

Audit & Standards Committee

Minutes of the meeting held on Wednesday 12 June 2024 at Shire Hall, Warwick at 6.00pm.

Present: Councillor Hales (Chair), and Councillors Aizlewood, Browne, Cron, Dray, K Dickson, R Dickson, Falp, Gorman, Phillips, Rosu, Syson, and Yellapragada.

Also Present:

Independent Person: Ms Pyke

Portfolio Holder for Resources: Councillor Chilvers

Leader of the Council: Councillor Davison

Parish/Town Council Representative: Councillor Franklin

Representative from Azets: Mr Reid

Officers: Mia Matthews (Committee Services Officer); Sophie Vale (Principal Committee Services Officer); Andrew Rollins (Head of Finance); Steven Leathley (Strategic Finance Manager); and Ian Davy (Audit & Risk Manager).

1. **Appointment of Chairman**

It was proposed, duly seconded and

Resolved that Councillor Hales be appointed Chairman of the Committee for the 2024/2025 municipal year.

2. **Apologies and Substitutes**

a) apologies for absence were received from Independent Person Ray Tomkinson and Town Council representative Councillor Marsh; and

b) There were no substitutions made.

3. **Declarations of Interest**

Minute Number 9 – Internal Audit Progress Report Quarter 4 2023/24

Councillors R Dickson, Falp, and Syson declared an interest because they were members of Everyone Active and used the gym facilities.

4. **Appointment of Vice -Chairman**

It was proposed, duly seconded and

Resolved that Councillor Syson be appointed Vice-Chairman of the Committee for the 2024/2025 municipal year.

The Chair took the opportunity to thank the previous Vice -Chair of the Committee, Councillor B Gifford, for his work over the last municipal year.

5. **Urgent Item - Appointments to the Budget Review Group**

The Budget Review Group was a working group set up to review the key Council budget papers of the Council. The membership was derived from the Audit & Standards Committee and the Overview & Scrutiny Committee and included representatives from each political group. The Chair of the Audit & Standards Committee was automatically appointed to the group and as such would also act as the representative from their political group.

The Committee considered the proposals for appointments to the Budget Review Group meetings to be held on 16 October 2024 and 5 February 2025.

Resolved that the appointments to the meeting are Councillors Aizlewood, R Dickson, Falp, Hales, and Rosu.

6. **Minutes**

The minutes of the meeting held on 27 February 2024 were taken as read and signed by the Chairman as a correct record.

7. **Update on Statement of Accounts 21/22 and 22/23**

The Committee considered a report from the Head of Finance which provided an update on the progress of the 2021/22, and 2022/23 audits. Whilst work on the audit was not concluded, it was expected that the auditors would issue an audit opinion by the provisional backstop date of 30 September 2024.

The production and subsequent audit of the Council's Financial Statements for 2021/22 and 2022/23 had been challenging and time consuming this year for both officers and Auditors.

2021/22 had been a transitional year for the Council in terms of the audit, and as a result the Accountancy team had faced increased challenges. The merger collapse during a key period of the Statement of Accounts production resulted in significant changes affecting staff resourcing in the team, and subsequent gaps in the establishment. Periods of interim arrangements had led to the team only becoming fully established once again in January. Prioritisation had been given to the Council's response to the merger collapse by officers, including responding to information requests and updating forecasts to reflect that schemes and efficiencies linked directly to the merger were no longer going to materialise.

The implementation of a new Finance Management System mid-year, launching November 2021, also impacted upon the production of the accounts and the audit process. As officers continued to learn how to get the best out of the new system, many tasks had taken longer than expected, with all working papers requiring significant updates. It should be noted that despite these issues the Council remained in a far better position than many other Local Authorities, including some who had also moved across to new Finance Systems in recent years.

The draft 2021/22 Statement of Accounts were published on the 5 September 2023. The statutory deadline for this year was moved to 1

August 2024. The reasons for the delay in publication had previously been reported to members in advance of the statutory deadline, but predominantly were linked to the points raised in sections 1.2 and 1.3 to the report.

The accounts had been subject to audit by Grant Thornton, the Council's external auditors. The date for the audited accounts to be signed off was 30 November 2022. As reported to the Committee in November 2022, the auditors were not able to complete their work to enable the accounts to be signed off by this date.

To publish the draft on the 5 September to ensure the audit could commence on time, some notes were incorporated into the statements without the expected or necessary levels of review and had to bypass established quality assurance processes. These typically required a secondary review of the note by a Principal Accountant in the team and were then signed as approved and ready for inclusion. This led to some notes being incorrect, which had required changes to the primary statements.

