

Minutes of the Audit and Standards Committee Meeting held on 19 March 2024

Present: Mike Worthington (Chair)

Attendance	
Carolyn Trowbridge (Vice-Chair)	Bernard Peters
Philippa Haden	Janice Silvester-Hall
Phil Hewitt	Keith Flunder
Graham Hutton	Richard Cox

Apologies: Bernard Williams, James Salisbury, Arshad Afsar, Derrick Huckfield and Stephen Sweeney

Part One

57. Declarations of Interest

There were no declarations of interest raised on this occasion.

58. Minutes of the Meeting held on 20 February 2024

Resolved – That the minutes of the meeting held on 20 February 2024 be agreed and signed by the Chair.

59. External Audit Situation - Outstanding Accounts / Future Arrangements Consultation

The Committee received a verbal update from the Director of Finance on the External Audit situation, focusing on the outstanding accounts to 2022/23, and the consultation regarding future arrangements.

A consultation had been issued by the Department for Levelling Up, Housing and Communities (DLUC) which closed at the beginning of March 2024. The outcome of the consultation was yet to be published. The proposal outlined three phases to address the audit backlog nationally. Phase 1 was a reset where outstanding audits up to the financial year 2022/23 were addressed. Phase 2 was a recovery phase where current and future years, progress would be made on timeliness of audits. Phase 3 was a reform where changes would be made to address systemic challenges in the audit system.

Phase 1 would address the outstanding accounts for 2021/22 and 2022/23, signing these off by the backstop date of the 30th September 2024. These would be signed off by disclaimer opinions, issued by the

external auditors, however, no set wording had yet been agreed.

Work would still need to be done on the value for money conclusion and an Annual Audit Report for both years would need to be brought to the Committee. The backstop date applied to both of these aspects as well.

New external auditors would be part of the recovery phase and backstop dates had been proposed, over a period of four years, to enable audits to be completed in a timelier manner, with the audit for the 2026/27 accounts completed by the 30th November under normal timescales.

A risk was highlighted to the Committee in that the draft accounts for 2021/22 and 2022/23 would not be thoroughly audited as per previous years and therefore it would be possible that errors would be contained within the account.

The Committee noted a further consultation underway from CIPFA on the Code of Practice, comprising of a few minor and technical changes and simplifying the measurement of property, plans and equipment and using a specified indexation for those not valued by qualified valuers and reduced disclosures for pensions reporting. This would reduce the workload in preparing the accounts and in turn the auditors. This is proposed to exist for 2023/24 and 2024/25 accounts to aid the recovery of audits.

Members supported the arrangements for the outstanding accounts but noted the capacity issues of external auditors to take on the work of future accounts.

Members further queried the disclaimer opinions for outstanding audits and noted the risk associated with these, raising in particular the use of previous audits and errors identified to better inform quality checking of the outstanding accounts. In addition, clarification was sought on whether the disclaimer opinions changed the legal basis for the Council and responsibilities for completing the audits to the standards required.

In response, it was clarified that, should the consultation and proposal be accepted, a change in legislation would be made to allow for disclaimer opinions to be officially recognised. The Director of Finance would still be able to sign off accounts and certify that in their opinion, they demonstrated a true and fair view of the financial situation of the County Council, and had the same legal standing as an unqualified opinion.

Resolved – that the update be noted.

60. Introduction of the new External Auditor for the 2023/2024 Financial Statements - KPMG

The Committee received a verbal report from Richard Lee, the External Auditor from KPMG. The update provided an introduction to the new external auditors and the team who would be working on both the County Council and Pension Fund accounts from the 2023/24 period onwards.

Richard provided background into the organisation and the Committee noted the arrangements of KPMG and the team heading up the audits moving forward.

The concern of capacity was addressed, and assurance was provided that sufficient capacity was available, and the decision to re-enter the market had been scrutinised to ensure that KPMG was well-equipped to deliver the work.

