

Audit & Standards Committee

Minutes of the meeting held on Tuesday 14 June 2022 at the Town Hall, Royal Leamington Spa at 6.00pm.

Present: Councillors; Boad, Davison, B Gifford, Illingworth, Norris and Russell.

Also Present:

Independent Persons: Belinda Pyke.

Officers: Rob Edwards (Committee Services Officer); Graham Leach (Democratic Services Manager & Deputy Monitoring Officer); Richard Barr (Audit & Risk Manager); Steven Leathley (Strategic Finance Manager); and Neil Preece (Auditor – Grant Thornton).

1. Appointment of Chairman

It was proposed by Councillor Boad, duly seconded by Councillor Russell and

Resolved that Councillor K Dickson be appointed Chairman of the Committee for the ensuing municipal year.

2. Appointment of Vice-Chairman

It was proposed by Councillor Boad, duly seconded by Councillor Gifford and

Resolved that Councillor Davison be appointed Chairman of the Committee for the ensuing municipal year.

In the absence of the Chairman, the Vice-Chairman took the Chair.

3. Apologies and Substitutes

- (a) Apologies for absence were received from Councillors Ashford, Margrave, Murphy, Wright and Independent Person - Ray Tomkinson; and
- (b) Councillor Boad substituted for Councillor K Dickson and Councillor B Gifford substituted for Councillor R Dickson.

4. Declarations of Interest

Minute Number 5 – Audit Plan 2021/22

Councillor Gifford declared an interest because he was a Warwickshire County Councillor and Vice-Chair of the County's Pension Board.

5. **Audit Plan 2021/22**

The Committee considered a report from Finance. The External Auditors, Grant Thornton, prepared their Draft Audit Plan for 2021/22 for Members' consideration. This was supported by the "Informing the Risk Assessment" document.

The auditors had submitted the External Audit Plan for 2021/22 attached at Appendix A to the report. Members were requested to agree the plan and seek assurance from officers and auditors that all was being done to ensure the statutory requirement would be met.

The Informing the Risk Assessment, attached at Appendix B to the report, had been produced by the external auditors, bringing together details of responses from officers. The document was to assist in the communication between Members and the external auditors. Members needed to consider and agree the document and make any observations to the auditors. Officers' responses to the document had been included.

The auditors had commenced work on the audit, starting in February with the interim audit, and were scheduled to complete the main audit over agreed dates between August and November.

The Audited Accounts were due to be signed off and published by 30 November 2022. It was planned for these to be reported to Audit and Standards Committee in November.

As in previous years, active use was being made 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 to date, allowing leads on both sides to keep track on audit progress, therefore all parties were keen to continue with this for 2021/22.

Members were requested to agree the 2021/22 Draft Audit Plan and the supporting document, "Informing the Risk Assessment". The audit could then commence after the draft Statement of Accounts was published on or before 31 July 2022.

In response to questions from Members, the Council's Auditor Neil Preece advised that:

- Milverton Homes Limited was considered a risk because it was an unknown transaction, and until Grant Thornton had seen the statement of accounts, they did not know what the impact would be. The accounting requirements were quite complex, and it was not a straightforward task for officers, though they were able to give guidance and support.
- The Council was not at risk of any improper revenue or expenditure recognition; there were no areas of concern as far as Grant Thornton were concerned.
- The cost of the Audit Fees of £10k was approved by the regulator last year, and was considered reasonable for a Council of this size. There was previously not a lot of value for money for Councils under previous Audit practices, but this was now considered to be a useful piece of consultancy work and was more efficient than it used to be.
- Milverton Homes Limited had their own auditors, and Grant Thornton relied on the work of those auditors which provided

assurances over the robustness/validity of their accounts. Grant Thornton then provided assurance on those accounts in the same way they did for the Council. They also needed to audit the Group Accounts.

The Democratic Services Manager & Deputy Monitoring Officer agreed to investigate and inform the Committee if it would see the Milverton Homes Accounts prior to their submission. The contents of this investigation was appended as Appendix 1 to these minutes.

