

## **Audit & Standards Committee**

### **Wednesday 18 January 2023**

An additional meeting of the above Committee will be held in the Town Hall, Royal Leamington Spa on Wednesday 18 January 2023, at 6.00pm and available for the public to watch via the Warwick District Council [YouTube channel](#).

Councillor K Dickson (Chairman)  
Councillor I Davison (Vice-Chairman)

Councillor M Ashford  
Councillor R Dickson  
Councillor G Illingworth  
Councillor C King  
Councillor V Leigh-Hunt

Councillor M Luckhurst  
Councillor R Margrave  
Councillor N Murphy  
Councillor D Russell  
Councillor T Wright

Although not members of the Committee, Ms Pyke and Mr Tomkinson, the Council's Independent Persons normally attend.

### **Agenda**

#### **1. Apologies & Substitutes**

- (a) to receive apologies for absence from any Councillor who is unable to attend; and
- (b) to receive the name of any Councillor who is to act as a substitute, notice of which has been given to the Chief Executive, together with the name of the Councillor for whom they are acting.

#### **2. Declarations of Interest**

Members to declare the existence and nature of interests in items on the agenda in accordance with the adopted Code of Conduct.

Declarations should be disclosed during this item. However, the existence and nature of any interest that subsequently becomes apparent during the course of the meeting must be disclosed immediately. If the interest is not registered, Members must notify the Monitoring Officer of the interest within 28 days.

Members are also reminded of the need to declare predetermination on any matter.

If Members are unsure about whether or not they have an interest, or about its nature, they are strongly advised to seek advice from officers prior to the meeting.

#### **3. Minutes**

To confirm the minutes of the meeting held on 22 November 2022 **(Pages 1 to 4)**

## **Part A – Audit Items**

### **4. Audited Statement of Accounts and Audit Findings Report**

To consider a report from Finance.

**(Pages 1 to 17)**

## **Part B – Other Items**

### **5. Warwick District Council and Parish Election Scale of Fees**

To consider a report from Democratic Services.

**(Pages 1 to 4)**

### **6. Appointments to the Budget Review Group Meeting**

To appoint Members from the Committee to sit on the Budget Review Group Meeting on Wednesday 8 February 2023 at 6.00pm.

Published Tuesday 10 January 2023

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You can e-mail the members of the Committee at [auditstandards@warwickdc.gov.uk](mailto:auditstandards@warwickdc.gov.uk)

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456114

# Audit & Standards Committee

Minutes of the meeting held on Tuesday 22 November at the Town Hall, Royal Leamington Spa at 6.00pm.

**Present:** Councillors K Dickson (Chair); Davison, R Dickson, Illingworth, King, Luckhurst, Margrave, Murphy, and Russell.

**Also Present:**

Independent Persons: Mr Tomkinson.

Portfolio Holder for Resources: Cllr Hales

Officers: Sophie Vale (Committee Services Officer); Graham Leach (Democratic Services Manager & Deputy Monitoring Officer); Richard Barr (Audit & Risk Manager; Richard Wilson (Principal Accountant); and Andrew Rollins (Head of Finance).

**19. Apologies and Substitutes**

Apologies for absence were received from Councillors Ashford and Wright, and Independent Person – Belinda Pyke.

**20. Declarations of Interest**

There were no declarations of interest made.

**21. Minutes**

The minutes of the meeting held on 30 August 2022 were taken as read and signed by the Chair as a correct record.

**22. Treasury Management Activity Report for period 1 April 2022 to 30 September 2022**

The Committee considered a report from Finance which detailed the Council's Treasury Management performance for the period 1 April 2022 to 30 September 2022.

The Committee had concerns about investments in countries such as Qatar and Kuwait and were advised by the Principal Accountant that investment decisions were based on credit rating. Countries with the same or higher rating as the UK were permitted under the Council's set of parameters. He stated that the Council enlists the services of a broker to inform them of the investment options most suited to the Council's needs at the time. The Council then chooses the most appropriate option with the best terms. Members were advised that the removal of these countries from the Council's approved list, and the possibility of introducing an environmental, social and governance (ESG) approach to cash investments would be taken to a Programme Advisory Board for consideration. Any recommendations would be brought back to Council as part of the Annual Treasury Management Strategy in February 2023. However, the Committee were advised that a more specific direction of funding investment would potentially reduce the income from such investments. Equally, the Council needed to be mindful that it could not

ensure these criteria were applied two or three steps down the chain of investment.

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

(Councillor King arrived at the meeting during this item)

**23. Internal Audit Quarter 2 2022/23 - Progress Report**

The Committee considered a report from Finance which advised on the progress in achieving the Internal Audit Plan 2022/23, summarised the audit work completed in the second 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 a comment from the Committee, the Audit and Risk Manager stated that, regarding the audit of Leaseholder Service Charges, the responsible officer was still awaiting input from Legal Services. The Democratic Services Manager and Deputy Monitoring Officer assured Members that he would follow this matter up with Legal Services in their next review meeting.