Delays in understanding what was being required by audit, and then subsequently being able to issue the necessary information had resulted in the audit taking longer than expected. Many of these issues had been exacerbated as officers learnt how to use the new Finance Management System, but also due to processes being set up as part of the system implementation to reflect what was deemed acceptable in previous years by audit now requiring change.

It should be noted that the issue with the reports provided was that audit considered them to contain too many transactions, which in turn would increase the sample size required, the time taken to complete the sample work and therefore the cost of completing the audit. Officers had worked to ensure reports that could facilitate a smaller sample had been provided. This had proved to be difficult at times, given that the new system was developed, and reports produced based on what had worked in prior years from a management, delivery, and audit perspective.

This issue also emphasised the increased challenge of completing an audit entirely remotely. During the interim stage of the audit, Grant Thornton had requested that they completed some of the audit 'on-site'. This request was supported in principle, on the condition that a timetable was shared with officers to ensure that the appropriate staff were available in the office for face-to-face work as required. However, this was never raised again as a requirement by Grant Thornton.

In hindsight some of the issues faced in providing the appropriate reports for sampling, in addition to other audit tasks, could have been resolved in a timelier manner with an 'on-site' in person audit. As part of the review into this year's audit, there would be a recommendation from management that some of the audit moves back to being in person. This would bring clear benefits to the clarity and timeliness of requests and responses for both sides.

While the audit of the accounts was nearing completion, the audit work outstanding was still deemed material in nature. Work was ongoing with the tasks, which related primarily to the treatment of some aspects of

Property, Plant and Equipment within our ledger and statements. Therefore, Grant Thornton would not be able to issue their final audit statement and so sign off the accounts until they had finished this work.

As the 2021/22 audit remained outstanding, Warwick District Council (WDC) had felt unable to publish draft statements for 2022/23. Work on these was largely complete but were potentially subject to any change if further changes to the 2021/22 statements were required.

As part of clearing the backlog of historical audit opinions up to and including financial year 2022/23, a backstop date of 30 September 2024 had been set by which all local bodies would publish audited accounts.

Local 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.

It was expected that a qualified or disclaimed opinion would be given for 21/22 (unless agreement could be reached for the work to be completed), and a disclaimed opinion for 22/23.

A qualified opinion was 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 was not given. As the 22/23 did not commence outside of Value for money (VFM) work, this would likely be the opinion for that year.

Following a meeting with Grant Thornton on 5 June 2024, there was still the possibility that the 2021/22 audit could be completed ahead of the September backstop date. However, this would be dependent on their capacity, as they were currently completing 2023/24 NHS audits. It would also depend on whether they believed the latest amendments and actions taken by officers to address outstanding issues on the accounts to allow the remaining work to be completed in an efficient and timely manner.

The VFM work was still to be finalised by the Auditors. This did not have to be confirmed alongside the Accounts. Grant Thornton planned to report on the VFM in a separate Auditor's Annual Report at a future Audit & Standards Committee, with this likely to be ready for the meeting on 27 August 2024, as managers comments had now been provided in response to the draft report.

Given the challenges raised throughout the audit process since 2022, several changes to processes had been made to ensure that similar issues would not be faced with future audits, as the team continued work with the new audit partners, Azets, for 2023/24. Some of this work was taking place with external providers, such as WDC pensions, valuation, and finance system providers to ensure the data prepared on our behalf meets the requirements of providing the necessary audit assurance.

The lessons learnt would give more time in the production process by ensuring the agreed timetable did not slip. Further developments to the new Finance Management System, including enhancing the reports and data extracted from the system for year-end would be completed. Staff also now had more experience in using the system, and this should improve the efficiency of the project.

While some of these changes might not be in place for the 2023/24 process, the audit plan presented in a separate report on this agenda sets out how Warwick District Council planned to bring the audit process back on track this year with a view of being able to commence the 2024/25 audit with no backlogs.

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

- In terms of an honest assessment, it was unlikely the 22/23 audit would be started ahead of the 30 September backstop date. The aim was for the 21/22 audit to be completed by that point, this was not currently a certainty as it was dependent on the ability of Grant Thornton to resource the remaining audit work and their attention was currently diverted to the 23/24 audits.
- Azets would be in a position whereby the previous year's audit would have been disclaimed by Grant Thornton and this would likely be the case for a large number of audits nationally. There were still national ongoing discussions regarding the backstop and the impact it would have on the 23/24 audits, it might increase the level of work needed to get assurance so a process of rebuilding the assurance in specific areas would need to take place. It might take a few years to be able to issue clean audit opinions.
- It was not clear enough to give a definitive view on when Azets would be able to give unqualified opinions, although it might be possible for 24/25. There was a lot of working happening nationally to understand exactly how this issue could be dealt with.
- The additional fee incorporated elements set out by the Public Sector Audit Association (PSAA) before the audit even took place, around £30,000 was built in for additional work to do with standards and dealing with changes in the pension legislation. The remaining balance was to do with the length of the audit and additional work Grant Thornton had done to date. The final figure was not yet confirmed, but negotiations were ongoing. Elements of the fee were not perceived to be representative of the work that had taken place.
- The fee for 22/23 remained unclear as the audit had not yet commenced. It would be dependent on final legislation and confirmation of what would be required for the backstop.
- £40k had not been a realistic figure, it was likely to cost around £75k if completed in a normal year when the additional fees had been added.