Resolved that

- (1) the 2021/22 Draft Audit Plan (Appendix A to the report) and the supporting document, Informing the Risk Assessment (Appendix B to the report), be agreed; and
- (2) the progress of the 2021/22 audit to date, be noted.

6. Internal Audit Progress Report: Quarter 4 2021/22

The Committee considered a report from Finance which advised on the progress in achieving the Internal Audit Plan 2021/22, 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.

A detailed analysis of progress in completing the Audit Plan for 2021/22 was set out as Appendix 1 to the report. As could be seen, the (revised) Audit Plan for 2021/22 was three audits short of being completed. All three audits were IT reviews where the Head of ICT was unable to provide assistance thus preventing the assignments from being progressed. The matter was brought to the attention of senior management and to the Finance and Audit Scrutiny Committee. It was intended that these three audits would be completed very shortly, hopefully by the end of June.

Eleven audits were completed in the final quarter of 2021/22.

The Internal Audit reports arising from them were attached as appendices A to K to the report.

The action plans accompanying these reports were set out for separate review at Appendix 3 to the report. This detailed the recommendations arising together with the management responses, including target implementation dates.

As could be seen in the Appendix, responses to recommendations contained in reports that had been issued in the quarter had been received in all cases and none were outstanding.

As set out in the earlier quarterly reports, a new method of following up on recommendations had been implemented from the start of this financial year. Rather than seeking to determine the implementation status of recommendations after a set period (either three or nine months, depending on the risk rating assigned to the recommendation), the

recommendations were now followed up once the implementation date had passed. Officers were also now able to provide an update as soon as they had completed the agreed action, as opposed to waiting to be chased for a response.

The state of implementation for all relevant recommendations was set out in Appendix 4 to the report, including one recommendation where no response had been forthcoming.

The outstanding response was from the audit of Housing Investment and Maintenance Programmes. It should have been noted that this outstanding response from March related to a recommendation that was also made in a subsequent audit for which a later target date was agreed. However, subsequent chasing on a response to this revised target date had yielded no response.

Where officers had not completed the recommendation in line with the original target date, they were now being asked for a new date by which the agreed action would be completed. If this was not met, this would be flagged separately in future reports to Audit & Standards Scrutiny Committee (with, as per usual protocol, the option of Members asking the officers to attend to explain the lack of progress).

Revised target dates had been provided for three recommendations. Two of these related to the Statutory Monitoring Functions audit where the original target dates were not achievable due to the sickness absence of one relevant member of staff along with a period of maternity leave for another. The other related to the Leaseholder Service Charges audit where input was required from Legal Services.

A response to one further recommendation suggested that the action could now be undertaken, following the appointment to the relevant post. However, no revised target date had been provided setting out when this would actually be completed.

Members were reminded that they could see any files produced by Internal Audit that might help to confirm the level of internal control of a service, function or activity that had been audited or that helped to verify the performance of Internal Audit.

Members expressed their disappointment that some of the reports had not been completed. Concerns were over Housing repairs and maintenance; Councillor Boad cited some examples of poor service and things that were promised and not delivered.

The Democratic Services Manager & Deputy Monitoring Officer suggested that the Committee could not only request the information from Housing and maintenance, but could express their disappointment and ask why they had not been given a response. He suggested drafting some words to the Chief Executive and Head of Service citing these concerns, when the information should have been received by and why this information was late. This correspondence was attached as an appendix to these minutes.

In response to questions from Members regarding maintenance contracts with Council Housing, the Audit & Risk Manager stated he would provide further information following the meeting; he did not think an audit of

these contracts had taken place in the last six months, but he would provide a timeline of the chasing action, and had a trail of prompts he had sent over the last few months.

Members also wished to note that the IT audits had not been completed.

In response to a question from Members, the Democratic Services Manager & Deputy Monitoring Officer advised that there was a piece of work going on to organise training for Members of the Licensing & Regulatory Committee, and this training would then be reviewed as a potential induction process for Councillors following next year's election.

