

# Audit & Standards Committee

Minutes of the meeting held on Monday 25 September 2023 at the Town Hall, Royal Leamington Spa at 6.00pm.

**Present:** Councillor Hales (Chair), and Councillors B Gifford, K Dickson, R Dickson, Falp, Kang, Sullivan, and Yellapragada.

**Also Present:**

Independent Person: Ms Pyke

Portfolio Holder for Resources: Councillor Chilvers

Leader of the Council: Councillor Davison

**Officers:** Sophie Vale (Committee Services Officer); Darren Knight (Deputy Chief Executive); Graham Leach (Head of Governance & Monitoring Officer); Andrew Rollins (Head of Finance); Ian Davy (Principal Internal Auditor); Richard Wilson (Principal Accountant); and Leanne Marlow (Electoral Services Manager).

## 13. Apologies and Substitutes

- a) apologies for absence were received from Councillors Aizlewood, Browne, Cron and Phillips, and from Independent Person Ray Tomkinson; and
- b) there were no substitutes.

## 14. Declarations of Interest

### Minute Number 17 - Appointment of Parish/Town Council Representatives

Councillor Falp enquired as to whether she, as a Whitnash Town Councillor (and Members who were Kenilworth Town Councillors) would need to declare an interest as the two Town Councillors put forward to be the Representatives on the Committee were from Whitnash and Kenilworth. Following advice from the Head of Governance & Monitoring Officer, she explained that she was not predetermined and therefore did not need to declare an interest.

## 15. Minutes

The minutes of the meeting held on 13 June 2023 were taken as read and signed by the Chair as a correct record, subject to the amendments contained within the addendum and listed below.

At Minute Number 10 – Dispensation for Councillors, the following sentence be added:

*In response to a question from the Committee, the Head of Governance & Deputy Monitoring Officer agreed that the Kenilworth Town Councillors listed should instead be in the list of Town Councillors who do not receive an allowance, and this should be amended in the report and any subsequent decision of the Committee.*

Therefore, at Appendix 1 to the minutes, Councillors K Dickson, R Dickson, Kennedy, Milton, and Payne should be recorded under the category

Member of another Council and not in receipt of an allowance from that other Council.

## 16. **Polling District Place and Station Review**

The Committee considered a report from Governance Services, which sought approval of the plan to undertake a statutory review of polling districts and polling places for Warwick District.

Under the Representation of the People Act 1983, the Council had a duty to divide its area into polling districts and to designate a polling place for each district.

The Electoral Administration Act 2006, as amended, introduced a duty on all local authorities in Great Britain to review their polling districts and polling places at least once every five years.

Under section 18C of the Representation of the People Act 1983, the next compulsory review had to be undertaken within a 16-month window between 1 October 2023 and 31 January 2025. The intention of the legislation was that reviews were to be completed no later than the January before a UK Parliamentary General Election. However, since the repeal of the Fixed Term Parliaments Act 2011, there was no longer any certainty as to when the next general election would be. Officers had been advised by the Association of Electoral Administrators (AEA) and the Electoral Commission to start the review as soon as the legislation allowed, this being Monday 2 October 2023.

In addition, the Boundary Commission for England had completed a review of parliamentary constituency boundaries. The Commission had published its final recommendations, and Orders for the new parliamentary constituency boundaries would be made by 1 November 2023. Once the orders for new parliamentary constituencies had been made, the new boundaries would be used for the next general election. The polling scheme Warwick District had in place would need to reflect the new constituencies.

For the reasons above, it was important to complete the review as soon as possible, so the polling districts and places for future elections could be agreed in time for Police and Crime Commissioner elections in May 2024 and the as yet unscheduled next general election.

Although the review itself could not commence earlier than the legislative date of 1 October 2023, there was a degree of preparatory work which could be undertaken prior to the review, as well as informal preliminary consultation. Any changes in polling districts would need to be reflected in the electoral register on 1 February 2024 so it did not affect data being sent to printers for the May 2024 scheduled elections. A notice would need to be published 14 days before to confirm there would be a revised register further to 1 December 2023 which would reflect any changes made. This therefore required a compact timetable.

