

Audit & Standards Committee

Minutes of the meeting held on Tuesday 27 February 2024 at Shire Hall, Warwick at 6.00pm.

Present: Councillor Hales (Chair), and Councillors Aizlewood, Browne, Collins, Cron, K Dickson, R Dickson, Falp, B Gifford, Gorman, Phillips, Rosu, and Tangri.

Also Present:

Independent Person: Mr Tomkinson

Portfolio Holder for Resources: Councillor Chilvers

Leader of the Council: Councillor Davison

Portfolio Holder for Transformation: Councillor J Harrison

Parish/Town Council Representative: Councillors Franklin and Marsh

Representatives from Azets: Andy Reid & Tiffany Clarke

Representative from Tiaa: Paul Kamminga

Officers: Sophie Vale (Principal Committee Services Officer); Graham Leach (Head of Governance & Monitoring Officer); Andrew Rollins (Head of Finance); Richard Barr (Audit & Risk Manager); Ian Davy (Principal Internal Auditor); and David Elkington (Head of Digital & Customer Services).

35. **Apologies and Substitutes**

- a) apologies for absence were received from Independent Person Belinda Pyke; and
- b) Councillor Gorman substituted for Councillor Yellapragada and Councillor Collins substituted for the Labour Vacancy.

36. **Declarations of Interest**

There were no declarations of interest made.

37. **Minutes**

The minutes of the meeting held on 9 January 2024 were taken as read and signed by the Chair as a correct record, subject to the following addition to Minute Number 32:

The Head of Governance & Monitoring Officer agreed to provide the Committee with an update regarding any changes made to the Overview & Scrutiny Committee Work Programme at their 23 January 2024 meeting.

The records of the Budget Review Group meetings held on 1 November 2023 and 7 February were noted.

The Committee expressed the view that there were too many verbal updates on the agenda and that, going forward, covering reports should be written and circulated with the agenda, and that the minutes for verbal update items should be more extensive.

38. **Warwick District Council Election Scale of Fees**

The Committee considered a report from Governance Services which sought agreement for the increase in elections fees payable to staff for elections in 2024.

The Council was required to establish the fees payable to persons employed by the Returning Officer at its elections, held every four years, and at any by-election held in between. The authority for approving these fees had been delegated by Council to the Audit & Standards Committee.

In February 2021, the Licensing & Regulatory Committee approved the Warwick District Council (WDC) and Parish/Town Council Election Scale of Fees, up to December 2024, subject to the inclusion of any increase as a result of a national pay award for Council employees from 1 April 2021 up to and including 1 April 2024, rounded to the nearest 50p.

This was agreed in anticipation that employees would receive a percentage pay award each year. However, the pay award agreed (in October 22) for April 2022 was for a flat £1,925 per scale point. As this was not a straight percentage increase, consideration needed to be given as to how best to apply this to the fees payable to persons employed by the Returning Officer. A report was brought to this Committee, and approved, for a 6.6% increase, based on the relationship of election roles to the scale points and the additional responsibility for polling staff, as follows:

“The Scale of Fees of Elections be increased by 6.6% in 2023 and any increase as a result of a national pay award for Council workers from 1 April 2021 up to and including 1 April 2024, rounded to the nearest 50p remain in place up to December 2024”

The national pay award for Council Workers in 2023 was again settled at a flat figure of £1,925 per scale point leading to a similar challenge.

Officers were mindful of further phases of the Election Act coming into force during 2024 and the impact this would have on a polling station staff and that recruitment to work in polling stations was facing an increasing challenge nationally and locally.

With these points in mind, officers undertook analysis of the fees for elections and how they aligned to scale points for officers. Mapping these fees against scale points would have meant an average increase by circa 5.63%, the most common increase for a role would be a Grade E2 which was an increase between 5.85% to 5.44%.

However, as there was due to be a full review of election fees before December 2024 it was thought that the lowest level was appropriate.

It should be noted that for the Police and Crime Commissioner election in May 2024, officers were working on setting standard fees across Warwickshire in agreement with the Police Area Returning Officer (PARO). However, WDC should also review its fees to allow for by-elections (outside of scheduled election) and the general election.

In terms of alternative options, officers were aware that different approaches had been taken across Warwickshire, where some authorities had provided 4% uplift and others had provided that plus an additional burden payment, recognising the challenges of voter ID. It was proposed the recommendations in the report be approved.

Resolved that

- (1) the Scale of Fees of Elections be increased by 5.44% in 2024, as the percentage at scale point 28, rounded to the nearest 50p remain in place up to December 2024;
- (2) the pay increase is back dated to 1 January 2024; and
- (3) a full review of the Warwick District Election Fees will be undertaken and brought back to Committee for consideration before December 2024, be noted.

39. Statement of Accounts Update 21/22 and 22/23

The Committee received a verbal update from the Head of Finance on the progress of the Council's external audit.

