

# Audit & Standards Committee

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

**Present:** Councillor Hales (Chair), and Councillors Aizlewood, Day, Dray, K Dickson, R Dickson, Falp, Gorman, D Harrison, Rosu, Syson, and Yellapragada.

**Also Present:**

Independent Person: Ms Pyke

Portfolio Holder for Resources: Councillor Chilvers

Portfolio Holder for Transformation: Councillor J Harrison

Parish/Town Council Representatives: Councillor Franklin and Councillor Marsh

**Officers:** Ian Davy (Audit & Risk Manager), Graham Leach (Head of Governance and Monitoring Officer), Steven Leathley (Strategic Finance Manager) and Richard Wilson (Principal Accountant).

At the start of the meeting the Chair of the Committee reminded the Committee of the pre-meeting questions and answers on reports before the Committee that had been circulated and were available online.

## 14. Apologies and Substitutes

- a) apologies for absence were received from Councillor Browne and Independent Person Ray Tomkinson; and
- b) Councillor Day substituted for Councillor Phillips and Councillor D Harrison substituted for Councillor Cron.

## 15. Declarations of Interest

There were no declarations of interest made.

## 16. Minutes

The minutes of the meeting held on 12 June 2024 were taken as read and signed by the Chairman as a correct record.

## 17. Statement of Accounts 2021/22 and 2022/23 update

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.

An update on the positions of the 2021/22 and 2022/23 audits was last presented to the A&S Committee on 12 June 2024. Since that meeting, it was agreed that Grant Thornton (GT) would come onsite and meet with staff from the accountancy team to review working papers aligned to some of their outstanding requests.

GT had been on site on 6 August 2024 and working through a number of these aspects, mainly linked to Property, Plant and Equipment (PPE) and Assets. It was agreed that a follow up meeting would take place on 20

August, to give GT time to review the provided working papers and updated responses.

It was at this meeting that an expected decision on whether GT believed that the 2021/22 audit could be completed without significant resourcing and an unqualified opinion be given, or whether a qualified opinion aligned to the backstop date was likely.

It should be noted that at the last Audit and Standards Committee meeting, it was reported that as part of clearing the backlog of historical audit opinions up to and including financial year 2022/23, the government was working to introduce a backstop date of 30 September 2024 by which all local bodies would publish audited accounts. These would be given either a qualified or disclaimed opinion.

However, due to the General Election on 4 July 2024, the Chartered Institute of Public Finance and Accountancy (CIPFA), which developed the Code of Practice on Local Authority Accounting for the United Kingdom, could not proceed with the backstop legislation until a new Parliament was formed.

On 30 July 2024, the Minister of State for Housing, Communities, and Local Government, sent a letter outlining updated details of action to tackle the local audit backlog in England.

This set out the intention to lay secondary legislation to provide for an initial backstop date of 13 December 2024 for financial years (FYs) up to and including 2022/23 and five subsequent backstop dates:

<b>Financial Year</b>	<b>Backstop date</b>
2023/24	28 February 2025
2024/25	27 February 2026
2025/26	31 January 2027
2026/27	30 November 2027
2027/28	30 November 2028

Subject to parliamentary approval, for financial years 2024/25 to 2027/28, the date by which local bodies should publish 'draft' (unaudited) accounts would change from 31 May to 30 June following the financial year to which they relate. This would give more time at the preparation stage to ensure an increased likelihood that high-quality draft accounts could be published within the deadline and reduce pressure on already stretched Council staffing resources.

These actions were welcome and offered some assurance that such similar scenarios as those impacting the local audit sector were avoided. By having backstop dates limited to six months after the end of the financial year, impacted upon the following years audits and publications would be more controlled.

The Auditors Annual Report attached as Appendix 1 to the report provided a commentary from the Auditors on the Council's arrangements in securing economy, efficiency and effectiveness in its use of resources. This was achieved through Value for Money Assessments, from which recommendations were provided on the financial sustainability of the

Council, its governance arrangements, and its arrangements for improving economy, efficiency, and effectiveness.

11 recommendations were reported, alongside management responses collated by the Section 151 officer.

It should be noted that due to the Value for Money (VFM) report being linked to 2021/22 and 2022/23, some of the recommendations had subsequently been addressed. These included recent changes to the Council's approach to risk, an updated Corporate Strategy being approved in November 2023, and robust governance processes supporting the delivery of the Change Programme.