That Committee should be aware that the Chief Executive, within his role as Returning Officer, had the delegated authority to designate polling places where a decision was required at short notice, for example a building became unavailable at short notice.

In terms of alternative options, the Committee could ask officers to compact the timetable even further, so the review would conclude ready for the revised register publication on 1 December 2023. The elections team had limited resources due to post elections work, canvass reform 2023 and the new Elections Act 2022 laws creating additional workload, therefore this was not considered possible currently.

The review could be considered over a longer period of time, but this would go against recommended practice from the Electoral Commission and needed to be completed to account for the new Parliamentary Constituencies.

In response to questions from Members, the Electoral Services Manager confirmed that the review covered all levels of local government within Warwick District.

It was proposed the recommendations in the report be approved.

**Resolved** that

- (1) the compulsory polling district and places review to commence on Monday 2 October 2023, be approved;
- (2) the timetable for the review as set out in Appendix 1 to the report, be approved;
- (3) the Electoral Registration Officer be authorised to take the necessary measures as soon as possible to give effect to parliamentary constituency changes, ensuring that the register reflects existing and new constituencies, until the boundaries are fully in force; and
- (4) the Electoral Registration Officer be authorised to take the necessary measures to give effect to any new or amended polling districts on completion of the polling district review, ensuring that the register reflects existing and new boundaries, until the boundaries are fully in force.

17. **Appointment of Parish/Town Council Representatives**

The Committee received nominations for the co-opted representative to the Committee.

**Recommended** to Council that Councillors Barry Franklin of Whitnash Town Council and Adrian Marsh of Kenilworth Town Council be appointed as the co-opted representatives to the Audit & Standards Committee, in line with the Protocol.

**Resolved** that the appointment process for Parish/Town Council Representatives be noted.

**18. Treasury Management Activity Report for period 1 Oct 2022 to 31 March 2023**

The Committee considered a report from Finance which detailed the Council's Treasury Management performance for the period 1 October 2022 to 31 March 2023.

Core re-investments were kept short to take advantage of the changes in interest rates and these outperformed the benchmark.

Money Market Funds and Call Accounts were used for every day cashflow purposes and slightly underperformed against the benchmark.

The overall performance was above the benchmark.

The Council's 2022/23 Treasury Management Strategy and Treasury Management Practices (TMPs) required the performance of the Treasury Management Function to be reported to Members on a half yearly basis in accordance with the Treasury Management Code of Practice.

In response to questions from Members, the Principal Accountant stated that:

- traditionally, the Council had always taken fixed rate Public Works Loan Board interest rates. The HRA ones from 2012 of £136m were taken at a range of between 40-50 years loans. The interest rate at the time was around 4%, which was quite competitive;
- every year the Council and its Treasury Advisors looked at whether debt could be rescheduled, but it had always been nigh impossible to do that without incurring a large charge. If a loan was to be refinanced, the Council would have to borrow from somewhere else and that would end up costing more;
- the £136m HRA loan was related to the underlying assets of 5,500 Council dwellings, and the Council was obliged to take that loan to buy itself out of the subsidy system;
- there were a further £60m loans against the Housing Joint Venture with Vistry for Crewe Lane, and they were for between 1.5 -5.5 years. However, each loan was back-to-back with the Housing Joint Venture so they were being repaid as the Council was due to repay the Public Works Loan Board, so they technically offset each other and would hopefully be gone within four years;
- there was another chunk of £12m taken in 2019 for one of the leisure centres;
- the terminology of internal borrowing would be looked at when the Council went through some of the Treasury Management Strategies, meaning that there was a large amount of the treasury or capital program that was technically unfunded currently. The Council had not borrowed for that yet because of high interest rates;
- the Council had internally borrowed, so in effect was lending money to itself and to the HRA. The HRA would normally earn interest on its balances, but was currently paying the General Fund some interest because its borrowing was more than its balances because it was yet to go to the Public Works Loan Board;
- the Council had approximately £100m of loans that had not been taken yet which would need to go on top of the published figure,

but because of its investments, the Council did not need to borrow because the decision for any borrowing was down to the overall need to borrow. As the Council had quite high levels of investments, it did not need to borrow when the interest rates were so high, so was waiting for a better time to borrow the Public Works Loan Board's money;