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

**24. Annual Governance Statement 2021/22 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 2021/22. The appendix accompanying the report detailed the progress in addressing the Significant Governance Issues.

The recommendation helped 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.

The Democratic Services Manager and Deputy Monitoring Officer advised that the Performance Management Officer would be sending regular reminders to all Members on where to access performance data. He agreed to write to the chairs of the Programme Advisory Boards to recommend that they regularly access the data for their Service Area.

In response to a question about the balance between the two scrutiny Committees (the Overview & Scrutiny Committee and the Audit & Standards Committee) and the possibility for reviewing the scrutiny capabilities of each committee, the Democratic Services Manager and Deputy Monitoring Officer advised that a committee should be allowed a full 12-month cycle before review.

**Resolved** that the progress being made in addressing the Significant Governance Issues pertaining to the Annual Governance Statement 2021/22, be noted.

## 25. **2023 Review of Parliamentary Boundaries**

The Committee considered a report from Democratic Services which informed of the consultation on the revised proposals for the Parliamentary Constituencies for Warwick District and provided a suggested submission on behalf of the Council.

The report provided a summary of the final proposals for consultation published by the Boundary Commission for England (BCE) and, because there had been no material changes to the proposals, it was considered appropriate for the Committee to express its disappointment.

In response to questions from Members, the Democratic Services Manager and Deputy Monitoring Officer stated that Warwick District Council did not have to make the same representation as Stratford-on-Avon District Council or Rugby Borough Council because the concerns of Warwick District Council were about the 'donut' effect on the Warwick and Leamington constituency, and therefore did not impact the views of the other Councils.

### **Resolved** that

- (1) no further comments on the proposals be submitted except to express its disappointment at the view taken by the Commission, subject to (2) below; and
- (2) following the publication of the Electoral Registers in Warwick District, Rugby Borough and Stratford-on-Avon District on 1 December 2022, the Democratic Services Manager & Deputy Monitoring Officer, in consultation with the Chair of this Committee, be authorised to highlight to the Commission the electorates for the two proposed Constituencies for Warwick District if either are already outside the proposed tolerances for new Constituencies (no smaller than 69,724 and no larger than 77,062) and ask that the Commission remodel their proposals across the West Midlands to see if they have already created Constituencies outside of their tolerance before any further expected growth in electorates between now and 2031 (the next review).

## 26. **Burton Green Community Governance Review**

The Committee considered a report from Democratic Services that informed Members of the responses received to the consultation for the review of electoral arrangements within the parish of Burton Green.

In terms of alternative options, the Committee could consider adopting the order of removing the Warding for Burton Green Parish Council. However, based on the feedback it was not considered appropriate.

In response to comments from Members, the Democratic Services Manager and Deputy Monitoring Officer stated that the upcoming housing

development in Burton Green, as well as ongoing HS2 works, had been considered by officers. Another review would be undertaken in a few years' time to consider the changes from these developments.

**Resolved** that

- (1) the views received in connection with the consultation, be noted;
- (2) no further action be taken, and no amendments be made to the current electoral arrangements of the Parish of Burton Green;
- (3) officers inform Burton Green Parish Council of the outcome and remind them of the criteria to fill the vacant seats; and
- (4) officers are asked to promote how to become a Parish Councillor, including the relevant criteria for standing for election, in partnership with Warwickshire Association of Local Councils ahead of the elections in May 2023.

27. **Co-option of Parish/Town Council Representative**

Members received nominations for the co-opted representative to the Committee. It was

**Recommended** to Council that Councillor Brian Smart of Whitnash Town Council be appointed as the co-opted representative to the Audit & Standards Committee.

(The meeting ended at 7.19pm)

CHAIR  
18 January 2023

Agenda Item No 4  
Audit & Standards Committee  
18 January 2022

Title: Statement of Accounts 2021/22 Update  
Lead Officer: Andrew Rollins (01926 456013)  
Portfolio Holder: Councillor Hales  
Wards of the District directly affected: N/A

<b>Approvals required</b>	<b>Date</b>	<b>Name</b>
<b>Portfolio Holder</b>	12/01/23	Cllr Hales
<b>Finance</b>	12/01/23	Andrew Rollins
<b>Legal Services</b>		
<b>Chief Executive</b>	12/01/23	Chris Elliot
<b>Head of Service(s)</b>	12/01/23	Andrew Rollins
<b>Section 151 Officer</b>	12/01/23	Andrew Rollins
<b>Monitoring Officer</b>	12/01/23	Andrew Jones
<b>Leadership Co-ordination Group</b>		
<b>Final decision by this Committee or rec to another Cttee / Council?</b>	Yes	
<b>Contrary to Policy / Budget framework?</b>	No	
<b>Does this report contain exempt info/Confidential? If so, which paragraph(s)?</b>	No	
<b>Does this report relate to a key decision (referred to in the Cabinet Forward Plan)?</b>	No	
<b>Accessibility Checked?</b>	Yes	

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## Summary

This report provides an update on the progress of the 2021/22 audit. The External Auditor's Audit Update Report is also presented. Whilst work on the audit is not concluded, it is expected that the auditors will issue an unqualified audit opinion.