Given the challenges raised throughout the audit process since 2022, several changes to processes had been made to ensure that the Council did not face similar issues with future audits, as it continued work with the new audit partners Azets for 2023/24. Some of this work was taking place with external providers, such as pensions, valuation, and finance system providers to ensure the data prepared on the Council's 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 at the last Audit and Standards Committee set out how the 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.

Representatives from Grant Thornton, auditors for the 2021/22 and 2022/23 accounts, were present to outline the progress on the closure of accounts and also the Value for Money Report for those accounts that was appended to the report. They highlighted that this was a new format report which was required under the revised regulations required for the 2021/22 accounts onwards.

An addendum to the report was circulated after the publication of the agenda providing a further update on the timeline for the closure of the accounts for 2021/22 and 2022/23.

In response to questions from Members, it was explained that:

- a pragmatic decision had been taken to not validate the assets register for 2021/22 and 2022/23 to enable these accounts to be closed in time for the backstop date;
- the asset register would be audited as part of the 2023/24 accounts with the new external auditor taking over from Grant Thornton;
- at the time of the 2021/22 Accounts, there were a number of challenges for resources within the Finance Team, these had now been resolved and officers were confident they would achieve the deadlines for the accounts in future;

- it was accepted there had also been resourcing challenges for Grant Thornton and this had also led to delays in the external audit work;
- training on finance was a fundamental training for all Councillors and there would be continued training and briefings provided for Councillors;
- training attendance records for Councillors would be shared with Group Leaders for their reference;
- there was a review of the role of Asset Compliance Committee with the potential for this to have a wider remit including looking at more detailed work on the Housing Revenue Account; and
- the minutes of the Change Programme and Programme Board would be shared with all Councillors in confidence.

Members of the Committee had concerns regarding the assurance of the accounts if the asset register had not been audited and the perception this might create for the public. Therefore, they were of the view that a press release should be issued to provide clarification and assurance on this matter.

The Committee were also of the view that Group Leaders should be aware of the training attendance records of their Group Members so that they could assess performance each quarter.

The Committee also recognised the significant work being undertaken by officers to ensure the accounts were to be completed on time and thanked them for this.

**Resolved** that the

- (1) positions of the 2021/22 and 2022/23 audits, and the ongoing plan to resolve their outstanding positions, be noted; and
- (2) provisional Auditors Annual Report for 2021/22 and 2022/23, providing Grant Thorntons Value for Money (VFM) assessment and key recommendations regarding the Councils arrangements for securing economy, efficiency and effectiveness in its use of resources, be noted.

**18. Treasury Management Activity Report for period 1 October 2023 to 31 March 2024**

The Committee considered a report from Finance which detailed the Council's Treasury Management performance for the period 1 October 2023 to 31 March 2024.

Core re-investments were kept short to take advantage of the changes in interest rates, and these outperformed the benchmark. Money Market Funds (MMFs) and Call Accounts were used for every day cashflow purposes. The MMFs outperformed and the Call Accounts underperformed against the benchmark.

The overall performance was above the benchmark.

The Council's 2023/24 Treasury Management Strategy and Treasury Management Practices (TMP's) required the performance of the Treasury Management Function to be reported to Members on a quarterly basis in accordance with the Treasury Management Code of Practice.

**Resolved** that the report be noted.

19. **Risk Management Policy and Significant Risk Register**

The Committee considered a report from the Audit and Risk Manager which considered how the Council identified, assessed, and managed risk. Risk could be both negative (a threat) and positive (an opportunity).

The purpose of the report was for Audit and Standards to endorse the new Risk Management Policy, which had recently been approved by Cabinet; to note the draft Risk Management Action Plan; and to review to the updated Significant Risk Register (SRR).

The purpose of the risk management policy was to set out the framework, which would be used to underpin risk throughout the organisation. The Risk Management Action Plan had been drawn up to support the implementation of the revised framework.

The purpose of the SRR was as a management tool used to identify and assess significant and strategic risks that could affect the Council achieving its objectives.

Effective risk management contributed to the Council's Corporate Governance arrangements by ensuring that there were effective management and internal control systems in place to support decision making.

The Council's existing risk management framework was due for review and the new Policy set out the basis for how risk management would be taken forward. A risk management policy was a critically important document as it contributed to the corporate governance arrangements of the Council. The 2023 Local Government Association Corporate Peer Challenge (CPC) also made recommendations that there would be benefit of increasing the robustness of the Council's approach to risk management. The CPC report references risk management in Recommendations 3, 6 and 7 of their findings.

