on the amount of work involved in managing the asset register. Virginia Rennie advised that the register was revalued every year with the exception of infrastructure which was undertaken by an external valuer. She explained that the assets were inspected using a standard procedure set by the Royal Institute of Chartered Surveyors (RICS).

Councillor Shenton asked questions relating to the process for reporting trivial changes in materiality and the approach to dealing with historical assets, which were not separated into

separate audit classes. Avtar advised that a schedule of errors was kept and the Committee would be advised if the materiality value would be reported if it rose above the threshold set. With regards to historical assets a set approach was taken each year, focusing on the risky assets, but this did not drive the audit approach.

The Chair was confident that the Council's financial position was in good health and thanked the officers for the report.

**Resolved** that the Annual Audit Plan for the year ending 31 March 2023 from the External Auditors, attached at Appendix A, is noted.

### **3. External Auditors Report – Warwickshire Pension Fund Financial Year 2022/2023 Audit Plan**

The Committee received the Annual Audit Plan for the Warwickshire Pension Fund Financial Year 2022/23.

Hark Vaid, Grant Thornton, introduced the report, advising that it was a similar plan to the previous agenda item. He noted that there were slightly different risks which required special audit consideration and included the management over-ride of controls and the valuation of level 3 investments. He highlighted the changes in materiality which had increased from the previous year and the firm's methodology to test transactions. Finally, he drew attention to the new auditing standards ISA 315 and ISA 240, as detailed on page 5 of the report.

Following a request for clarification, Avtar Sohal explained the risk relating to Level 3 Investments, explaining that these were hard to value assets with no direct market information available. The Chair referred to the recent difficulties involving Capita, who had been the victim of a significant hostile cyber attack in March. Avtar Sohal advised that information was still emerging about the incident and Grant Thornton would be monitoring any lessons learned from this. He gave assurance that any relevant measures would be incorporated into the audit, if deemed necessary.

Councillor Feeney referred to the management response in relation to the IT general controls audit detailed on page 10 of the report. Hark Vaid advised that specific action had been undertaken and regular reviews of access had been written into procedures moving forwards.

Councillor Gifford raised a concern that the same, 'standard' risks appeared in the plan and whether this resulted in real risks being overlooked. Avtar Sohal assured that other risks were looked at but not all were put front and centre of the report. However, if a failure of control was found to have a significant impact it would be highlighted.

Having considered the report and having heard from the officers present, it was

**Resolved** that the Annual Audit Plan of the Warwickshire Pension Fund Financial 2022/23, is noted.

### **4. Internal Audit Annual Report 2022/23**

The Committee received the Internal Audit Annual Report for 2022-23 which outlined the results of internal audit work completed during that timeframe.

Paul Clarke, Internal Audit Manager, introduced the report, starting with the Audit Plan previously agreed in March 2022. He advised that the team had welcomed a new permanent manager and having completed a recent five yearly external assessment of the team, were confident that the Council were meeting the required standards.

Paul Clarke signposted Members to the individual audits detailed in the appendix and explained that officers also took account of other work taking place within the authority, such as Ofsted, which helped to provide a greater understanding of assurance. The Committee noted that the Council still faced significant risks, which were recorded in the risk management process, and were looked at to ensure the appropriate controls were in place to mitigate ensure they were being properly considered.

In summary, Paul Clarke concluded that the report gave substantial assurance and highlighted that the Council took risk management seriously.

Councillor Shenton referred to the graphics on page 4 of the report and highlighted that the 'full assurance' percentage had dropped slightly since the 2021/22 assurance. Paul Clarke explained that this depended on the areas audited and assured that officers were content that there was little variation, with a high percentage of substantial assurance which was positive. He noted that a number of the audits this period had involved schools and explained the processes involved when meeting with head teachers and governors to agree achievable action plans.

Rob Powell, Executive Director for Resources, urged caution with regards to scrutinising the graphics as each chart would be influenced by the topics being audited. He assured that the report would always point to any areas of concern and would focus on potential risks. Andrew Felton, Director for Finance, supported this stance and referred to page 5 of the report which reiterated the positive position and should reassure Members that officers were taking the controls seriously.

The Chair recognised the challenges faced when auditing schools and the difficult job that head teachers had balancing various different standards. He referred to the assistance given by the Council to governors and teaching staff to support them in understanding the financial standards required. Paul Clarke advised that newly appointed head teachers underwent an induction programme which covered financial awareness and Internal Audit representatives were invited along to provide input to the training. In addition, the Education Service provided ongoing training for governors and school support staff.

Rob Powell reminded the Committee that the Council operated in risky environments and were dealing with higher levels of risk in the current financial climate. Whilst some moderate reports would contain flags or warning signs, it was important to read through the detail and ascertain the different levels of risk involved.

Councillor Shenton advised that he had recently attended some school visits as part of the Educational Attainment Task & Finish Group and had been very impressed with how business minded the head teachers and staff were.

The Chair thanked Paul Clarke and his team for the report and proposed that the report be noted.

**Resolved** that the Internal Audit Annual Report 2022-23, is noted.

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

The Committee considered the work programme and Councillor Gifford welcomed the items relating to SEND and cyber security. Officers advised that the Internal Audit update would include information on cyber activity.

Andrew Felton suggested that if deeper assurance was sought, the annual cyber security report for 2022/23 could be submitted to a future meeting.

Councillor Feeney referred to the Office for Local Government (OFLOG) which had been discussed at the LGA conference recently. She enquired how this might impact on the work of the County Council and it was agreed that a briefing paper could be circulated to Members in due course. Rob Powell advised that further work was needed to clarify the purpose of OFLOG, with consultation documents and sets of indicators being recently published, however, it was noted that this was due to expand and develop further. He agreed that a briefing paper could be circulated.

Councillor Feeney also advised that she had attended a session about Section 114 notices and the importance that was put on the rigorous work of the Audit Committee. Following on from that, Councillor Feeney enquired if it would be possible to get a briefing on the risk register, as this had also been flagged as an important aspect of work. Andrew Felton reiterated the importance of the risk register and advised that a quarterly update was submitted to Cabinet. However, this could be separated out for consideration of the Committee if required.

**Resolved** that the Work Programme be noted.

## **7. 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.

## **8. Exempt Minutes of 25 May 2023**

The exempt minutes of the Audit & Standards Committee held on 25 May 2023 were agreed as written.

## **9. Internal Audit Update Report July 2023**

The Committee received a confidential update.

**Resolved** that the report be noted.

## **10. Any Other Business**

The Committee received an update from officers.

The meeting ended at 11:35