In response to questions from Members, the Portfolio Holder for Resources explained that he was disappointed with the situation WDC found itself in, particularly in regards to the 21/22 accounts. Grant Thornton had prioritised other projects rather than the contract with WDC. The 22/23 audit was more difficult due to national issues. He confirmed he was in

regular contact with the Head of Finance and would provide an update to the Committee when needed.

- WDC had not directly approached the Local Government Association (LGA) regarding the backstop, WDC had been a part of the consultation and would continue to liaise wherever possible through consultation.

The Leader of the Council stated that he was in discussions with Councillor Chilvers and the Chief Executive, who had sought advice regarding the possibility of taking legal action against Grant Thornton for the 21/22 accounts.

- It was required for local governments to change auditors regularly if a council used one firm for a significant amount of time significant issues might not be uncovered.
- The Head of Finance stated he was confident the appropriate resources were in place for the 23/24 audit to be completed to the statutory deadline.
- The biggest issue with the 21/22 audits was that WDC had moved to a new financial system. 23/24 preparation was well underway. The team were working closely with Azets and a lot of prework had taken place already.
- 23/24 data was expected to be input within the next few weeks. Consultants were working with suppliers to resolve the issue with the current build and ensure the statement of accounts was released.

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

Resolved that the report, be noted and approved.

(Councillors Aizlewood and Cron arrived during consideration of this item and therefore could not vote.)

(Councillor Philips left the meeting at 6.24pm.)

8. **Audit of Accounts 23/24**

The Committee considered a report from the Strategic Finance Manger which updated the Committee on the External Auditors, Azets, Draft Audit Plan for 2023/24 for Members' consideration.

Warwick District Council had changed External Auditors from Grant Thornton, to Azets for the auditing of the 2023/24 statement of accounts.

The auditors had submitted the External Audit Plan for 2023/24 which was attached as Appendix A to the report. Members were requested to agree the plan and might wish to seek assurance from officers and auditors that all was being done to ensure the statutory requirement would be met.

The Audited Accounts statutory deadline for published accounts was 30 September 2024. However, with the uncertainty surrounding the requirements to achieve the government backstop for previous years outstanding accounts, it was likely that as part of the catch-up process, the Audit might take longer and therefore provision was in place for this

to be reported to Audit and Standards Committee later in the year (date to be confirmed).

The auditors had commenced work on the audit, starting in November 2023 with the interim audit, and were scheduled to complete the main audit over agreed dates between September and October 2024. Due to the dates agreed above, a decision had been taken to delay the publication of the Draft Statement of Accounts 2023/24, which was due to be posted on our website by 31 May 2024. This would give additional time to review the statements and make changes necessary to accommodate amendments relating to the ongoing work on prior year statements.

As in previous years External Audit, Azets was making active use of Inflo. This was an on-line portal to securely share documents between Warwick District Council teams and the External Auditors. Inflo had worked well with our previous External Auditors, allowing leads on both sides to keep track on audit progress, therefore all parties were keen to continue with this for 2023/24.

In response to questions from Members, the Strategic Finance Manager and representative from Azets explained that:

- It had been agreed in principle that council officers would be onsite with Azets during the audit process and discussions regarding how the audit could be managed and delivered effectively were ongoing.
- The fee stated on page 17 of the report was a significant increase from the previous PSAA fee as a result of the retender of the audit fees which occurred every five years. This reflected the need for more resources to ensure the audit was back on track.
- Discussions between the Council and Azets had taken place to identify key areas to help get through the backlog and prevent any further delays.
- An additional meeting of the Committee would be called if necessary to ensure that accounts could be signed off without delay.
- The 23/24 draft should include the actual 22/23 closing balances before publication.

In response to questions from Members, the Principal Committee Services officer explained that it would not be appropriate to set a date for an additional Committee meeting as it was unclear when the additional meeting would be required. However, officers would look to set a date as soon as possible.

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

Resolved that the 2023/24 Draft Audit Plan at Appendix A to the report be agreed.