## Recommendation(s)

- (1) That the Committee notes the 2021/22 Audit Update Report, including the headlines from the audit, key messages arising from the work and the Value for Money (VFM) procedures to date.
  - (2) That the Committee agrees that the Accounts are not adjusted in respect of the Pensions Valuation as highlighted in the Audit Update Report.
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## 1 Reasons for the Recommendation

- 1.1 The production and subsequent audit of the Council's Financial Statements has been challenging and time consuming this year for both officers and Auditors. Progress on the audit has been outlined by Grant Thornton in Appendix A, The Audit Update Report. Further commentary on these key headlines is provided below.
- 1.2 2021/22 has been a transitional year for the Council in terms of the audit, and as a result the Accountancy team has 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 have led to the team only becoming fully established once again in January. Prioritisation has 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.
- 1.3 The implementation of a new Finance Management System mid-year, launching November 2021, has also impacted upon the production of the accounts and the audit process. As officers continue to learn how to get the best out of the new system, many tasks have taken longer than expected, with all working papers requiring significant updates. It should be noted that despite these issues the Council remains in a far better position than many other Local Authorities, including some who have also moved across to new Finance Systems in recent years.
- 1.4 The draft 2021/22 Statement of Accounts were published on the 5 September. The statutory deadline for this year was moved to 1 August. The reasons for the delay in publication have previously been reported to members in advance of the statutory deadline, but predominantly are linked to the points raised in sections 1.2 and 1.3.
- 1.5 The accounts have 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. As reported to the Committee in November, the auditors have not been able to complete their work to enable the accounts to be signed off by this date.



- 1.6 In order 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 require a secondary review of the note by a Principal Accountant in the team and are then signed as approved and ready for inclusion. This has led to some notes being incorrect, which will result in changes to the primary statements.
- 1.7 Delays in understanding what is being required by audit, and then subsequently being able to issue the necessary information has resulted in the audit taking longer than expected. Many of these issues have been exacerbated as officers learn 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.
- 1.8 It should be noted that the issue with the reports provided is that audit consider 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 have worked to ensure reports that could facilitate a smaller sample have been provided. This has proved at times to be difficult, 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.
- 1.9 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 complete 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.
- 1.10 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 more timely manner with an 'on-site' in person audit. As part of the review into this year's audit, there will 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.
- 1.11 In addition, Appendix A also provides details of an adjustment identified during the 2021/22 audit to date which will remain uncorrected within the final set of financial statements. The Audit and Standards Committee is required to approve management's proposed treatment of such items.
- 1.12 Audit have reported that the audit of the Warwickshire Pension Fund has identified the gross assets are understated by £13.6m owing to the valuation being received in arrears and the Pension Fund not being able to capture the movement in the value of the investment in the final quarter of 2021/22. Warwick District Council's share of this is £0.81m, meaning that net assets are understated by this amount.
- 1.13 The reason this has not been adjusted is on the basis that it is immaterial, and will be corrected in the next valuation. This decision does not impact on the funding available to the Council. Members will be asked to approve this in the Letter of Representation, which will come to A&S alongside the Audit Findings Report and Statements when complete.

- 1.14 While the audit of the accounts is nearing completion, there is still a considerable amount of audit work outstanding. Work is ongoing with the tasks outlined on page 5 in the Audit Update Report. Therefore, Grant Thornton will not be able to issue their final audit statement and so sign off the accounts until they have finished this work.
- 1.15 The Value for Money work is still to be finalised by the Auditors. This does not have to be confirmed alongside the Accounts. Grant Thornton plan to report on the VFM in a separate Auditor's Annual Report at a future Audit & Standards Committee. After that, the Auditors should be able to conclude the overall 2021/22 Audit.
- 1.16 Having the audited accounts in a position where they can be signed off imminently in the current environment will still be a major achievement, despite the challenges discussed and the delays faced throughout the process. This has only been possible due to the hard work and commitment of the Accountancy Team, officers from across the Council, and also from the external auditors. The close working from all involved has been important in enabling the Council to get to this position.
- 1.17 However, given the points raised within the Audit Update Report, it will be necessary to ensure a full and thorough debrief and review of the process is carried out ahead of the 2022/23 Audit commencing. This will be completed with feedback from External Audit, to enable Officers to be best placed to resolve areas of weakness and deliver continuous improvement, and maximising the potential offered by the new Finance system.
- 1.18 An action plan will then be developed which will be regularly reported to the Chair of Audit & Standards and the Portfolio Holder.
- 1.19 It is expected that the lessons learned this year-end will give more time in the production process by ensuring the agreed timetable does not slip. Further developments to the new Finance Management System, including enhancing the reports and data extracted from the system for year-end will be completed. Staff also now have more experience in using the system, and this should improve the efficiency of the project.
- 1.20 In addition, we have now successfully appointed to all vacant posts on a permanent basis within the Accountancy Team following a year of resourcing challenges. Stability within the team should benefit the process and ensure the team is not as stretched as it has been for large periods of 2022.
- 1.21 Sticking more closely to the timetable will also enable the necessary quality assurance work to be completed prior to the draft publication, minimising errors, and mitigating the concerns raised around quality assurance in section 1.6.

