

Audit and Standards Committee Annual Report 2019/20

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 2019/20 was:

John Bridgeman CBE	-	(Independent member and Chair)
Bob Meacham OBE	-	(Independent member and Vice-Chair)
Councillor Parminder Singh Birdi	-	(Conservative)
Councillor Mark Cargill	-	(Conservative)
Councillor Neil Dirveiks	-	(Labour)
Councillor Bill Gifford	-	(Liberal Democrat)
Councillor John Horner	-	(Conservative)
Councillor David Reilly	-	(Conservative)

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 Mr Bob Meacham's passing in September 2019. Mr Meacham had been a longstanding and valued Independent Member of the Committee.

The Internal Audit and Insurance 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.

What the Committee did over the last year

The Committee met three times during the 2019/20 year. Our remaining meeting had to be cancelled due to the disruption caused by the Coronavirus pandemic. However, during the year alongside our regular external and internal audit monitoring reports we were able to consider a variety of governance issues, including proposals for a review of contract standing orders and financial regulations.

We were pleased to support the Annual Governance Statement 2017/18, and the statement of accounts for both the Council and the pension fund based on our knowledge and experience of how the assurance systems had operated in practice. More information about our key activities is set out below.

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 (and others). This enables the Committee to seek assurances that the Council is aware of and considering the potential challenges which include:

- Financial Sustainability – addressing funding gaps and balancing needs against resources;
- Service Sustainability – particularly in relation to Adult Social Care funding gaps and pressure on Education, Housing, Transport;
- Transformation – new models of delivery, greater emphasis on partnerships, more focus on economic development;
- Technology – cyber security and risk management.

At a wider level, the political environment throughout 2019/20 has remained complex, not only with the uncertainties posed by Brexit but in the later months with the increasing challenges created by the Coronavirus pandemic. Issues arising from the audit of the Council's financial statements were examined by members, as well as the content of the Authority's Letter of Representation.

We were also briefed on the need to make changes to the estimates of future pension liabilities during the period of the audit of the 2018/19 accounts. Two national legal judgements have ruled there was discrimination in the way transitional protections were applied to changes in public sector pension schemes over recent years. These judgements required changes to the accounts in relation to both the firefighters pension scheme and the Local Government Pension Scheme although there was no resource impact on the accounts. The Auditor noted that the Pension Fund account has a strong asset balance of £2,165.7m and the net return on investments of £141.9m is in excess of benefits paid by £57.1m.

We were pleased to note that Grant Thornton had provided unqualified opinions for both the Council and Pension fund accounts. They also provided assurances that the Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources. This includes achievement of the 2018/19 financial plan which demonstrated an ability to manage resources in order to meet targets set, as well as having the appropriate mechanisms in place to develop robust medium term strategies based on reasonable underlying assumptions. In addition to this, the financial position of the Council at 31 March 2019 was strong and compares favourably to peers in the sector providing further comfort over financial sustainability.

Grant Thornton judged that overall the Council had adequate arrangements in place to ensure ongoing financial sustainability. Regarding savings, the Authority delivered £1.3m in 2018/19 ahead of schedule.

In respect of the Medium Term Financial Plan (MTFP), Grant Thornton concluded that the Council had undertaken a significant amount of work in 2018/19 to develop its transformation programme which would lay the foundations for the medium term outlook. Grant Thornton noted that, while resources continued to increase, so too did cost pressures and rise in demand. As an outcome, a cumulative £30m gap in the budget by 2025 was forecast. It was proposed that this would be met by savings over the lifetime of the MTFP.

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 2019/20 Internal Audit carried out a series of service and process reviews with a focus on specific areas, including:

- Waste Management
- Business Continuity
- BACS and CHAPS procedures
- Investment Management

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

Going Forward

The Committee's membership for the coming year (2020/21) is:

John Bridgeman CBE	-	(Independent Member and Chair)
Councillor Parminder Singh Birdi	-	(Conservative)
Councillor Mark Cargill	-	(Conservative)
Councillor Neil Dirveiks	-	(Labour)
Councillor Bill Gifford	-	(Liberal Democrat)
Councillor John Horner	-	(Conservative)
Councillor David Reilly	-	(Conservative)

The focus will remain on the supporting of good governance and strong financial management.

Over 2020/21 the Committee intends to take a more in-depth look at Financial Regulations and Contract Standing Orders. The Committee will continue to receive

updates from our External Auditors and from the Council's Internal Audit Team in line with the published work plan.