The Committee raised a concern that there seemed to be a thread running through the report that forms were not filled in/information was not recorded and asked if there was a wider issue regarding data collection which needed addressing.

Resolved that

- (1) the report and appendices, be noted; and
- (2) the Democratic Services Manager & Deputy Monitoring Officer writes to the Head of Service and Chief Executive regarding the lack of response on the audit action for the housing investment and maintenance programme (the correspondence of which is attached as appendix 2 to these minutes).

7. Internal Audit Annual Report 2021/22

The Committee considered a report from Finance. Forming part of the evidence for the Annual Governance Statement, the Internal Audit Annual Report presented a summary of the internal work undertaken during 2021/22 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 2022 as part of its consideration and approval of the Annual Governance Statement 2021/22. 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 can be used by the organisation to inform its governance statement."

In response to questions from Members, the Audit & Risk Manager clarified that if an issue was relatively significant it would lead to a recommendation, whereas if it was just picked up through an audit and should be at the manager's discretion to investigate, it would be reported as advisory and would be at the Head of Service's discretion on how to action the suggestion

Resolved that the report and appendix, be noted as part of the consideration of the Annual Governance Statement 2021/22

8. **Annual Governance Statement 2020/21 Action Plan: Review of Progress**

The Committee considered a report from Finance which reviewed the progress being made in addressing the 'Significant Governance Issues' facing the Council as set out in its Annual Governance Statement 2020/21. The appendix accompanying the report detailed the progress in addressing the Significant Governance Issues.

The governance issues facing the Council had been identified from production of the statutory Annual Governance Statement and were summarised in the Action Plan element of the Annual Governance Statement for 2020/21.

The appendix accompanying the report set out the progress in addressing those issues. Progress was reported by the officers leading on them and had been endorsed by the WDC members of the Joint Management Team at a recent meeting.

The report detailed the progress that was being made in addressing the 'Significant Governance Issues' facing the Council as set out in its Annual Governance Statement 2020/21. 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 were being addressed.

In response to questions from Members, the Democratic Services Manager & Deputy Monitoring Officer advised that:

- There were individual service risk registers within each service area, but if risks were found as appropriate they would be scaled up to the Significant Business Risk Register. As a result of the interim management structure, the service area plan covered the new waste collection service, so those performance measures were contained within the service area plans coming to Cabinet in due course. He was working with Councillors Kohler, Cullinan and Jacques to make the information more accessible so it could be scrutinised.
- Regarding the business continuity model, there was a question whether that had been updated to reflect staff working from home, but if that had been completed then there would be no need to look at it again. However, the performance management issue and providing that data to Members still needed to be addressed.

Resolved that the progress being made in addressing the Significant Governance Issues pertaining to the Annual Governance Statement 2020/21, be noted.

9. **Annual Governance Statement 2021/22**

The Committee considered a report from Finance which set out the Council's Annual Governance Statement for 2021/22 describing the governance arrangements that were in place during the financial year. The Statement would accompany the Council's Statement of Accounts.

The Council's Annual Governance Statement for 2021/22 was a statutory document that described the governance arrangements in place during the financial year and which accompanied the financial statements. The Committee was required to consider the Annual Governance Statement and, if satisfied, approve it.

Members felt that as staff morale had been impacted adversely as a result of the merger process, and though the report said a strategy was required to improve staff morale, they would be happier if this was under development.

The Democratic Services Manager & Deputy Monitoring Officer advised that the Senior Leadership Team was considering a paper on this and there had been discussions with senior Members about what that would look like moving forward. In respect of training for Members, he had identified training from the Chartered Institute of Public Finance and Accountancy (CIPFA) for the whole Committee, and the feedback on that training would be built into the training for the new Council next year. There would also be training for Overview & Scrutiny Committee who had taken on a wider remit. In terms of performance management, a working group had been set up with Councillors Cullinan, Kohler and Jacques, and the plan was to also take this to the Transformation PAB.