## **2 Alternative Options**

- 2.1 No alternative options are presented for consideration.

## **3 Legal Implications**

- 3.1 N/A

## **4 Financial**

- 4.1 The original scale fee for the audit agreed by Public Sector Audit Appointments (PSAA) was £41,290. Grant Thornton is currently seeking £73,140 for the cost of the audit, with details of causes for this increase included in their report. Much of these requirements reflect increased standards and requirements with which they are due to adhere to. The final fee is subject to change depending on the additional requirements in completing the audit. This will need to be agreed with Warwick District Council, and then agreed by PSAA.
- 4.2 In recognition of some these increased requirements, the Government agreed £15m additional funding towards the cost of the 2021/22 audits, with each local authority receiving £21,285 towards the increased costs.

## **5 Business Strategy**

- 5.1 Warwick District Council has adopted a Business Strategy which sets out key areas for service delivery. The audited accounts support all strands of the Business Strategy by way of confirming how the Council is using its resources.
- 5.2 Health, Homes, Communities,
- 5.3 Green, Clean, Safe,
- 5.4 Infrastructure, Enterprise, Employment,
- 5.5 Effective Staff,
- 5.6 Maintain or Improve Services
- 5.7 Firm Financial Footing over the Longer Term. The National Audit Office issue guidance for auditors, which requires them to consider whether a body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. This is covered under Value for Money arrangements, with the Audit Findings Report identifying whether there are any risks of significant weakness in the Council's approach.

## **6 Environmental/Climate Change Implications**

- 6.1 N/A

## **7 Analysis of the effects on Equality**

- 7.1 N/A

## **8 Data Protection**

- 8.1 N/A

## **9 Health and Wellbeing**

- 9.1 N/A

## **10 Risk Assessment**

- 10.1 The closure of the Accounts continues to be a key project across the Council. A detailed timetable and action plan, in conjunction to clearly defined processes, procedures and working papers, are designed to reduce the risks involved in closing the Accounts and producing the Audited Statement of Accounts.

## **11 Consultation**

- 11.1 TBC

### **Background papers:**

Audit Update Report – Appendix A

### **Supporting documents:**

Draft Statement of Accounts 2021/22

# Audit update report

## Warwick District Council

**Year ended 31 March 2022**

18 January 2023



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**Your key Grant Thornton team members are:**

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**Section**

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- 2. Financial statements – Key messages
- 3. Value for money arrangements

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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# 1. Headlines

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## Financial Statements

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Our audit of the Council's financial statements has been challenging and time consuming for officers and auditors. There is more of the audit still to be completed than any of us would have wished. This is primarily owing to delays, significant in some cases, in obtaining working papers and reports – often exacerbated as officers learn how to get the best out of the new ledger system.

### Initial delay in publication

Officers notified the audit team well in advance that they would not be able to publish draft accounts by 30 July, as required by the relevant legislation. We agreed an expected date of early September, which Officers were able to meet. While they are to be commended for sticking to the revised timetable, on receipt of the draft financial statements it immediately became clear that there had not been a robust quality assurance process to ensure that the financial statements were as free from error as possible.

### A need to enhance Quality Assurance processes

Our initial review of the financial statements, before any testing had begun, identified very significant increases in both income and expenditure for portfolios within the Comprehensive Income and Expenditure Statement (CIES) compared to the previous year, which were not expected. Officers subsequently identified that reports used to prepare the CIES had been set up incorrectly. The effect was to reduce reported Gross Expenditure from £138,857k to £95,355k and Gross Income from £116,906k to £73,404k. As the difference of £43,502k affected both expenditure and income equally, Net Expenditure was unchanged at £21,951k.

Based on our audit work completed to date, we expect highly material changes to all four primary statements – the CIES, Balance Sheet, Movement in Reserves Statement (MiRS) and the Cash Flow Statement.

Other significant disclosure errors that the audit team identified on initial review included Note 14 – Property, Plant and Equipment showing vehicles, plant & equipment, infrastructure and community assets being revalued when they weren't; and Note 19 – Debtors – including a line showing a negative prepayment of £3,265k, which should have been included in Creditors.