9. **Internal Audit Progress Report: Quarter 4 23/24**

The Committee considered a report from the Audit and Risk Manager which advised on progress in achieving the Internal Audit Plan 2023/24, summarised the audit work completed in the fourth quarter and provided

assurances that action had been taken by managers in respect of the issues raised by Internal Audit.

In response to questions from Members, the Audit and Risk Manager and the Head of Finance explained that:

- The Committee could request the presence of officers or Heads of Service to explain why actions had not been taken or why there were delays.
- Meetings with all Heads of Service and the Audit and Risk Manager had taken place to discuss any improvements to processes that could take place. A meeting with the Chair and Portfolio Holder would also take place to discuss this.
- Target dates on the recommendations not on audits, these were followed up by the audit team. The revised target dates related to the current vacancy in the team, once this had been filled a revised plan would be made.
- The moderate ratings were due to the shift in focus of some of the audits to be more closely aligned to risk. Potentially some of the previous assurance ratings were more generous than they should have been.
- Most of the policies should have a target date to review it. The ICT audit showed that most policies had not been reviewed within the agreed timescale, but this was due to the proposed merger with Stratford-on-Avon District Council failing to materialise.
- Insurance for events was more than likely found to be in place but was not necessarily always being checked, such as regular event organisers who had policies which updated automatically after expiry. The auditor had made a judgement call and not deemed it to require a high-risk rating.
- Officers had provided a target date that they felt was reasonable to prevent the target date not being met. It was not known if risk assessments for funfair events in summer had been provided.
- It might be that the risk assessments for funfairs had been completed but not yet provided to the Audit Team.
- Draft target dates would be confirmed by Heads of Service.
- Meetings with Heads of Service were still ongoing. The Audit and Risk Manager and the Head of Finance would meet to review the outcomes of those meetings and then present it to the senior leadership team and set out the recommendations going forward.

In response to questions from Members, the Portfolio Holder for Resources stated that he would follow up with the team regarding risk assessment and feedback any response received to the Committee. A report on the risk register would be coming to Cabinet in July to ensure the Council looked at risk consistently across departments. The report aimed to move implementation of risk to the Audit Team improve alignment with the internal audit process and the bigger risk picture.

- Providing training in a timely manner would be beneficial to improve efficiency and quality of information. Ensuring officers were maximising the potential of the system was important and would improve quarterly monitoring reports.
- The Audit and Risk Manager would follow up with the relevant officer and report back to the Committee in terms of event risk management.

- The vacant post was in the process of being graded and would then need approval from the senior leadership team's approval to advertise. The last two posts we had advertised were appointed to successfully so hopefully it would not be an issue to fill the vacancy.
- When the previous Audit and Risk Manager retired that vacancy had to be advertised and Mr Davy had to apply for. It was not possible to predetermine who would be successful prior to appointment.

Councillor Falp requested an update regarding policy reviews be brought to the meeting in January 2025.

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

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

10. **Annual Governance Statement 2022/23: Review of Progress**

The Committee considered a report from the Audit and Risk Manager which sought a review of 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 to 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 provide assurance to Members that the governance issues identified as part of the compilation of the Annual Governance Statement are being addressed.

In response to questions from Members, the Leader of the Council explained that a meeting of the five political group leaders and officers would be held to discuss the workload of every Councillor and what boards and /or Committees they were on. The South Warwickshire Local Plan advisory group had been running for a long period of time and was one of the most hard working of all of the advisory groups. Much of what it discussed was confidential. It would then be made public to allow for scrutiny. The Leader suggested that if Members had any particular views or concerns they wished to raise with regard to this, they should discuss it with their Group Leader

In response to questions from Members, the Audit and Risk Manager confirmed that all Heads of Service were asked for a statement which set out where each department was in terms of the governance statement.

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.

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

The Committee considered a report from Governance Services which informed Members of the Committee's work programme for 2024/25, attached at Appendix 1 to the report.

The Committee Services officer confirmed that the Significant Business Risk Register would be considered at every meeting of the Committee from now on, starting with the next meeting in August. The officer also confirmed that the risk management policy had been added to the work programme, but currently had not got an assigned date for this item to be considered.

In response to questions from Members, the Committee officer confirmed a mistake regarding lead officers on reports had since been corrected on the work programme. Members expressed a wish for an additional meeting to be organised to ensure accounts were signed off in a timely manner. The Committee Officer confirmed that officers would look to set a date for this additional meeting.

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

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

(The Chair took this opportunity to thank Principal Committee Services officer, Sophie Vale for all her help over the last municipal year.)

12. **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.

13. **Minutes**

The confidential minutes of the meeting held on 27 February 2024 were taken as read and signed by the Chairman as a correct record.

(The meeting ended at 7.24pm)

CHAIRMAN
27 August 2024