It was noted by the Committee that the external auditors would be responsible for signing off the financial statements of the authority, along with issuing a full-scale value for money commentary (previously known as a conclusion) which covered the arrangements around financial sustainability, governance and economy, efficiency and effectiveness in the use of resources.

In terms of the process to date, KPMG had been working with officers throughout the Council and the Committee to get to know responsible people in the authority and develop their understanding of systems and processes. It was confirmed that an Audit Plan would be brought through to the next Committee which was expected to cover the work to date on financial statements of the authority and Pension Fund, including the value for money risk assessment.

Following this, work would move into year-end testing in July 2024 with a view to reporting as soon as possible following that work. It was clarified that this would be a full audit.

The Committee noted that disclaimed/modified opinions for the next three audits would be likely due to not receiving the relevant assurances from the previous external auditors and subsequent impact from the backstop, however, timely reporting and sign off of accounts would be in place.

Next steps were outlined to the Committee, which included bringing the audit plan which would set out the audit risks with a focus on judgemental aspects and statutory risk areas. Attention would then turn to the year-end position.

Members queried whether any demonstrable milestones had been identified to reflect on the smooth transition between external auditors. In response, it was noted that the Audit Plan would strive to satisfy the point made, and whilst the previous external auditors had not been engaged with directly, KPMG had been working closely with the finance team to drive understanding.

Members sought confidence that the work being undertaken was within scope of the fees set. It was clarified that the fees were set by the Public Sector Audit Appointments (PSAA) and made available online. Those fees did not include the audit impact of the implementation of an audit standard (ISA315) which would be on top of the scale fee, which all local authorities would experience. Any variations to scope, such as emerging issues which required specific audit focus, would have financial implications. Any elector challenge would also incur a fee.

It was explained that the previous external auditors, EY, were responsible for all reporting to March 2023. KPMG would be responsible from 1st April 2023 to end of March 2024, and whilst they were separate reporting periods, consideration would be given to their findings on value for money. As part of the transition period, it was expected that the work undertaken by the previous auditors would be reviewed.

Members queried if the previous external auditors would be providing an audit plan for the outstanding accounts. In response, the backstop date was identified as a point of 'drawing a line in the sand' for the reporting period up to 31st March 2023, with an audit plan being issued by KPMG for the next reporting period.

Resolved – that the update be noted.

61. Review of the Effectiveness of the Audit and Standards Committee - 2024 Training Schedule

The Committee received a report from the Director of Finance on a review of the effectiveness of the Audit and Standards Committee, specifically noting a programme of refresher training, in response to the self-assessment exercise performed by Members against the CIPFA Audit Committee Members Knowledge and Skills Framework.

The Committee were reminded of the purpose of an audit committee and the importance of Members being supported in their role on the Committee by receiving the appropriate level of training, tailored to their individual needs.

Following the self-assessment workshop in 2023, a detailed training programme had been developed and three workshops would be arranged to deliver the requested training. It was anticipated that each session would last approximately three hours maximum. Members noted the topics that the sessions would cover under paragraph 5 in the report.

Consideration would also be given to a digital offering of the training materials moving forward.

Members of the Committee welcomed the proposals.

Resolved – that the format and programme of refresher training outlined, in response to the self-assessment exercise performed by Members against the CIPFA Audit Committee Members knowledge and skills framework, be adopted.

62. Forward Plan for the Audit and Standards Committee

The Committee noted the Forward Plan for the Audit and Standards Committee, highlighting items on future agendas.

Resolved – that the Forward Plan for the Audit and Standards Committee be noted.

63. Exclusion of the Public

Resolved - That the public be excluded from the meeting for the following items of business which involve the likely disclosure of exempt information as defined in the paragraphs of Part 1 of Schedule 12A (as amended) of the Local Government Act 1972 as indicated below.

64. Exempt Minutes of the Meeting held on 20 February 2024

65. Infrastructure+ Asset Data Management - Further Progress Report on the Implementation of Internal Audit Recommendations

66. SEND Transformation Update

67. Children's Disability Services - Limited Assurance Report

Chair