### Difficulties in providing appropriate reports for audit sampling

Officers and auditors spent significant amounts of time working together to produce and agree suitable reports for audit testing in a number of areas. In particular journals, debtors and creditors. Our work on journals has been made more complicated owing to the change in financial accounting system part way through the year. Management override of controls, which includes the potential misuse of journals, is a significant risk for all audits, and is an area of particular audit focus. Our work is supported through of specialized software which allows for the identification of journals which meet specific characteristics. This approach provides higher levels of assurance to both auditors and Those Charged with Governance than a purely manual approach would. However, auditors need certain information to be able to use the software, and this proved problematic on both systems. With the new ledger system it took a significant amount of time for us to be provided with a journals report which showed all of the officers who had been involved in the journal, rather than just the last individual involved. This is a key area for us to be able to test for appropriate segregation of duty. We were provided with this information in early December.

# 1. Headlines

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## Financial Statements (continued)

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Our work on trade receivables and trade payables has also been far more challenging this year. Due to the continuous drive to improve the quality of the audit work that we do, combined with the number and scale of the errors that we have identified during our audit work to date, we asked officers to provide supporting reports for receivables and payables in a different format to those provided in previous years. The Council's finance team were not expecting to have to do this, and as a result, we have experienced considerable delays in obtaining suitable reports for audit in both of these areas

Included in Note 19 – Debtors – is an amount of £5,988k for “trade receivables”. These are amounts owed to the Council, usually by trade customers. In most councils officers are easily able to run reports analysing this balance, usually on an aged basis, which is then used for debt collection and credit control. Officers were unable to do this, and provided us with a transaction listing covering thousands of lines, on both debit and credit sides. These original reports were not in a format that was appropriate for audit testing because they included hugely material control account balances brought forward from prior years with no clear way to determine what amounts were owed to/from the Council as at 31 March 2022.

The first listing was provided to audit on 7 September 2022. Officers and auditors spent considerable time in trying to identify transactions that netted off or may have been tested elsewhere. After many weeks the final transaction report that was provided for audit included debit items totalling £147,831k and credit items totalling £141,844k. These two items total £289,675k, to support a balance of £5,988k. It took until 6 December for us to be provided with a debtors report in a suitable format for testing some of the balance – with Officers still working on providing a report supporting the remaining categories.

The position on trade payables of £5,454k within Note 22 – Creditors – is very similar. The report presented for audit had debit items of £114,296k and credit items of £119,750k, totalling £230,046k. Again, we would expect the Council to be able to easily produce reports which support this amount, and use them to ensure suppliers are paid on time.

### Additional audit resource required

We have added to the strength and depth of our audit team, including a further two Assistant Managers, in an attempt to complete as much of our audit work as possible before the Christmas break. Despite this, the audit has run over into 2023 and it has been necessary to delay the issue of our final Audit Findings Report to the Audit & Standards Committee.

### Material decrease in valuation of Property, Plant and Equipment

The Balance Sheet presented for audit, supported by the detailed Note 14, shows a Net Book Value for Property, Plant and Equipment as at 31 March 2022 of £604,839k. As set out in more detail on page 10, this figure is overstated by £12,772k and will be amended to £592,066k.

### Uncorrected items

The audit of the Warwickshire Pension Fund has identified that gross assets are understated by £13.6m owing to the valuation being received in arrears and the Pension Fund not being able to capture the movement in the value of the investment in the final quarter of 2021/22. Warwick District Council's share of this is £0.81m, meaning that net assets are understated by this amount. Were management to adjust for this the net LGPS liability would be reduced by the same amount, from £33.7m. However, management have declined to amend on the basis that it is immaterial and will be corrected in the next valuation. Members are asked to agree Officers' approach, and this is included in the Letter of Representation requested.



# 1. Headlines

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## Financial Statements (continued)

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As we have stated, our audit is ongoing, and there is still a considerable amount of audit work to complete. This includes:

- journals testing;
- fees, charges and other service income testing;
- debtors testing;
- property revaluations;
- audit of capital disclosures;
- other service expenses testing;
- creditors testing;
- testing of reliefs awarded to council tax and business rates payers;
- testing of the Housing Revenue Account disclosures;
- audit of the Group Financial Statements;
- Movement in Reserves Statement;
- Narrative Report; and
- Cash Flow Statement.

Owing to the amount of work still outstanding, we are unable to provide an audit findings report at this stage. On completion of our audit work we will also need to complete the following:

- receipt and review of management representation letter; and
- review of the final set of financial statements.

We are currently unable to conclude that the other information to be published with the financial statements, primarily in your Narrative Report, is consistent with our knowledge of your organisation and the financial statements we have audited. This is owing to a number of queries on the Narrative Report itself still being outstanding and the amount of audit work remaining, as set out above.