The Risk Management Policy, as approved by Cabinet on 10 July 2024 was attached as Appendix 1 to the report. A previous draft of this policy had been circulated to members of this Committee for consultation.

It was anticipated that, in the future, the review and approval of the Policy would be aligned with the reporting of the Annual Governance Statement. To support the implementation of the new Policy and the framework set out within it, an action plan had been drafted and was attached as Appendix 2 to the report. Included within this action plan was the

completion of a risk maturity assessment, which would help the Council determine the level of risk management maturity against a set of criteria. The timescale for this was set at two years to allow for the new framework to become embedded within the organisation.

As part of the review of risk management, a new interim SRR template had also been developed following Officer and Member feedback. It had moved away from themes to capturing specific significant and strategic risks and asks for more information to be provided for each risk assessed. The SRR was set out in Appendix 3 to the report and the confidential SRR in Appendix 4 to the report. As set out in the Policy, Audit and Standards Committee would get a quarterly report on the SRR in order for them to be able to monitor changes and note the progress against the actions set out within it.

No other options had been considered, as the Council should have a risk management policy and strategic risk register as part of its corporate governance arrangements.

Moving the SRR from MS Word to MS Excel was an improvement but not the end game. Longer term, there were better technology solutions that would be considered, with the review of these solutions being included in the action plan referred to above.

In response to questions from the Committee, it was explained that:

- reputational risk would be considered through decision making processes and mitigations put in place through, as examples, performance monitoring, audits and good governance. Therefore, reputational risk was unlikely to be identified as specific risk on the Significant Risk Register;
- on consideration of accumulated risk of demand, this would be considered in the regular reviews of risk registers, both for projects and individual service areas. This came down to the risk appetite of the Council and would be built into decision making for each project the Council undertook;
- clarity on issues and how the handling and review of these could become a risk, would be feedback to the Senior Leadership Team for consideration; and
- the Audit and Risk Manager had been involved with the Project Management Community of Practice and would be involved in early stages of project development to help evaluate risk.

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

## 20. **Internal Audit Progress Report: Quarter 1 2024/25**

The Committee considered a report from the Audit and Risk Manager which advised on progress in achieving the Internal Audit Plan 2024/25, and summarised the audit work completed in the first quarter.

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

- the target completion dates for recommendations in Quarter 2 would be followed up at the end of their respective month and then reported as part of the Quarter 2 report to this Committee, either later this year or early in January 2025;
- the review of policies in respect of the Microsoft 365 was underway and a time scale for review was not included as the policies had different time periods for review;
- training records for officers were retained within the Council's HR system;
- there were measures in place for aids and adaptations previously but not one looked at overall length of time; and
- while there were 12 recommendations with revised completion deadlines, this was considered acceptable with officers adjusting the timescales, following the previous request by the Committee to ensure they were realistic, and this review was now being reported to Committee.

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

## 21. **Cyber Security Internal Audit Report 2022/23**

The Committee considered a report from the Audit and Risk Manager which provided an update on the completion of the delayed 2022/23 Cyber Security internal audit report, undertaken by TIAA.

As reported in the Quarter 1 2024/25 Internal Audit Progress Report earlier in the agenda, the Cyber Security audit, carried forward from 2022/23 was still in draft form at the end of Quarter 1 and that the Audit and Standards Committee would be kept informed of progress in respect of this audit until it was completed.

The report had subsequently been finalised and it was decided that, due to the amount of time that this audit had been outstanding, and the level of risk associated with cyber security, it should be reported to Audit and Standards Committee at the earliest opportunity, rather than waiting for it to be covered as part of the Quarter 2 progress report.

In terms of alternative options, the report could have been covered as part of the Quarter 2 progress report as would normally be the case, but this option was discounted due to the reasons set out above.

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

## 22. **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.

23. **Confidential Appendix to Item 8 – Cyber Security Internal Audit Report**

The confidential appendix was considered by the Committee. While this was considered in confidence, it was considered that the following points were ones that could be reported in public.

In response to questions from the Committee it was agreed that officers would

- (a) provide a further update on the Audit and planned audits on this area of work to the January 2025 meeting; and
- (b) review how the Council could publicly demonstrate the work to audit and provide assurance on the Council's Cyber Security arrangements, when the report and debate was confidential.

24. **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 were informed that there was likely to be an additional meeting of the Committee later this year to enable the closure of accounts. This was due to be discussed with the Chair of the Committee in late September.

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

(The meeting ended at 7.26pm)

CHAIRMAN  
12 December 2024