- it was thought that March 2024 would be the earliest the Council would need to borrow, but there was hope that the base rates would not go up any more or would start falling back down;
- the Council did not currently have any loans with other local authorities. The one with Liverpool City Council was an attractive interest rate at the time so was taken in order to maximise return with relatively low risk;
- the Council did not have a bar on any local authorities, but when it came to placing money, the Council asked who the other authority was to ensure that it was not one that the Council did not want to invest with;
- if the Council was to start identifying and barring other local authorities, the financial markets might start applying the same principle more generally;
- the Council primarily invested in A+ counterparties, and a lot of the investments were with Money Market Funds which were very secure. With the core investments that were directly on a fixed term rate, it was ensured that the counterparties were on the approved list of countries that the Council was happy to invest with. A couple of countries had been removed from the list last year;
- the Council always sought to comply with the SLY principle: security, liquidity, and yield. Security meant ensuring that any money was not going to disappear, so it did not lend to parties that might not be able to repay the money. Liquidity meant not wanting to lend money resulting in having to borrow from the Public Works Loan Board earlier than necessary, so keeping any loans as short as needed for cash flow purposes. Yield meant going for the investment with the highest return when faced with options with equal levels of risk; and
- the ongoing Kenilworth Leisure Centre project was part of the capital programme and any extra costs incurred would have to increase borrowing. In the Treasury Management Strategy 23/24, the Finance Department had put their best estimate against the capital programme for what borrowing needs would be, and also included a bit of headroom should costs go above this estimate. For this particular project, the headroom that could be incurred would push towards the upper limits with some of the other HRA schemes in the pipeline, meaning that it was vital to ensure that authorised operational limits were not breached. If they were breached, then a report would have to go to Full Council to explain the reason for increasing those limits.

It was proposed the recommendations in the report should be approved.

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

## 19. **Internal Audit Progress Report - Quarter 1 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 fourth 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 Principal Internal Auditor and Head of Governance and Monitoring Officer stated that:

- regarding the allocation of grants to the areas with greatest need in Appendix D to the report, the areas of greatest concern were set a number of years ago so might have gotten additional investment since then. Changes to allocation of grants would be reviewed and the responsible officer would contact the relevant people to obtain an updated list of areas of need;
- regarding Appendix F to the report, when the recommendations contained within it were followed, all records would be updated accordingly;
- the outstanding audit for 22/23 was the audit for cybersecurity, for which the Head of Digital and Customer Services had confirmed that he was preparing all evidence to be sent to the auditor. The policies on Microsoft 365 would likely be included in this;
- the possibility of mediation to be used in solving neighbour disputes would be fed back to the relevant officers; and
- the ICT steering group was purely officer led as it involved the internal workings of ICT within the Council.

It was proposed the recommendations in the report should be approved.

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

## 20. **Annual Governance Statement 2022/23 Action Plan: Review of Progress**

The Committee considered a report from Finance which reviewed the progress that was being made in addressing the 'Significant Governance Issues' facing the Council as set out in its Annual Governance Statement 2022/23. The appendix accompanying the report detailed the progress in addressing the Significant Governance Issues.

The recommendation would help fulfil Members' responsibility for effective corporate governance within the Council and provided assurance to Members that the governance issues identified as part of the compilation of the Annual Governance Statement were being addressed.

In response to concerns raised by Members about the workload of the Overview & Scrutiny Committee, the Head of Governance and Monitoring Officer explained that the Action Plan update contained within the report was agreed beforehand with the Chair of the Overview & Scrutiny Committee. A report had previously gone to the Committee regarding its current workload, capacity, and plans, for the next municipal year. The Chair had asked Members to read and reflect on how they wanted to structure the scrutiny committee going forward. These ideas could then be built into the budget process and/or Annual Council in 2024.

It was proposed the recommendations in the report should be approved.

**Resolved** that the report be noted. The Committee was satisfied with the progress being made in addressing the Significant Governance Issues pertaining to the Annual Governance Statement 2022/23.