# 1. Headlines

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## Value for Money (VFM) arrangements

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Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are now required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Council's arrangements under the following specified criteria:

- Improving economy, efficiency and effectiveness;
- Financial sustainability; and
- Governance

We have not yet completed our VFM work. Our detailed commentary will be set out in the separate Auditor's Annual Report, which will follow once our work is complete.

Events since February 2022 have had a significant negative impact on the Council's medium to long term financial sustainability. Recurrent savings of £3m need to be secured to enable the Council to be able to set a balanced budget from 2023/24 onwards. The Council needs to ensure that only fully worked up, realistic savings or income generation schemes are included in the medium term financial strategy. Recommendations made as part of our 2020/21 work still need to be addressed.

We will also need to consider whether the significant challenges we have encountered in our audit work, and the number and magnitude of adjustments to the financial statements, constitutes a significant weakness.

Our findings to date are set out in the value for money arrangements section of this report.

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## Statutory duties

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The Local Audit and Accountability Act 2014 ('the Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- to certify the closure of the audit.

We have not exercised any of our additional statutory powers or duties.

We expect to certify the completion of the audit upon completion of our work on the Council's Whole of Government Accounts submission. The guidance for this has yet to be issued by the government department, but we expect the Council to be below the threshold for detailed testing.

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## Significant Matters

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We have encountered significant difficulties in the course of our audit work. These are set out on pages 3 to 6.

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## 2. Financial Statements – key messages

### Key messages arising from our financial statements work to date

- The financial statements were submitted after the deadline.
- The audit of the Warwickshire Pension Fund has identified that gross assets are understated by £13.6m owing to the valuation being received in arrears and the Pension Fund not being able to capture the movement in the value of the investment in the final quarter of 2021/22. Warwick District Council's share of this is £0.81m, meaning that net assets are understated by this amount. Were management to adjust for this the net LGPS liability would be reduced by the same amount, from £33.7m. However, management have declined to amend on the basis that it is immaterial and will be corrected in the next valuation. Members are asked to agree Officers' approach, and this will be included in the Letter of Representation requested.
- Our work on Note 35 - Related Party Transaction identified two undeclared Member interests with organisations with which the Council had transactions during the year. This resulted in an increase in the disclosure note of £47k. While this is below our trivial level, it is very important that Members (and Officers) declare all organisations in which they have an interest so that they can be protected from any allegations of impropriety. In this instance the interests were identified by the audit team undertaking Companies House searches of publicly available information. We consider this to be a control weakness, and will raise a recommendation in our final report.
- Note 21 - Cash & Cash Equivalents totals £50,727k and includes £1,023k in respect of "Bank Current Accounts". Our audit work identified there are amounts totalling £735k which are historic cash balances that have been rolled forward for a number of years, some with little or no change from their values as at year end in 2020-21. From discussions held with Officers these amounts are not expected to be received and therefore these amounts will be written off and removed from Note 21. This will reduce the amount per Note 21 from £1,023k to £288k. This will in turn affect the Financial Instruments Note, the Cash Flow Statement and the Balance Sheet.
- Note 17 - Financial Instruments for Current Investments totals £77,179k. Included in this figure is "Bank Current Accounts" totalling £1,977k. This relates to historic bank balances which have been carried forward for a number of years and recorded incorrectly as a Short Term Investment. These amounts are not expected to be collectable given the time that has passed and will be written off. There is also an issue of some amounts being double counted in both the Short Term Investments breakdown and the Cash & Cash Equivalents breakdown. For example, the £411k Bank Current account, which has been agreed to the appropriate Bank Statement and Bank Letter, should be recorded as Cash and Cash Equivalents but it is included within the £1,977k and therefore this would be double counted on the Balance Sheet as the amount is included in both the Short Term Investment line and the Cash & Cash Equivalents line on the Balance Sheet. We consider the write off of £1,977k of "Bank Current Accounts" and the write off of £735k from the cash and Cash Equivalent balance, to be a control weakness, and have raised a recommendation.
- Note 14 – Property, Plant & Equipment – was amended to correct two errors. The first error is around double counting of asset valuations. This saw the Cost / Valuation of assets decrease by £18,275k from £628,325k to £610,050k. The second error is incorrect disclosure of depreciation. This saw depreciation decrease by £5,503k from £23,487k to £17,984k. This had the total effect of reducing the Net Book Value of assets as at 31 March 2022 by £12,772k from £604,838k to £592,066k. This will be reflected in the Balance Sheet.
- Note 19 – Debtors – includes a negative line for "Prepayments" in the amount of (£3,265k). This is a creditor balance will be removed from Short Term Debtors and shown as a positive Creditor of £3,265k in the Short Term Creditors Note. This will be updated on the Balance Sheet but will not affect the net position as the amounts being amended are equal and opposite.