The Head of Finance stated that the reason that there was no written report for this item was because there were no concrete changes to the Council's position vis-à-vis the outstanding audit since the previous update at the 9 January 2024 meeting (Minute Number 34).

As part of clearing the backlog of historical audit opinions up to and including financial year 2022/23, a national backstop date of 30 September 2024 had been set by which all local bodies would be required to publish audited accounts. Auditors would be required to issue an opinion based on the work they had been able to complete to enable local bodies to publish audited accounts ahead of the backstop dates. An audit opinion could be either unmodified, modified (qualified or adverse) or disclaimed. A qualified opinion would be where the financial statements had a material error or omission which was not pervasive (it was confined to one element or portion of the financial statements) and therefore, only a part of the financial statements were affected. A disclaimer of opinion was where the financial statements lacked sufficient and appropriate audit evidence due to an inability to obtain this and therefore an opinion would not be given.

The Council aimed to complete the 21/22 audits in collaboration with Grant Thornton (the Council's external auditor) over the next few months as there were only a few remaining technical points that needed finalising. A written report detailing the finalisation of the audit would then be brought to this Committee for consideration in June 2024. If this completion was not achieved, a qualified or disclaimed opinion would likely be given for 21/22.

For 22/23, it was likely that a disclaimed opinion would be issued as the audit for that year did not commence outside of value for money work. This possibility had been discussed with the Council's new external auditors, Azets, and it was believed that a draft would be published and would be open for audit by Azets as part of the 23/24 audit.

In response to questions from Members, the Head of Finance explained that:

- in future, any verbal updates would be accompanied by a short written report that would be published with the agenda;
- these were unprecedented times, and Warwick District was not the only local authority with outstanding audits;
- officers were aware of the difficulty for Members to properly scrutinise financial reports if the audits were not completed;
- the Treasury Management report would be considered by the Cabinet in March 2024, so the Principal Accountant would be able to provide a detailed answer then on the potential impacts on the Council if the audit report was given qualified status;
- the possibility of a qualified status would not affect the Council's borrowing or lending ability; and
- the Council's lenders were aware that the audits were still outstanding.

40. **Statement of Accounts 23/24 – Introduction to Azets**

The Committee received a verbal update from the Head of Finance, which introduced representatives from the Council's new external auditors, Azets. Azets had been appointed through the Public Sector Audit Appointments (PSAA) contracts for 23/24. The representatives were Andy Reid, Director- Public Sector External Audit, and Tiffany Clarke, Senior Manager- Public Sector External Audit.

Mr Reid stated that Azets were keen to proceed with the 23/24 audit as soon as possible. Azets was a relatively new firm to the local government sector, so they did not have a backlog of local authority audits like other external auditors did. There had been discussions with the Council's Finance team regarding timescales, reviews of draft accounts and the finalisation of the audited accounts. The key issue was the position of the 21/22 outstanding audit, and the potential disclaimed position of the 22/23 audit. There was now the national deadline of 30 September 2024 for all accounts to be signed off, but it was likely that many local authorities would not meet this deadline.

If the 22/23 audit was not signed off with a formal audit opinion by the deadline, a disclaimer opinion would be issued by the auditors. This was expected to happen for Warwick District Council, as well as the majority of local authorities across the Midlands. Central government were aware of this possibility, and had involved other public sector financial institutions in discussions about the backstop deadline. The priority for Azets was to work out what impact a disclaimer opinion would have on the approach for the 23/24 audit. Normally, incoming auditors could take some assurance from the previous auditors on the previous accounts, but this would not be the case now. Nevertheless, they were still keen to proceed with the 23/24 audit in line with current timescales and work would begin before

the September deadline. However, there was uncertainty about the impact that a disclaimer opinion would have on the workload for the 23/24 audit and the knock-on effect that this could have on subsequent years. The opening balance for 23/24 would also be covered by the disclaimer opinion, and it could take two to three years for the Council to be in a position where full audit opinions are able to be given again on both open and closing balances.

Due to the sheer amount of other local authorities in this position, it was unlikely that the issuing of a disclaimer opinion would have an adverse effect on the Council's reputation and accounts. There were other councils in a far worse position than Warwick District. The purpose of the backstop deadline was to allow local authorities to move forward into 23/24 with a degree of certainty.

In response to questions from Members, the Director- Public Sector External Audit for Azets explained that:

- Azets were an international company and were one of the top 10 UK accountancy firms. However, the public sector external audit team were a relatively new part of the company;
- auditors were bound by ethical standards to ensure impartiality. To ensure that staff did not have any conflicts of interest, they were required to declare their independence before taking on a given project. This was checked by managers regularly. Also, when working on an audit, staff were not allowed to carry out any non-audit work to again reduce any potential conflicts of interest; and
- the audits for Milverton Homes Ltd (the Council's joint venture with Vistry Homes Ltd) had not been discussed at this stage.