The Audit & Risk Manager clarified that the progress in achieving the significant governance issues set out in the Annual Governance Statement would be reported back to the Committee every quarter.

Resolved that

- (1) the Warwick District Council Annual Governance Statement for 2021/22 as set out at Appendix A to the report, be approved; and
- (2) the plans to address the significant governance issues are communicated to Councillors at the earliest opportunity.

10. Community Governance Review – Burton Green

The Committee considered a report from Democratic Services which brought forward a request from Burton Green Parish Council to review the number of Councillors it had representing the two Wards of the Council.

Under the Local Government and Public Involvement in Health Act 2007 Warwick District Council was responsible for undertaking Community Governance Reviews.

Burton Green Parish Council had formally requested Warwick District Council carry out a Community Governance Review to undertake a change to the number of Councillors that represented each Burton Green Parish Council Ward. A map illustrating the current Parish Boundary and Parish Wards was attached at Appendix 2 to the report.

Burton Green Parish Council was allocated seven Councillors for the Burton Green ward, and four Councillors for the Warwick University ward.

There were 902 registered electors for Burton Green Ward and 732 for the University Ward.

The number of electors within the University Ward fluctuated during the year as the majority of the electors were students and could be as low as 100 at certain times.

The number of electors in the Burton Green Ward was due to increase significantly in the next couple of years as the development grew along Westwood Heath Road, with outline planning permission for 425 homes and 129 under construction.

Burton Green Parish Council felt that a Councillor ratio of nine Councillors for the Burton Green Ward and two Councillors for the University Ward would be more reflective of the electorate numbers in the Parish ongoing. In both the 2015 and 2019 Elections to Burton Green Parish Council, three of the four seats in the University Ward were not filled (i.e. there was only one person nominated for election). At the time of the report, there were three vacancies on the Parish Council all within the University Ward.

The Audit & Standards Committee should have been aware that there were also vacancies in the Burton Green ward after the elections in both 2015 and 2019 but the Council was able to successfully co-opt to them and there were currently no vacancies in that ward.

Officers considered that the request was a reasonable one and could be completed in good time before 1 April 2023 to enable elections to take place on 4 May 2023.

The guidance for undertaking was available online and would be followed by officers for delivering the review, if the Committee supported it. Following the guidance, officers would advertise the proposal within the local press but would also write directly to Burton Green Parish Council, Warwickshire County Council, all elected representatives for that area as well as both Warwick University and the student association for the University.

In terms of alternative options, officers considered the potential for moving the Ward Boundary to run along Bockendon Road or the use of HS2 as a Boundary rather than its current alignment along a bridleway. These were considered with a view to creating a balance of electors within the Wards and create more opportunity for candidates for election. Neither of these provided a significant increase in elector numbers within the University Ward and could also be considered one of not reflecting the community. Further consideration of this could be made as the development around the village took place, most notably HS2, the proposed relief road and the potential for further development along Westwood Heath Road as identified within the Local Plan Policy DS(20).

In response to questions from Members, the Democratic Services Manager and Deputy Monitoring Officer advised that:

- The Parish Council's judgement was based upon the electorate – the numbers did drop with term times, sometimes to as low as 100, and there was a history of not being able to recruit candidates to stand for election.

- There was an option that Members could look at the potential of Burton Green becoming a single ward, and indeed that might be one of the suggestions that came back from the public consultation.

The Committee felt that there was logic to Burton Green having a single ward. The Democratic Services Manager & Deputy Monitoring Officer advised that Members were approving the terms of reference and if they were minded they could provide an alternative proposal, for example that the two wards could be merged in to one ward. Members could delegate authority to the Democratic Services Manager & Deputy Monitoring Officer to finalise the terms of reference in consultation with the Chairman of the Committee, but the Committee could go back to Burton Green to say they felt it was more appropriate to have a single ward with 11 Councillors and ask if they were agreeable and therefore take the community governance review on that basis. If Burton Green was not agreeable, he could then go with the original terms of reference and see how the public responded.