## 2. Financial Statements – key messages

- The Council's accounting policy for measurement of property states "Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at year-end, but as a minimum every five years." This policy is consistent with the CIPFA Code. However, Note 14 – Revaluations – shows that assets included in the Balance Sheet with a value of £498k were last valued in 2015/16. The Council is therefore not complying with its own policy or the CIPFA Code. We consider this to be a control weakness, and will raise a recommendation in our final report.
- The Annual Governance Statement was amended following audit to fully comply with the Code. In the version of the accounts provided for audit, there was no:
  - discussion of group activities and applicable internal control.
  - action plan.
  - conclusion.
  - update relating to the two significant governance issues included in the previous year's AGS.
- Our work on the Narrative Report is ongoing. However, we have already agreed a number of amendments with Officers to ensure that the Report correctly reflects the financial statements and is factually correct.
- Note 36 – Capital Expenditure and Capital Financing – initially included a value of £244k in respect of Minimum Revenue provision (MRP). The correct figure, as supported by the Council's working paper, is £344k. Officers have updated the note.
- Officers have made a number of minor changes to the financial statements to correct typographical errors.
- Officers made adjustments to a number of notes in order to improve clarity and to better comply with the CIPFA Code. None of these adjustments impacted the Council's financial performance.

# 3. Value for Money arrangements

## Approach to Value for Money work for 2021/22

The National Audit Office (NAO) issued its guidance for auditors in April 2020. The Code requires auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.



### Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



### Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years)



### Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information



## Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:



### Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.



### Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.



### Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

# 3. VFM - our procedures to date

We have not yet completed our VFM work. Our detailed commentary will be set out in a separate Auditor's Annual Report.

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. The risks we have identified are detailed in the table below, along with the further procedures we have performed to date.

Risk of significant weakness	Procedures undertaken	Auditor view
<p>The Medium Term Financial Strategy (MTFS), presented to Council on 23 February 2022, includes cumulative savings / income generation schemes of around £6.0m. In addition to these there is a further £1.2m of recurrent savings that still need to be identified by 2026/27.</p> <p>There is a risk around financial sustainability, and whether the Council has realistic, robust plans to move to a balanced financial position in the longer term. This risk is heightened as the cancelling of the proposed merger with Stratford on Avon District Council will mean that some of the anticipated savings are unlikely to be achieved.</p>	<p>To address this risk we have looked at the arrangements in place to identify savings or income generation schemes, and how robust and realistic these are.</p>	<p>The Quarter 1 2022/23 Budget Report, presented to Cabinet in September 2022 states "Recurrent savings of £3m need to be secured to enable the Council to be able to set a balanced budget from 2023/24 onwards. Officers are currently reviewing ways of reducing the deficit, including income generation, service efficiency and cost saving schemes. This work and its outcomes will be reported to Cabinet as part of the Q2 Budget Report in December."</p> <p>The Council MTFS therefore required the use of reserves while longer term plans were worked up. We are considering whether, in accordance with the NAO guidance, this represents a significant weakness in the Council's arrangements.</p>
<p>The Council will need to develop and embed appropriate governance arrangements for the newly formed housing company, Milverton Homes Limited, and also establish arrangements to assess whether the expected benefits are realised.</p>	<p>To address this risk we have gained an understanding of the arrangements that the Council has put in place, and how governance works in practice. This includes how the Council satisfies itself regarding progress and benefits realisation.</p>	<p>While there has been limited reporting to Members, we do not consider this to be inappropriate as there has been little activity that Members need to be aware of. Key reports such as loan approvals and business plans have been presented to Cabinet for discussion and approval.</p> <p>From the work that we have completed to date, it appears that appropriate governance arrangements are in place. The Council has put in place an independent project monitor and commissioned an internal audit report which has highlighted areas where the Council governance and oversight arrangements needed to be enhanced. At this stage it is too early to consider whether anticipated benefits have been realised.</p> <p>Our work on the audit of the group financial statements is ongoing. We are therefore unable to fully conclude on whether the arrangements, and the related accounting, are appropriate.</p>
<p>Upon receipt of the draft financial statements for audit, we identified significant issues in the financial statements before our testing began. Based on our audit work completed to date, we expect highly material changes to all four primary statements.</p> <p>We therefore consider that this is indicative of an additional risk of significant weakness in the Council's arrangements.</p>	<p>Our audit of the financial statements is ongoing at the time of writing this report.</p>	<p>We will need to consider whether the significant challenges we have encountered in our audit work, and the number and magnitude of adjustments to the financial statements, constitutes a significant weakness.</p>



Title: Warwick District Council and Parish Election Scale of Fees  
Lead Officer: Graham Leach, Democratic Services Manager & Deputy  
Monitoring Officer (01926 456114)  
Portfolio Holder: Councillor Day  
Wards of the District directly affected: None

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### **Summary**

The report seeks agreement for the increase in elections fees payable to staff for the 2023 District & Parish Elections.