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

The Committee considered a report from Finance which formed part of the evidence for the Annual Governance Statement, the Internal Audit Annual Report presented a summary of the internal work undertaken during 2022/23 and provided a conclusion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

The Committee was required to consider the Annual Report of Internal Audit for the year ended 31 March 2023 as part of its consideration and approval of the Annual Governance Statement 2022/23. This was because the Public Sector Internal Audit Standards required that "The 'Chief Audit Executive' must deliver an annual internal audit opinion and report that could be used by the organisation to inform its governance statement."

In response to questions from Members, the Principal Internal Auditor and the Head of Governance and Monitoring Officer stated that:

- regarding the consultancy-based review of ICT operations as a Joint Service as detailed in Appendix 1a to the report, it was originally set up as a joint audit when the proposed merger with Stratford-on-Avon District Council (SDC) was still going ahead. As this did not happen and the joint service was no longer going to be undertaken, the audit was curtailed but actions were identified to be taken forward as a consultancy piece;
- three items received less than substantial assurance, with Town Hall Lettings, Affordable Housing Development Programme and Allocations, Nominations and Lettings receiving moderate assurance levels;
- each year, proposals were put forward following consultation with Heads of Service, Senior Leadership Team, the Chief Executive, Deputy Chief Executive and the Programme Director for Climate Change. They therefore had opportunity to raise concerns about potential risk for review but had not done so to date;
- consideration would be given by the Senior Leadership Team and Cabinet to the possibility of an internal audit of the Council's bigger projects; and
- where external assessments had picked up areas where the Council was not compliant, an action plan was brought forward and updates on that would be brought to the Audit & Standards Committee. In terms of the areas of non-compliance detailed in the report, they were all regarding the job details of the Chief Audit Executive and were issues that were dealt with by employment panels or the Section 151 officer.

It was proposed the recommendations in the report should be approved.

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

## 22. **Annual Governance Statement 2022/23**

The Committee considered a report from Finance which set out the Council's Annual Governance Statement for 2022/23 describing the governance arrangements that were in place during the financial year. The Statement would accompany the Council's Statement of Accounts.

Members had responsibility for corporate governance, of which internal audit formed a key part.

In response to questions from Members, the Leader of the Council stated that:

- the Issues and Options Consultation for the South Warwickshire Local Plan (SWLP) had happened in early 2023, and the next stage was now to obtain a preferred option, which would be challenging. The Warwick District and Stratford-on-Avon Councils Joint Advisory group met regularly on this matter and so did the Leaders and Deputy Leaders of the respective Councils.
- although he believed the Annual Governance Statement might not be very inspiring to residents, he recognised the importance of the document and would consult with the Head of Governance and Monitoring Officer to see how the Council could demonstrate how the Annual Governance Statement was being disseminated to residents and Town/Parish Councils in order to build trust.

It was proposed the recommendations in the report should be approved, subject to an amendment to the recommendation proposed at the meeting, to make reference to the number of code of conduct and corporate complaints.

**Resolved** that the report and appendix be approved, subject to the points raised by Members and Independent Person, and that final wording be delegated to the Chief Executive in consultation with the Leader and former Leader of the Council and the Chairman of the Committee.

## 23. **Corporate Fraud Investigation Performance Report 2022/23**

The Committee considered a report from Finance which provided details of the performance by the Corporate Fraud Investigation team for 2022/23.

The purpose of an audit committee was to provide to those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes. Counter-fraud activity formed a key part of each of those elements, thus providing the required assurance to Members.

In response to questions from Members, the Corporate Fraud Team would certainly investigate and report through the appropriate channels any potential fraud allegations regarding the Covid grants. However, there had been no new referrals. Central government had now also ceased to require updates, so it was now down to local authorities to recover any funds that had been fraudulently obtained via the Covid grant scheme.

It was proposed the recommendations in the report should be approved.



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

24. **Audit & Standards 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.

In response to a question from Members, the Head of Governance & Monitoring Officer stated that the Work Programme would be extended once the calendar of meetings for municipal year 2024/2025 had been agreed.

The Head of Finance provided a verbal update on the Final Accounts 2021/22 report which was due to be considered by the Committee at the next meeting. He stated that Grant Thornton had still been unable to complete the audit but were working to get it done as soon as possible.

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 7.15pm)

CHAIR  
9 January 2024