Resolved that

- (1) authority be delegated to the Democratic Services Manager & Deputy Monitoring Officer to finalise the terms of reference in consultation with Burton Green Parish Council and the Chairman of the Committee; and
- (2) authority be delegated to the Deputy Chief Executive & Monitoring Officer to undertake the review and implement the recommendations, so long as there are no objections to the proposals.

(The meeting ended at 7.33pm)

CHAIR
30 August 2022

Questions in respect of auditing of Milverton Homes, specifically its accounts.

1. will get to see the full accounts of Milverton Homes along with any audit report on them

Response:

In accordance with the Shareholders Agreement, the Company will provide the Council with a full copy of the Audited Statutory Accounts. These will also be consolidated into the Council's Accounts due to Milverton Homes Limited being a wholly owned subsidiary of the Council. Ahead of filing with Companies House the shareholders will be invited to an Annual General Meeting where the Accounts will be shared.

As set out in the Committee papers at the time that the company was formed, the scrutiny function of the Council has the ability to call in Milverton Homes to provide further detail.

By way of assurance, Milverton Homes has appointed an independent auditor who is qualified to interrogate the financial transactions and financial position of the company and provide figures and findings to the Council's auditor.

2. if these will be summary or full accounts

Full Audited Statutory Accounts will be provided to the Council.

3. if this will be prior to or after they are submitted to companies house

They will be made available to the Council prior to submission to Companies House.

4. if they will when will this likely to be

Subject to everything running to plan, we are aiming to submit the Accounts to the Council in August.

5. if they won't why won't they

Dear Chief Executive & Head of Housing,

I have been asked to write to you on behalf of the Audit & Standards Committee following their meeting last night.

As part of the papers they considered the management responses to audits that have been undertaken and all bar one included a response. While the Committee recognised the demand on officers' time over recent months, they were concerned that a management response was outstanding in respect of a recommendation from the Housing Investment & Maintenance Programme. They were specifically concerned with this because of the area of work this involved and the vital work this is for housing stock and tenants.

The Committee understands that this had been raised with the Service on numerous dates (these can be provided if necessary) – including at Senior Leadership Team recently.

At their meeting, the Committee requested that a response to this be provided by Friday 24 June 2022 (to the Audit & Risk Manager) along with an explanation as to why this response had not been received earlier. The Audit & Risk Manager was asked to share this response with the Committee (and its substitute members from its meeting) so they can have assurance this work is now in progress.

Since the meeting it has been revealed that a response was received at 4:30 pm yesterday (the day of the meeting). The response, although expansive, shows that the recommendation is still to be addressed and this has been reported to Committee (and substitutes who were present) earlier today.

This said it is still considered appropriate for the to provide the explanation of why there was a delay in responding to the recommendation.

Regards

Graham Leach

Democratic Services Manager and
Deputy Monitoring Officer

Response from Head of Service:

Dear Committee,

I write on behalf of the Assets and Housing Services having considered carefully your email and having had the opportunity to look into the matters you raise.

Firstly, we would like to offer our apologies for this oversight which we believe is a rare occurrence for our officers who strive to deliver the best possible level of service possible. The Officer concerned has asked me to also include her personal apologies in not responding within the required timeframe. She has undertaken to award more priority to this area of work in future.

It would appear that there has been some confusion with the recommendation and with the officers who are named as being responsible for delivery of that outcome. This led to that officer not responding in a timely fashion whilst in the background attempting to seek a resolve. We accept that there are lessons to be learned from this incident.

We have focused our minds on a solution to this and acted immediately by proposing a revised response to the actions required, confirmed who the responsible officers are and have provided details of a timeline for completion of the action.

Mr Partner, Head of Assets and myself have also undertaken to raise the importance of providing updates in a timely fashion with our management teams.

I trust that this provides an adequate resolution to the matter and provides assurance that the recommendations of our Internal Audit function are treated seriously.

Kind regards
Lisa Barker
Head of Housing