### **Recommendation(s)**

- (1) 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; and
  - (2) A full review of the Warwick District Election Fees be undertaken and brought back to Committee for consideration before December 2024.
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## **1 Background/Information**

- 1.1 The Council is 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.
- 1.2 In February 2021 the Licensing & Regulatory Committee approved the Warwick District Council 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.
- 1.3 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.
- 1.4 It is recognised that there will also be additional demands on polling staff through the introduction of the requirement for voter ID in polling stations. It is reported by the Electoral Commission there is a shortage of individuals who wish to help on elections, and it is an increased challenge at each election to recruit staff of sufficient skills to undertake rolls in delivering elections.
- 1.5 There is the additional pressure that the election Count will need to be completed on Friday 5 May 2023, due to the Coronation on the morning of 6 May and the bank holiday the following Monday. To that end, officers will be seeking to have many more staff working at the Count than usual.



- 1.6 Officers were also mindful of the increase of 6.6% for Members' Allowances and the pressures on cost of living at this time.
- 1.7 With these points in mind, officers undertook analysis of the fees for elections and how they aligned to scale points for officers. In mapping these fees against scale points would have meant an average increase by circa 6.21%, the most common increase for a role would be a grade E2 which is an increase between 5.75% to 6.21%.
- 1.8 For these combined reasons it was considered that a 6.6% rise in fees for this was considered appropriate. This is anticipated to be followed by a normal % increase in April 2023 and April 2024.
- 1.9 The Committee should be aware that this proposal should be back dated to any elections that have taken place between April 2022 and December 2022, however, no elections have occurred in that time.

## **2 Alternative Options**

- 2.1 Officers are aware that different approaches have been taken across Warwickshire, where some authorities have provided 4% uplift and others have provided that plus additional burden payment, recognising the challenges of voter ID.

## **3 Consultation and Councillor comments**

- 3.1 The proposal has been considered and is supported by the Leadership Co-ordination Group.

## **4 Implications of the proposal**

### **4.1 Legal/Human Rights Implications**

- 4.1.1 The proposals within the report are within the legislative framework and associated guidance.

### **4.2 Financial**

- 4.2.1 The proposed 6.6% would see an increase cost of an estimated £9,000. This estimate was based on staffing levels for the PCC election in 2021 (where additional staff were used due to covid precautions). However, at this time the overall level of staffing is not known (for example, how many counters can be recruited). Councillors should be mindful that the increase in cost will be shared with any Parish/Town Council which has an election for the specific area at the same time.

### **4.3 Council Plan**

- 4.3.1 In respect of the Council Plan, the proposal is to provide appropriate fees to employees at the election and encourage those with appropriate skills to help in the delivery of this key democratic process. This would have a small impact on the Medium Term Financial Strategy, but it is considered acceptable in recognising the delivery of the core democratic process.

### **4.4 Environmental/Climate Change Implications**

- 4.4.1 There are no direct environmental implications of the proposal.

### **4.5 Analysis of the effects on Equality**

- 4.5.1 There are no direct impacts on equality matters from the recommendations.

### **4.6 Data Protection**

- 4.6.1 There are no specific data protection issues within the report.

#### 4.7 **Health and Wellbeing**

4.7.1 There are no Health and Wellbeing implications from the proposals.

### **5 Risk Assessment**

5.1 There are no significant risks associated with the report.

**Background papers:** none

**Supporting documents:** Report and Minutes of Licensing & Regulatory Committee  
11 February 2021

### Report Information Sheet

Please complete and submit to Democratic Services with draft report

<b>Committee/Date</b>	18 January 2023	
<b>Title of report</b>	Elections Fees	
<b>Consultations undertaken</b>		
<b>Consultee *required</b>	<b>Date</b>	<b>Details of consultation /comments received</b>
<b>Ward Member(s)</b>		
<b>Portfolio Holder WDC</b>	4/1/23	Day
<b>Financial Services *</b>	4/1/23	Lorraine Henson
<b>Legal Services</b>		
<b>Other Services</b>	4/1/23	Chris Elliott Returning Officer
<b>Deputy Chief Executive</b>	4/1/23	Andrew Jones
<b>Head of Service(s)</b>		
<b>Section 151 Officer</b>	4/1/23	Andrew Rollins
<b>Monitoring Officer</b>	4/1/23	Andrew Jones
<b>Leadership Co-ordination Group (WDC)</b>		
<b>Other organisations</b>		
<b>Final decision by this Committee or rec to another Ctte/Council?</b>		Yes
<b>Contrary to Policy/Budget framework</b>		No
<b>Does this report contain exempt info/Confidential? If so, which paragraph(s)?</b>		No
<b>Does this report relate to a key decision (referred to in the Cabinet Forward Plan)?</b>		No
<b>Accessibility Checked?</b>		Yes