The Head of Finance added that Grant Thornton did not currently audit for Milverton Homes Limited (MHL) either because MHL was a wholly owned subsidiary, and was a private company in its own right, meaning that it had its own external auditors.

41. Internal Audit Progress Report: Qtr. 3 2023/24

The Committee considered a report from Finance which advised on progress in achieving the Internal Audit Plan 2023/24, summarised the audit work completed in the third quarter and provided assurance that action had been taken by managers in respect of the issues raised by Internal Audit. This aided effective governance within the Council.

In response to questions from Members, the Head of Governance and Monitoring, the Audit and Risk Manager, the Principal Internal Auditor and the Head of Customer and Digital Services stated that:

- in terms of Internal Audit coverage of IT functions, there were three audits planned for 2023/24 and they had nearly all been completed;
- the Principal Internal Auditor would be presenting the audit plan for 2024/25 in due course;
- the more complex audits would continue to be outsourced so as not to place too much pressure on the audit team;

- in terms of the audit programme going forward, Customer and Digital Services would be working closely with the audit team to work out which audits would need to be undertaken over the next few years. These would undoubtedly be impacted by the implementation of the Council's Change Programme, but these would be dealt with as they arose;
- in terms of the capacity to complete audits, this year's audit plan was on track to be completed. In the past, there had never been problems meeting audit requirements, but this year had been particularly difficult and therefore the audit had been delayed;
- in the past, a spreadsheet containing required and outstanding recommendations and timescales were circulated monthly and the Heads of Service were included within that circulation;
- more recently, the process was automated so that the officers in charge received a weekly reminder of the outstanding actions until its completion. The Heads of Service were included within those distribution lists;
- there were 20 revised target dates for implementation of audit recommendations contained within Appendix 3 to the report. Explanations for these extensions were also contained within the Appendix; and
- officers perhaps needed to be reminded to set reasonable and realistic timescales for the delivery of reports at the initial stage when these are being agreed.

Members wished to note their concerns regarding the 20 audits that had revised target dates (as shown in Appendix 3 to the report). They highlighted to officers the importance of adhering to audit timescales and encouraged the Leader and Portfolio Holders to address this with the Heads of Service.

Members requested that the Council's Chief Executive provide a written statement to the Committee addressing the audit backlog and the amount of revised target dates. They wished to know what corrective actions were being taken to rectify this matter.

The Chair of the Committee would monitor the progress of the audits over the next quarter, and if significant progress had not been made, then he would write to the Chief Executive requesting his presence at the June meeting.

It was proposed the recommendations in the report be approved.

Resolved that

- (1) the report and appendices be approved; and
- (2) the Chief Executive should write to the Committee regarding the audit backlog.

42. **Public and Press**

Resolved that under Section 100A of the Local Government Act 1972 that the Public and Press be excluded from the meeting for the following item by reason of the likely disclosure of exempt information

within paragraph 3 of Schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006.

43. **Briefing on ICT audits**

The Committee considered a verbal update from the Head of Customer & Digital Services.

This item was detailed in the confidential minutes.

Public session was resumed after this item.

44. **Strategic Internal Audit Plan 2024-27 and Internal Audit Charter 2024-25**

The Committee considered a report from Finance which presented the Strategic Internal Audit Plan for 2024-27, together with the Internal Audit Charter 2024-25 for consideration and approval.

The Strategic Internal Audit Plan and Internal Audit Charter were important elements in providing the required independent and objective opinion to the organisation on its control environment, in fulfilment of statutory duties.

An addendum circulated prior to the meeting advised of an update and amendment to Appendix 1 to the report.

It was proposed the recommendations in the report, along with the amendments contained within the addendum, be approved.

Resolved that the report, appendices and the updates contained within the addendum be approved.

After this item, a certificate was presented to the Audit & Risk Manager, who would be retiring in May 2024. Members wished to record their thanks to Mr Barr for all of his hard work over the years.

45. **Audit & Standards Committee Work Programme**

The Committee considered a report from Governance Services which informed Members of the Committee's work programme for 2023/24, attached at Appendix 1 to the report. Appendix 2 to the report provided an update from the Chair of the Overview & Scrutiny Committee on the workload of that Committee, following their meeting on 23 January 2024.

In response to a question from Members, the Head of Governance & Monitoring Officer stated that the Overview & Scrutiny Committee were in the process of conducting a review on the Significant Business Risk Register (SBRR) report and how it would be presented to Committee. The intention was that the report would be considered by this Committee after it had been considered by the Cabinet. The report was due to be considered by the Cabinet in April 2024, so would therefore be considered by this Committee at the June 2024 meeting.

It was proposed the recommendations in the report, along with the additions at the meeting, should be approved.

Resolved that the report and appendices, be noted and approved.

(The meeting ended at 7.18pm)

CHAIR
12 June 2024